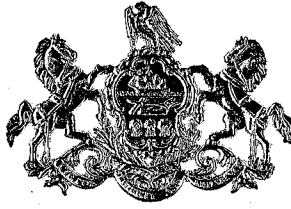


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#2596

Senate of Pennsylvania

June 20, 2007

Kim Kaufman, Executive Director
Independent Regulatory Review Commission
14th Floor, Harristown 2
333 Market Street
Harrisburg, PA 17101

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INDEPENDENT REGULATORY
REVIEW COMMISSION

**RE: IRRC No. 2596, Department of Revenue Regulation
Pennsylvania Gaming Cash Flow Management**

Dear Mr. Kaufman:

We hereby submit these comments to IRRC No. 2596, Department of Revenue Regulations, Pennsylvania Gaming Cash Flow Management, and request that you toll action on the regulation until these concerns are clarified.

First, we have concerns with the Department of Revenue and the Pennsylvania Gaming Control Board's apparent interpretation of the definition of "gross terminal revenue" in connection with this regulation. The Pennsylvania Race Horse Development and Gaming Act, Act 71 of 2004, specifically defines "gross terminal revenue", as "[t]he total cash or cash equivalent wagers received by a slot machine minus the total of:

- (1) Cash or equivalents paid out to patrons as a result of playing a slot machine which are paid to patrons either manually or paid out by the slot machine"
- (2) Cash paid to purchase annuities to fund prizes payable to patrons over a period of time as a result of playing a slot machine.
- (3) Any personal property distributed to a patron as a result of playing a slot machine. This does not include travel expenses, food, refreshments, lodging or service..."

4 Pa.C.S. §1103 .

Correspondence sent by the Pennsylvania Gaming Control Board to interested parties with respect to this regulation seems to indicate that the draw against each licensee's

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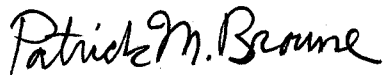
account at the rate of 1.5% of gross terminal revenue will be calculated by subtracting the amount won from wagers received, without excluding promotional play. Therefore, the Gaming Control Board seems to interpret the definition of gross terminal revenue to include the cash equivalents paid out to patrons as a result of playing a slot machine either manually or by the slot machine. This interpretation directly contradicts the specific language of the statute, as set forth above.

In addition, The Pennsylvania Gaming Control Board also indicates that, beginning in FY 07-08, the share of the Pennsylvania State Police Budget allocable to each licensed entity will be withdrawn from that entity's Section 1401 account. Although the General Assembly has not appropriated monies for gaming regulatory costs to date, the Department of Revenue and the Pennsylvania Gaming Control Board have already announced an increase on the level of draw downs from the Section 1401 deposits for the 07-08 fiscal year. Under this increase, the calculation of draw downs to Section 1401 deposit accounts will be calculated to add on the direct costs of the Pennsylvania State Police on top of the 1.5% of gross terminal revenue. If implemented in this manner, this will increase the effective tax rate and will therefore threaten the ability of Pennsylvania licensed gaming facilities to remain viable. The Pennsylvania State Police costs should be included in the 1.5% assessment rate like in the current fiscal year, and should not be treated as an add-on to that rate.

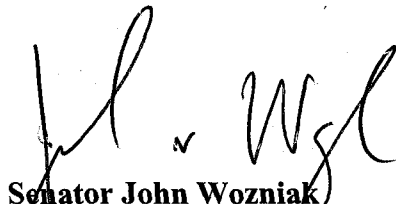
We respectfully request that the Commission postpone action on Department of Revenue regulation No. 2596 until these issues are clarified.

Thank you for your consideration of this request.

Sincerely,



Senator Patrick M. Browne
Chairman, Senate Finance Committee



Senator John Wozniak
Minority Chair, Senate Finance Committee



Senator Jane Earll
Chair, Senate Community, Economic
and Recreational Development Committee



Senator Robert Tomlinson
Chairman, Senate Consumer Protection
and Professional Licensure Committee

cc: Secretary Thomas Wolf
Department of Revenue