

# Pennsylvania Gaming Trends

## SUMMARY

For calendar year 2013, Pennsylvania ranked second highest in the nation in gross gaming revenues (generally wagers less payouts) and first in tax revenues generated by slots and table games. For the state lottery system, the Commonwealth ranked seventh highest in total sales (includes Keno, where applicable) and fifth highest in net profits. For FY 2013-14, Pennsylvania gaming tax revenues and lottery profits supplied nearly \$2.5 billion of funds used to support property tax relief, elderly care, economic development and discretionary spending by local governments.

Pennsylvania’s high national ranking can be traced to the passage of Act 71 of 2004. The act legalized casino gaming, and most new tax revenues were earmarked for specific government programs. In FY 2013-14, slots revenue provided an average property tax reduction of \$185 for 2.8 million homesteads.<sup>1</sup> Moreover, local governments received \$155 million in additional funds, and economic development projects received \$116 million. The final section of this brief itemizes the various programs (and amounts) that received gaming tax revenues in FY 2013-14.

Gaming revenues are now an integral part of state finances, and policymakers have expressed concern

that revenue growth has started to decelerate or decline. Some have attributed these trends to market maturation or competition from other states. Other factors may include tepid economic growth and the lack of wage gains. Although the exact cause remains unclear, the deceleration of gaming revenue growth has implications for taxpayers and policymakers. For example, the lack of growth in slots revenue implies that property tax relief will not keep pace with the underlying property tax base and taxes levied by school districts. Modest growth of lottery profits implies that other funds may be required to support the needs of an elderly population that will expand dramatically over the next decade. For recent budgets, the Lottery Fund has also been used to support a higher share of long-term care and home and community-based services. It is unclear whether that level of support can be maintained.

Pari-mutuel, casino gaming and the lottery are all forms of recreation that fall under a broad definition of gaming; therefore, historical data for all three revenue sources are included in this research brief. The brief also presents data on casino gaming for adjacent states. Those data suggest that interstate competition has likely restrained recent trends in casino gaming revenues.

**Gaming Tax Revenues and Lottery Net Profits**

Fiscal Year	Slot Machines		Table Games		Pari-Mutuel		Lottery Profits		Total	
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth
2006-07	\$251	n.a.	n.a.	n.a.	\$11	-3.7%	\$949	-2.7%	\$1,211	22.7%
2007-08	797	217.5%	n.a.	n.a.	10	-7.7	928	-2.2	1,735	43.3
2008-09	1,001	25.6	n.a.	n.a.	14	34.2	910	-1.9	1,925	10.9
2009-10	1,231	23.0	n.a.	n.a.	13	-5.2	916	0.7	2,160	12.2
2010-11	1,329	7.9	\$81	n.a.	10	-21.8	961	4.9	2,381	10.2
2011-12	1,390	4.6	107	32.0%	13	25.3	1,061	10.4	2,571	8.0
2012-13	1,354	-2.6	103	-4.2	11	-11.8	1,067	0.6	2,535	-1.4
2013-14	1,289	-4.8	105	2.3	10	-11.2	1,081	1.3	2,485	-2.0

Note: Dollar amounts are in millions.

## CASINO GAMING

The Race Horse Development and Gaming Act of 2004 legalizes commercial casino gaming for stand-alone and racetrack casinos in Pennsylvania. Initially, casino gaming was restricted to slot machines, and the first casino (Mohegan Sun) to offer slots gaming began operations in November 2006. From 2006 to 2009, eight additional casinos opened. In 2010, new legislation authorized table games, and all nine casinos expanded their gaming operations that same year. Since that time, three more casinos have opened, bringing the total number of casinos in operation to twelve. Three casino licenses remain and are at various stages of the award process. Analysts project that two new casinos will begin operations in the next two to three years. All casinos remit both fee and tax revenues to the Commonwealth. The subsections that follow provide background and historical trends.

### Fees

Casinos remit several types of fees. Upon issuance of a slot machine license, Category 1 and 2 casinos remit a one-time license fee of \$50 million, while Category 3 casinos remit a \$5 million fee because they face certain size and operating restrictions. (See page 10 for definitions.) To date, all of the one-time slots license fees have been deposited into the State Gaming Fund and used to fund property tax relief. Future slots license fees, however, will be deposited into the General Fund. In order to offer table games, Category 1 and 2 casinos must also remit a \$16.5 million authorization fee, and Category 3 casinos must remit a \$7.5 million fee.<sup>2</sup> All table games authorization fees are deposited into the General Fund.

