

Pennsylvania Gaming Trends

SUMMARY

Following three consecutive years of decline, Pennsylvania gaming revenues exhibited positive growth in fiscal year (FY) 2015-16 (3.9 percent). Revenue gains were realized across all gaming types: slots (2.2 percent), table games (6.7 percent), pari-mutuel (1.8 percent) and the lottery (5.7 percent).

However, revenues through the first seven months of FY 2016-17 suggest a reversal of those trends. Two of the largest revenue sources, slots and lottery profits, are projected to contract by 2.4 percent and 3.0 percent, respectively, for the fiscal year. For slots, the decline has been widespread: ten casinos exhibited flat or negative growth and only two casinos recorded positive gains. For lottery, instant ticket (0.6 percent) and multi-state lotto sales (-17.4 percent) drive much of the weakness.

Due to a temporary rate increase, table games tax revenues are projected to grow by 15.8 percent (4.3 percent base growth), while pari-mutuel is projected to grow modestly (2.5 percent). The gains in pari-mutuel and table games revenues (\$19 million) are insufficient to offset the forecasted decline in slots revenues and lottery profits (-\$66 million).

If these projections hold, then total gaming revenues will fall below their peak in FY 2015-16. Some have attributed the decline in gaming revenues to market

maturity or competition from other states. Other factors may include tepid economic and demographic growth or the lack of wage gains. Although the exact cause remains unclear, the deceleration of gaming revenue growth has implications for taxpayers and policymakers because gaming revenues are an integral part of state finances.

For example, the lack of growth in slots revenue results in the inability of property tax relief to 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 long-term care and home and community-based services. It is unclear whether that level of support can be maintained.

This research brief contains current and historical trends for casino gaming, pari-mutuel gaming and the lottery. The brief also presents casino gaming revenues, tax rates and effective tax rates for adjacent states, which likely influence trends for Pennsylvania. The final section displays how revenues from the three types of gaming were used in the state budget for the most recent year of actual data, FY 2015-16.

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
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	2,382	10.3
2011-12	1,390	4.6	107	32.0%	13	25.3	1,061	10.4	2,572	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	2,486	-2.0
2014-15	1,296	0.6	112	6.5	9	-12.4	1,061	-1.9	2,478	-0.3
2015-16	1,325	2.2	120	6.7	9	1.8	1,121	5.7	2,575	3.9
2016-17	1,293	-2.4	139	15.8	9	2.5	1,087	-3.0	2,528	-1.8

Note: Dollar amounts are in millions. Projections by the IFO for FY 2016-17 are based on data through January 2017.

CASINO GAMING

Pennsylvania and all adjacent states offer slots or table game play at commercial casinos. The current number of casinos and the year gaming was legalized in these states are as follows: New Jersey (7 casinos, 1976), Delaware (3 casinos, 1994), West Virginia (5 casinos, 1994), New York (9 casinos, 2001), Pennsylvania (12 casinos, 2004), Maryland (6 casinos, 2008) and Ohio (11 casinos, 2009). Two states offer additional game types besides slots and table games: New Jersey (internet gaming) and Delaware (internet gaming and limited sports betting). Revenue from internet and sports gaming, as well as gaming-related fees, are excluded from tabulations in this section.

