



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*Gaming Money in Allegheny County:
Tracking the Dollars*

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<i>School Tax Relief in Allegheny County, 2008-09 Through 2013-14</i>	

Key Findings

- As of September 1, 2013, \$706 million in gaming money had been allocated in Allegheny County. This total arose from the presence of gaming facilities in Pennsylvania overall as well as by virtue of having a stand alone casino located in the County.
- More than half of this money was delivered to qualified property owners for school property tax relief.
- The next largest share was money allocated for economic development and tourism spelled out in state law. This share is dedicated to paying off existing debts and creating new sources of economic development funding.
- The City of Pittsburgh, Allegheny County, libraries, the hockey arena, the Monroeville Convention and Visitors Bureau, and community development groups receive money directly from Rivers Casino under state law or separate agreements.

Introduction

As of today, the gaming industry in Pennsylvania consists of eleven separate facilities with more than 26,500 slot machines, more than 1,000 tables for table games, and close to 1.1 million square feet of floor space devoted to legalized gaming. Gross terminal slot revenue was a shade under \$2.5 billion and gross table revenue was \$663 million.¹

Back in July of 2004 when the Governor signed the proposals for legalized slots, he noted:

“Today, the people of Pennsylvania are true winners. Starting now, we begin the long overdue process of recapturing billions of dollars in lost revenue, creating thousands of jobs, dramatically contributing to the future of the horseracing industry and finally returning millions of dollars in the form of lower property and wage taxes for the citizens of Pennsylvania...Urban slots venues will also generate significant resources for the Commonwealth to invest in economic development projects to improve our communities in every county.”²

There are multiple streams of money flowing into and around Allegheny County from the gaming industry as a whole and by virtue of the County hosting one gaming facility, the Rivers Casino in the City of Pittsburgh. There is money related to school property tax relief, economic development, general operating purposes, legacy cost reduction, libraries, and tourism. This report attempts to analyze each stream of gaming money in the County as of September 1, 2013.³

¹ Pennsylvania Gaming Control Board, 2011-12 Annual Report

http://gamingcontrolboard.pa.gov/files/communications/2011-2012_PGCB_Annual_Report.pdf

² “Governor Rendell Signs HB 2330 and SB 100” <http://www.prnewswire.com/news-releases/governor-rendell-signs-hb-2330-and-sb-100-71170522.html>

³ A 2009 report “The High Stakes of Pittsburgh’s New Casino” touched on how the Rivers Casino figured into the larger policy goals of legalized gaming and provides much detail on the separate taxes levied upon gaming facilities and the funds associated with those taxes.

http://www.alleghenyinstitute.org/administrator/components/com_reports/uploads/09-04.pdf

From the Commonwealth to Qualified Property Owners for Tax Relief

Established under Act 1 of 2006 in a special session, school districts receive property tax reduction allocations to fund homestead and farmstead exclusions. An exclusion allows a qualified taxpayer to essentially reduce the assessed value of a primary dwelling for tax purposes. As an example, Allegheny County has a homestead/farmstead exclusion of \$15,000, so a home assessed at \$50,000 would be taxed, for County purposes only, at \$35,000. Act 1 uses gaming money to fund homestead/farmstead exclusions for school tax purposes. Various weights and factors go into determining the amount of money available per district.

Since fiscal year 2008-09, there has been a total of \$3.1 billion statewide available for school tax relief for homesteads and farmsteads. With 2.7 million qualified homesteads/farmsteads per year, the average relief per homestead/farmstead has averaged around \$230.⁴

In Allegheny County the number of applicants submitting homestead/farmstead applications has increased from 303,907 in 2008-09 to 320,790 this fiscal year. With the amount available for relief remaining around \$62 million each year, the average estimated reduction has fallen from \$207 to \$196.

For the 2013-14 school year, estimated tax relief per homestead/farmstead ranged from a high of \$360 in the Duquesne School District to a low of \$80 in the Avonworth School District. That pattern has held the same with Duquesne getting the most per homestead and Avonworth the least per homestead since money became available in 2008-09.

