

Small Games of Chance and How They Affect Your Liquor License

The Pennsylvania Crimes Code provides that all forms of gambling are illegal in the Commonwealth unless the Pennsylvania Legislature has given authorization for a particular type of activity. Gambling consists of the following three elements: 1.) the payment of consideration or a fee, 2.) for the chance to win a prize and 3.) the winner is determined by chance. If these three elements are present, then the activity is “gambling” and therefore illegal unless sanctioned by the Legislature.

Currently, the authorized and therefore legal forms of gambling in Pennsylvania are:

1. Horse Racing (Race Horse Industry Reform Act, 4 P.S. §325)
2. Pennsylvania Lottery
3. Bingo (Bingo Law, 10 P.S. §303)
4. Local Option Small Games of Chance (10 P.S. §311-327)
5. Slots casinos (Pennsylvania Race Horse Development & Gaming Act, 4 P.S. §1101)

The Pennsylvania Legislature first adopted the Local Option Small Games of Chance (LOSGC) in 1988. The Act allows certain nonprofit organizations to conduct small games of chance for the purpose of raising funds for the promotion of “public interest purposes”.

The current law is very specific regarding the games of chance that are allowed. An eligible licensed organization may conduct five (5) types of games of chance listed below:

1. Punchboards
2. Pull-tabs
3. Raffles (includes lotteries)
4. Daily Drawings
5. Weekly Drawings

The types of eligible organizations would be one of the following:

- a. Charitable organizations: Non-profit groups that have been created for the purpose of performing a humane service.
- b. Religious organizations: Non-profit groups created for the predominate purpose of holding or conducting religious activities.

- c. Fraternal organizations, veterans groups and clubs: These organizations are created and operated for the mutual benefit of its members.
- d. Civic and service organizations: Non-profit organizations which engage in civic or service activities. Some examples of these types of organizations are volunteer fire companies, ambulance/rescue squads and sportsmen's associations

Many organizations that hold a LOSGC license also hold a "Club" liquor license. Therefore, licensees must be aware that there are restrictions governing LOSGC that can affect their liquor license and their ability to operate. If, upon investigation, any violations are uncovered, the licensee may be cited for the violation by the Pennsylvania State Police Bureau of Licensing Enforcement (PSP BLCE). The matter will then be forwarded to the PLCB Administrative Law Judge for a hearing. Depending on the facts surrounding the case and also previous citation history of the licensee, the organization, if found guilty of the violation(s), may be subject to a fine, possible suspension or even revocation of their liquor license. This could be in addition to the organization having their small games of chance license revoked or not renewed.

Under the statute, the proceeds from the operation of small games of chance may be used only for public interest purposes or for the purchase of additional small games of chance. "Public interest purposes are those that benefit persons by enhancing their opportunity for religious or educational advancement, and by relieving or protecting people from disease, suffering or distress." These "public interest purposes" also foster public work, and lessen the burdens borne by government. Proceeds may also be used to improve, expand, maintain or repair real property owned or leased by the organization and used for the above-mentioned "public interest purposes".

Licensees must be aware that there are prize limits that are set by statute. All games of chance are governed by the following two prize limits:

- a. A prize for a single chance in any game **may not** exceed \$500.00.
- b. An organization **may not** award prizes in any 7-day period with a combined value, in cash or merchandise, of more than \$5,000.00.

For raffles, no more than \$5,000.00, in cash or merchandise, may be awarded during a calendar month.

There are some general exceptions to the general rule, including special raffles, carry-overs for daily drawings and weekly drawings. Organizations may apply for and receive up to two (2) special raffle permits per year. The prizes awarded may exceed \$500.00 but not more than \$100,000.00 in a calendar year. For daily drawings, if there is no winner, the prize may exceed the normal \$500.00 limit and **will not** be included in the \$5,000.00 weekly limit. Prizes may exceed \$500.00 for weekly drawings, but they are restricted to the \$5,000.00 weekly limit.

Games of chance may be conducted only on the licensed eligible organization's licensed premises. The licensed premises is defined as the "location or premises which is the normal business or operating site of the organization and the site is owned or leased by that organization to conduct its normal business." If the premises consists of more than one building, the organization must choose the building in which the games will be conducted and indicate the building on its license application. If an organization does not own or lease a specific building, it may use another licensed premises. The other organization must not operate small games of chance during this period. There are a few exceptions to this rule. Raffles, annual carnivals, fairs, picnics or banquets may be conducted in any municipality that has approved small games of chance. Notice must be given to the district attorney and licensing authority of the county where the organization is licensed.

The organization conducting LOSGC must display their license prominently and insure no one under the age of 18 participates. No one convicted of a felony may manage, set up, supervise or participate in the operation of the games of chance. A licensed organization may not pay a person to conduct games of chance and only eligible organization managers, officers, directors, bar personnel or bona fide members of the organization may conduct small games of chance. Players must pay in advance of their plays, and no visibly intoxicated person may purchase or sell a chance.

If you are a club liquor licensee who conducts local option small games of chance, call me at 1-877-529-2555 for information on how to protect your valuable license asset.

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