

Gaming Dollars Get Shuffled

Summary: A look at how Act 42 of 2017 changed the amounts and purposes of the money coming from a fund established to support economic development and tourism projects.

When the General Assembly legalized slot machines in 2004 it required part of the tax levied on slots play to provide revenue to create a Gaming Economic Development and Tourism Fund (GEDTF). Projects funded by the 5 percent tax used to fund the GEDTF included the expansion of the Pennsylvania Convention Center in Philadelphia (\$880 million), the hockey arena in Pittsburgh (\$225 million) and seven other projects in Allegheny County (\$404 million).

The seven projects were slated to get money over a decade and payments began to materialize in the 2007-08 fiscal year. As time went on and we monitored the projects, we raised the question as to what would happen when the payments ceased.

In answer to our query, Act 42 of 2017 made plenty of changes to gaming in the state and among those were guidelines for the seven Allegheny County projects.

Money to fund debt service and airline fee reductions at Pittsburgh International Airport and money for two economic development/infrastructure funds that distribute dollars in Allegheny County will continue in perpetuity. By the end of the 2016-17 fiscal year these three designated recipients had received a total of \$237 million and had \$37 million remaining under the original 10 year arrangement. The amended language in the act states “the projects shall be authorized beyond the expiration date of each of the projects set forth [in the law that itemized the projects, Act 53 of 2007]” which means the \$22.7 million distributed annually for these three projects will continue unless there is a change to the act.

However, the gaming money for the retirement of two other economic development funds, both of which were created in the 1990s when the City of Pittsburgh and Allegheny County issued bonds, and a bank loan for the David L. Lawrence Convention Center, will cease when the debts are paid in full. The total amount allocated from the GEDTF for these three recipients was \$110 million. By the end of the 2016-17 fiscal year \$93 million had been received. Based on information from the local government entities that received or audited receipt of the money (the Urban Redevelopment Authority, Allegheny County Controller’s Office and the Sports and Exhibition Authority) the debts that were being paid down, have been retired or will soon be retired.

The GEDTF's separate allocation used to subsidize the operating deficit of the convention center will continue on but will be repurposed. The Sports and Exhibition Authority received \$17 million of a \$20 million total allocation to offset operating deficits at the Convention Center. This money will now be used to establish a Regional Sports Commission, which was mentioned when there was an effort underway to increase the county's hotel tax. Moving the money from the operating deficit to the creation of the commission might possibly render the proposed hotel tax increase moot unless the other projects and recipients that would have been funded through a boost in the tax clamor for the levy.

It is not clear if the \$1.7 million annual amount will be the limit on what the commission will spend for the expenses that are sure to come with creating yet another entity aimed at boosting tourism and events or if it will be seeking other sources of state and local dollars when it attempts to attract sporting events to Pittsburgh and its environs.

Going forward, Act 42 authorized \$20 million (\$2 million per year for a decade) from the GEDTF to a regional economic development corporation for debt service on a science center in the Lehigh Valley. There is a possibility that other parts of the state with projects on the drawing board will explore the possibility of tapping into the GEDTF, but no others were specifically authorized in the act.

Is this money well spent? What would taxpayers have preferred if given a choice of using the GEDTF money toward economic development projects or putting it toward school property tax relief via homestead exemptions? Right now, the total amount available for relief is around \$619 million dollars and results in an average school tax reduction of \$200 per homestead. As the allocations for GEDTF projects expire, the funding could be moved to raise the amount of money to be used for property tax reductions. Instead it will almost certainly go back to feed the insatiable appetite that is publically subsidized economic development in Pennsylvania.

To wit, one also has to wonder how long the convention center and tourism will require ever more subsidy. Regional Asset District (RAD) tax revenue, an extra hotel tax along with a large state allocation have gone into the center that ended up costing over a hundred million more than originally announced. Then too, the RAD tax funds many of the major amenities and attractions in the city as well as new stadiums.

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