Distributions for School Property Tax Relief (\$, 000s)⁵

Recipient	Purpose	Received to Date
Homesteads/Farmsteads in Allegheny County	School Property Tax Relief	\$377,001

Qualified homesteads/farmsteads in Allegheny County have received a total of \$377 million for school property tax relief to date.

⁴ Pennsylvania Department of Education, Property Tax Reduction Allocations http://www.portal.state.pa.us/portal/server.pt/community/property_tax_relief/7452/property_tax_reduction_allocations/510335 A quick calculation of the total amount available for relief and the number of qualified homesteads/farmsteads shows that the estimated relief per homestead/farmstead averaged around \$230. Total relief has hovered around \$615 million and the number of qualified applicants around 2.5 million statewide. The Department data had some counties who had not reported the number of homesteads which could have affected the total estimated amount.

⁵ Ibid

From the Commonwealth to the City, County, and Authorities for Economic Development

Established by Act 53 of 2007, there are various economic development and debt repayment obligations that are being funded or retired by the Gaming Economic Development and Tourism Fund. In all, \$634 million is anticipated to be expended from the Fund in Allegheny County.

There are four main recipients of this money—the City of Pittsburgh, Allegheny County, the Sports and Exhibition Authority (SEA), and the Airport Authority. There has also been some modification of recipients and purposes since the 2007 statute.

Originally there was going to be \$44 million directed to the SEA for a hotel connected to the convention center: when that project failed to materialize the money was redirected to Allegheny County for economic development purposes. In addition, money for debt service and economic development at Pittsburgh International Airport was initially intercepted by Allegheny County (who claimed they were owed money for construction of the airport) but subsequent legislation directed all money after the \$42 million taken by the County to the Airport Authority.⁶

Distributions from Economic Development and Tourism Fund (\$, 000s)⁷

Recipient	Purpose	Received to Date
City of Pittsburgh	Retirement of Pittsburgh Development Fund	\$25,500
Allegheny County	Creation of Community Infrastructure Fund	\$33,000
Allegheny County	Retirement of Economic Development Fund	\$12,500
Allegheny County/AA	Debt Service and Development at PIT	\$72,000
SEA/Allegheny County	Originally Hotel, Now Gaming Economic Development Fund	\$22,200
SEA	Retiement of Convention Center Debt	\$8,500
SEA	Payment of Operating Deficit at Convention Center	\$8,500
SEA	Penguins Arena	\$37,500
SEA	Transfer to State for Additional Arena Obligations	\$3,626
Total		\$223,326

In sum, \$223 million as of FY12-13 has been delivered to Allegheny County from the Gaming Economic Development and Tourism Fund to date.

⁶ See our page on gaming

http://www.alleghenyinstitute.org/index.php?option=com_content&view=category&id=30&Itemid=127 Mark Belko “Convention Center Hotel’s State Funding in Jeopardy” December 9, 2009 <http://www.post-gazette.com/stories/local/neighborhoods-city/convention-center-hotels-state-funding-in-jeopardy-370440/> “Gambling Revenue Earmarked for Airlines Goes Toward Construction” October 23, 2008 <http://www.post-gazette.com/stories/news/transportation/gambling-revenue-earmarked-for-airlines-goes-toward-construction-617959/> Allegheny Institute for Public Policy “Gaming Money Creates Controversy in Allegheny County” http://www.alleghenyinstitute.org/administrator/components/com_policy/uploads/vol8no4.pdf Act 1 of 2010 has specific language directing the remainder of the airport money directly to the Airport Authority.

⁷ Commonwealth of Pennsylvania, Office of the Budget. Annual Report of expenditures from the Pennsylvania Gaming Economic Development and Tourism Fund, August 31, 2012.

From the County to Various Entities for Development Purposes

Established by Act 53 of 2007 and Act 1 of 2010, Allegheny County was given \$80 million “to fund construction development, improvement, and maintenance of infrastructure projects” and the remainder of the money from the convention center hotel allocation (\$34 million) for “economic development, infrastructure development, job training, community improvement, public safety, or other projects in the public interest...” Though vague in the statutes and not directed toward a specific use or project, the County’s Redevelopment Authority has assumed responsibility and oversight for both funds and has produced program guidelines for both.⁸

The table above shows the disbursement amounts for both, so this section is not intended to double count the amounts in the overall \$223 million under Act 53 but to provide additional detail on the awards granted thus far.