License fees are imposed on manufacturers and suppliers of gaming equipment and management companies of Category 1 and 2 casinos. In general, fees that relate to table games are deposited into the General Fund, and fees that relate to slots are deposited into the State Gaming Fund. License fee revenue deposited into the State Gaming Fund is restricted revenue and is used to fund a portion of the Pennsylvania Gaming Control Board's budget.

### Tax Revenues

The tax rates for casino games vary based on the type of game. Gross terminal revenue (GTR) is the base

### Casino Gaming Fees

<u>Fiscal Year</u>	<u>Slot License Fees</u>	<u>Restricted Gaming Fund</u>	<u>General Fund</u>	<u>Total</u>
2005-06	\$0.0	\$0.5	n.a.	\$0.5
2006-07	300.0	1.4	n.a.	301.4
2007-08	252.5	0.5	n.a.	253.0
2008-09	0.0	0.3	n.a.	0.3
2009-10	0.0	1.1	\$165.5	166.6
2010-11	10.0	1.3	0.4	11.7
2011-12	0.0	0.3	7.7	8.0
2012-13	5.0	0.4	7.7	13.1
2013-14	0.0	0.6	0.3	0.9

Note: Dollar amounts are in millions. Excludes registration and certification fees imposed on gaming service providers.

upon which Pennsylvania gaming taxes are levied and is generally equal to wagers less payouts and other promotional expenses. Gross terminal revenue from slot machines is taxed at a maximum rate of 55.0 percent. The table games tax rate varies based on the length of time that a casino has offered table games. The tax rate is 16.0 percent of GTR for the first two years a casino offers table games and 14.0 percent thereafter. For most casinos, the lower tax rate became effective during FY 2012-13.<sup>3</sup>

The first quarter of 2012 marked the high point of quarterly casino gaming tax revenues in Pennsylvania. (See table on next page.) Since that time, two primary factors may have restrained the growth of tax revenues: the maturation of the gaming market and increased competition from surrounding states.

Similar to other markets, the market for recreational gaming will progress through various stages. Revenues will expand quickly at first, but the market will eventually mature as demand for recreational gaming stabilizes. In a mature market, it is possible that new or expanded gaming facilities may not appreciably alter broad market trends that are driven by factors such as interstate competition, economic cycles and demographic composition. For example, two new Category 3 casinos (Valley Forge and Nemacolin) opened in 2012 and 2013. However, the addition of these smaller casinos was insufficient to prevent the annual decline in total slots revenue during calendar years 2013 (-4.1 percent) and 2014 (-2.8 percent). It is notable that the contraction in slots

revenue was broad based and affected nearly all casinos in the state. For the ten casinos that were fully operational in 2012, nine reported a reduction in slots revenue in 2013 and ten in 2014. For table games, the respective figures are five (2013) and four (2014) casinos.

In addition to the maturation of the gaming market, casino openings in other states likely restrained revenue growth. All six states adjacent to Pennsylvania offer commercial casino games. The

current number of casinos and the year gaming was legalized in those states are as follows: New Jersey (8 casinos, 1976), Delaware (3 casinos, 1994), West Virginia (4 casinos, 1994), New York (9 casinos, 2001), Maryland (5 casinos, 2008) and Ohio (11 casinos, 2009).

Similar to Pennsylvania, states that have mature casino gaming operations, such as New York, New Jersey, Delaware and West Virginia, have reported recent declines in casino gaming revenue. The

## Casino Gaming Tax Revenue for Pennsylvania and Adjacent States

### Quarterly Tax Revenues (\$ millions)

Quarter	Delaware	Maryland	New Jersey	New York	Ohio	Pennsylvania	West Virginia	Total
2012Q1	\$60.9	\$25.5	\$67.8	\$210.8	n.a.	\$420.2	\$112.3	\$897.5
2012Q2	56.4	40.2	64.9	205.8	\$23.5	369.2	113.0	873.1
2012Q3	53.3	78.0	72.5	211.4	52.2	363.0	95.3	925.7
2012Q4	45.5	74.5	49.7	194.6	62.5	334.7	79.6	841.2
2013Q1	48.4	88.9	56.1	220.1	74.2	401.0	94.3	983.1
2013Q2	46.9	95.3	60.9	225.4	91.9	357.9	92.2	970.5
2013Q3	43.8	94.8	69.5	224.0	93.2	346.3	82.6	954.2
2013Q4	39.7	89.6	55.3	208.2	97.2	324.2	68.2	882.5
2014Q1	42.8	94.4	56.1	212.6	111.5	378.3	78.2	974.0
2014Q2	42.8	100.1	63.2	218.8	119.6	345.1	82.1	971.7
2014Q3	40.5	107.7	68.0	219.6	127.2	342.8	78.4	984.2
2014Q4	37.1	113.7	48.1	213.2	128.5	328.9	71.0	940.5

