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Gambling revenue rebounds – but at what cost?

By Colin McNickle

State-sanctioned gambling appears to be on the rebound and, in fact, growing in Pennsylvania as the coronavirus pandemic wanes and life in the Keystone State returns to some semblance of normal.

But that has prompted the revival of an important and evergreen question from a researcher at the Allegheny Institute for Public Policy:

"Is the growth of gaming in Pennsylvania a good thing?" asks Frank Gamrat, executive director of the Pittsburgh think tank (in *Policy Brief Vol. 21, No. 22*).

There can be no doubt that gaming revenues in Pennsylvania have become an important source of government funding. From property tax relief (though far less than promised) and contributions to general fund revenue and county and municipal host government payments, state and local governments are reliant on gaming.

And there also can be no doubt that in 2020 the severe truncation of gambling activities cut deeply into gaming proceeds. Total gaming revenue for the year fell from $3.41 billion in 2019 to $2.65 billion (22.2 percent). It's the lowest annual total since the first full year of table games play a decade ago ($2.89 billion in 2011).

That said, data from the Pennsylvania Gaming Control Board show significant revenue resurgence now that more residents are being vaccinated and gambling locations have reopened to an increasing number of patrons.

And that data also detail how the pandemic fueled robust growth in on-line gambling activities. Whether that pace will continue in post-pandemic Pennsylvania remains a question mark.

But gambling "recovery" and growth once again bring to the surface long nagging questions about the effects of gaming itself.

“Clearly, a dollar spent on gaming cannot be spent on other activities—either leisure or necessities,” reminds Gamrat, a Ph.D. economist. “That money goes to the state in taxes or to the casinos’ coffers as optional uses of discretionary income.”

But, “Should the government be this heavily dependent on gaming as a source of tax revenue?” he also asks, reminding how the pandemic has shown what can happen when the activity is affected.

“This time the federal government flooded the economy with stimulus money, direct government subsidies and supplemented unemployment compensation,” he notes, emphasizing another important point:

The drop in gaming revenue in 2020 was only 22 percent, in large part to the jump in online gambling revenue. The decline could have been much larger but the loss of tax revenues in general likely was made up by the federal government.

“What happens when the economy has a serious downturn, the discretionary spending ebbs and the federal government is unable to provide a bailout?” Gamrat asks.

Additionally, politicians may be running out of ways to expand gaming options.

“What happens as Pennsylvania continues to lag much of the country in economic growth and jobs? Will the federal government always be able to provide billions of bailout dollars to the state?”

Such questions aside, gaming as a recreational outlet must be kept in perspective.

“Pennsylvania should not count on the gaming industry to sustain its economy or keep its tax coffers full,” Gamrat concludes. “And, certainly, it cannot afford to ignore the social ills and costs that can accompany gambling addiction.”

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