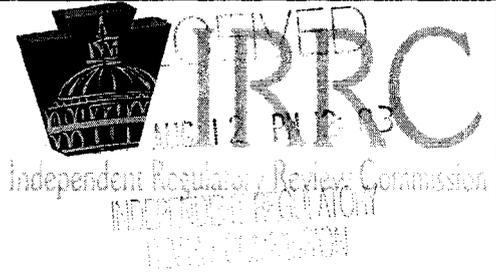


Regulatory Analysis Form

(Completed by Promulgating Agency)



SECTION I: PROFILE

(1) Agency:

Pennsylvania Gaming Control Board

(2) Agency Number:

Identification Number: 125-105

IRRC Number:

2782

(3) Short Title:

Jackpot and Credit Meter Payouts

(4) PA Code Cite:

58 Pa. Code § 465a.26.

(5) Agency Contacts (List Telephone Number, Address, Fax Number and Email Address):

Primary Contact:

Richard Sandusky
Director of Regulatory Review
Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17101-8323
Phone: 717-214-8111 / Fax: 717-703-2988
Email: rsandusky@state.pa.us

Secondary Contact: None.

(6) Primary Contact for Public Comments (List Telephone Number, Address, Fax Number and Email Address) – Complete if different from #5:

See primary contact.

(All Comments will appear on IRRC'S website)

Regulatory Analysis Form

(7) Type of Rulemaking (check applicable box):

- Proposed Regulation
- Final Regulation
- Final Omitted Regulation
- Emergency Certification Regulation;
 - Certification by the Governor
 - Certification by the Attorney General

(8) Briefly explain the regulation in clear and nontechnical language. (100 words or less)

The proposed rulemaking contains a comprehensive rewrite of the Board jackpot payout regulations. It also expands the scope of these regulations to cover credit meter payouts as well as jackpot payouts.

(9) Include a schedule for review of the regulation including:

- | | |
|---|---------------------------------|
| A. The date by which the agency must receive public comments: | 30 days after publication |
| B. The date or dates on which public meetings or hearings will be held: | N/A |
| C. The expected date of promulgation of the proposed regulation as a final-form regulation: | 4 th Quarter 2009 |
| D. The expected effective date of the final-form regulation: | 30 days after final publication |
| E. The date by which compliance with the final-form regulation will be required: | 30 days after final publication |
| F. The date by which required permits, licenses or other approvals must be obtained: | Not Applicable |

(10) 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.

Regulatory Analysis Form

SECTION II: STATEMENT OF NEED

(11) State the statutory authority for the regulation. Include specific statutory citation.

§ 1202(b)(30) of the Pennsylvania Race Horse Development and Gaming Act (Act) (4 Pa.C.S. § 1202(b)(30)) provides the Board with general authority to promulgate regulations the Board deems necessary to carry out the policy and purposes of the Act.

§§ 1207(3) and (5) and 1322 (4 Pa.C.S. §§ 1207(3) and (5) and 1322) provide additional authority for these amendments.

(12) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action.

There are no other applicable federal or state statutes, regulations or court decisions that mandate adoption of the changes contained in this rulemaking.

(13) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit.

The Board has been reviewing its regulations for jackpot payouts to improve their effectiveness and to take advantage of improvements in slot monitoring systems. Based on this review, this rulemaking eliminates unnecessary requirements and overly prescriptive provisions in the current regulations.

These changes will reduce administrative burdens on the 8 currently operating slot machine licensees and give them greater operating flexibility. As the remaining licenses are issued and the rest of the 14 authorized licensed facilities come on line, all of the slot machine licensees will experience significant cost savings. Based on fiscal information provided by the slot machine licensees, the Board projects these saving will be approximately \$11,000,000 in the first full fiscal year and increase to almost \$14,000,000 per year in five years.

Regulatory Analysis Form

(14) If scientific data, studies, references are used to justify this regulation, please submit material with the regulatory package. Please provide full citation and/or links to internet source.

There are no studies or research upon which this regulation is based.

(15) Describe who and how many will be adversely affected by the regulation. How are they affected?

The Board does not anticipate that anyone will be adversely affected by this regulation.

(16) 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.

The 12 existing slot machine licensees will be able to streamline the procedures used to pay jackpot and credit meter payouts.

Regulatory Analysis Form

SECTION III: COST AND IMPACT ANALYSIS

(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. Explain how the dollar estimates were derived.

As previously stated, based on fiscal information provided by the slot machine licensees, the Board projects the saving will be approximately \$11,000,000 in the first full fiscal year and increase to almost \$14,000,000 per year in five years.

These savings will result from reduced labor costs resulting from the elimination of unnecessary paperwork and more efficient jackpot and credit meter payout procedures.

(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. Explain how the dollar estimates were derived.

This rulemaking will have no direct fiscal impact on local governments in this Commonwealth.

(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. Explain how the dollar estimates were derived.

This rulemaking is not expected to generate any significant savings for or impose any significant new costs on the Board or other state agencies.

Regulatory Analysis Form

(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:	N/A	N/A	N/A	N/A	N/A	N/A
Regulated Community	\$2,236,500	\$10,934,000	\$11,928,000	\$12,922,000	\$13,916,000	\$13,916,000
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 Savings	\$2,236,500	\$10,934,000	\$11,928,000	\$12,922,000	\$13,916,000	\$13,916,000
COSTS:	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 Costs	N/A	N/A	N/A	N/A	N/A	N/A
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) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
Board Budget	\$13,200,000	\$26,400,000	\$29,984,000	\$33,300,000

Regulatory Analysis Form

(21) Explain how the benefits of the regulation outweigh any cost and adverse effects.