### Annual Tax Revenues (\$ millions)

Year	Delaware	Maryland	New Jersey	New York	Ohio	Pennsylvania	West Virginia	Total
2010	\$243.1	\$15.9	\$305.5	\$503.4	\$0.0	\$1,323.6	\$379.8	\$2,771.2
2011	227.9	89.5	277.6	593.6	0.0	1,456.4	412.7	3,057.7
2012	216.1	218.2	254.9	822.7	138.2	1,487.1	400.3	3,537.4
2013	178.9	368.6	241.8	877.7	356.5	1,429.5	337.3	3,790.3
2014	163.2	415.9	235.4	864.2	486.8	1,395.1	309.7	3,870.3

### Annual Growth (percent change)

Year	Delaware	Maryland	New Jersey	New York	Ohio	Pennsylvania	West Virginia	Total
2011	-6.3%	462.9%	-9.1%	17.9%	n.a.	10.0%	8.7%	10.3%
2012	-5.2	143.8	-8.2	38.6	n.a.	2.1	-3.0	15.7
2013	-17.2	68.9	-5.1	6.7	158.0%	-3.9	-15.7	7.1
2014	-8.8	12.8	-2.6	-1.5	36.5	-2.4	-8.2	2.1

Source: Various state gaming regulatory agencies. Note: Includes slot machines and table games revenues.

contraction has been especially notable in New Jersey, West Virginia and Delaware, where tax revenues have declined every year since 2011. For the most recent quarter, New Jersey tax revenues declined by 13.1 percent from the prior year, which reflects the closure of four casinos in the state. For West Virginia and Delaware, tax revenues contracted roughly 25 percent during the past two years.

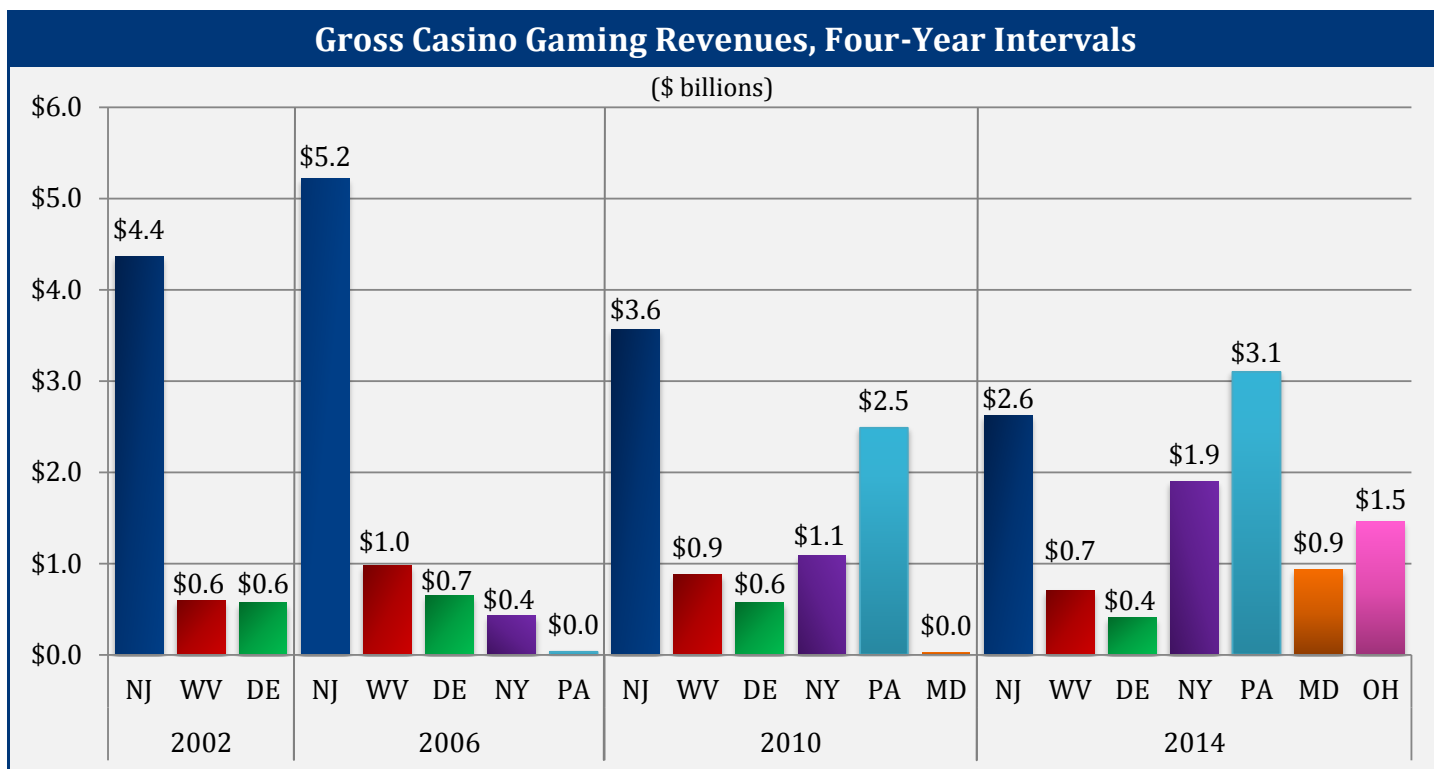
The revenue decline in states with established casino gaming appears to correlate directly with the ramp up of gaming operations in nearby states. Maryland and Ohio casinos began operations in 2011 and 2013, respectively. Those states have experienced strong revenue growth as casino gaming continues to expand.