Gross Gaming Revenues

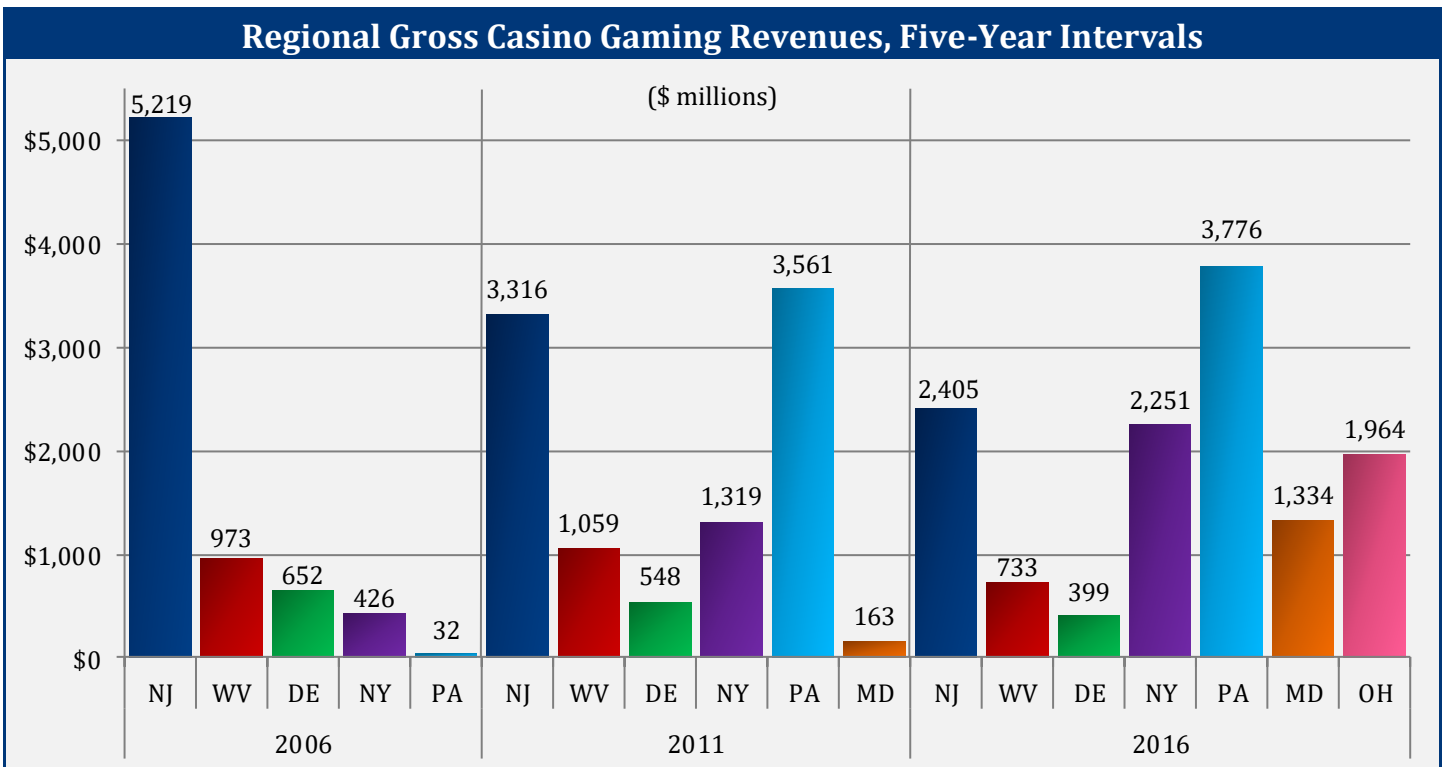
Gross revenues provide useful insight into gaming activity across states because, unlike tax revenues, they are unaffected by differences in the tax structure. In this report, gross gaming revenues represent wagers (including promotional play) less payouts. Promotional play has been steadily rising in recent years, thereby increasing gross revenues. In 2006, promotional play was not offered in most states, and it does not appear in the data in the figure below until 2011. For Pennsylvania, promotional play was \$537

million in 2011 and \$563 million in 2016, which is roughly 15 percent of gross revenues.

In 2006, New Jersey reached its peak level of gross gaming revenues (\$5.2 billion) and dominated the regional gaming market (71 percent of regional gross revenues). While New York and Pennsylvania ramped up casino operations, a total of five casinos closed in New Jersey (four in 2014 and one in 2016), leading to a drop in New Jersey’s regional share to 19 percent by 2016.