Eliminating unnecessary reporting requirements and allowing slot machine licensees more flexibility to establish operating procedures tailored to their own operations will provide significant financial benefits without imposing any new costs.

(22) Describe the communications with and input from the public and any advisory council/group in the development and drafting of the regulation. List the specific persons and/or groups who were involved.

Jackpot and credit meter payouts have been a topic of on-going discussions with the slot machine licensees. Additionally, on May 5, 2009, the industry submitted a letter outlining a number of suggested changes.

A copy of the May 5 letter is attached to this form.

(23) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

No alternate regulatory approaches were considered. To make these changes, the regulations had to be amended.

(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 regulations.

There are no corresponding federal standards for any of the provisions in this rulemaking.

Regulatory Analysis Form

(25) How does this regulation compare with those of other states? How will this affect Pennsylvania's ability to compete with other states?

This rulemaking will have no impact on Pennsylvania's ability to compete with other states.

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

This regulation will amend § 465a.26 in 58 Pa. Code.

(27) Submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an explanation of measures which have been taken to minimize these requirements.

There will be a significant reduction in paperwork required to be completed as a result of the elimination of the requirement for a two-part jackpot/credit meter payout slip for jackpots and credit meter payouts where an electronic jackpot/credit meter payout slip is used.

(28) 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 no special provisions included in this rulemaking for any particular group.

FACE SHEET
FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE
BUREAU

(Pursuant to Commonwealth Documents Law)

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COMMISSION

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to form and legality.
Attorney General

By: Amy M. Elliott
(Deputy Attorney General)

DATE OF APPROVAL

Check if applicable
Copy not approved. Objections attached.

Copy below is hereby certified to be true and correct
copy of a document issued, prescribed or promulgated
by:

Pennsylvania Gaming
Control Board

FISCAL NOTE NO.: 125-105

DATE OF ADOPTION: 7/15/09

By: Gregory S. Felt
Gregory S. Felt, CHAIRMAN

Copy below is hereby approved as to form and legality
Executive or Independent Agencies

By: R. Douglas Sherman
R. Douglas Sherman, Acting Chief Counsel

7/15/09
DATE OF APPROVAL

(Deputy General Counsel)
(Chief Counsel - Independent Agency)
(Strike inapplicable title)

Check if applicable. No Attorney General Approval or
objection within 30 days after submission.

PROPOSED RULEMAKING
COMMONWEALTH OF PENNSYLVANIA

58 PA. CODE, SUBPART E
CHAPTER 465a

PROPOSED RULEMAKING

PENNSYLVANIA GAMING CONTROL BOARD

[58 PA.CODE CH. 465a]

Jackpot and Credit Meter Payouts

The Pennsylvania Gaming Control Board (Board), under its general authority in 4 Pa.C.S. § 1202(b)(30) (relating to general and specific powers) and the specific authority in 4 Pa.C.S. §§ 1207(3) and (5) and 1322 (relating to regulatory authority of the Board; and slot machine accounting controls and audits), proposes to amend Chapter 465a to read as set forth in Annex A.

Purpose of the Proposed Rulemaking

The proposed rulemaking contains a comprehensive rewrite of the Board jackpot payout regulations. It also expands the scope of these regulations to cover credit meter payouts as well as jackpot payouts.

Explanation of Amendments to Chapter 465a

Since the adoption of amendments to the Board's regulations governing jackpot payouts in October of 2008, the Board has been discussing the need for additional revisions with slot machine licensees. The slot machine licensees argued that portions of the Board's regulations were not needed given the technological advances in slot monitoring systems and that greater flexibility was needed to improve the operational efficiency of jackpot payouts.

Based on the Board's analysis of the slot machine licensees' comments, a review of the technical advances in slot monitoring systems and the Board's experience gained through the oversight of slot machine licensees' current operations, the Board agrees that further amendments are in order.

First, the Board has expanded the scope of § 465a.26 (related to jackpot and credit meter payouts) to include credit meter payouts as well as jackpot payouts. Credit meter payouts are the payment of the value of the credits on a slot machine. Usually, when a patron is done at a slot machine, they will cash out and receive a gaming voucher for the remaining balance on the slot machine. However, sometimes a voucher will not print because of a jam in the slot machine's printer or the printer may be out of paper. At other times, a slot machine may lock up

with credits still on the slot machine. For example, slot machines may lock up when there is a power failure at the licensed facility. Whatever the cause, when this occurs, the slot attendants at the licensed facility use the existing jackpot payment procedures to pay the patron the value of the credits on the slot machine. Therefore, the Board has added credit meter payouts to this section of the Board's regulations.

More specifically, subsection (a) has been amended by adding credit meter payouts and by deleting unnecessary language pertaining to pouch payments which are addressed in subsections (b) (7) and (b) (8).

In subsection (b) (1), the requirement that both a manual and electronic jackpot/credit meter payout slip be prepared has been amended to delete the requirement for a manual form. Given the technical capabilities of today's slot monitoring systems and the verification requirements that will remain in this rulemaking, there simply is no need for the redundant manual form. Eliminating the requirement for the manual form will significantly reduce the workload of slot attendants related to jackpot and credit meter payouts and will result in quicker payments to patrons.

The existing requirement in subsection (b) (2) has been relocated to subsection (b) (6).

