

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 777

PRINTER NO. 4342

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

April 27, 2020

PRIME SPONSOR

Representative Klunk

DESCRIPTION

House Bill 777 amends the act of December 19, 1988 (P.L.1262, No.156), known as the Local Option Small Games of Chance Act, by making changes to club licensee reporting requirements and the distribution of proceeds from games of chance.

House Bill 777 adds a new subsection (c) to section 502 (relating to distribution of proceeds) with regard to disaster emergencies. The legislation provides that beginning with the 2020 calendar year, a club licensee may utilize the 60% of proceeds normally paid for public interest purposes for operating expenses. The temporary redirection of proceeds is authorized for a period of one year after either of the following are terminated by executive order, proclamation or operation of law, whichever is later:

1. The proclamation of disaster emergency issued by the Governor on March 6, 2020, published at 50 Pa.B. 1644 (March 21, 2020); or
2. A declaration of disaster emergency related to the novel coronavirus known as "COVID-19" that is issued after March 6, 2020.

Under current law, the proceeds from games of chance received by a club licensee are distributed as follows:

1. No less than 60% of the proceeds shall be paid for public interest purposes within one year of the end of the calendar year in which the proceeds were obtained; and
2. No more than 40% of the proceeds obtained in a calendar year may be retained by a club licensee.

House Bill 777 amends section 501 (relating to reports) so that if a club licensee utilizes proceeds for operating expenses as authorized in the legislation, the required report must include verification and itemization of those amounts.

FISCAL IMPACT:

House Bill 777 will have no fiscal impact on Commonwealth funds.

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The Local Option Small Games of Chance Act (act) currently allows clubs to offer games of chance with the intent of raising funds for non-profits, charitable and civic organizations. Under the act, a club must qualify as an exempt organization under section 501(c) or 527 of the Internal Revenue Code of 1986, and in many respects the club licensees themselves already perform similar charitable and civic duties as the organizations receiving proceeds under current law.

Allowing club licensees to temporarily retain proceeds as a means to financially survive the COVID-19 pandemic will help to ensure that these club licensees will continue their charitable missions in the future.