

# iGaming Revenues Surge, Others Stagnate



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This research brief uses data from the Pennsylvania Gaming Control Board to examine trends for Pennsylvania gaming revenues from fiscal year (FY) 2018-19 through FY 2023-24 and the first two months of FY 2024-25. Act 71 of 2004 authorized the operation of slot machines at licensed casinos and the statute was amended in 2010 to allow for table games. Act 42 of 2017 further expanded gaming to include (1) interactive gaming (iGaming), (2) sports wagering, (3) fantasy contests and (4) video gaming terminals.

Pennsylvania gaming tax revenues increased from \$1.39 billion in FY 2018-19 to \$2.43 billion in FY 2023-24, an increase of \$1.04 billion (75%). The data show that nearly all of the growth was due to expanded forms of gaming, notably iGaming and sports wagering, while revenues from in-person gaming stagnated.

	Tax Rate	Fiscal Year					
		18-19	19-20	20-21	21-22	22-23	23-24
Slot Machines	54%	\$1,237	\$875	\$973	\$1,231	\$1,246	\$1,233
Table Games	16%	142	104	116	164	158	158
Interactive Gaming							
Slots	54%	--	83	326	458	579	753
Table Games	16%	--	10	42	56	69	84
Sports Wagering	36%	8	41	111	114	177	175
VGT	52%	--	4	16	22	22	21
<b>Total<sup>1</sup></b>		<b>\$1,391</b>	<b>\$1,124</b>	<b>\$1,594</b>	<b>\$2,053</b>	<b>\$2,259</b>	<b>\$2,431</b>
		<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>	<b>23-24</b>
State Share		\$944	\$777	\$1,112	\$1,433	\$1,589	\$1,704
Local Share Assessment		65	62	115	156	181	207
Other <sup>2</sup>		<u>382</u>	<u>284</u>	<u>366</u>	<u>463</u>	<u>488</u>	<u>520</u>
<b>Total</b>		<b>\$1,391</b>	<b>\$1,124</b>	<b>\$1,594</b>	<b>\$2,053</b>	<b>\$2,259</b>	<b>\$2,431</b>

Notes: Millions of dollars. VGT is video gaming terminals. FY 19-20 and 20-21 impacted by partial year casino closures or restrictions.

1 Includes fantasy contests (15% tax), which generates roughly \$3.5 million per annum, and iPoker (16% tax), which generated \$4.5 million in FY 23-24.

2 Includes county grants, PA Gaming Economic Development Tourism Fund and PA Race Horse Development Fund.

Source: Pennsylvania Gaming Control Board Revenue Reports.

**Slot machine** tax revenues from in-person play accounts for more than one-half (51%) of total gaming tax revenue. In FY 2023-24, slot machine tax revenues reached \$1.23 billion, a slight dip (-1%) from FY 2022-23. Recent revenue collections are on par with FY 2018-19 levels.

**Table games** tax revenues from in-person play recorded strong growth following the pandemic, increasing from \$142 million in FY 2018-19 to a peak of \$164 million in FY 2021-22. This trend reversed in the last two fiscal years, with tax revenues falling to \$158 million.

**iGaming** revenues have surged since their debut in FY 2019-20. Online platforms (depending on the license type purchased) can offer slots, table games and poker. Online slots is the largest category and accounts for roughly 89% of total iGaming tax revenues. Tax revenues from all types of iGaming reached \$842 million (not shown) in FY 2023-24 and was the only gaming tax revenue type to increase over the prior year (+29%).

**Sports wagering** began in 2019 and expanded as more operators were certified. Betting is legal on a wide range of events, including professional and collegiate sports, international team and individual events and professional motor race events. Tax revenues peaked in FY 2022-23 at \$177 million and contracted slightly the following year (\$175 million, -1%).

**Video gaming terminals** (VGTs) operate at qualified truck stops in Pennsylvania, with a limit of five per stop.<sup>1</sup> VGT tax revenues have remained stable over the last three fiscal years, with roughly the same number of locations offering terminals (74 locations, 370 total terminals).

The various forms of gaming are subject to multiple tax rates, including a state share, local share assessments (LSAs) and other specific tax rates. For FY 2023-24, a total of \$2.43 billion in gaming tax revenue was collected: \$1.70 billion state share, \$0.21 billion LSAs and \$0.52 billion other assessments. (See lower portion of table.)

The state tax share is distributed to various funds that support state and local initiatives. For example, a significant portion from slots, approximately \$1.2 billion annually, is transferred to the Property Tax Relief Fund. The LSA portion is typically disbursed to local governments near the gaming facility and funds various initiatives, including economic development projects, education or other local government projects. The other assessment portion is collected on gross terminal revenue from slot machines. These assessments generally support community and economic development projects, the race horse industry and agricultural programs.

For FY 2024-25, data from the first two months of the fiscal year reveal a continuation of recent revenue trends. On a year-over-year basis, gross revenues from sports wagering (+27%), iGaming slots (+32%) and table games (+24%) have surged, while in-person slots (-1%) and table games (-4%) are largely flat.

Regarding recent and future gaming trends, two factors are relevant but the magnitude of their prior and future impact cannot be quantified:

- Federal Covid stimulus programs injected significant funds into the state economy: \$34 billion in three economic impact payments; \$49 billion in unemployment compensation and \$31 billion in PPP loans that were forgiven. Those programs likely provided a temporary boost to gaming revenues.
- It is unclear how the expansion of games-of-skill machines have impacted recent gaming trends, although some have noted that they function as a close substitute for in-person gaming (as opposed to iGaming). If they are a close substitute, then the expansion likely restrains in-person or retail casino tax revenues.

## **Staff Contact**

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<sup>1</sup> The following requirements must be met: (1) have a diesel island, (2) sell an average of 50,000 gallons of diesel per month, (3) be located on at least 3 acres of property not owned by the Pennsylvania Turnpike Commission, (4) have at least 20 dedicated commercial parking spaces, (5) have a convenience store and (6) be a Pennsylvania Lottery sales agent.