

Pennsylvania Gaming Control Board

FY 2016-17 Budget Request

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I. Overview/Mission Statement

The Pennsylvania Gaming Control Board requests a budget of \$40,619,000 to carry out its mission.

Mission Statement

The Pennsylvania Gaming Control Board, guided by the Gaming Act and supported by a dedicated professional staff, will protect the interest of the public by ensuring the integrity of legalized gaming through the strict enforcement of the law and regulations, the licensing of qualified individuals and entities, and fulfilling the objectives of limited gaming in the Commonwealth to deliver a significant source of revenue, assist the horse racing industry, provide broad economic opportunities and enhance tourism.

Funding for the Board supports oversight of over 26,200 slot machines and 1,135 table games operating at 12 casinos throughout the state. Last fiscal year, the gaming industry returned \$1.36 billion in tax revenue to the Commonwealth.

The Board's \$40.6 million administrative budget includes \$35.5 million for personnel and benefits and \$5.1 million for operating and fixed asset expenses. The Personnel budget supports 308 positions necessary to regulate 12 casinos statewide. Overall, the Board requests a 1.8% or \$719,000 budget increase in fiscal year 2016-17 as a result of rising personnel costs, including a 20.2% increase in pension rates to 30% of salary expenses.

Funding of the Board's personnel budget will allow staff to continue to protect the interests of the public similar to several examples of work performed during last fiscal year, including:

- Office of Enforcement Counsel – Brought enforcement actions resulting in fines of \$669,979 which were deposited into the General Fund.
- Office of Compulsive and Problem Gambling – Continued outreach of the Self-Exclusion program in Pennsylvania, which has registered over 9,345 people with gambling problems who have voluntarily requested to be excluded from gaming activities and promotions at all licensed facilities within the Commonwealth for one year, five years or a lifetime.
- Licensing - Produced more than 11,000 new and renewal credential badges for employees working for casinos, manufacturers, gaming service providers and other individuals working in the gaming industry and processed over 9,600 applications for individuals and entities seeking to work in Pennsylvania's gaming industry.
- Gaming Laboratory Operations – Reviewed 8,200 slot machine pay tables and 1,039 articles of associated equipment for legal integrity.
- Bureau of Gaming Operations – Reviewed 644 internal control amendments, 446 table game submissions and 127 slot tournament submissions.

The operating budget request is \$286,000 or 5.3% less than the prior year. The primary operating budget line items include:

Real Estate – 38% of Operating Budget

The Board's major real estate expenditures include office leases in Harrisburg for headquarters staff and a gaming laboratory, and at Conshohocken, Wilkes-Barre and Pittsburgh for Bureau of Investigation and Enforcement (BIE) staff.

Services – 26% of Operating Budget

The Services budget includes expert legal assistance for highly specialized tasks, stenography services for hearings and Board meetings, and Commonwealth interagency billings.

Other – Insurance, Subscriptions, Memberships, Printing, etc. – 16% of Operating Budget

This expenditure category includes significant expenditures for Directors and Officers insurance and database subscriptions utilized by BIE for financial and suitability investigations.

Utilities/Communications – 9% of Operating Budget

Expenditures for telecommunications encompass recurring data and phone line usage charges, access to the Commonwealth network, recurring maintenance charges and wireless services.

Travel - 7% of Operating Budget

During fiscal year 2016-17 the Board will incur travel costs for audits, background investigations, board meetings, and general oversight functions.

Source of Funding

The Board's funding includes \$34,864,000 from section 1401 escrow accounts funded by casino operators and \$5,755,000 in restricted revenue from fees for investigations, proceedings, gaming lab services, and other miscellaneous sources.

Restricted Revenue Augmentation/Executive Authorization (Non-Appropriated Funds)

The Board also requests \$2,000,000 for statutorily mandated local law enforcement grants and \$50,000 for tavern gaming investigations.

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(\$ Amounts in Thousands)

II. Summary Financial Data

	2014-15 Actual	2015-16 Available	2016-17 Budgeted
State (General) Funds Total	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other - Gaming Fund (Appropriated)	\$36,850	\$39,900	\$40,619
Administration - Gaming Control Board (SAP Fund 14987**000)	\$30,889 ⁽¹⁾	\$32,900	\$34,864
(R)General Operations (SAP Fund 16908**000)	\$5,961 ⁽²⁾	\$7,000	\$5,755
Other - Gaming Fund (Non-Appropriated)	\$1,986	\$2,100	\$2,050
Local Law Enforcement Grants (EA) (SAP Fund 29300**000)	\$1,959 ⁽³⁾	\$2,000	\$2,000
(R)Tavern Games - Investigations (SAP Fund 60363**000)	\$27	\$100	\$50
Total	\$38,836	\$42,000	\$42,669

(1) Appropriated total was \$30,990,000. Amount provided represents actual expenditures.

