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The numbers & unknowns: Coronavirus & Pa.'s casinos

By Colin McNickle

It should come as no surprise that Pennsylvania's casinos have seen a major reduction in overall revenues during the ongoing coronavirus pandemic.

After all, the administration of Gov. Tom Wolf deemed them "nonessential" businesses early in the pandemic, forcing them to close in mid-March and all of April and May. Most reopened in June but with severely reduced capacities.

While the revenue losses were steep, there's an important ancillary question that, thus far, cannot be readily answered, say scholars at the Allegheny Institute for Public Policy.

"What does it mean for beneficiaries of casino tax payments," asks Hannah Bowser, a research assistant at the Pittsburgh think tank, and Frank Gamrat, its executive director (in *Policy Brief Vol. 20, No. 27*).

The shutdown financials are striking.

The total loss in gross terminal revenue (GTR) for slot machines across the state from mid-March through June (using a combination of real and projected numbers) is likely near \$699 million. This represents a tax shortfall of roughly \$381.1 million.

Tax revenue from table games fell nearly \$43.1 million short of its potential because of the coronavirus pandemic fallout.

A bright spot, and hardly counterintuitive, was the significant rise of online gambling in the period in which the coronavirus reared its ugly medical and economic head.

While not all casinos in Pennsylvania offer online gaming options, for those that do, total internet gaming revenue (including online table games, internet slot machines and online poker) jumped from \$13.9 million in January 2020 to \$50 million in June, an increase of 258.6 percent.

But whether those numbers will be as robust if, and when, the casinos' in-house operations return to anything resembling normalcy remains an unknown.

That said, although online gaming revenue from slots, table games and poker rose to record setting highs, the total intake from January through June (\$206.6 million) doesn't even cover a quarter of the estimated losses from slot and table games.

As expected, casino jobs took a major hit as well. Given the lockdown included a complete stoppage of all nonessential functions and only a few managers and maintenance crews likely were deemed essential and kept on the job, "it is safe to assume that most of the 16,717 casino employees were furloughed," Bowser and Gamrat note.

The great unknown in all this is how taxpayers will be affected.

"(B)ut entities that typically receive tax money from casino revenues, including school districts for property tax relief, should expect and likely will see a decrease in funding in the coming fiscal years," the think-tank researchers say.

And here's another wrinkle: Despite dismal earnings for the last three months, the Rivers Casino in Pittsburgh has managed to pay the quarterly installments on its mandatory, yearly sum of \$10 million to the city.

"But if revenue declines for upcoming months compared to year-ago levels continue and remain the 'new norm' for a long period, will the casino be forced to ask for leniency on its obligation?" Bowser and Gamrat ask. "And would the City of Pittsburgh grant such a request amidst its own revenue shortfalls?"

Overall, the scholars note "there is much to learn about the consequences stemming from government action related to the pandemic."

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