



An Updated Look at Where Gaming Money for Economic Development is Going

Two years ago we produced a report on gaming money that had flowed into Allegheny County, a \$700 million total that consisted of money for school property tax relief via homestead exemptions, funds for economic development projects and debt retirement, local law enforcement grants, and host fees and community development agreements by virtue of a stand-alone casino being located within the County. Slot machine gaming was approved by the state in 2004.

In 2007, Act 53 updated the original law by itemizing eight projects in Allegheny County and one in Philadelphia that would receive multi-year disbursements from the Gaming Economic Development and Tourism Fund (GEDTF), a total authorization of \$634 million over an extended period. A last minute Senate amendment eliminated funding for projects in other counties. The legislative record on the Act shows that deliberations began on June 23rd in the House and was amended in the Senate on July 15th, went back to the House and that version was approved July 17th before being signed into law on July 25th.

The funds are going toward debt retirement for a variety of economic development programs and projects and to create a few new ones. Aside from a thirty year funding of the hockey arena, the remaining projects are to receive funding over a ten year period with specific minimum amounts written into the Act. Any remaining authorizations after the ten year period are to be paid to the recipients in the following two fiscal years. That means these projects are a few years from seeing their distributions end as outlined in the Act.

State law requires the Office of the Budget to prepare a report on the disbursements from the GEDTF by August 2010 and every August thereafter. We recently obtained a copy of the most recent report that shows the amount of GEDTF money delivered to the eight projects as of the conclusion of the 2014-15 Fiscal Year, which represents an eight year cumulative total since the first money was paid out in the 2007-08 Fiscal Year. The table below shows where the money goes, the specific project, amount received to date, and the total authorized amount.

GEDTF Projects in Allegheny County

Recipient	Purpose	Received to Date (\$000s)	Total Authorized (\$000s)	% Received
City of Pittsburgh	Retirement of Pittsburgh Development Fund	\$40,800	\$60,000	68
Allegheny County	Creation of Community Infrastructure Fund	\$52,800	\$80,000	66
Allegheny County	Retirement of Economic Development Fund	\$20,000	\$30,000	67
Allegheny County/Airport Auth	Debt Service and Development at PIT	\$109,200	\$150,000	73
SEA/Allegheny County	Originally Hotel, Now Gaming Economic Development Fund	\$29,600	\$44,000	67
SEA	Retirement of Convention Center Debt	\$13,600	\$20,000	68
SEA	Payment of Operating Deficit at Convention Center	\$13,600	\$20,000	68
SEA	Penguins Arena	\$60,000	\$225,000	27
SEA	Transfer to State for Additional Arena Obligations	\$4,988	\$5,080	98
Total		\$344,588	\$634,080	54

Overall, 54 percent of the authorized amount of the GEDTF has been received by the various parties in the County. If we omit the hockey arena and the debt obligation transfer for that project, about 70 percent of the authorized GEDTF money has been delivered.

Based on what has been awarded to date, and the annual amounts described in the Office of the Budget's data that have been paid out in recent years, it is a strong possibility that the GEDTF will be paying out past the ten year mark on all the projects (not including the hockey arena) unless bigger amounts than the eight year average are awarded in the coming two fiscal years.

GEDTF Funding Forecast (not including Hockey Arena)

Purpose	Received to Date (\$000s)	FY16 and FY17 Total Forecast (\$000s)	Total by End of FY17 (\$000s)	Remainder from Authorized Amount (\$000s)
Retirement of Pittsburgh Development Fund	\$40,800	\$10,200	\$51,000	\$9,000
Creation of Community Infrastructure Fund	\$52,800	\$13,200	\$66,000	\$14,000
Retirement of Economic Development Fund	\$20,000	\$5,000	\$25,000	\$5,000
Debt Service and Development at PIT	\$109,200	\$24,800	\$134,000	\$16,000
Originally Hotel, Now Gaming Economic Development Fund	\$29,600	\$7,400	\$37,000	\$7,000
Retirement of Convention Center Debt	\$13,600	\$3,400	\$17,000	\$3,000
Payment of Operating Deficit at Convention Center	\$13,600	\$3,400	\$17,000	\$3,000

The obvious question is once the commitment to devote \$404 million to the above projects is fulfilled, what happens? No doubt there will be a strong argument from elected, appointed, and community officials in other parts of the state to get multi-year funding for some of their desired projects. Bear in mind that all the Act 53 itemizations went to these Allegheny County projects and for the Pennsylvania Convention Center in Philadelphia (\$800 million) and it is probably a safe assumption that they will also make a case to be able to partake of the GEDTF buffet. Obviously, the future rate of growth in casino revenue and government's taxes on that revenue will play an important role in new authorization debates.

In light of these findings will there be a push to eschew another capital list and take the money and use it for additional school property tax relief? That might not make a noticeable difference for some homeowner bills, but it may for others. Over the past few years homesteads in Allegheny County have received \$62 million annually in school property tax relief from gaming. For the average homeowner in the County that works out to a \$200 discount on their school property tax bill, but there are significant differences between districts and between homes since the exemption is a flat dollar amount and has differing percentage savings effects based on the home value.

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