(2) Appropriated total was \$7,000,000. Amount provided represents actual expenditures.

(3) Appropriated total was \$2,000,000. Amount provided represents actual expenditures and encumbrances.

IIA. Requested Supplementals

The Gaming Control Board does not intend to request a supplemental appropriation for FY 2015-16.

III. Detail by Major Object

	2014-15 Actual	2015-16 Available	2016-17 Budgeted
PERSONNEL			
State Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other Funds - Gaming Fund (Appropriated)	\$32,140	\$34,530	\$35,535
Other Funds - Gaming Fund (Non-Appropriated) (Tavern Games - Investigations)	\$26	\$80	\$30
Total Personnel	\$32,166	\$34,610	\$35,565
OPERATING			
State Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other Funds - Gaming Fund (Appropriated)	\$4,520	\$5,116	\$4,830
Other Funds - Gaming Fund (Non-Appropriated) (Tavern Games - Investigations)	\$1	\$20	\$20
Total Operating	\$4,521	\$5,136	\$4,850

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III. Detail by Major Object (continued . . .)

	2014-15 Actual	2015-16 Available	2016-17 Budgeted
FIXED ASSETS			
State Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other Funds - Gaming Fund (Appropriated)	\$190	\$254	\$254
Total Fixed Assets	\$190	\$254	\$254
GRANTS AND SUBSIDIES			
State Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other Funds - Gaming Fund (Non-Appropriated) (Local Law Enforcement Grants)	\$1,959	\$2,000	\$2,000
Total Grants and Subsidies	\$1,959	\$2,000	\$2,000
TOTAL FUNDS			
State Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Other Funds - Gaming Fund (Appropriated)	\$36,850	\$39,900	\$40,619
Other Funds - Gaming Fund (Non-Appropriated)	\$1,986	\$2,100	\$2,050
Total Funds	\$38,836	\$42,000	\$42,669

IV. History of Lapses

	2013-14	2014-15	2015-16 Estimated
Amount	\$1,810	\$1,140	\$1,250

V. Complement Information

	12/31/2014	12/31/2015	2016-17 Budgeted
Total	316	310	308
Filled	311	299	299

VI. Derivation of Request / Legislative Citations

Derivation of Request:

The Fiscal Year 2016-17 budget supports a staff of 308 employees necessary to ensure the integrity of the casino gaming industry in the Commonwealth. Benefit calculations are based on a benefit rate of 72% consistent with benefit factors provided by the Governor's Budget Office.

The Operating budget includes office space for headquarters staff in Harrisburg and BIE field staff in Wilkes-Barre, Pittsburgh, and Conshohocken. Spending authority is also requested for travel costs related to investigations and the oversight of 12 casinos, PSP fingerprinting fees, investigative database research, and other cost to carry expenditures.

The Tavern Games - Investigations budget is a restricted revenue augmentation. This budget does not require a legislative appropriation. The Tavern Games budget includes costs necessary to complete tavern investigations during Fiscal Year 2016-17.

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VI. Derivation of Request / Legislative Citations (continued . . .)

Legislative Citations:
4 PA C.S. §1101, et seq. as amended.

VII. Explanation of Changes (Appropriated Funds)

	<u>Total</u>
PERSONNEL	
Personnel Cost to Carry (primarily pension increases)	\$1,005
OPERATING	
Operating Cost to Carry	(\$286)
TOTAL	<u><u>\$719</u></u>



Pennsylvania Gaming Control Board



Fiscal Year 2016-17 Budget Request

The PA Gaming Control Board ("Board") is an independent agency tasked with regulating the casino gaming industry in accordance with the Pennsylvania Race Horse Development and Gaming Act, 4 Pa.C.S. 1101et.seq.

Budget Overview



The Board's budget request for administration as recommended by the Governor is \$40,619,000 for Fiscal Year 2016-17. This represents an increase of \$719,000, or 1.8%, over the current fiscal year appropriation, and is needed to cover additional anticipated costs of nearly \$1 million due to pension rate increases.

