

Local gaming dollar distributions need greater transparency

Summary: Revenue from Pennsylvania's gaming law is distributed to local governments and taxpayers at varied amounts and under several categories. The most familiar category is the Property Tax Relief Fund. But local governments receive money from the Gaming, Economic Development and Tourism Fund and Local Share Assessment. This *Brief* will discuss the Local Share Assessment (LSA) category and its implementation of reporting requirements according to Act 1 of 2010.

The LSA portion allocates slot machine operation fees and table game revenues to the host municipality and county of the licensed gaming facility. The LSA proceeds are used to diminish the effect of gaming and related activities such as increased costs of emergency services and also to support the community and economy.

After a legal challenge to the rates set forth in the original gaming law, Act 42 of 2017 changed the law regarding the municipal portion of the LSA distribution (*Policy Brief Vol. 17, No. 47*). Now, 2 percent of slot machine gross terminal revenue goes to the host county and \$10 million to the host municipality annually (excluding category 3 casinos also known as resort casinos but includes all casinos in Philadelphia). Table games contribute 1 percent of revenues to the host county with an additional 1 percent to host municipality.

Like other legislation Act 42 of 2017 is full of exclusions and exemptions especially concerning category 3 casinos (resort casinos). For example, for the Valley Forge Casino, a category 3 casino located in a second-class A county (Montgomery), 50 percent of the LSA goes to the Commonwealth Financial Authority for specific grants and programs to be used in Montgomery County as detailed in the legislation. Whereas, Lady Luck Casino (Fayette County) another category 3 casino, all LSA county funds go directly to the Department of Community and Economic Development (DCED). DCED then distributes the funds to grant programs to be used in the county not distributed directly to the county itself. In the previous examples both host municipalities directly receive LSA funds.

Act 1 of 2010 includes a requirement for municipalities and counties that receive LSA to file a report to DCED. DCED is also required to annually submit a report to the legislative Appropriations, Community, Economic and Recreational Development and Gaming Oversight Committees.

The report must state the specific amount of money and a description of how the funds were used (i.e. general fund or specific use/project). Act 1 does not indicate whether there is any type of penalty for local governments who fail to annually report to the DCED.

Municipalities and counties that receive LSA can use the money for general government; public safety; health and human services; public works sanitation; public works highway and streets; other public work enterprises; culture and recreation; community development; debt services; miscellaneous expenditures and other financing uses.

Both the counties and municipalities may opt to not spend LSA that year and the money can be placed in the general government category for a specified use at a later date.

In 2018 a total of 174 local governments (host and non-host governments) received LSA, and 157 local governments reported the use of funds to DCED as required. While many host counties and municipalities have reported annually, others have not. For example, Bucks County (Parx Casino), Dauphin County (Hollywood Casino), Monroe County (Mount Airy Casino Resort), Northampton County (Wind Creek Casino, formerly Sands Casino), and Washington County (The Meadows Racetrack and Casino) have reported every year from 2010 to 2018.

Luzerne County (Mohegan Sun Resort Casino) only reported in 2010 and 2014. Locally, Allegheny County failed to report in 2015. The City of Pittsburgh (Rivers Casino Pittsburgh) failed to report to DCED in 2015 and 2017. Also, the City of Philadelphia (Rivers Casino Philadelphia formerly Sugar House Casino) failed to report in 2017 and 2018. The City of Chester (Harrah's Philadelphia Casino & Racetrack) failed to report for the years 2015, 2016 and 2017.

This prompts the question: Why aren't some local governments following the Legislature's requirement? Local governments are responsible for financial transparency and the correct use for public funds.

Statewide, the amount that host municipalities and counties receive for the LSA varies slightly. In 2018 the statewide total was \$123 million compared to \$91.8 million in 2017. The highest year of LSA revenue was 2011 (\$144 million).

Local governments statewide have received \$1.135 billion in the LSA from 2010 to 2018. Of this amount, local governments statewide have spent \$1.079 billion (95 percent). Local governments tend to spend their local share mostly on public safety (\$238.7 million). Community development (\$181 million) and miscellaneous expenditures (\$173 million), are the next most popular categories.

Allegheny County's annual fiscal plan shows the county received \$5.5 million in 2018 and it was placed in the county's General Fund. The City of Pittsburgh's Comprehensive Annual Financial Report details the city received \$13.4 million and used it to fund the city's pensions.

According to the Redevelopment Authority of the County of Washington, the county received \$8.2 million in 2018. The county used LSA money to fund 38 programs. The county's highest funded program (\$1 million) was the Starpointe Business Park in Hanover and Smith townships classified in the Economic Development category. Washington County Home Rehabilitation, Access, and Homebuyer Assistance program (\$501,000) and Digital Mammography (\$500,000) followed both under the General Interest category. Crossroads Public Parking Garage LED Lights received the least amount of funding (\$5,200); the program fell under the Community Improvement category.

LSA funding should benefit the local community where the casino is located. In addition to financial transparency, there is also a broader question of effectiveness. Do LSA funds and other funds such as Gaming and Economic Development and Tourism funds provide the most "bang for their buck"? Could this money be better used if dispersed to individual taxpayers in the form of property tax relief?

Pennsylvanians should demand financial accountability from their local governments surrounding use of LSA dollars and elected representatives should be urged to optimize the way gaming taxes can benefit all Pennsylvanians.

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