In subsection (b), former paragraphs (3), (4) and (5), which have been renumbered as paragraphs (2), (3) and (4), have been amended to give slot machine licensees greater flexibility as to who they may designate to act as a witness for jackpot or credit meter payouts of various amounts. This will allow slot machine licensees to make more efficient utilization of their personnel and reduce the potential for delays that could occur if there is a large volume of payouts and only a limited number of individuals who can act as a witness. Also, these revisions make it clear that no witness is required for jackpot or credit meter payouts of less than \$1200.

Former subsection (6) has been deleted because it does not reflect current practices or recognize advances in technology. Many slot machine licensees allow slot attendants to directly pay jackpots below a certain level from funds that the slot attendant carries in their payment wallet. This eliminates the need for the attendant to go to the cashiers' cage to get the cash to pay a jackpot or credit meter payout. Additionally, some slot machine licensees have installed automated jackpot payout machines on their gaming floors which allow a slot

attendant to process a jackpot and receive the cash to pay the patron without going to the cashiers' cage.

Former subsection (b)(7) has also been deleted. Because the Board is no longer requiring the use of the two-part manual jackpot payout slips, a provision listing the items that must be on that form is no longer needed.

Former subsection (b)(8), which is now subsection (5) has been amended to slightly revise and clarify the listing of items that will be required to be printed on the electronically generated jackpot/credit meter payout slips.

As previously noted, subsection (b)(6) now contains the provision that was formerly in subsection (b)(2).

Subsection (b)(7), which was formerly subsection (b)(9), sets forth the requirements that will govern the payment of jackpot or credit meter payouts that are made directly from a slot attendant's impress funds. In the existing regulation, a detailed process was set forth, specifying each step in the payment process. However, the Board believes that that process was overly prescriptive and did not give slot machine licensees the flexibility to establish procedures to meet their individual needs. Accordingly, the Board has deleted these requirements and will allow the slot machine licensees to establish their own procedures as part of their internal controls which will be submitted to the Board for approval. What has been added to this subsection is the list of items that must be included on the manual jackpot/credit meter payout slip that must be completed by the slot attendant.

Similarly, the Board is deleting the current subsection (b)(11) which contains a detailed process for the payment of jackpots that are not made from a slot attendant's impress funds. While many of the slot machine licensees use these procedures, the Board believes that keeping these procedures in the Board's regulations is overly prescriptive and does not give slot machine licensees the flexibility to establish their own procedures. Instead the Board will allow slot machine licensees to establish their payment procedures as part of their internal controls.

Subsections (b)(9) and (b)(10), which were subsections (b)(12) and (b)(13), contain minor clarity changes and in subsection (b)(10), an explicit requirement that an override is required whenever the amount of a jackpot or credit meter payout

does not match the amount sent to the slot monitoring system has been added.

Subsections (b)(11) and (b)(12) add new requirements that slot machine licensees must include procedures for processing voided jackpot/credit meter payout slips and for processing unclaimed taxable jackpots in their internal controls. Additionally, slot machine licensees' procedures for processing unclaimed jackpot or credit meter payouts must include notice to the Board's casino compliance representatives.

Former subsection (b)(14) has been deleted because the procedures related to the internal controls for system overrides are addressed in new subsection (10).

Subsection (b)(13), formerly subsection (b)(15), has been revised to include the list of items that must appear on the three-part manual jackpot or credit meter payout forms that are to be used when the slot machine licensee's slot monitoring system is down. This list is essentially the same as the list of items that must be on the two-part electronic and two part manual jackpot or credit meter payout forms in subsections (b)(5) and (b)(7), but these forms must have preprinted serial numbers to provide an audit trail. Additionally the language of this section has been amended to allow equivalent alternatives to using jackpot payout books. This would include the use of "wiz" machines that are currently used by some of the slot machine licensees.

In subsection (b)(14), which was formerly subsection (b)(16), revisions have been made to give slot machine licensees additional operating flexibility. More specifically, slot machine licensees will be able to assign control of the keys to the cabinets where manual jackpot payout books or their equivalent are stored to either the security department or the finance department and employees who have a greater level of authority than a slot supervisor will also be allowed to sign out the jackpot payout books or their equivalent.

Existing paragraphs (17), (18), (19), (20) and (21) have all been deleted. These paragraphs contained detailed provisions governing the use of and procedures related to the manual jackpot payout books discussed above. Again, the Board believes that slot machine licensees should be permitted to tailor their procedures to reflect their particular operations. Accordingly, slot machine licensees will be required to include these procedures in their internal controls.

Finally, subsection (b) (15), which was subsection (b) (22), has been revised to clarify that the notice to surveillance of jackpots or credit meter payout above a certain threshold is to be provide verbally. The threshold for providing this notice has also been increased from \$1200 to \$5000. Because of the large number of jackpots between \$1200 and \$5000, this requirement was imposing an unreasonable burden on both slot attendants and surveillance personnel. Increasing the threshold will allowed the surveillance department to devote more time to its other surveillance duties.

Affected Parties

Slot machine licensees will benefit from the elimination of redundant reporting requirements and the greater operating flexibility provided by the revisions in this rulemaking. Patrons should experience faster payments of jackpot and credit meter payouts.

Fiscal Impact

Commonwealth

This proposed rulemaking will have no significant fiscal impact on the Board or other Commonwealth agencies.

Political Subdivisions

This proposed rulemaking will have no fiscal impact on political subdivisions of the Commonwealth.

Private Sector

Slot machine licensees will experience significant cost savings because the revised jackpot and credit meter payout procedures will require fewer forms, provide greater flexibility and eliminate some of the current requirements that are redundant and no longer needed.

General Public

This proposed rulemaking will have no fiscal impact on the general public.