The Board's \$40.62 million administrative budget includes \$35.5 million for personnel and benefits and \$5.08 million for operating and fixed asset expenses.

The personnel budget supports 308 positions, down from 326 positions at the end of 2011. In spite of this staff level reduction, the Board anticipates benefit costs being \$7.2 million higher compared to Fiscal Year 2010-11.

While reducing complement has played a very important role in keeping the Board's budget increases to a minimum, lean operating costs have also helped achieve this goal. In fact, the Board anticipates that operating costs for Fiscal Year 2016-17 will be at their lowest levels since Fiscal Year 2005-06.

Each year, the General Assembly appropriates the Board with spending authority via two independent funding streams. Both funding streams come from assessments or fees imposed on components of the gaming industry and are separate from the taxes paid by the casinos on slot and table game revenues. Therefore, the Board's budget does not impact the amount of tax revenue generated by gaming. That being said, the Board is very cognizant of the need to regulate strictly but efficiently, and our Fiscal Year 2016-17 budget request reflects that philosophy.

One funding stream making up 86% of the proposed budget is generated from weekly deductions from accounts established within the Treasury for each casino. These accounts are established under §1401 of the Gaming Act to fund operations of the Board as well as the casino-related bureaus within the Department of Revenue, Pennsylvania State Police and Office of Attorney General.

The second funding stream making up 14% of the proposed budget is restricted revenue, which is generated through application fees, reimbursements of the costs of the gaming lab and designated license fees that can be directly attributed to slot licensees, manufacturers or applicants.

Funding Sources



Strict, Efficient Gaming Regulation

The Fiscal Year 2016-17 budget request will continue the Board's commitment to efficiently implement strict gaming regulation. Overall, funding for the Board currently supports oversight of over 26,229 slot machines and 1,135 table games at 12 casinos throughout Pennsylvania.

Funding the Board's budget will allow staff to continue to protect the interests of the public. Here are just some examples of work performed during last fiscal year:

- The Office of Enforcement Counsel brought enforcement actions resulting in fines of \$669,979;
- The Bureau of Licensing produced over 11,984 credential badges for gaming industry employees;
- The Bureau of Gaming Lab Operations conducted 20,378 gaming device inspections and reviewed 8,200 pay tables.
- The Bureau of Gaming Operations reviewed 644 internal control amendments, 446 table game submissions and 127 slot tournament submissions;
- The Office of Compulsive and Problem Gambling continued outreach to help increase the total number of individual requests for the self-exclusion program to 9,498 (as of 2/8/16).

Tavern Gaming

In 2013, the General Assembly vested the Board with new responsibilities under the Local Option Small Games of Chance Act (Act 90).

The role of the Board under the Act is limited to conducting background investigations on applicants seeking a tavern gaming license through its Bureau of Investigations and Enforcement ("BIE"). Upon completion of background investigations, BIE transmits reports to the Pennsylvania Liquor Control Board for their consideration in determining whether to award a license.

The tavern gaming portion of the Board's budget does not require legislative approval. The Governor's Budget Office has established a restricted account dedicated to tavern gaming, which is separate from the Board's annually appropriated funds and is funded through investigative fees and costs paid by tavern gaming applicants. The Governor's budget projects level funding of \$50,000 for 2016-17.

Local Law Enforcement Grant Program

Annually, pursuant to the Gaming Act, \$2 million is transferred from the State Gaming Fund to the Board for the purpose of issuing grants under the Local Law Enforcement Grant Program. Under this Program, local law enforcement agencies may apply for grant funding which may be used to attend or conduct education and training events, defray costs associated with the investigation, prevention, deterrence or enforcement of laws related to illegal gambling, or prosecute crimes involving illegal gambling.

A maximum award of \$250,000, per year, may be sought by any single local law enforcement agency.

More information about the Local Law Enforcement Grant Program, including grant guidelines and application forms, can be found by visiting: <http://gamingcontrolboard.pa.gov/?p=48>.

Benefits for Pennsylvanians

Since the inception of legalized casino gaming, the Commonwealth has received over \$11.1 billion in revenue from taxes and license fees, and continues to collect more casino tax revenue than any other state in the country. Below are some highlights of how Pennsylvanians benefit.

Property Tax Reduction

Through 2015, over \$6.3 billion has been distributed for property tax relief, and the Governor's budget estimates that nearly \$764.5 million will be made available for property tax relief in Fiscal Year 2016-17. These amounts include funding for statewide general property tax relief, the expanded senior citizen Property Tax/Rent Rebate Program and a reduction in the Philadelphia wage tax.