West Virginia and Delaware faced similar contractions, and their combined shares were more than cut in half from 2006 (22 percent) to 2016 (9 percent). While New Jersey, Delaware and West Virginia’s relative shares declined, New York’s share grew considerably. In 2006, New York comprised 6 percent of regional revenues and grew to 18 percent in 2016, nearly equal to New Jersey. New York’s share will continue to grow due to the recent authorization of table games and three potential casino licenses.

Pennsylvania took the lead in the regional gaming market for the first time in 2011 (36 percent of gross revenues), surpassing New Jersey. Pennsylvania’s regional share fell to 29 percent in 2016, likely due to



Ohio's (2012) and Maryland's (2010) entrance into the regional gaming market.

Looking forward, Maryland's share (10 percent in 2016) will likely expand due to the opening of the National Harbor casino in December 2016. Ohio's share (15 percent) will likely stabilize, as its eleven casinos are fully phased in. Although Pennsylvania has three casino licenses available, it is unclear when those licenses will be issued. As casino gaming in the region expands, along with the types of games offered (e.g., online and fantasy gaming), there will be more competition for the same regional consumer base.

Effective Tax Rates

The table below displays basic information on the tax structure for Pennsylvania and adjacent states. The table also shows effective tax rates (ETR), which are computed as tax collections divided by gross gaming revenues for calendar year 2016.

The operation and tax structure of casino gaming vary widely across states. Some states operate gaming machines through the state lottery, such as Delaware, Maryland, New York, Ohio and West Virginia. For those states, the state lottery retains a portion of gross gaming revenues as opposed to levying an explicit tax.

Gaming tax rates may differ by the casino facility location (e.g., Maryland, New York and Ohio) or the game type. For Pennsylvania, the tax rates for casino games vary based on the type of game. Gross 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 gross revenues for the first two years a casino offers table games and 14.0 percent thereafter.¹ For most casinos, the lower tax rate became effective during FY 2012-13. Recent legislation temporarily raised the tax rate to 16.0 percent for FY 2016-17 through FY 2018-19.

The taxation of promotional play also differs across states. Some states tax a portion of promotional play (Maryland, Delaware, New Jersey, New York and West Virginia). For example, New Jersey taxes the first \$90 million in promotional play as part of gross revenues, but anything above that amount is not subject to tax. Promotional play in Pennsylvania and Ohio is exempt from tax. An April 2014 Pennsylvania Supreme Court decision expanded the deductibility of promotional play from traditional "free play" to include other prizes awarded to patrons as a result of playing a slot machine or table game. The result of this decision is a further erosion of the Pennsylvania tax base.²

Due to the different tax rates and structures, states with high statutory tax rates may not have high average ETRs. For example, Pennsylvania's ETR is lower than its slots tax rate, due to the lower table games tax rate and its exemption of promotional play. A comparison of tax rates and ETR reveals that:

- West Virginia has the highest ETR and table games tax rate and fourth highest slot machine tax rate.
- New Jersey has the lowest slots and table games tax rates, as well as the lowest ETR.

Regional Tax Rates and Effective Tax Rates, CY 2016

State	Slot Machine Tax	Table Games Tax	Treatment of Promotional Play	Effective Tax Rate
West Virginia	53.5%	35%	Roughly 2-3% of amount played is tax free	41.3%
New York	37-45%	10%	Up to 15% of a facility's net win is tax free	40.9%
Delaware	59.5%	33.9%	20% of prior year's revenues is tax free	38.8%
Pennsylvania	55% (max)	14%	Not taxed	38.0%
Maryland	67%	20%	20% of prior year's revenues is tax free	36.1%
Ohio	33%	33%	Not taxed	28.7%
New Jersey	9.25%	9.25%	Promo play exceeding \$90 million is tax free	8.6%

Note: Maryland's slot tax rate was reduced for two of its facilities in the last three weeks of December 2016. Pennsylvania's table games tax rate was increased to 16.0 percent in July 2016.

Tax Revenues

The table below displays regional gaming tax revenues. The distribution of tax revenues across states can be very different than the distribution of gross revenues because states may levy low tax rates (e.g., New Jersey at 9.25 percent), whereas others levy higher tax rates (e.g., Maryland at 67.0 percent).