Paperwork requirements

This proposed rulemaking eliminates the requirement that slot machine licensees fill out manual jackpot payout slips in addition to the electronic jackpot payout slips.

Effective Date

The proposed rulemaking will become effective 30 days after final-form publication in the *Pennsylvania Bulletin*.

Public Comments

Interested persons are invited to submit written comments, suggestions or objections regarding the proposed rulemaking, within 30 days after the date of publication in the *Pennsylvania Bulletin* to Richard Sandusky, Director of Regulatory Review, Pennsylvania Gaming Control Board, P.O. Box 69060, Harrisburg, PA 17106-9060, Attention: Public Comment on Regulation #125-105.

Contact Person

The contact person for questions about this proposed rulemaking is Richard Sandusky, Director of Regulatory Review, at (717) 214-8111.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. § 745.5(a)), on August 12, 2009, the Board submitted a copy of this proposed rulemaking and a copy of the Regulatory Analysis Form to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the House Gaming Oversight Committee and the Senate Community, Economic and Recreational Development Committee. A copy of this material is available to the public upon request and is available on the Board's web site at www.pgcb.state.pa.us.

Under section 5(g) of the Regulatory Review Act, IRRC may convey any comments, recommendations or objections to the proposed rulemaking within 30 days of the close of the public comment period. The comments, recommendations or objections must specify the regulatory review criteria which have not been met. The Regulatory Review Act specifies detailed procedures for review, prior to final publication of the rulemaking, by the Board, the General Assembly and the Governor of comments, recommendations or objections raised.

GREGORY C. FAJT,
Chairman

Annex A

Title 58. RECREATION

PART VII. GAMING CONTROL BOARD

Subpart E. SLOT MACHINES AND ASSOCIATED EQUIPMENT

CHAPTER 465a. ACCOUNTING AND INTERNAL CONTROLS

§ 465a.26. Jackpot and credit meter payouts.

(a) Prior to commencing gaming operations, a slot machine licensee shall establish a comprehensive system of internal controls addressing jackpot and credit meter payouts that are not paid directly from a slot machine. [The internal controls may include procedures by which a slot attendant, in the presence of a member of the security department or another member of the slot operations department, utilizes an imprest inventory of funds secured in a pouch or wallet to pay a jackpot of less than \$1,200.] The internal controls shall be submitted to and approved by the Board under § 465a.2 (relating to internal control systems and audit protocols).

(b) The internal control procedures developed and implemented by the slot machine licensee under subsection (a) must, at a minimum, include:

(1) The use of a two-part [manual jackpot payout receipt and a two-part] electronically generated jackpot/credit meter payout slip created by a slot attendant or slot supervisor, [evidencing the observation by the slot attendant or

slot supervisor of] verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine and [a determination as to] the [appropriate] amount of the jackpot or credit meter payout based on the observed winning combinations.

(2) [A requirement that the electronically generated jackpot payout slip not be susceptible to any changes or deletion from the slot computer system by any personnel after preparation.

(3)] A requirement that if the jackpot or credit meter payout [range] is between \$1,200 [to] and \$9,999.99, [the witness on the two-part manual jackpot payout receipt and the two-part electronically generated jackpot payout slip be a lead slot attendant or above] a security department member or a slot operations member other than the preparer, must sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron.

[(4)] (3) A requirement that if the jackpot or credit meter payout is between \$10,000 and \$24,999.99, [the witness on the two-part manual jackpot payout receipt and the two-part electronically generated jackpot payout slip be a slot

supervisor or above] a security department member, a slot supervisor or other employee holding the same or greater level of authority than a slot supervisor must sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron.

[(5)] (4) A requirement that if the jackpot or credit meter payout amount is \$25,000 or more, a slot shift manager or [above shall sign the manual jackpot payout receipt attesting that the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine and the amount to be paid match those which appear on the two-part manual jackpot payout receipt. The two-part manual jackpot payout receipt shall then be immediately returned to the preparer] other employee holding the same or greater level of authority than a slot shift manager must sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron.

[(6) A requirement that if the amount is \$1,200 or more the slot attendant shall immediately transport the original of the manual jackpot payout receipt and the original of the electronically generated jackpot payout slip to the cashiers' cage.

(7) A requirement that the following information be on the two-part manual jackpot payout receipt:

(i) The date and time of the jackpot.

(ii) The asset number of the slot machine on which the jackpot was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The amount of the jackpot payout.

(v) The method of payment requested by the patron (cash or slot licensee check).

(vi) The signature or identification code of the preparer.

(vii) The signature of the patron who received the jackpot payout.

(viii) If the slot machine or the progressive meter is reset prior to the patron being paid or if payment is made directly to the patron by a slot attendant, the following additional signatures or identification codes:

(A) The signature or identification code of a security department member or slot operations department member other than the preparer attesting to the winning combination of characters or a code corresponding to the winning combination of characters constituting the jackpot and the amount of the jackpot payout when the amount is below \$1,200.

(B) The signature or identification code of a lead slot attendant or above attesting to the winning combination of characters or a code corresponding to the winning combination of characters constituting the jackpot and the amount of the jackpot payout when the jackpot amount is between \$1,200 and \$9,999.99.

(C) The signature or identification code of a slot shift supervisor or above attesting to the winning combination of characters or a code corresponding to the winning combination of characters constituting the jackpot and the amount of the jackpot payout when the jackpot amount is between \$10,000 and \$24,999.99.

(D) The signature or identification code of a slot shift manager or above attesting to the winning combination of characters or a code corresponding to the winning combination of characters constituting the jackpot and the amount of the jackpot payout when the jackpot amount is \$25,000 or more.

