

Alert | Gaming



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Major Pennsylvania Gaming Expansion Approved

Yesterday, the Pennsylvania Legislature passed a bill that will dramatically expand gaming in Pennsylvania, which is already the second largest U.S. gaming market. Governor Wolf is expected to sign the bill shortly.

The bill touched almost every area of Pennsylvania gaming, including:

- Authorization of ten new “Category 4” casinos in the state which will each have between 300 and 750 gaming positions. The licenses will be distributed next year via a complicated auction process, with the first opportunity to apply limited to the owners of existing Category 1 and Category 2 casinos (the racetracks and large stand-alone casinos). There are geographic protections for existing casinos, but some companies believed these were insufficient. License fees will be set by the auction but will be at least \$10 million apiece (if no table games, only \$7.5 million). Category 4 casinos will also require local approval.
- Online gaming was approved. Initial opportunities will be restricted to existing casinos, but, if not enough participate, these licenses will become publicly available. The multistage process before the Pennsylvania Gaming Control Board is anticipated to take approximately 210 days before it becomes clear if other market participants will have a chance to seek online opportunities. The tax rate will be 16 percent for online games that simulate table games and a substantial 54 percent for online games that simulate slots.

- Video gaming terminals (“VGTs”) are permitted at truck stops. This portion of the bill contains significant restrictions on VGTs that are anticipated to effectively make VGTs more of a limited pilot project at least for now.
- Sports wagering was also approved such that it will become legal immediately upon changes in federal law, whether such changes are enacted through Congress or the Supreme Court.
- Interactive gaming was legalized through devices at Pennsylvania’s airports. The airport devices will have to be operated by a Pennsylvania online gaming operator.
- Lottery offerings will also be expanded to include iLottery and the requirement that the Lottery return to the Legislature before adopting Keno was removed. Significantly, the lottery provision included authorization for the Lottery to sell online instant tickets.
- Several of the rules related to the location of horse racing wagering and horse-related expenditures from dedicated funds were liberalized.
- Fantasy contests (daily fantasy sports) are legalized at a 15 percent rate, with initial licensing fees mirroring the \$50,000 required by Indiana.
- Allows for some expansion at the two “Category 3” casinos in Valley Forge and Nemacolin.
- Addresses a series of other miscellaneous issues such as:
 - A restructuring of how Pennsylvania allocates the “local share” to address a prior decision of the Pennsylvania Supreme Court.
 - Allows use of prepaid debit cards, which were previously banned. Credit cards are still not permitted.
 - Authorizes skill based and hybrid skill/luck based slot machines in casinos (and bans them elsewhere).
 - Authorizes multi-state progressive jackpots.
 - Eliminates the prohibition on cross ownership of multiple casino licenses.

The bill’s provisions have varying effective dates, with some provisions taking effect on the Governor’s signature and others having effective dates throughout 2018.

Authors

This GT Alert was prepared by **Kevin Greenberg** and **Edward R. Winkofsky**, with the support of their colleagues in Philadelphia and the firm’s global gaming practice.

Questions about this information can be directed to:

- **Kevin Greenberg** | +1 215.988.7818 | greenbergk@gtlaw.com
- **Edward R. Winkofsky** | +1 312.456.8440 | winkofskye@gtlaw.com
- Or your **Greenberg Traurig** attorney

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