After reaching its peak in 2012, Pennsylvania gaming tax revenues declined in the subsequent two years, despite two new Category 3 casino openings (Valley Forge, 2012 and Nemaquin, 2013). The largest annual decline was recorded in 2013 (-3.9 percent), and it can be decomposed as follows; 10 casinos comprised 5.4 percentage points of the decline, while Nemaquin and Valley Forge comprised a 1.5 percentage point increase, as operations ramped up in those casinos. That same trend was observed in 2014.

Tax revenues grew moderately in 2015 (2.4 percent). However, much of that growth was due to two casinos; the Sands and Parx contributed 1.8 percentage points of the increase, whereas the other casinos were mostly flat (a combined contribution of 0.6 percentage points). For 2016, revenues were flat for nearly all casinos (0.6 percent): six casinos were slightly negative, contributing a 1.2 percentage point decline,

while the remaining six casinos were slightly positive, contributing a 1.7 percentage point gain. 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 or possibly declines. The three states with the longest history of gaming (New Jersey, West Virginia and Delaware) have exhibited negative or flat tax revenue growth in recent years. For New Jersey, the large decline in 2015 was due to casino closures. Similar to Pennsylvania, New York exhibited a decline in 2014 and moderate growth in 2015, but grew at a faster rate in 2016 due to casino expansions.

More recent entrants to the gaming market, Maryland and Ohio, have experienced much different trends. For the first few years, Maryland (2012 to 2015) and Ohio (2014 to 2015) experienced strong growth as operations ramped up. For Ohio, the growth rate stabilized in 2016, as all casinos were fully operational. For Maryland, a new casino opening and a slots tax rate reduction at the end of 2016 could lead to further growth rate swings in the near term.

Regional Casino Gaming Tax Revenue

<u>Annual Tax Revenues (\$ millions)</u>								
CY	Delaware	Maryland	New Jersey	New York	Ohio	Pennsylvania	West Virginia	Total
2011	\$228	\$90	\$278	\$594	\$0	\$1,456	\$413	\$3,058
2012	216	218	255	823	138	1,487	400	3,537
2013	179	369	242	878	357	1,430	337	3,790
2014	163	416	235	864	487	1,395	310	3,870
2015	157	453	205	888	548	1,428	311	3,991
2016	155	481	206	920	565	1,436	303	4,065
<u>Annual Growth Rate</u>								
CY	Delaware	Maryland	New Jersey	New York	Ohio	Pennsylvania	West Virginia	Total
2012	-5.2%	143.7%	-8.1%	38.6%	n.a.	2.1%	-3.0%	15.7%
2013	-17.2	68.9	-5.2	6.7	n.a.	-3.9	-15.7	7.1
2014	-8.8	12.8	-2.8	-1.5	36.5%	-2.4	-8.2	2.1
2015	-3.6	8.9	-12.8	2.8	12.6	2.4	0.3	3.1
2016	-1.7	6.3	0.5	3.5	3.0	0.6	-2.5	1.9

PARI-MUTUEL GAMING

Pennsylvania has a long history of both harness (since 1959) and thoroughbred (1967) horse racing. All Pennsylvania racetracks are either attached to or part of a Category 1 casino. These facilities are commonly referred to as “racinos.” The Commonwealth authorized seven racinos, and six are currently in operation.

Racetrack operators are responsible for receiving wagers and remitting taxes. Pari-mutuel wagers can be placed at any facility that offers live racing, an off-track wagering facility (OTW) or via a phone/internet betting service. Wagers on Pennsylvania races can also be placed at facilities located outside the state.

The tax rate on wagers is 1.5 percent for licensed racing corporations that conduct at least 100 race days, or two licensed corporations that conduct racing at the same facility for at least 175 combined race days. The tax rate on wagers is 2.0 percent for licensed racing corporations conducting less than the minimum number of race days.