(8)] (5) A requirement that the following information be on all two-part electronically generated jackpot/credit meter payout slips:

(i) The date [on which the jackpot occurred] and time of the jackpot or credit meter payout.

(ii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The type of win (that is, [Progressive or Jackpot] progressive, jackpot or credit meter payout).

(v) The amount that is to be paid to the winning patron. This amount may, at the slot machine licensee's discretion, be rounded up to the nearest whole dollar.

(vi) A unique number generated by the slot [computer] monitoring system.

(vii) The signature or identification code of the preparer.

(viii) The signature or identification code of the witness, [on the duplicate copy only] when the amount is equal to or greater than \$1200.

(ix) The signature or identification code of the cashier providing the funds to the preparer, if applicable.

(6) A requirement that the two-part electronically generated jackpot/credit meter payout slip not be susceptible to any changes or deletion from the slot monitoring system by any personnel after preparation.

[(9)] (7) A requirement that whenever a winning patron is paid directly by a slot attendant's imprest fund, [the following procedures shall be followed:

(i) A two-part electronic jackpot payout slip is generated and a two-part manual jackpot payout receipt is completed in accordance with paragraph (1).

(ii) Before payment is made to the winning patron, the manual jackpot payout receipt shall be signed by the patron in the presence of the slot attendant and a witness.

(iii) After the slot attendant determines that the required signatures verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine and the amount to be paid have been placed on the manual jackpot payout receipt, the slot attendant shall pay the winning patron in the presence of the witness.

(iv) Once payment has been made and all required signatures obtained, the slot operations department member or security department member witnessing the payment shall obtain

the duplicate copy of the manual jackpot payout receipt and immediately deposit it into a locked accounting box.

(v) The slot attendant shall attach the original manual jackpot payout receipt to the original electronically generated jackpot payout slip and forward both forms, by the end of the slot attendant's shift, to the cashiers' cage for reimbursement. The duplicate of the electronically generated jackpot payout slip should be deposited into a locked accounting box immediately after obtaining the funds from the cashier's cage.] a two-part manual jackpot/credit meter payout slip is completed that contains the following information:

(i) The date and time of the jackpot or credit meter payout.

(ii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The type of win (that is, progressive, jackpot or credit meter payout).

(v) The amount paid to the winning patron. This amount may, at the slot machine licensee's discretion, be rounded up to the nearest whole dollar.

(vi) The signature or identification code of the preparer.

(vii) The signature or identification code of the witness when the amount is equal to or greater than \$1200.

[[10]] (8) When jackpot or credit meter payouts are made from slot attendants' imprest funds, procedures for the replenishment of the imprest funds and the reconciliation process to be used by the slot attendants.

[[11]] A requirement that the two-part manual jackpot payout receipt and the two-part electronically generated jackpot payout slip be distributed as follows:

(i) Both the original and duplicate of the manual jackpot payout receipt shall be handed to the witnessing slot operations department member or security department member by the preparer for verification and signature.

(ii) The duplicate of the manual jackpot payout receipt shall be presented to the winning patron who shall be required to present the duplicate to the witness before being paid the jackpot.

(iii) The original of the manual jackpot payout receipt shall be attached to the original electronically generated jackpot payout slip and forwarded to the cashiers' cage for payment of the funds.

(iv) The duplicate of the manual jackpot payout receipt shall be placed into a secured lock box for slot accounting by the witness.

(v) The duplicate of the electronically generated jackpot payout slip shall be placed inside a secured lock box for slot accounting by the generating slot attendant.

(12)] (9) A requirement that the slot machine licensee's accounting department perform, at the conclusion of each gaming day, effective audit procedures over the issuance of jackpot and credit meter payouts including adequate comparisons to [gaming voucher system data] the slot monitoring system.

[(13)] (10) Detailed procedures on the processing of all system overrides or adjustments [in regards] to jackpot or credit meter payouts. All jackpot or credit meter payouts that do not match the payout amount electronically sent from the slot machine to the slot monitoring system require an override.

(11) Detailed procedures for the processing of all voided jackpot/credit meter payout slips.

(12) Detailed procedures for the processing of unclaimed taxable jackpot payouts. The procedures must include notice to the casino compliance representatives at the licensed facility when an unclaimed taxable jackpot payout or credit meter payout occurs.

[(14) A requirement that any person that witnesses a jackpot payout may not be permitted to override the jackpot payout.

(15)] (13) [A requirement] Back-up procedures that will be used when the slot [computer] monitoring system is offline or an electronic jackpot payout slip can not be created, including the use of a three-part manual jackpot or credit meter payout book or equivalent [shall be utilized]. The three-part manual jackpot payout book or equivalent must contain preprinted, serial numbered three-part manual jackpot/credit meter payout slips that include [all of] the following information: [that is required on the two-part manual jackpot payout receipt in accordance with paragraph (7).]

(i) Preprinted serial numbers.

(ii) The date and time of the jackpot or credit meter payout.

(iii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iv) The amount of the jackpot or credit meter payout.

(v) The method of payment requested by the patron.

(vi) The signature or identification code of the preparer.

(vii) The signature or identification code of the witness when the amount is equal to or greater than \$1200.

[(16)] (14) A requirement that the unused manual jackpot payout books or equivalent be maintained in a secured locked cabinet, that the key to the cabinet be controlled by the security department or the finance department and that the manual jackpot payout books or equivalent can only be signed out by [the] a slot [shift manager] supervisor or other employee holding a greater level of authority when the slot [computer] monitoring system is offline.

