



### Gaming in Pennsylvania continues to be strong

**Overview:** Pennsylvania’s gaming industry was quick to rebound from the COVID lockdowns of 2020. Internet gaming led the way during the pandemic year when virtual gaming provided an alternative to being with the crowds on the casino floor. In addition, Pennsylvania welcomed three new mini casinos in 2021. As a result, total gaming revenues quickly increased and surpassed pre-pandemic levels.

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*Policy Briefs* have been documenting gaming revenues since slot machines were introduced to the commonwealth with legislation in 2004 (*Vol. 4, No. 28*). Shortly thereafter, table games were added and recently other forms of gambling— internet gaming, sports wagering, video gaming terminals and fantasy sports contests—debuted. *Policy Brief Vol. 20, No. 7*, explored how each method is taxed and how those dollars are divvied.

The data for this *Brief* comes from the Pennsylvania Gaming Control Board.

#### *Slot machines*

For 2021, casinos across the state realized \$2.29 billion in gross terminal revenues (GTR). While this is 68 percent higher than 2020’s pandemic-year total, it still is 3 percent behind 2019’s total of \$2.36 billion. The high-water mark for slot machine GTR occurred in 2012 when 11 casinos garnered \$2.47 billion.

Through May 2022, the monthly average of over \$200 million is the highest monthly average since 2012. Casinos are on pace to realize \$2.40 billion, the third-largest total behind only 2012 and 2011 (\$2.41 billion).

It is also worth noting that in 2019 there were just 12 casinos in operation. In 2020 the first mini casino debuted in Westmoreland County and in 2021 three more opened their doors in the eastern part of the state (Philadelphia, York and Berks counties).

But while 2022’s GTR is spread over 16 casinos instead of 11 from a decade ago, the number of slot machines available is not much greater. From 2011 through 2016 the average monthly number of slot machines in operation was over 26,000. That started to decline in 2017 when it fell to 25,971 and continued to fall to 24,722 in 2019. The pandemic in 2020 dropped that number to just 18,515 as social distancing had casinos remove machines and place them farther

apart. In 2022 that number has bounced back up to over 26,000, reflecting the larger number of casinos.

Interestingly, not one casino that had been open in 2019 had GTR in 2021 that surpassed the pre-pandemic level of 2019. For example, the Rivers Casino in Pittsburgh had GTR in 2021 of \$251.3 million, the lowest total since 2010 and 15.6 percent less than the \$297.7 million in 2019. The top casino in Pennsylvania is Parx Casino Philadelphia. In 2019 that casino earned \$421.9 million, 3.2 percent higher than the \$408.3 million earned in 2021. Hollywood Casino at The Meadows in Washington County was off by 23.3 percent.

The gains to GTR were made solely because four new casinos had opened in 2020 and 2021. While they were physically placed far enough away from existing casinos due to legislation, they undoubtedly provided some competition.

### *Internet gaming*

Internet gaming became a reality for Pennsylvanians in 2019. Internet gaming consists of both slots and table games. Players must be physically located within the commonwealth and play through existing state casinos.

That first full month, August 2019, garnered \$3.4 million in total revenues across the state. From August 2019 through February 2020, the monthly average was \$9.5 million. In April 2020, the first full month of the lockdown, that number jumped to \$43.1 million and rose steadily throughout the year with December's revenues topping \$71.6 million. In 2021 the average monthly revenues topped \$92.7 million and the annual total topped \$1.1 billion. Thus far in 2022, revenues are \$111.1 million per month and on pace to exceed \$1.3 billion.

Internet gaming revenues surpassed those from casino-based table games in November 2020 (\$59.8 million vs. \$52.3 million) and widened the gap substantially since then. Internet gaming in 2022 now accounts for 26 percent of all gaming revenues. In 2021 it was 23.5 percent.

### *Table games*

Total table games revenues had their best year in 2021 when they reached \$924.9 million. With the exception of the pandemic year, table games revenues have steadily increased since the first full year of 2011 (\$619.9 million). Through the first five months of 2022, table games revenues, averaging \$85.4 million, are on pace to surpass \$1 billion for the first time.

Much like slot machines, more tables are in play as the number of casinos has expanded. In 2019 there were an average of 1,276 tables in operation each month. The average revenue per table was \$59,026—the fourth highest behind the years from 2015-2017. In 2021 the monthly average number of tables increased to 1,377 with a per table revenue just shy of \$56,000. Through May 2022 there is an average of 1,421 tables drawing in about \$60,000—a new per table high.

However, unlike slot revenues, there were three casinos that had 2021 revenues top those of 2019, including Philadelphia's Parx (8.2 percent higher), Pittsburgh's Rivers (2.5 percent) and Mt. Airy (13.2 percent).

### *Total revenues—all gaming methods*

In 2011 total gaming revenue from slots and table games came in at just over \$3.03 billion. In 2018, when fantasy contests joined the gaming ranks, that amount ticked up to \$3.23 billion. In 2019 other forms of gaming debuted—internet gaming, sports wagering and video terminals (truck stops)—and revenues rose slightly to \$3.40 billion. Post-pandemic 2021 had three new mini casinos open and total revenues jumped to \$4.73 billion. Through the first five months of 2022, total revenues from all sources of gaming are projected to hit \$5.13 billion.

### *Conclusion*

Each method of gaming is taxed at a different rate with tax revenues going to different coffers (*Vol. 20, No. 7*). For example, taxes on slot gaming, both casino-based and internet-based, primarily benefit property tax relief efforts. Table games tax proceeds go into the general fund. But also keep in mind that for every dollar in revenue brought in by the casinos it represents a dollar lost from other areas of the economy.

Stimulus money pumped into the economy by the federal government, and the resulting and current inflationary crisis which has pushed up wages, most likely made its way to the casinos as people had more discretionary spending available. While the local governments that rely on gaming tax revenues are reaping the rewards, what will happen when the economy has a serious downturn and this wave of discretionary spending grinds to a halt? Politicians may be running out of ways to expand gaming options.

Gaming as a recreational outlet must be kept in perspective. State and local governments should not count on the gaming industry to sustain its economy or keep its tax coffers full. And certainly, it cannot afford to ignore the social ills and costs that can accompany gaming addiction.

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