In addition to wagering taxes, there are taxes imposed on exotic pools, breakage and admission. An additional 1.0 percent tax is levied on exotic pools, which are bets 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.”³ The Racing Act also imposes a 5 percent tax on the admission price of tickets sold at

each meeting held by the racing association. Data suggest that the effective tax rate on all taxable pari-mutuel gaming is 2.25 percent.

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.

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 newer racetracks (Harrah’s and Presque Isle) likely contributed to that outcome. Since that time, tax revenues have declined.

The decline reflects a reduction in wagers placed at locations within Pennsylvania. From FY 2008-09 to FY 2015-16, taxable wagers declined at an average rate of 8.7 percent per annum. The table does not reflect wagers on Pennsylvania races that are placed at locations outside the state.

Out-of-state wagers on Pennsylvania races, which are shown in the table but not included in the tax base, have also declined in recent years. From FY 2012-13 to FY 2015-16, out-of-state wagers contracted by an average of 3.5 percent per annum. In prior years (FY 2008-09 to FY 2012-13), out-of-state wagers grew by 2.4 percent per annum.

Pari-Mutuel Wagers and Revenues

<u>Fiscal Year</u>	<u>In-State Wagers (T)</u>	<u>Out-of-State Wagers (E)</u>	<u>Total</u>	<u>Growth</u>	<u>Tax Revenue</u>	<u>Licenses and Fees</u>	<u>Total</u>	<u>Growth</u>
2008-09	\$123.1	\$631.8	\$754.8	11.6%	\$13.9	\$0.8	\$14.7	30.5%
2009-10	114.6	650.7	765.3	3.0	13.2	0.6	13.9	-5.7
2010-11	99.1	613.0	712.1	-5.8	10.3	0.7	11.0	-20.7
2011-12	98.6	638.2	736.8	4.1	12.9	0.6	13.6	23.4
2012-13	93.3	695.9	789.3	9.0	11.4	0.6	12.0	-11.3
2013-14	80.7	681.3	762.0	-2.1	10.1	0.7	10.8	-10.0
2014-15	79.3	680.7	760.0	-0.1	8.9	0.7	9.6	-11.8
2015-16	64.8	625.7	690.5	-9.1	9.0	0.6	9.7	1.2

Notes: Dollar amounts are in millions. (T) represents taxable, (E) represents exempt wagers made on Pennsylvania races.

LOTTERY

The Pennsylvania Lottery was established in 1971 and offers the following games: instant tickets, numbers games (Pick 2, Pick 3, Pick 4, Pick 5 and Wild Ball), in-state lotto (Cash 5, Match 6 and Treasure Hunt), multi-state lotto (Powerball, Mega Millions and Cash 4 Life) and Raffle.

Since FY 2009-10, which represents a recent low for the lottery (-0.7 percent growth from the prior year), total sales have grown at a rate of 5.1 percent per annum. Two game types were the main drivers of this growth: instant tickets (8.1 percent per annum) and multi-state lotto (5.8 percent per annum).

Instant ticket sales now comprise more than two-thirds of total lottery sales. These sales have grown, in part, due to players shifting to higher-priced tickets. In FY 2010-11, the \$20 and over category comprised 20.8 percent of instant ticket sales, and the average sales price was \$3.91. In FY 2015-16, the \$20 and over category comprised 29.5 percent, and the average sales price was \$5.15. Due to higher relative prize payouts, the shift to higher-priced tickets produces smaller profit margins.

Although FY 2015-16 multi-state lotto sales grew by more than 30 percent over the prior year, these games comprised the same relative share of total sales as FY 2009-10 (12 percent). Multi-state sales are dependent on the size of the jackpot, and years with a higher number of large jackpots or an especially large jackpot may produce double digit growth (FYs 2012-13 and 2015-16). Due to a change in the Powerball game rules (October 2015), the odds of winning a jackpot

decreased, which contributed to the largest historical payout of \$1.6 billion during FY 2015-16. Conversely, a lack of large jackpots may trigger a sizeable decline in sales (FY 2014-15).