### Gross Gaming Revenues

In addition to tax revenues, gross revenues provide useful insight into casino gaming activity across states. Generally, gross revenues represent wagers less payouts. The distribution of gross revenues across states can be very different than tax revenues because states may levy low tax rates (e.g., New Jersey at 8.0 percent for slots) whereas others levy higher tax rates (e.g., Pennsylvania at a maximum rate of 55.0 percent).

As shown in the figure below, New Jersey dominated the regional gaming market in 2002, with \$4.4 billion in gross revenues (79 percent of regional gross revenues). New Jersey’s regional share fell in 2006 (72 percent) and in 2010 (41 percent), as casinos in New York and Pennsylvania opened and ramped up operations. Similar trends hold for Delaware and West Virginia, but their regional share contraction is less noticeable because they comprised a smaller share of the gaming market.

From 2010 to 2014, the rapid growth of Maryland casinos likely had revenue implications for the nearby states of New Jersey, Delaware, West Virginia and Pennsylvania. Maryland will open a new casino outside of Washington D.C. in 2016 (National Harbor), which may reinforce this trend. Although Ohio began casino operations in 2012, the implications for eastern states is likely negligible due to the distance that separates the markets. However, Ohio casinos located in the Cincinnati, Columbus and Cleveland metro areas could possibly impact Pennsylvania and West Virginia. Ohio gaming revenues have grown dramatically and are now roughly one-half of Pennsylvania’s revenues.



## PARI-MUTUEL GAMING

In pari-mutuel gaming, the total prize pool is based on the amount of money wagered. Pennsylvania established pari-mutuel gaming in 1959 for harness racing followed by thoroughbred racing in 1967. All Category 1 casinos are either attached to or physically located within Pennsylvania racetracks. These facilities are commonly referred to as “racinos.” The Commonwealth authorized seven racinos, and six are currently in operation.

Racing associations conduct live thoroughbred and harness racing at the six racinos across the state. There are eleven racing licenses available. Ten racing associations are licensed by either the State Horse Racing Commission or the State Harness Racing Commission, and nine of them are operational. Some racinos house more than one racing association in order to maximize the number of potential racing days. According to the Pennsylvania Horse and Harness Racing Annual Report for 2013, the number of racing days ranged from 100 to 129 for thoroughbred racetracks and 149 to 208 for harness racetracks.

Racetrack operators are responsible for collecting wagers and remitting taxes. Pari-mutuel wagers can be placed at a live racing facility, an off-track wagering facility (OTW) and via a telephone betting service. Wagers on Pennsylvania races can also be placed at facilities inside and outside the state. Only wagers placed within Pennsylvania are included in the tax base.

The tax rate on total wagering in Pennsylvania is 1.5 percent for licensed racing corporations that conduct at least 100 days of racing, or two licensed corporations that conduct racing at the same facility for at least 175 combined racing days. The tax rate on total wagering is 2 percent for licensed racing corporations conducting less than the minimum number of racing days.

In addition to wagering taxes, there are taxes imposed on exotic pools, breakage and admission. A 1 percent tax is levied on exotic pools, which are bets on races that involve two or more horses (e.g., exacta, daily double, quinella and other). A 25 percent tax is levied on the breakage, which is “the odd cents of redistributions to be made on all contributions to pari-mutuel pools exceeding a sum equal to the next lowest multiple of ten.”<sup>4</sup> The Racing Act imposes a 5 percent tax on the admission price of tickets sold at each meeting held by the racing association.

