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The Rivers Casino after 10 years

Summary: In August 2009 the Rivers Casino had a long-over-due grand opening. After a tumultuous start, it gained its footing and recently celebrated its 10th anniversary. We have documented the casino's performance over the years and, in this *Policy Brief*, offer a summary of its 10-year performance versus expectations.

Gaming in Pennsylvania was legalized in 2004 when the state passed legislation allowing slot machines at horse racing tracks along with a few stand-alone casinos. The first casino, Mohegan Sun at Pocono Downs, began taking wagers in November 2006.

The fight for Pittsburgh's stand-alone casino was documented in a series of *Policy Briefs* (Vol. 6, No. 11, Vol. 8, Nos. 27 and 48 and Vol. 9, Nos. 42 and 59). There were questions about where the new casino would be located as three potential owners pitched their ideas for locations at Station Square, Uptown and the North Side. The North Side was selected but the initial license recipient didn't have the capital to complete the project (known then as the Majestic Star) and had to sell a majority stake to another investor. The renamed and long delayed Rivers Casino had its grand opening in early August 2009.

Even before it opened, there were grounds for being skeptical of revenue projections for the new casino. Before the first slot machine wager was placed, ownership projected gross terminal revenues (GTR)—the amount of money wagered—would be \$427.8 million annually. The state Gaming Board's estimate came in at \$362 million for the casino's first year. Neither estimate was close to being correct.

And 10 years later, those estimates remain well above actual revenues. In its first 12 months, August 2009-August 2010, the Rivers took in just \$222.3 million—an average of \$4.3 million per week. To reach management's projections, the casino would have had to generate \$8.2 million per week—almost twice as much as the GTR realized that first year.

To put it in perspective, the only casino in the state that came close to realizing \$8 million per week is Philadelphia Parx with a weekly average of \$7.3 million over the last decade. The Rivers' weekly revenue has improved and over the last 10 years averaged about \$5.2 million.

On a calendar-year basis, in its first full year (2010) the casino earned \$242 million in GTR. Of the nine casinos operating during the entirety of 2010, the Rivers' GTR was sixth best—topping only the casinos at Mohegan Sun, Mt. Airy and Presque Isle. The Rivers also finished behind neighboring Meadows Casino (\$249 million) that first year.

Annual revenues from slot machines gradually improved, reaching their highest yearly level to date at \$284.3 million in 2013 before sliding back to \$265 million in 2016, the lowest amount since 2010, and then rebounding to \$281.4 million in 2018. Keep in mind, of course, that the casino has failed to live up to the projections of either the Gaming Board or its own, even 10 years after opening. However, of the 11 full-sized casinos across the state, the Rivers typically finishes third in annual GTR behind only Philadelphia Parx and the Sands Bethlehem.

But these revenues are only from slot machines. In 2010 Pennsylvania casinos were able to offer table games for the first time and the Rivers added them to the gaming floor. Would this addition help push total revenues over the initial projections from just slot machines?

The first full calendar year of table games was 2011. That year the Rivers realized \$67.5 million in gross revenue from the table games. From 2011 to 2018 the annual table game revenues ranged from a low of \$65.8 million (2017) to a high of \$76 million (2018) with a yearly average of \$69.6 million over the period 2011 to 2018. The Rivers casino had the fourth best table game revenue of any of the full-sized casinos.

Still, even when combined with slots revenues, the highest revenue year was in 2018 when gamblers played \$357.4 million—slightly less than the Gaming Board's prediction of \$362 million but well short of casino management's estimate (both were based on slots only and for the first year). The lowest revenue total was collected in 2016 (\$334.2 million) while the 2011-2018 average was \$346.1 million.

However, it is important to keep in mind these are not profits but only gross revenues. Payouts and expenses must be accounted for before profits can be realized. As *Policy Brief, Vol. 10, No. 53* noted, table games require greater expenditures per dollar of revenue than slot machines. Each table game requires several employees to operate and their salaries and benefits consume a significant portion of gross revenues, whereas only a handful of people could be responsible for maintaining dozens of slot machines each day.

So, has the Rivers Casino been a “success” during this first decade?

It depends on how it is viewed. The casino has met its civic obligations, which at the onset was in doubt. This includes providing the annual \$7.5 million payment to retire the debt on the new hockey arena and paying millions to government in both state and local share taxes.

But it has not done much to aid the Pittsburgh region's economy, at least in terms of jobs. It has employed people in the leisure and hospitality sector, but it is not clear these are net new jobs added to the economy. Total non-farm employment growth in the Pittsburgh metro area from July 2009 to July 2019 was just 6.2 percent. The growth of non-farm job levels at the state (8.3 percent) and nation (16 percent) outpaced the local level.

Bear in mind, however, that much of that growth was a rebound from the low level reached in the recession year of 2009. Indeed, private-sector jobs from the pre-recession level in July 2008 are up only 44,700 or 4.4 percent and 25,000 of those have occurred in the last three years after averaging a mere 2,500 per year from 2008 to 2016. Meanwhile, leisure and hospitality jobs in the Pittsburgh area have risen by 16,000 since July 2009 but 10,600 of those were in accommodations and food services, all fairly low-paying jobs. Arts, recreation and entertainment account for the other 5,400 jobs gained but that category includes museums, sports teams, concert halls and movie theaters in addition to casinos.

If the Rivers Casino was going to boost area job growth, it would certainly have occurred in the first seven years of operation.

In sum, there is little evidence to indicate the casinos (Rivers, along with the Meadows and the resort-based Lady Luck at Nemacolin) had a significant impact on job growth in the metro area.

Also, it helps to remember that for every dollar spent by area residents on gambling at a casino, is a dollar that was not spent on other goods or services, be they necessities or luxuries, at area businesses. And casinos have not been much of a draw for gamblers from out of state as our closest neighbors, Ohio and Maryland, legalized gaming not long after Pennsylvania. West Virginia, where gaming was already legal, added table games to keep pace. In fact, the gaming arms race has been in full force as the next level of gaming, legalized sports betting, has been available in Pennsylvania since late 2018. The other states are likely to follow suit.

One thing is certain: gaming is now part of the fabric of Pennsylvania's economy and the Rivers Casino is part of the Pittsburgh landscape. The economic impact of gaming on the Pittsburgh area, and the state, will be debated and we will continue to monitor it.

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