Other Revenue Distributions

Through 2015:

- Nearly \$1.86 billion has benefitted the horse racing industry;
- Over \$1.2 billion has been distributed to counties and municipalities that host casinos;
- Over \$944 million has been generated for the PA Economic Development and Tourism Fund;
- \$295 million has been generated for the Volunteer Fire Company Grant Program;
- Nearly \$37 million generated for the Compulsive and Problem Gambling Treatment Fund;
- \$21 million has been generated for drug and alcohol addiction treatment;

Jobs

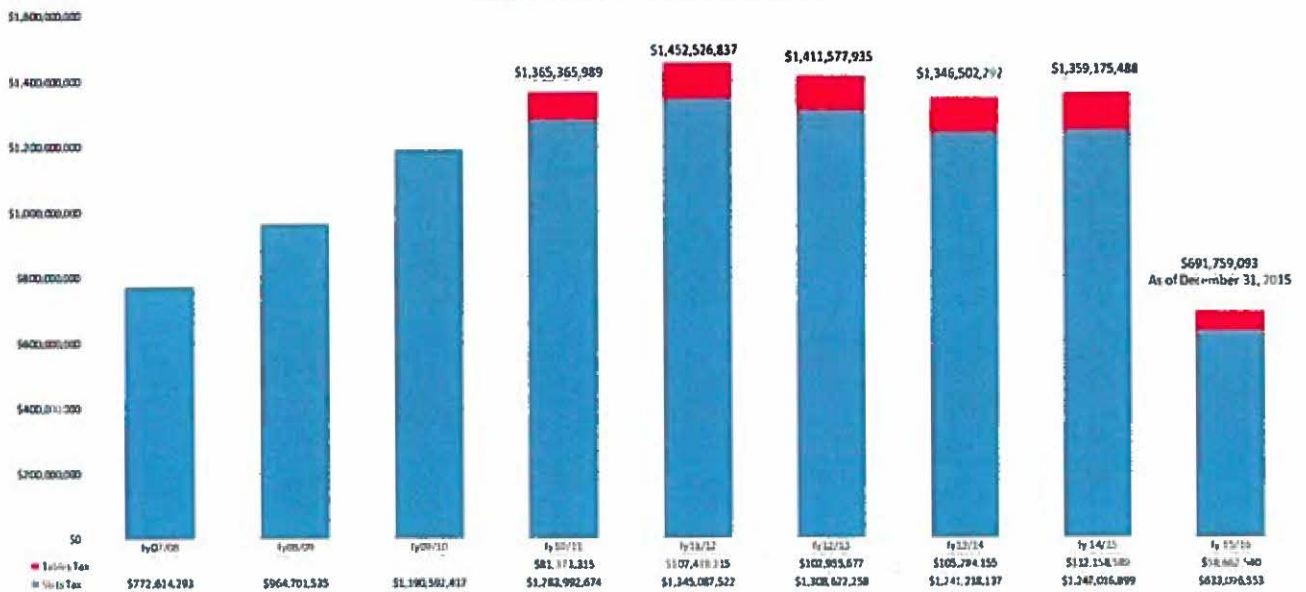
At the end of 2015, Pennsylvania casinos employed 17,288 employees. Of this number, 92% are Pennsylvania residents, while 34% are minorities.

CASINO (thru 4th Quarter 2015)	EMPLOYEES
<i>Sands Casino Resort Bethlehem</i>	2,346
<i>Mohegan Sun at Pocono Downs</i>	1,745
<i>Parx Casino</i>	2,009
<i>The Rivers Casino</i>	1,841
<i>Harrah's Philadelphia Casino and Racetrack</i>	1,409
<i>Meadows Racetrack and Casino</i>	1,334
<i>Mount Airy Casino Resort</i>	1,095
<i>Valley Forge Casino Resort</i>	1,103
<i>Hollywood Casino at Penn National Race Course</i>	1,010
<i>SugarHouse Casino</i>	1,306
<i>Presque Isle Downs and Casino</i>	827
<i>Lady Luck Casino Nemaquin</i>	1,263
Total	17,288

In addition, the casino industry has created nearly 15,100 construction jobs since the outset of gaming.

Revenue Update

Casino Gaming Tax Revenue by Fiscal Year



Casino Gaming Revenue by Fiscal Year