Other licenses and fees collected on racing activities include occupational license fees and colors registration fees. These fees are levied on the licensing of jockeys and other persons participating in horse racing meets. Licenses and fees comprise a small portion of the revenues attributable to horse racing (less than \$1 million).

Pari-mutuel tax and fee revenues have not changed appreciably during the past decade. When racinos were created in FY 2006-07 and slots gaming was combined with thoroughbred and harness racing, tax revenues increased for a brief period of time. The opening of new racetracks (Harrah’s and Presque Isle) likely contributed to that outcome. Since that time, tax revenues have declined, but that trend does not necessarily reflect the general health of the Pennsylvania race horse industry. The decline reflects a reduction in wagers placed at locations within Pennsylvania. The data do not reflect wagers on Pennsylvania races that are placed at locations outside the state. Although out-of-state wagers are not included in the tax base, those wagers have grown considerably over the time period and provide a direct economic benefit to the Pennsylvania race horse industry.

<b>Pari-Mutuel Revenues</b>				
<b>Fiscal Year</b>	<b>Tax Revenue</b>	<b>Licenses and Fees</b>	<b>Total</b>	<b>Growth</b>
2003-04	\$11.7	\$0.4	\$12.0	-4.7%
2004-05	11.4	0.5	11.9	-1.5
2005-06	11.7	0.5	12.2	2.8
2006-07	11.3	0.5	11.7	-3.7
2007-08	10.4	0.9	11.3	-4.0
2008-09	13.9	0.8	14.7	30.5
2009-10	13.2	0.6	13.9	-5.7
2010-11	10.3	0.7	11.0	-20.7
2011-12	12.9	0.6	13.6	23.4
2012-13	11.4	0.6	12.0	-11.3
2013-14	10.1	0.7	10.8	-10.0

Note: Dollar amounts are in millions.

## LOTTERY

The Pennsylvania Lottery was established in 1971 and offers the following games: instant tickets, numbers games (Pick 2, Pick 3, Pick 4 and Pick 5), in-state lotto (Cash 5, Match 6 and Treasure Hunt), multistate lotto (Powerball, Mega Millions and Monopoly) and Raffle.<sup>5</sup>

During the past decade, instant ticket sales have increased at an average rate of 9.5 percent per annum. (See table.) The dramatic growth is due to successful marketing campaigns, an expanding retailer network and the deployment of numerous automated vending machines. For calendar year 2014, the Lottery deployed 4,500 instant ticket vending machines and 1,825 PlayCentral Terminals throughout the state. For FY 2003-04, instant ticket sales comprised less than half (42.1 percent) of total sales. By FY 2013-14, instant ticket sales comprised nearly two-thirds (64.3 percent) of total sales.

Numbers games have exhibited a much different sales trend, declining at an average rate of 1.4 percent per annum over the past decade. This long-term trend is similar to other states, as numbers games are generally less popular with younger players. The contraction has been especially notable since FY 2010-11 (-3.3 percent per annum).

Although lotto games have expanded over the past decade (1.2 percent per annum), the total masks

Lottery Sales by Game Type				
<u>Fiscal Year</u>	<u>Instant Tickets</u>	<u>Numbers Games</u>	<u>Lotto Games</u>	<u>Total Sales</u>
2003-04	\$989	\$704	\$659	\$2,352
2004-05	1,302	697	646	2,645
2005-06	1,588	685	797	3,070
2006-07	1,704	685	687	3,076
2007-08	1,707	686	696	3,089
2008-09	1,758	693	637	3,088
2009-10	1,749	682	635	3,066
2010-11	1,922	674	612	3,208
2011-12	2,135	646	700	3,481
2012-13	2,305	631	764	3,700
2013-14	2,445	611	744	3,800
<b>AAGR</b>	<b>9.5%</b>	<b>-1.4%</b>	<b>1.2%</b>	<b>4.9%</b>

Note: Dollar amounts are in millions. AAGR is the average annual growth rate.

Lottery Net Profits and Profit Margin			
<u>Fiscal Year</u>	<u>Net Profits</u>	<u>Total Sales</u>	<u>Profit Margin</u>
2003-04	\$819	\$2,352	34.8%
2004-05	852	2,645	32.2
2005-06	976	3,070	31.8
2006-07	949	3,076	30.9
2007-08	928	3,089	30.0
2008-09	910	3,088	29.5
2009-10	916	3,066	29.9
2010-11	961	3,208	30.0
2011-12	1,061	3,481	30.5
2012-13	1,067	3,700	28.8
2013-14	1,081	3,800	28.4

Note: Dollar amounts are in millions.

divergent trends for in-state and multistate lotto games. While in-state lotto sales have declined since FY 2003-04 (-2.3 percent per annum), multistate sales expanded at a moderate rate (3.8 percent per annum).