Looking first at the \$80 million allotment outlined in Act 53—the Redevelopment Authority has named the fund the Community Infrastructure and Tourism Fund (CITF)—there have been 242 awards to date totaling \$38 million. Based on CITF data that shows the municipal location of the projects, 70 municipalities have received a share of the funding. Twelve projects are multi-municipal in nature, meaning that two or more communities are hosting a project that has received CITF money. Six projects are identified as Countywide in nature. Pittsburgh has received \$17.8 million (45%) of all the money to date. Two other municipalities—Monroeville (\$2.05 million) and McKeesport (\$1.8 million)—have received more than \$1 million in CITF funding.⁹

When identified by project name, several projects have received more than one CITF award. These include the renovation of 31st Street Studios (two awards for \$175,000 each), Casabill Estates for street lighting (two awards totaling \$340,000), and the Convention and Visitors Bureau of Monroeville for branding and marketing (\$500,000 from two awards). Green Innovators (or Pittsburgh Green Innovators), the Stephen Foster Center, the Regatta, and others saw multiple awards.¹⁰

The legislative decision to end the funding going toward a subsidy for a possible convention center hotel in Pittsburgh and move it to economic development led to the creation of the Gaming Economic Development Fund (GEDF). To date, \$6 million in awards have been made (the level of award is always \$500,000 per the Authority’s guidelines). Thus far money has gone for redevelopment of the lower Hill District (two awards totaling \$1 million), realignment of Route 910 near Rich Hill Road, the Airside business park, and the Gardens at Market Square among others.¹¹

⁸ Redevelopment Authority of Allegheny County, Community Infrastructure and Tourism Fund Program Guidelines <http://www.alleghenycounty.us/economic/authorities/citfund.aspx> and Gaming Economic Development Fund Program Guidelines <http://www.alleghenycounty.us/economic/authorities/gedfund.aspx>

⁹ Data obtained from the Redevelopment Authority on CITF awards.

¹⁰ Ibid.

¹¹ Data obtained from the Redevelopment Authority on GEDF awards.

From the Commonwealth to Local Law Agencies

The Gaming Control Board has the permission to award up to \$2 million per year to local law enforcement agencies and the Pennsylvania State Police for “purpose of investigating, enforcing and preventing unlawful gambling in the Commonwealth. A maximum award of \$250,000 may be sought by any single local law enforcement agency. Grant funds may be used for the purpose of attending or conducting education and training events, defraying costs associated with the investigation, prevention, deterrence or enforcement of laws related to illegal gambling, or the prosecution of crimes involving illegal gambling.”¹²

According to data from the Board a total of eleven awards have been made to law enforcement agencies in Allegheny County under this program.

Distributions from Local Law Enforcement Grant Program (\$, 000s)

Recipient	Purpose	Received to Date
Allegheny County District Attorney	Local Law Enforcement Grant	\$250
Northern Regional Police Dept	Local Law Enforcement Grant	\$43
Pittsburgh Bureau of Police	Local Law Enforcement Grant	\$181
Allegheny County Police Dept	Local Law Enforcement Grant	\$160
Upper St. Clair Police Department	Local Law Enforcement Grant	\$89
Allegheny County Sheriff's Office	Local Law Enforcement Grant	\$68
Scott Township Police Dept	Local Law Enforcement Grant	\$69
Municipality of Penn Hills	Local Law Enforcement Grant	\$44
South Fayette Township Police Dept	Local Law Enforcement Grant	\$69
Harrison Township Police Dept	Local Law Enforcement Grant	\$14
Borough of Homestead Police Dept.	Local Law Enforcement Grant	\$79
Total		\$1,066

¹² Pennsylvania Gaming Control Board “Local Law Enforcement Grant Program”
<http://gamingcontrolboard.pa.gov/?p=48>

From Rivers Casino to the City and County for Local Share Assessment

Established by Act 71 of 2004, the Rivers Casino as a category 2 facility located in a County of the Second Class (Allegheny) and in a City of the Second Class (Pittsburgh) pays a local share assessment—also known as a host fee—to both governing bodies. The County gets 2 percent of gross terminal slot revenue and the City gets 2 percent of gross terminal slot revenue or \$10 million, whichever is greater.