[(17)] A requirement that a slot machine licensee maintain a manual jackpot payout book log for each gaming day or portion thereof that the slot computer system is offline that includes the following information:

(i) The slot machine licensee's name preprinted on the top of the log.

(ii) The gaming day.

(iii) The signature and identification code of the slot attendant assigned the three-part manual jackpot payout book.

(iv) The date and time of issuance of the three-part manual jackpot payout book.

(v) The series of numbers preprinted on the three-part manual jackpot payout book.

(vi) The signature and identification code of the slot shift manager issuing the manual jackpot payout book.

(vii) The date and time the three-part manual jackpot payout book is returned.

(viii) The series of numbers preprinted on the three-part manual jackpot payout book that were completed by the slot attendant.

(ix) The signature and identification code of the slot shift manager receiving the returned manual jackpot payout book.

(18) A requirement that the three-part manual jackpot payout slips be distributed as follows:

(i) The original shall be given to the cashiers' cage to obtain the funds to pay the jackpot to the winning patron or to replenish the imprest funds of the slot attendant that paid the winning patron.

(ii) The second copy shall be retained by the witness of the payout. The witness shall immediately transport the second copy to a locked accounting box.

(iii) The third copy shall be maintained in the manual jackpot payout book. At the end of the slot attendant shift, the manual jackpot payout book shall be turned into the slot shift manager and the manual jackpot payout book log shall be completed.

(19) A requirement that the original manual jackpot payout book log be forwarded to the accounting department at the end of the gaming day and that the slot operations department retain a copy of the manual jackpot payout book log.

(20) A requirement that the manual jackpot payout books turned into the slot shift manager at the end of each slot attendant's shift be forwarded to the accounting department; that the accounting department ensure that all three copies of the manual jackpot payout slips contain the same information; and that any discrepancies between the three copies are researched, documented and reported.

(21) A requirement that the manual jackpot payout books are audited to the manual jackpot payout book log and that any discrepancies between the manual jackpot payout books and the manual jackpot payout book log are researched and documented.

(22)] (15) A requirement that the surveillance department [is] be verbally notified of all jackpot or credit meter payouts when the amount of the jackpot or credit meter payout is [\$1,200] \$5000 or more. The surveillance department shall log all calls regarding jackpot or credit meter payouts in the surveillance log.



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VIA E-MAIL AND OVERNIGHT DELIVERY

May 5, 2009

Paul Resch, Director, Gaming Operations
Pennsylvania Gaming Control Board
303 Walnut Street, Strawberry Square
Verizon Tower, 5th Floor
Harrisburg, Pennsylvania 17106-9060

Re: Jackpot Payout Regulations (58 Pa. Code §465a.26)

Dear Mr. Resch:

In accordance with my conversations with you and other representatives of various departments of the Pennsylvania Gaming Control Board ("Board"), the following comments and suggestions are respectfully submitted in response to the Board's recent adoption and implementation of revisions to the referenced regulations ("Jackpot Regs"). This letter is submitted on behalf of Harrah's Entertainment, Inc. and its various subsidiary entities (collectively, "HET") with an interest in Chester Downs and Marina, LLC ("Chester Downs"), Downs Racing, LP ("Downs Racing"), Greenwood Gaming and Entertainment, Inc. ("Greenwood Gaming"), Mountainview Thoroughbred Racing Association ("Mountainview"), Sands Bethworks Gaming, LLC ("Sands Bethworks") and Washington Trotting Association, Inc. ("Washington Trotting"; Chester Downs, Downs Racing, Greenwood Gaming, Mountainview, Sands Bethworks and Washington Trotting are collectively referred to as "Licensees"), each the holder of a Category 1 or Category 2 Slot Operator License issued by the Board. The Licensees would like to take this opportunity to thank the Board for its willingness to accept these comments and consider the significant practical implications of the Jackpot Regs on the operations of the Licensees.

Introduction

As the Licensees undertake to modify their internal controls and implement procedures required to comply with the new Jackpot Regs, the practical effect of these Jackpot Regs has become apparent. As will be detailed below, the Jackpot Regs will cause Licensees to experience significant increases in staffing and equipment costs in return for a disproportionately low

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regulatory benefit. With relatively modest changes, the Licensees believe that the Board could relieve certain of the more onerous (and by implication, costly) burdens imposed by the Jackpot Regs while maintaining the integrity of the jackpot payout process.

Issues

Generally, the Licensees concerns regarding the current form of the Jackpot Regs fall into four (4) categories, each of which has a cost impact on the operations of the Licensees. Those categories include:

- (1) Employee positions and witness requirements
- (2) Monetary thresholds
- (3) Redundancy and security regarding documentation
- (4) Emergency procedures

While certain of the issues have obvious "cross-over" elements, each cited category is addressed separately below:

1. Employee Positions and Witness Requirements

- (a) Limiting eligible verifiers for jackpot payouts of less than \$1,200.00 to security department and slot operations department members.

Regulatory Citation: 465a.26(a), 465a.26(b)(7)(viii)(A)

Current Status: The Jackpot Regs limit the department members eligible to act as verifier to those in the security and slot operations departments. The Licensees note that under the previous system, supervisors, managers and directors were eligible to verify these de minimus payouts.

Proposal: Broaden the departments and positions eligible to verify these systems-recognized de minimus jackpot levels to include all Board licensed supervisors, managers and directors (with the possible exception being financial supervisors). The Licensees are not aware of any failures under the prior system that would suggest any material regulatory risk in such an enactment.

Impact: Allowing the broader categories of employees suggested to verify payouts under \$1,200.00 would increase available verifiers by approximately twenty five (25) to 150 employees on-property at any given time.



