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March 30, 2007

Via Email & Federal Express
Mary R. Sprunk, Revenue Research Analyst
Pennsylvania Department of Revenue
Office of Chief Counsel
Fourth & Walnut Streets
10th Floor
Harrisburg, PA 17128

Re: Comments to Proposed Regulations
Title 61, Revenue, Part 9, Chapter 1001 ("Chapter 1001")
Pennsylvania Gaming Cash Flow Management

Dear Ms. Sprunk:

We represent Washington Trotting Association, Inc. ("WTA"). WTA is the holder of a Conditional Category 1 Slot Machine License pursuant to 4 Pa.C.S. § 1325 and the owner and operator of the Meadows Racetrack facility in North Strabane Township, Washington County, Pennsylvania. WTA has a direct and immediate interest in the Department of Revenue's ("DOR") proposed regulations regarding the establishment of the procedures for administration and distribution of slot machine revenues under the Pennsylvania Race Horse Development and Gaming Act (the "Act").

WTA submits this letter to the DOR to address proposed changes to Chapter 1001 that WTA believes introduce uncertainty and invite inconsistency in the allocation of the general administrative costs of the Commonwealth.

Section 1001.6(e)(3)

Under the proposed regulations, the DOR would drop the now-applicable formulaic approach to allocation of the general administrative costs of the Commonwealth among licensed gaming entities, and would substitute "the discretion of the Secretary of Revenue" for all such allocation determinations. WTA respectfully submits that no reasonable basis exists for adopting such a fluid approach to a question of such fundamental fairness.

Specifically, proposed Section 1001.6(e)(3) has been revised to delete the directive that each licensed gaming entity will share in non-specific general administrative costs "on a prorated basis, determined by dividing the amount of the individual licensed gaming entity's gross terminal revenue by the total amount of gross terminal revenue of all licensed gaming entities" and now provides that each licensed gaming entity will share in non-specific general administrative costs "at the discretion of the Secretary of Revenue". WTA notes that in its "*Explanation of Regulatory Requirements,*" DOR does not address the need to which this change responds. WTA further notes that while the change is identified as being "in accordance with Act 135," WTA is unable to find any affirmative support for this position in Act 135.

By contrast, WTA notes that the prior version of Section 1001.6(e)(3) provides a reasoned and stable approach to the allocation of general administrative costs not assessed to a specific licensed gaming entity. Such costs would be equitably pro rated on the basis of relative gross terminal revenue, so the entity who has the most revenue and arguably the most administrative cost, would pay a greater portion of the costs. While WTA is aware of the arguments that such a system may not be perfect in its allocation methodology, WTA submits that the benefits derived from the injection of certainty in the process far outweigh any negatives.

On a related note, WTA remains concerned that under the cost allocation structure recently enacted by the Board, licensed gaming entities that are open are effectively paying a portion of the general administrative costs of the Commonwealth for the benefit of licensees who have been awarded licenses, but are not yet open. The proposed regulations fail to specifically address how these costs will be divided and recouped in the future, leaving in tact the uncertainty surrounding these matters.

Section 1001.5(b)(5)(iii)

Under the proposed regulations, DOR would reduce the time within which a licensed gaming entity could provide "make-up" payments of annual minimum local share assessments from 15 "banking" days after receipt of notice from DOR to 15 calendar days after receipt of such notice. In support of this position, DOR cites "ease of administration in performing statutory obligations" in its "*Explanation of Regulatory Requirements.*" WTA respectfully suggests that this change will actually create hardship and uncertainty in the administration of the regulations.

Specifically, proposed Section 1001.5(b)(5)(iii) has been revised to delete the word banking in each of the three locations where "banking" is used to modify the word "days." While the first instance is of no particular concern, the second and third instances effectively shorten the amount of time that licensed gaming entities have to respond to a notice from DOR and make available annual minimum local share assessment "make-up" funds. WTA respectfully submits that this reduction renders unreasonably short the period of time within which licensed gaming entities can conduct reasonable levels of due diligence to confirm or contest a notice of shortfall. Additionally, as money can only be moved electronically on banking days, using banking days as a measure of when make-up funds are due ensures that no special and administratively arduous rules regarding determination of "the next banking day after the due date" will be necessary.

Thank you for considering the comments of WTA to the proposed regulations. To the extent you believe it appropriate or helpful, please do not hesitate to contact me to discuss these matters further.

Very truly yours,

Marie Jiacopello Jones

MJJ;db
cc: Arthur Coccodrilli, Chairman, IRRC
William Paulos, President
Guy Hillyer, Executive Vice President