Data for the first half of FY 2014-15 reveal a decline in Lottery sales (-1.5 percent) compared to the same period for the prior fiscal year. Notable was the decline in multistate lotto sales (-31.5 percent) due to the absence of large jackpots that attract occasional players. Sales of numbers games were largely flat (-0.8 percent) while in-state lotto sales recorded a large decline (-16.9 percent). Only instant ticket sales (6.7 percent) recorded an increase during the first six months of the fiscal year.

Lottery sales do not generate tax revenues. Instead, a lottery agency remits any net profits from sales after the deduction of advertising, prizes, personnel and operating costs. Over the past decade, net profits have increased at an average rate of 2.8 percent per annum, considerably slower than total sales (4.9 percent). Profit growth lags sales growth due to the changing mix of games. The profit margin on numbers games is higher than multistate lotto and instant tickets. As numbers games comprise a smaller share of total sales, profit margins (net profits divided by total sales) generally decline. Therefore, a declining profit margin does not imply that a lottery operates inefficiently. It simply reflects a changing mix of games in response to an evolving marketplace.

## USE OF GAMING REVENUES

This section describes how lottery profits, casino and pari-mutuel gaming tax revenues were used to support certain expenditures in FY 2013-14. The flow chart that accompanies the text (see page 9) displays the revenue source, the funds into which revenues were deposited and their ultimate use.

The tax revenue and net profit figures (green shading) in the flow chart represent cash flows generated during the fiscal year. All tax revenues or net profits are deposited into various funds (red) or are distributed to their final end use (blue). However, amounts deposited into the various funds may differ from the distributions made from those funds. Those differences occur because (1) distributions may include other miscellaneous revenues or fees deposited into the fund from other sources, (2) the funds may distribute prior year remaining balances and (3) the funds may retain some of the revenues they receive during the fiscal year. For these reasons, a summation of total distributions (\$2.54 billion, blue) does not equal the revenues upon which they are based (\$2.49 billion, green).

### Pari-Mutuel

For FY 2013-14, the Commonwealth collected \$10 million in pari-mutuel gaming revenues, which were deposited into the State Racing Fund and administered by the Department of Agriculture. The State Racing Fund also received a one-time transfer (\$4 million) from the Race Horse Development Fund, which is supported by slot machine tax revenues. Hence, the total deposit was \$14 million.

Due to the deposit of other fees and miscellaneous revenues, approximately \$17 million was distributed from the State Racing Fund as follows:

- Administrative expenses (\$0.2 million). (The monies were not expended during the fiscal year.)
- State Racing Commission (\$13 million).
- Equine toxicology and research laboratory (\$3 million).
- Administration of Pennsylvania fairs (\$0.3 million).
- A one-time transfer to the General Fund for loan repayment (\$0.3 million).

### Casino Gaming

For FY 2013-14, the Commonwealth collected \$1.4 billion in tax revenues from table games and slot machines. These tax revenues were distributed as follows:

- Table games state tax revenues are deposited into the General Fund. Collections totaled \$91 million.
- The local share assessment is 2 percent of GTR from table games and 4 percent of GTR from slot machines. (The 4 percent from slot machines is subject to a \$10 million minimum for certain facilities.) Collections totaled \$155 million.
- The Pennsylvania Race Horse Development Fund (PRHDF) receives a maximum of 12.0 percent of GTR from slot machines. Collections totaled \$244 million.
- The Pennsylvania Gaming Economic Development and Tourism Fund receives 5.0 percent of GTR from slot machines. Collections totaled \$116 million.
- The State Gaming Fund receives 34.0 percent of GTR for slot machines. Collections totaled \$789 million.

The local share assessment monies are typically distributed to the local governments where the gaming facilities reside. Revenues are generally used to support spending for local economic development, education or other local spending.

The monies from the PRHDF are used to support the race horse industry and other agricultural programs. (As noted in the prior subsection, the State Racing Fund received a one-time transfer of \$4 million from the PRHDF.) In FY 2013-14, distributions from the PRHDF for purses and health and pension benefits for horseman's organizations totaled \$186 million. Other distributions to the Department of Agriculture totaled \$53 million. Those funds were distributed as follows: the Breeding, Sire Stakes and Standardbred Funds (\$35 million), the Farm Show Products Fund (\$4 million), the Animal Health and Diagnostics Commission (\$5 million), veterinary labs (\$5 million), Pennsylvania fairs (\$3 million) and a General Fund transfer (\$0.5 million).