While instant tickets and multi-state lotto games have been a source of growth, in-state lotto and numbers games have declined from FY 2009-10 to FY 2015-16 (-0.9 percent and -2.6 percent per annum, respectively). For in-state lotto games, the growth in Treasure Hunt (6.9 percent per annum) and Match 6 (1.3 percent) is outweighed by the decline in Cash 5 (4.5 percent) because it comprises more than half of this category. Similarly, for numbers games, the growth in Pick 5 (4.9 percent per annum) is outweighed by declines in Pick 3 (-4.5 percent) and Pick 4 (-1.9 percent), which comprise more than 90 percent of this category. Pick 2 games were added in FY 2014-15, but comprise only one percent of total sales of numbers games.

Lottery sales are not subject to tax. Instead, a lottery agency retains any net profits from sales after the deduction of advertising, prizes and operating costs. Since FY 2009-10, net profits have increased at an average rate of 3.4 percent per annum, considerably slower than total sales (5.1 percent). Profit growth lags sales growth, as consumers shift from games with higher profit margins (numbers games) to games with lower profit margins (instant tickets). 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.

Lottery Sales and Net Profits

<u>Fiscal Year</u>	<u>Instant Tickets</u>	<u>Numbers Games</u>	<u>All Other In-State</u>	<u>Multi-State</u>	<u>Total Sales</u>	<u>Net Profits</u>	<u>Profit Margin</u>
2009-10	\$1,749	\$682	\$280	\$354	\$3,066	\$916	29.87%
2010-11	1,922	674	271	340	3,208	961	29.95
2011-12	2,135	646	271	429	3,481	1,061	30.48
2012-13	2,305	631	279	485	3,700	1,067	28.85
2013-14	2,445	611	296	447	3,800	1,081	28.46
2014-15	2,592	597	250	381	3,820	1,061	27.77
2015-16	2,793	581	265	496	4,135	1,121	27.12
AAGR	8.1%	-2.6%	-0.9%	5.8%	5.1%	3.4%	

Note: Dollar amounts are in millions. AAGR is the average annual growth rate. Profit margin is equal to net profits divided by total sales.

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 2015-16. 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 FY 2015-16, gaming revenues totaled \$2.57 billion, and distributions totaled \$2.55 billion.

Pari-Mutuel

For FY 2015-16, the Commonwealth collected \$9 million in pari-mutuel gaming revenues, which were deposited into the State Racing Fund administered by the Department of Agriculture. The State Racing Fund also received a transfer (\$6 million) from the Pennsylvania Race Horse Development Fund, which is supported by slot machine tax revenues. Hence, the total deposit was \$15 million.

Due to the deposit of other fees and miscellaneous revenues, approximately \$16 million was disbursed from the State Racing Fund as follows:

- Administrative expenses (\$0.2 million). (The monies were not expended during the fiscal year.)
- State Racing Commission (\$11 million).
- Equine toxicology and research laboratory (\$3 million).
- Administration of Pennsylvania fairs (\$0.2 million).
- Refunds for the advance deposit of the wagering tax (\$2 million).

Casino Gaming

For FY 2015-16, the Commonwealth collected \$1.44 billion in tax revenues from table games and slot machines. These tax revenues were distributed as follows:

- Table games state tax revenues were deposited into the General Fund. Collections totaled \$103 million.
- The local share assessment is 2.0 percent of GTR from table games and 4.0 percent of GTR from slot machines. (The 4.0 percent from slot machines is currently subject to a \$10 million minimum for certain facilities.) Collections totaled \$161 million.
- The Pennsylvania Race Horse Development Fund (PRHDF) receives a maximum of 12.0 percent of GTR from slot machines. Collections totaled \$249 million.
- The Pennsylvania Gaming Economic Development and Tourism Fund receives 5.0 percent of GTR from slot machines. Collections totaled \$119 million.
- The State Gaming Fund receives 34.0 percent of GTR from slot machines. Collections totaled \$812 million.

