

2905

Tabco, Inc.

Sprunk, Mary

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**From:** Sprunk, Mary  
**Sent:** Monday, September 26, 2011 11:49 AM  
**To:** Sprunk, Mary  
**Subject:** FW: Comments on Proposed Small Games of Chance rule changes  
**Attachments:** PA Rule Changes 2011.doc

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201 SEP 30 A 9 03

**From:** Richard Hueston [mailto:rhueston@specialtyprint.com]  
**Sent:** Monday, September 26, 2011 11:37 AM  
**To:** Sprunk, Mary  
**Subject:** Re: Comments on Proposed Small Games of Chance rule changes

Tabco Inc.  
417 Lakeshore Road  
St. Catharines, Ontario, Canada  
L2R 7K6  
1-800-263-5064 x257 (ph)  
1-900-667-6621 (fax)

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**From:** Richard Hueston [mailto:rhueston@specialtyprint.com]  
**Sent:** Monday, September 26, 2011 11:05 AM  
**To:** Sprunk, Mary

**Cc:** Wagner, Cindy; sfinch@tabcousa.com  
**Subject:** Comments on Proposed Small Games of Chance rule changes

Ms Sprunk  
attached, please find the comments of Tabco Inc., a registered manufacturer of pull tabs in PA, relating to the proposed rules circulated to us on August 29.  
I apologize for sending these via email rather than regular mail, but we were awaiting clarification on certain aspects of the proposed changes and we did not receive those until this morning.  
If you have any questions, please do not hesitate to contact me at 1-800-263-5064 x257

Richard Hueston  
Director of Government Affairs  
Tabco Inc.

COMMENTS ON PROPOSED RULEMAKINGS

2905

DEPARTMENT OF REVENUE

LOCAL OPTION SMALL GAMES OF CHANCE

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2011 SEP 30 A 9:03

Tabco Inc, a manufacturer of pull tabs licensed by the Commonwealth of Pennsylvania, is pleased to provide its comments on the Department of Revenue's proposals to amend the Local Option Small Games of Chance Act.

**901.425 Records**

The Department proposes that "For sales to a ... Pennsylvania licensed distributor, the manufacturer shall indicate on the invoice each game that the Department has approved and not approved for sale in this Commonwealth."

This provision would require a total re-design of our invoices to create a new invoice that would enable the identification of such information. The changes to invoices would have to be system-wide as we do not have the capability of producing a PA-specific invoice. This would lead to a significant cost increase as a result of changes to our invoicing program and the need for additional paper for invoices (e.g., if one invoice contained eight different games, there would have to be an additional eight lines of data reporting on whether each individual form number was approved for sale in PA).

Tabco Inc. submits that it is the responsibility of licensed distributors to determine the legality of charitable gaming products in any jurisdiction. It is our understanding that the Small Games of Chance (SGOC) Unit is presently developing a web page that would identify pull tab form numbers approved for sale in the Commonwealth. This would enable distributors to quickly check which products, from any manufacturer, could be sold in Pennsylvania. It would also create a database that SGOC inspectors could access in the field to determine the legality of any such product.

We are not aware of any similar requirement in any other jurisdiction. We are also not aware of any improvements to the security or integrity of the game that this type of rule revision would promote.

**901.632 Predetermination of rules, winning chances and prizes**

The Department proposes that "A registered manufacturer may not produce a pull-tab game or punchboard for sale or use in this Commonwealth that permits the operator of or a participant in the game to choose between optional game rules, payout structures or methods of operating the game."

Manufacturers typically design games featuring "seal card option prizes" for use wherever seal card pull tab games are permitted. For example, the seal card could indicate that there is a total seal card prize of \$500 which could be played as one prize of \$500, two prizes of \$250 or five prizes of \$100. Each seal card has a separate window for each of the three options. It is clearly indicated on the seal card that the game operator is to select only one of these options. The option selected by the operator is announced prior to the sale of any tickets for that game prior to the first ticket sold so that all participants are clearly informed as to the prize structure of the game that they are participating in. Whatever option is chosen, there is no difference in the pre-determined profit and payout levels that are set by the manufacturer.

For Pennsylvania to prohibit this type of approach would require the development of PA-specific seal cards which would lead to a significant increase in manufacturing costs. Tabco Inc. is not aware of any other jurisdiction that has adopted this approach. In addition, Tabco Inc. is not aware of any regulatory concerns that would motivate Pennsylvania to adopt this rule. If a seal card features optional prizing, the prizeboard is still determined by the manufacturer. The use of optional prizes has never been considered to contravene the North American Gaming Regulator's Association (NAGRA) standards on pull tabs – please see <http://www.nagra.org/> (under the Links and Resources tab) for these standards which have been adopted by most if not all jurisdictions that permit the sale of pull tabs.

### **General Comments**

Both of the above proposals would increase manufacturing costs without addressing a demonstrated regulatory issue. These costs would either be passed on to distributors (who presumably would pass them on to their charitable customers) or result in a reduction in the number of games offered in the the PA marketplace. Reduced prizing flexibility and more stringent invoicing requirements would further dampen charitable fundraising capabilities at a time when charities are already facing severe competition from the significant expansion of slot machines.

Rather than diminish the ability of eligible organizations to raise funds for charitable purposes, Tabco Inc. submits that the Commonwealth should examine ways to enhance the capacity of charities to bolster their fundraising activities. This could be accomplished, for example, by allowing prizes to be awarded through play off of the bingo flashboard. Such “bingo event” games have proven very popular in jurisdictions that have allowed this form of play such as New Hampshire, Texas, Ohio, Kentucky, etc.. In fact, since Texas permitted these games in 2002, it is the only state in the country that has seen its gross pull tab receipts increase each and every year since then. We urge the Department to consult with these jurisdictions to investigate whether the “bingo event” style of play has led to any regulatory problems. Indeed, a bill to allow this form of pull tab gaming has recently been passed by the New York legislature and is now on the governor's desk for final approval.

Another way to increase charitable fundraising capacity would be to permit a “progressive” style of play. Similar to above, many jurisdictions (New Hampshire, Texas, Ohio, Kentucky, etc.) allow this style of play without any regulatory concerns. In Ontario Canada, since bingo event and progressive bingo event games were approved for use a few years ago, there has been a dramatic turnaround in pull tab sales in bingo halls. It would be no exaggeration to say that these styles of play saved pull tab sales in bingo halls; in fact, many halls rely on bingo event and progressive bingo event ticket sales to contribute to a profit margin necessary to keep their doors open.

Respectfully submitted by:  
Tabco Inc.  
September 16, 2011