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Pennsylvania's gambling dichotomy

By Colin McNickle

The Pennsylvania Gaming Control Board reports that total gambling revenues increased by 4.5 percent in 2019 over 2018. The gain did not reflect any increase in the number of people playing traditional slot machines but rather the expansion of gaming options, scholars at the Allegheny Institute for Public Policy note.

However, and in a paradox, the latest numbers also help to raise anew questions about the sustainability of all gambling tax revenue streams on which commonwealth officials have come to so heavily rely.

"(W)hat happens when the economy has a downturn and the discretionary spending (by gamblers) ebbs?" ask Frank Gamrat, executive director of the Pittsburgh think tank, and Jake Haulk, president-emeritus there (in *Policy Brief Vol. 20, No. 7*).

Internet gaming and video gaming terminals bowed in the Keystone State last year while retail and internet sports wagering and fantasy sports contests concluded their first full year in 2019.

With mini casinos soon to open, coupled with a full year of operations for last year's gambling newcomers, 2020 gaming revenue likely is to top 2019.

Statewide, the 12 casinos reported $2.363 billion in gross terminal revenues (GTR) from slot machines last year, down $6.8 million (or 0.3 percent) from 2018. The high-water mark for Pennsylvania slots came in 2012 with $2.471 billion in GTRs and then, from only 11 casinos.

That said, the number of slot machines has declined by 7 percent since then, likely replaced by table games or areas for sports betting. Slots, by the way, are taxed at a higher rate than those latter gambling options.

But the stakes are high for slot machine performance – taxed at a 54 percent rate -- given that proceeds are earmarked for such things (among others) as property tax relief; “local share” dollars for communities hosting slots; economic development and tourism and the racehorse industry.

And lest it be forgotten, $12.4 million from that development and tourism fund has been allocated, in perpetuity, to Pittsburgh International Airport with some of that money to be tapped for PIT’s new terminal project.

While it is very likely that there will be substantial growth in Pennsylvania’s gambling industry in at least 2020, there is an elephant in the room, so to speak – a robust national economy that is putting more discretionary money into people’s pockets with which to gamble.

“But is this a good thing?” ask Gamrat and Haulk, both Ph.D. economists. “Should the government be so dependent on gaming as a source of tax revenue?”

Indeed, policy makers are more than happy to collect gambling tax receipts. But the question of how secure such revenue streams are cannot be ignored, especially considering that politicians may be running out of ways to expand gaming in the commonwealth.

“Gaming as a recreational outlet must be kept in perspective,” Gamrat and Haulk say. “Pennsylvania should not look to the gaming industry to sustain its economy or keep its tax coffers full, not to mention the social ills and costs that can accompany gambling addiction or the impact on lottery sales.”

And as Gamrat also reminded nearly a year ago (in *Policy Brief Vol. 19, No. 15*), money spent at casinos – in reality, money *lost* – “is money that is not spent on other goods, be they recreational, luxuries or necessities.”

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1