There is no stipulation on how the County has to use its share, but the City has many more strings attached. The Intergovernmental Cooperation Authority (ICA) intercepts the host fee and is to direct the money to debt service, pensions, or at the ICA's discretion for what it sees as the best interest of the City.

Local Share Assessments (\$, 000s)¹³

Recipient	Purpose	Received to Date
Allegheny County	Local Share Assessment	\$18,015
City of Pittsburgh	Local Share Assessment	\$36,263
Total		\$54,278

According to the ICA, of the \$36.2 million as of now \$34.3 million has been directed to the City: \$14.4 million (42%) has been directed to pensions, \$7.5 million (22%) to the purchase of a financial management system, \$5.8 million (17%) to capital projects, \$5.2 million (15%) to the trust fund for other post-employment benefits like retiree health care and life insurance costs, and \$1.3 million (4%) for debt reduction.¹⁴

¹³ Allegheny County Comprehensive Annual Financial Report, Changes in Fund Balances, Governmental Funds. E-mail correspondence with Executive Director of the Intergovernmental Cooperation Authority.

¹⁴ Ibid

From Rivers Casino to Libraries and Monroeville for Local Share Assessment

Established by Act 1 of 2010, which legalized table games at gaming facilities, the local share assessment on the Rivers Casino on table game revenue goes for two purposes: adding another funding stream for libraries in the County and aiding the Monroeville Convention and Visitors' Bureau. The Casino's daily table revenue is taxed and distributed on a quarterly basis. The legislation divides the money into two 50 percent streams: in stream one, 85 percent is deposited into a restricted account with the Department of Education and distributed to libraries in the County outside of the City of Pittsburgh on the basis of population and property value. The remaining fifteen percent goes to the Monroeville Convention and Visitors' Bureau.¹⁵

In stream two, the entire 50 percent is deposited with the Department of Education for the library system in the City of Pittsburgh, the Carnegie Library System. There is a proviso in the language: if the Carnegie Library System "fails to maintain the number of library branches operating within its system on June 30, 2011" half of the local share assessment will go to the City of Pittsburgh to fund pensions.¹⁶

Local Share Assessments (\$, 000s)¹⁷

Recipient	Purpose	Received to Date
Carnegie Library of Pittsburgh	Local Share Assessment	\$1,818
Allegheny County Library Association	Local Share Assessment	\$1,543
Monroeville Visitors' Bureau	Local Share Assessment	\$256
Total		\$3,617

¹⁵ Act 1 of 2010, 1363A Local Share Assessment 3 ii.

¹⁶ Act 1 of 2010, 1363A Local Share Assessment c 1

¹⁷ Library distribution amounts obtained from Department of Education, Office of Libraries. Visitors' Bureau amount obtained via e-mail from Executive Director of Bureau.

From Rivers Casino to Hockey Arena and Community Development

The original winner of the sole casino license for Pittsburgh agreed, in 2007, to pay \$1 million a year for three years for community development in the North Side and the Hill District and to pay \$7.5 million per year for thirty years to the development of the hockey arena (this would be in addition to the money coming to the SEA from the state for development of the arena). As noted in an article from this past April, the transfer of ownership from the original owner to the present owner did not negatively affect these agreements.¹⁸

That article also mentioned that the three year commitments to the community development programs had been fulfilled and were not going to be renewed.¹⁹

Community Development Agreements, (\$,000s)²⁰

Recipient	Purpose	Received to Date
SEA	Penguins Arena	\$32,800
North Side Leadership Conference	Community Development	\$3,000
Hill District Development Fund	Community Development	\$3,000
Total		\$38,800

¹⁸ Mark Belko “Rivers Casino Won’t Extend Agreement with Pittsburgh’s North Side, Hill District” <http://www.post-gazette.com/stories/business/news/rivers-casino-wont-extend-agreement-with-pittsburghs-north-side-hill-district-683920/>

¹⁹ Ibid

²⁰ E-mail from spokesperson from Rivers Casino

Projects Drawing from More than One Pot of Gaming Money

With the multiple streams of money coming from gaming in various forms there have been several instances where a project or the connected parts of a project have received gaming money in various forms.