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

The monies from the PRHDF support the race horse industry and other agricultural programs. (As noted in the prior subsection, the State Racing Fund received a transfer of \$6 million from the PRHDF.) In FY 2015-16, distributions from the PRHDF for purses and health and pension benefits for horsemen's organizations totaled \$184 million. Other distributions to the Department of Agriculture totaled \$52 million. Those funds were distributed as follows: the Breeding, Sire Stakes and Standardbred Funds (\$34 million), the Farm Show Products Fund (\$5 million), the Animal Health and Diagnostics Commission (\$5 million), veterinary labs (\$5 million) and Pennsylvania fairs (\$3 million).

The \$119 million distribution to the Pennsylvania Gaming Economic Development and Tourism Fund financed 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 (\$41 million) 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 fire and ambulance company grants.
 - ◆ Grants made available to local law enforcement agencies totaled \$2 million.

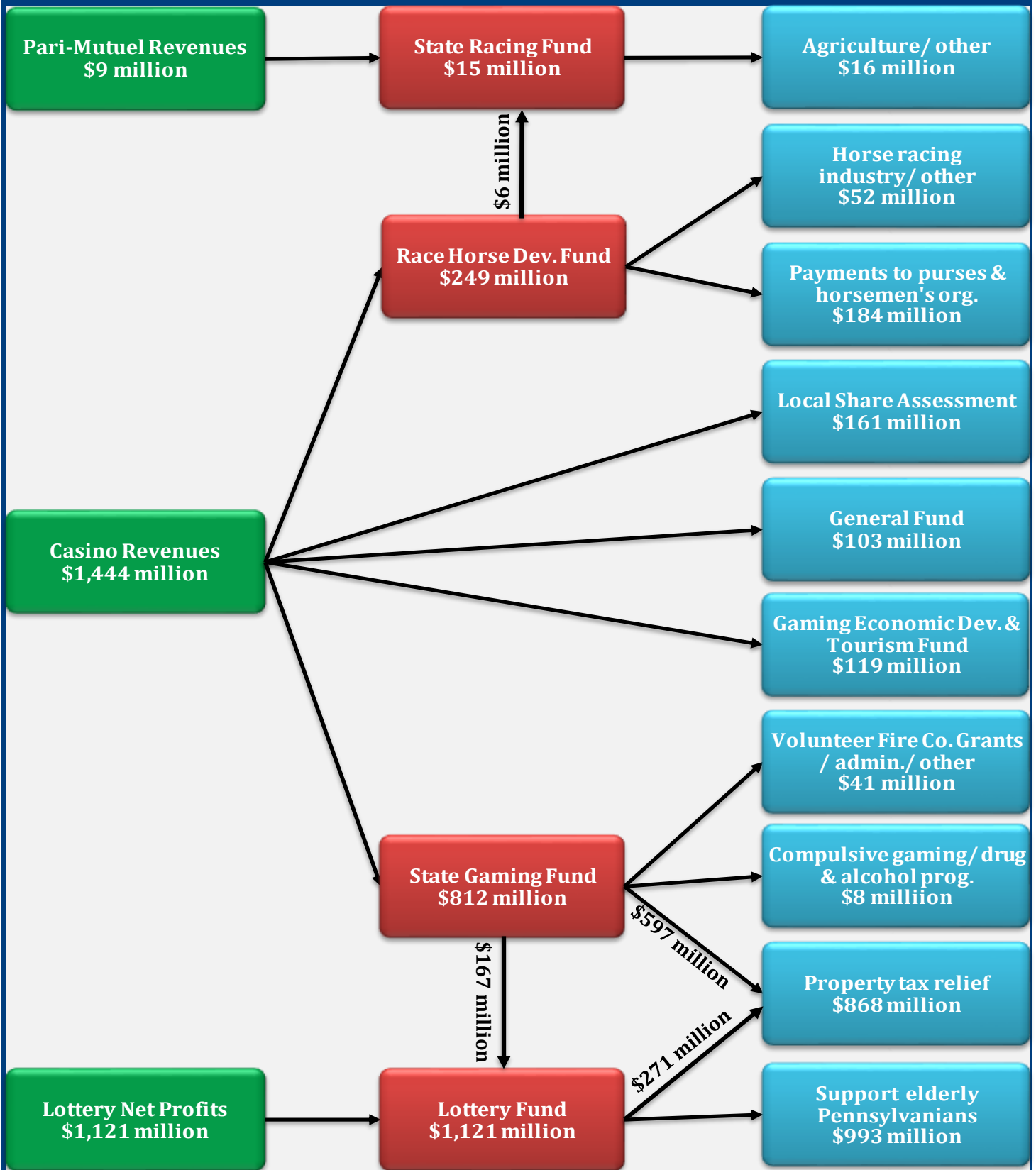
The remaining balance of \$764 million was available for property tax relief. This amount was combined with other gaming revenues collected through October 15, 2016 (for a total of \$766 million) and distributed in FY 2016-17. The amount reflects general property tax relief and Sterling Act reimbursements (\$618 million), as well as a transfer to the Lottery Fund (\$148 million) for the expanded Property Tax Rent Rebate Program.⁴