The \$116 million distribution to the Pennsylvania Gaming Economic Development and Tourism Fund

was used to finance economic development in Allegheny and Philadelphia counties, as well as water and sewer projects and flood control projects approved by the Commonwealth Financing Authority.

The monies from the State Gaming Fund were distributed as follows:

- The Compulsive and Problem Gambling Treatment Fund receives the greater of \$2 million or 0.002 multiplied by the slots GTR. The transfer was \$5 million. An additional \$3 million was transferred and earmarked for drug and alcohol treatment programs. The total disbursement was \$8 million.
- Other distributions include:
  - ◆ The Department of Conservation and Natural Resources, the Pennsylvania Fish and Boat Commission and the Pennsylvania Game Commission receive payments in lieu of taxes. The total transfer was \$9 million.
  - ◆ The Pennsylvania Emergency Management Agency receives \$30 million annually for volunteer company grants.
  - ◆ Grants made available to local law enforcement agencies totaled \$2 million.

The remaining balance of \$740 million was available for property tax relief. This amount was combined with other gaming revenues collected through October 15, 2014 (for a total of \$779 million) and distributed in FY 2014-15. The amount reflects general property tax relief and Sterling Act reimbursements (\$577 million), as well as a transfer to the Lottery Fund (\$163 million) for the expanded Property Tax Rent Rebate Program.<sup>6</sup>