It is well known that the Penguins Arena is getting \$7.5 million a year from the gaming money coming through the Economic Development and Tourism Fund and the agreement with the Rivers Casino: that came about directly as a result of the award of the sole gaming license to the Rivers (at the time it was the Majestic Star) which won over a bid for the Isle of Capri proposal to place a casino near the site of the present arena. But the arena also received a \$100,000 CITF award for the “Frozen Four” tournament that was held there, and, as mentioned earlier, two GEDF awards were made to the redevelopment of the Lower Hill, the area presumably where the Civic Arena once stood and is being redeveloped by the SEA and the Penguins. An \$80,000 CITF award helped fund a deck hockey rink in Oakmont that the Penguins were involved in.²¹

Libraries are getting a piece of the local share assessment on table games (and they are contractual assets of the Regional Asset District and the 1% local option sales tax) and at least two libraries—the Carnegie Library in the South Side and the public library in Sharpsburg—received CITF funding for capital needs.

Monroeville’s convention business has gotten funding from separate pools of money from gaming. It receives a piece of the local share assessment from table games; as previously mentioned the Convention and Visitors’ Bureau got two \$250,000 CITF awards for branding and marketing; the conversion of a former department store into convention space received \$1 million from the CITF (the project also got a \$1 million grant from the state); and when the Bureau changed its name to Visit Monroeville another \$75,000 CITF award was made for a tourism and marketing project.²²

With the mixture of state redevelopment grants, the Regional Asset District, the hotel tax, and the emergence of gaming money there may be many other instances in the future where there are projects or recipients that receive more than one of these sources of money. While gaming dollars are not tax dollars per se, an award of gaming money to a project that has already received grants or subsidies raises the question of opportunity costs.

²¹ Tom Yerace “Tourism Fund Helps Natrona, East Deer, Oakmont Projects” May 27, 2013 <http://triblive.com/neighborhoods/yourallekiskivalley/yourallekiskivalleymore/4080767-74/hurley-projects-money#axzz2e1nsHjBo>

²² James O’Toole “State Grants Boost Twelve Regional Projects” April 15, 2009 <http://www.post-gazette.com/stories/local/state/state-grants-boost-12-regional-projects-337929/>

Conclusion

In all—between property tax relief, economic development, local share assessments, and community development agreements—\$698 million in gaming money has been allocated in Allegheny County to date. The table below shows the share of each of these streams of money.

Uses of \$698 Million in Gaming Money

Purpose	Amount Received to Date, \$, 000s	% Share of Total
Property Tax Relief	\$377,001	54
Economic Dev/Tourism	\$223,326	32
Law Enforcement	\$1,066	0.2
Local Share, Slots	\$54,278	7.8
Local Share, Tables	\$3,617	0.5
Community Agreements	\$38,800	5.6
Total	\$698,088	100

The manner in which the pie is sliced may change in the future—property tax relief would be affected depending on the amount of play, the tax rate, the number of approved homesteads/farmsteads, etc. Once sources of economic development funding have been expended it would take another piece of legislation to identify sources and projects and make allocations.

Appendix

The following tables display the annual estimated school property tax relief under the provisions of Act 1 of 2006. The estimates are produced by the Pennsylvania Department of Education and are based on the dollar amount available for tax relief (based on a variety of factors that go into the formula) and the number of homesteads/farmsteads in the district applying for relief. The dollar figure in the table estimates the savings based on the homestead/farmstead exemption on the value of the structure as originally assessed. The Gaming Control Board notes that “the significant portion of revenue generated from the play of slot machines are used to fund general school property tax reduction or wage tax reduction. Each April 15, the Secretary of the Budget certifies the amount of revenue available for distribution as general school property tax reduction and Philadelphia wage tax reduction during the upcoming fiscal year. School tax bills reflect the homestead and farmstead exclusions funded by slots as a separate line item. While the amount of reduction varies between school district, homeowners statewide have received an average reduction of nearly \$200 yearly.”