Lottery Fund

In FY 2015-16, Lottery net profits totaled \$1.12 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 \$528 million. The funds were distributed as follows:
 - ◆ Administrative and other expenses (\$8 million).
 - ◆ Caregiver support (\$11 million).
 - ◆ PENNCARE (\$317 million).
 - ◆ Pre-Admission Assessment (\$16 million).
 - ◆ Alzheimer's Outreach (\$0.2 million).
 - ◆ Pharmaceutical Assistance Fund (\$175 million).
 - ◆ Grants to Senior Citizens (\$0.6 million).
- The Department of Human Services received \$308 million. The funds were distributed as follows:
 - ◆ Long-Term Care (\$184 million).
 - ◆ Home and Community Services (\$121 million).
 - ◆ Transportation Services (\$3 million).
- Property tax relief and rent rebates for senior citizens (\$271 million).
- The Department of Transportation received \$157 million. The funds were distributed as follows:
 - ◆ Transfers to the Public Transportation Trust Fund (\$96 million).
 - ◆ Shared Rides (\$61 million).

Overview of Gaming Revenues and Distributions for FY 2015-16



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. Gross Terminal Revenue 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).
2. For 2016, refunds reduced gross revenues by \$96.0 million and tax revenues by \$45.3 million. The effective tax rate with refunds is 37.8%.
3. The act of December 17, 1981 (P.L. 435, No. 135), known as the “Race Horse Industry Reform Act.” Act 7 of 2016 repealed the Race Horse Industry Reform Act and replaced it with a new article (XXVIII-D Race Horse Industry Reform) in The Administrative Code of 1929. Changes resulting from Act 7 include an increase in the tax on breakage from 25 percent to 37.5 percent, elimination of the admissions tax and creation of various new fees related to horse racing. These changes have a limited impact on FY 2015-16, but will impact future year revenues to a greater extent.
4. The remaining balance of \$764 million and the indicated distributions are consistent with revenues received through June 30, 2016. Revenues received through October 15, 2016 resulted in distributions of \$766 million, including \$148 million to the Lottery Fund for the expanded Property Tax Rent Rebate Program, \$21.5 million in Sterling Act reimbursements and \$618 million in general property tax relief. These distributions are consistent with the Budget Secretary’s certification issued on April 15, 2016.

Definitions

- **Category 1 Casinos:** These casinos also 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 Airy and Sands Bethlehem). Four of these casinos are currently in operation.
- **Category 3 Casinos:** These casinos must be part of a “well-established resort hotel” and have limitations on the maximum number of casino games that may be offered. Three of these casinos are authorized under Pennsylvania law, and two are currently in operation.

Data Sources

- The Pennsylvania Lottery and the Pennsylvania Gaming Control Board
- Pennsylvania state accounting system
- American Gaming Association
- Various state gaming authorities

Independent Fiscal Office



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