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- (b) Requiring verification by a “lead slot attendant or above” for payouts of \$1,200.00 to \$9,999.99.

Note: The Licensees gratefully acknowledge that the Board has promulgated revised regulations which, upon becoming effective, will eliminate the requirement of a lead slot attendant in transactions cited in this section. This issue remains in this letter for reference purposes only.

Regulatory Citation: 465a.26(b)(3), 465a.26(b)(7)(viii)(B)

Current Status: The Jackpot Regs have introduced the new position of “lead slot attendant” as the base verifier for tax reportable jackpots up to \$9,999.99, where a second slot attendant had previously been authorized to act as such verifier. The Licensees note that none of them had created such a position, implying that new positions would have to be created, or that supervisory staff would be obligated to respond to such payouts.

Proposal: Remove references to “lead” in the context cited and allow slot attendants to verify payouts of up to \$9,999.99. The Licensees are not aware of any failures under the prior system that would suggest any material regulatory risk in such an enactment.

Impact: Allowing slot attendants to verify payouts of up to \$9,999.99 would eliminate approximately 75 to 125 supervisor-verified payouts processed per day. Given normal jackpot payout processing times, this would result in a savings of approximately 3.15 FTEs per gaming day or approximately \$136,000.00 annually.

- (c) Requirement that jackpot payout witness may not override the jackpot payout.

Regulatory Citation: 465a.26(b)(14)

Current Status: The Jackpot Regs prohibit a witness to a jackpot payout from overriding the jackpot payout. In the case of progressive slot machines, the Licensees will have to choose between adding a third person to the payout team or allowing the progressive system to remain in jackpot mode (and therefore be unavailable for play) for extended periods until the jackpot payout is completed.



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Proposal: Allow supervisors and above who witness a jackpot payout to override a jackpot payout. The Licensees are not aware of any failures under the prior system that would suggest any material regulatory risk in such an enactment.

Impact: Allowing supervisors and above who witness a jackpot payout to override such jackpot payout will allow Licensees to reduce their staffing by one (1) employee per shift, or three (3) employees per gaming day or approximately \$118,000.00 per year and speed the recovery time for the effected gaming assets. While acknowledging that the Board has considered and rejected requests that system-produced records of jackpot signals be deemed verification of such events, the Licensees nonetheless suggest that the Board can take notice of the evidentiary value of such records.

2. Monetary Thresholds

- (a) Elimination of de minimus jackpot/CMPO thresholds before requiring verification.

Regulatory Citation: 465a.26(a)

Current Status: The Jackpot Regs eliminate a previously available \$200.00 threshold below which payouts did not require verification.

Proposal: Reinstatement of a de minimus threshold before requiring that payout be verified. Licensees suggest that the audit trail attendant to the wallet/pouch system allows for such a mechanism without any material impact on the integrity of the payout system.

Impact: Readopting a “no verify” threshold would eliminate approximately 10 to 65 payouts processed per day, and translate into savings to each Licensee of approximately \$808,000.00 per year. Below, the Licensees suggest that the minimum threshold be established at the “taxable jackpot” level.

- (b) Current thresholds remain low.

Regulatory Citation: 465a.26(b)(3), -(4) and -(5), 465a.26(b)(7)(viii)(B), -(C) and -(D).



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Current Status: The Jackpot Regs require that progressively senior Licensee personnel verify jackpot payouts at each of the following thresholds:

- (a) \$0.01 – 1,199.99 (one payor, one verifier);
- (b) \$1,200.00 – 9,999.99 (one payor, one verifier (lead slot attendant or above));
- (c) \$10,000.00-24,999.99 (one payor, one verifier (slot supervisor or above)); and
- (d) \$25,000 and over (one payor, one verifier (slot shift manager or above)).

Proposal: Recognizing that the establishment of any thresholds is to some degree an arbitrary exercise, Licensees suggest that the current thresholds could be increased to the following levels without any material impact on the integrity of the payout system:

- (a) \$0.01 – 1,199.99 (one payor, no verifier);
- (b) \$1,200.00 – 14,999.99 (one payor, one verifier);
- (c) \$15,000.00-24,999.99 (one payor, one verifier (slot supervisor or above)); and
- (d) \$25,000 and over (one payor, one verifier (slot shift manager or above)).

Licensees suggest that the auditable paper trail and the obligation to reconcile jackpot payouts by the close of each gaming day provide ample protections against error and wrong-doing.

Impact: Implementing these proposed thresholds would eliminate one additional person for approximately 10 to 60 (average of 22) payouts processed per gaming day, eliminate approximately 95 to 100 supervisor verified payouts per gaming day and translate into savings to each Licensee of approximately 0.26 FTEs per gaming day or \$108,000.00 per year.

3. Redundancy and Security Regarding Documentation

- (a) Requirement of witness signature on duplicate copy of electronically generated jackpot payout slip.

Regulatory Citation: 465a.26(b)(8)(viii).



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Current Status: The Jackpot Regs require that in addition to executing the manually generated jackpot payout receipt, all two-part electronically generated jackpot payout slips must be signed by the verifier of the jackpot. This process will require that a slot attendant seeking to pay a jackpot must travel to the location on the floor to identify the relevant gaming asset in jackpot mode, and then return to a point on the gaming floor where such electronically generated jackpot payout slips are produced prior to payout.

Proposal: Eliminate the requirement of verifier's signature on the electronically generated jackpot payout slips. The creation of an appropriate audit trail is satisfied by the creation of the manually generated jackpot payout receipts verifying the information determined by observation of the relevant gaming asset and providing for witness signature on such form.