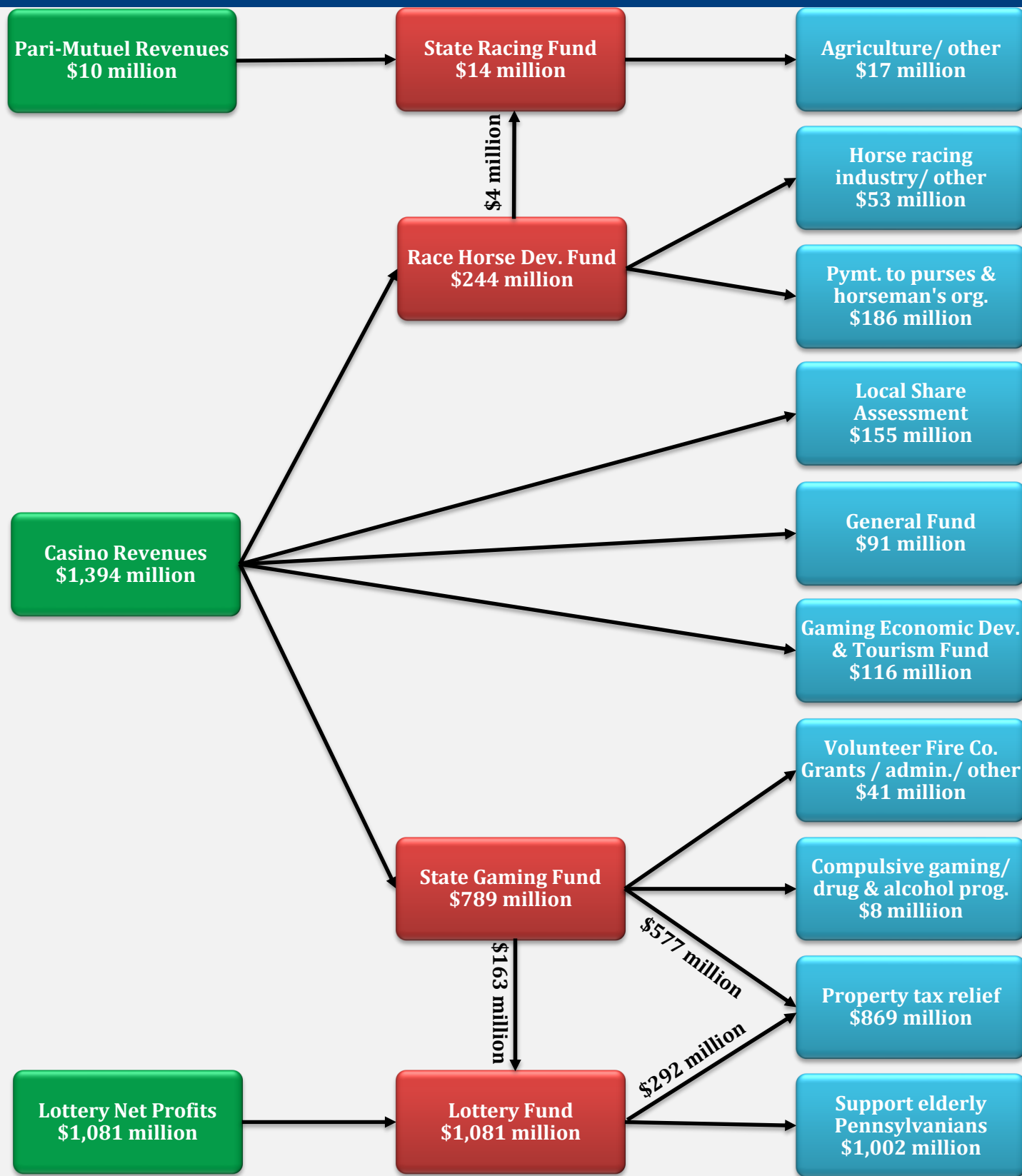
## Lottery Fund

In FY 2013-14, Lottery net profits totaled \$1.1 billion. These revenues are net of all administrative and operational expenses. The net profits were deposited into the Lottery Fund and distributed to the following funds and departments:

- The Department of Aging received \$498 million. The funds were distributed as follows:
  - ◆ Administrative and other expenses (\$8 million).
  - ◆ Caregiver support (\$12 million).
  - ◆ PENNCARE (\$275 million).
  - ◆ Pre-Admission Assessment (\$11 million).
  - ◆ Alzheimer's Outreach (\$0.3 million).
  - ◆ Pharmaceutical Assistance Fund (\$190 million). (Includes \$60 million of lapsed funds.)
  - ◆ Grants to Senior Citizens (\$2 million).
- The Department of Human Services received \$330 million. The funds were distributed as follows:
  - ◆ Long-Term Care (\$309 million).
  - ◆ Home and Community Services (\$21 million).
- Property tax relief and rent rebates for senior citizens (\$292 million).
- The Department of Transportation received \$174 million. The funds were distributed as follows:
  - ◆ Transfers to the Public Transportation Trust Fund (\$93 million).
  - ◆ Shared Rides (\$81 million).



## Overview of Gaming Revenues and Distributions for FY 2013-14



*Amounts deposited into the funds may differ from the distributions made from those funds because (1) distributions may include other miscellaneous revenues or fees deposited into the fund from other sources, (2) the funds may distribute prior year remaining balances and (3) the funds may retain some of the revenues they receive during the fiscal year. Excludes fees.*

## Endnotes

1. Data on property tax relief are from the Pennsylvania Department of Education.
2. For Category 1 and 2 casinos that petition for a table games authorization certificate after June 1, 2010, the fee was increased to \$24.75 million. The fee was increased to \$11.25 million for Category 3 casinos petitioning after the specified date. The fee increases do not apply to Category 1 or Category 3 casinos that were issued their slot machine license after June 1, 2010.
3. In addition to the 14.0 or 16.0 percent tax rate, GTR from fully automated electronic table games is subject to an additional 34.0 percent tax (i.e., a total of 48.0 or 50.0 percent).
4. The act of December 17, 1981 (P.L. 435, No. 135), known as the “Race Horse Industry Reform Act.”
5. The names of the numbers games have recently changed. They were formerly called Daily Number (now Pick 3), Big 4 (Pick 4) and Quinto (Pick 5). A new game called Pick 2 was also introduced.
6. The remaining balance of \$740 million and the indicated distributions are consistent with revenues received through June 30, 2014. Revenues received through October 15, 2014 resulted in distributions of \$779 million, including \$163 million to the Lottery Fund for the expanded Property Tax Rent Rebate Program, \$21.2 million in Sterling Act reimbursements and \$595 million in general property tax relief. These distributions are consistent with the Budget Secretary’s certification issued on April 15, 2014.

## Definitions

- **Category 1 casinos:** These casinos are racetrack facilities and have a valid harness or thoroughbred racing license. Pennsylvania authorized seven facilities, and six are currently in operation.
- **Category 2 casinos:** These facilities are stand-alone casinos. Five casino licenses of this type were authorized: two casinos in Philadelphia, one in Pittsburgh and two in revenue or tourism-enhanced locations (Mount Pocono and Bethlehem).
- **Category 3 casinos:** These land-based casinos must be part of a “well-established resort hotel” and are the smallest of the three categories.

## Data Sources

- The Pennsylvania Lottery and the Pennsylvania Gaming Control Board
- Various state gaming authorities
- Pennsylvania state accounting system
- American Gaming Association and the University of Nevada, Las Vegas

### Independent Fiscal Office



Rachel Carson State Office Building, 2<sup>nd</sup> Floor  
400 Market Street  
Harrisburg, PA 17105  
E-mail: [contact@ifo.state.pa.us](mailto:contact@ifo.state.pa.us)  
Website: [www.ifo.state.pa.us](http://www.ifo.state.pa.us)

Staff Acknowledgements: Lauren Mondschein