District	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Allegheny Valley SD	\$135	\$133	\$130	\$129	\$129	\$129
Avonworth SD	\$95	\$92	\$89	\$85	\$83	\$80
Baldwin-Whitehall SD	\$149	\$147	\$145	\$143	\$143	\$143
Bethel Park SD	\$169	\$167	\$164	\$163	\$162	\$161
Brentwood Borough SD	\$247	\$247	\$244	\$243	\$243	\$242
Carlynton SD	\$171	\$168	\$166	\$164	\$164	\$162
Chartiers Valley SD	\$108	\$106	\$103	\$102	\$101	\$100
Clairton City SD	\$275	\$275	\$271	\$272	\$278	\$278
Cornell SD	\$166	\$163	\$160	\$159	\$159	\$159
Deer Lakes SD	\$213	\$208	\$204	\$201	\$200	\$199
Duquesne City SD	\$344	\$346	\$348	\$351	\$358	\$360
East Allegheny SD	\$236	\$234	\$233	\$232	\$234	\$235
Elizabeth Forward SD	\$231	\$228	\$225	\$223	\$222	\$221
Fox Chapel Area SD	\$192	\$188	\$186	\$183	\$181	\$180
Gateway SD	\$178	\$176	\$173	\$171	\$170	\$170
Hampton Township SD	\$165	\$161	\$159	\$157	\$156	\$154
Highlands SD	\$235	\$233	\$231	\$231	\$230	\$232
Keystone Oaks SD	\$154	\$153	\$151	\$149	\$148	\$147
Mckeesport Area SD	\$324	\$321	\$316	\$316	\$316	\$317
Montour SD	\$124	\$122	\$119	\$118	\$117	\$116
Moon Area SD	\$144	\$139	\$136	\$133	\$132	\$130
Mt Lebanon SD	\$194	\$192	\$188	\$185	\$184	\$183
North Allegheny SD	\$158	\$154	\$153	\$149	\$148	\$145
North Hills SD	\$128	\$127	\$125	\$123	\$123	\$122

District	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Northgate SD	\$292	\$286	\$281	\$276	\$278	\$279
Penn Hills SD	\$189	\$185	\$184	\$182	\$182	\$182
Pine-Richland SD	\$221	\$212	\$205	\$200	\$197	\$192
Pittsburgh SD	\$281	\$276	\$271	\$269	\$269	\$267
Plum Borough SD	\$221	\$217	\$213	\$210	\$208	\$207
Quaker Valley SD	\$189	\$186	\$187	\$190	\$187	\$182
Riverview SD	\$174	\$171	\$169	\$168	\$166	\$164
Shaler Area SD	\$169	\$167	\$164	\$164	\$163	\$163
South Allegheny SD	\$209	\$209	\$207	\$207	\$208	\$209
South Fayette Township SD	\$178	\$171	\$166	\$162	\$156	\$152
South Park SD	\$225	\$220	\$216	\$213	\$212	\$211
Steel Valley SD	\$235	\$234	\$232	\$230	\$232	\$233
Sto-Rox SD	\$312	\$313	\$312	\$312	\$326	\$329
Upper Saint Clair SD	\$245	\$241	\$237	\$235	\$233	\$230
West Allegheny SD	\$215	\$207	\$200	\$195	\$193	\$190
West Jefferson Hills SD	\$207	\$201	\$197	\$193	\$189	\$187
West Mifflin Area SD	\$219	\$218	\$216	\$216	\$216	\$216
Wilkinsburg Borough SD	\$304	\$301	\$294	\$294	\$294	\$291
Woodland Hills SD	\$184	\$184	\$182	\$182	\$181	\$181