Impact: Licensees will experience reduced service times and quicker recovery time for the effected gaming assets.

- (b) Requirement that manual jackpot payout books be controlled by security and signed out by a slot shift manager.

Regulatory Citation: 465a.26(b)(16)

Current Status: The Jackpot Regs require that the manual jackpot payout books be held in a lock box controlled by security and signed out by a slot shift manager.

Proposal: Allow Slot Supervisors and above to sign out the manual jackpot payout book and/or allow the key for the lock box to be held at and signed out from the casino cage.

Impact: Allowing Slot Supervisors and above to sign out the manual jackpot payout book will decrease service times and speed recovery of the casino floor in cases of major system failure. .

- (c) Required notification of surveillance and logging of all tax reportable jackpot payouts of \$1,200.00 or greater.

Regulatory Citation: 465a.26(b)(22)



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Current Status: The Jackpot Regs require that the surveillance department must be notified and log all calls for all tax-reportable jackpot payouts. The resultant increase in call volume will require significant capital outlay by the Licensees to adequately handle volume.

Proposal: Raise the threshold amount requiring notification to surveillance to \$15,000.00 and above.

Impact: Reducing the number of jackpot payout calls into the surveillance department will alleviate approximately \$160,000.00 to \$435,000 of additional capital expenditure otherwise required to adequately address increased system requirements. Following is a list that identifies the above expenses: Trunking Radio System, Additional Radios, and NRT QuickJack Attendant Jackpot Dispensing Machines.

4. **Emergency Procedures.**

- (a) Requirements that manual jackpot payout books be utilized in the event of slot computer system failure or electronic jackpot payout slip cannot be created.

Regulatory Citation: 465a.26(b)(16)

Current Status: The Jackpot Regs require that the manual jackpot payout books be used by the Licensees in the event of slot computer system failure or electronic jackpot payout slip cannot be created without consideration of the amount of any such payouts.

Proposal: Establish a \$500 threshold below which the two-part manually generated jackpot receipt and/or a "credit owed" slip process may be used. Additionally, the Licensees would like to work with staff to determine appropriate levels of system outage triggering such relief from standard procedure.

Impact: Providing for a minimum threshold below which the use of the manual jackpot payout book will not be required will decrease service times and speed recovery of the casino floor in cases of major system failure without any material impairment of system integrity.



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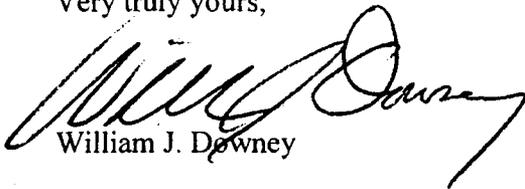
Conclusion

The Jackpot Regs adopted by the Board serve to assure the Commonwealth that each Licensee has in place a system of checks and balances for jackpot payouts that provides (1) a defense against errors and wrong-doing in the processing of jackpot payouts and (2) an easily-auditable paper trail. For obvious reasons, each of the Licensees shares the same concerns regarding the integrity of their respective jackpot payout procedures. Thus, in each case offered, the Licensees believe that such changes could be implemented without any measurable negative impact on the integrity of the jackpot payout procedures specifically, and the integrity of gaming in the Commonwealth generally. Nonetheless, with what amount to subtle shifts in current Board positions, the implementation of the changes to the Jackpot Regs proposed by the Licensees here would have dramatic results on the Licensees' bottom lines.

Please feel free to contact me if you have any questions regarding the above comments or if you would like to discuss any of the comments in greater detail. Additionally, please be aware that representatives of the Licensees would like to meet with staff to further explore these issues. Accordingly, I ask that you please advise of your availability and that of whichever members of the Board's staff you determine appropriate, so that we might schedule such a meeting.

Thank you, in advance, for your consideration.

Very truly yours,



William J. Downey

cc: Richard Sandusky, Director of Regulatory Review, Pennsylvania Gaming Control Board
James Talerico, Deputy Director, Bureau of Corporate Compliance and Internal Controls
Patricia Gustavson, Compliance Manager, Bureau of Gaming Operations
Glen A. Stuart, Assistant Chief Counsel, Pennsylvania Gaming Control Board
R. Douglas Sherman, Acting Chief Counsel, Pennsylvania Gaming Control Board

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

I.D. NUMBER: 125-105

DATE: 8-12-09

SUBJECT: Subpart E – Chapter 465a

AGENCY: Pennsylvania Gaming Control Board (PGCB)

TYPE OF REGULATION

- Proposed Regulation
- Final-Form Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
 - a. With Revisions
 - b. Without Revisions

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FILING OF REGULATION

<u>DATE</u>	<u>SIGNATURE</u>	<u>DESIGNATION</u>
1. <u>8/12/09</u>	<u>Elyse Schuler</u> Senator Jane M. Earll	Senate Community, Economic & Recreational Development
2. <u>8/12/09</u>	<u>deborah Mackenzie</u> Senator Wayne D. Fontana	Senate Community, Economic & Recreational Development
3. <u>8/12/09</u>	<u>Dante Santoni, Jr.</u> Representative Dante Santoni, Jr.	House Gaming Oversight
4. <u>8/12/09</u>	<u>Heather Mueseler</u> Representative Curt Schroder	House Gaming Oversight
5. <u>8/12/09</u>	<u>Dr. Selmer</u>	Independent Regulatory Review Commission
6. <u>8/12/09</u>	<u>Michelle Lathrop</u>	Legislative Reference Bureau