

Legislative Budget and Finance Committee

The Impact of Slots Gaming on the Pennsylvania State Lottery

Report Presentation by Philip Durgin, at April 16, 2013 Meeting

Act 71 of 2004 called for our Committee to release an annual report on the impact of slots gaming on the State Lottery. This is the Committee's eighth report under that mandate, and as you can see, over the years we have streamlined it down to a five-page memorandum report.

Pennsylvania now has 11 casinos operating throughout the state, all of which offer both slots gaming and table games. Despite the rapid growth in gaming during the initial years, Lottery sales managed to remain largely stable at about \$3.1 billion annually. And in the past two years, Lottery sales have seen substantial growth, with sales increasing 5.3 percent in 2011 and 9.9 percent in 2012.

The impressive growth of Lottery sales over the past two years indicates that the impact of casinos on Lottery sales may be less significant than the previous data had suggested. With one exception (Montgomery County), however, the trend still remains that since 2006 the counties that host casinos have had significantly lower growth in Lottery sales than counties which do not have a casino.

The Lottery staff believes that the underperformance of host counties may have more to do with the changing preferences of Lottery customers than to the presence of a casino. Interest in terminal-based games has been declining over the past 10 years, while instant ticket games have seen strong growth over this period. Because terminal-based games have traditionally been more popular in urban areas, and because casinos also tend to be located in urbanized areas, the Lottery staff believes that lower Lottery sales in host counties may have more to do with the general trend of lower sales for terminal-based games than to the presence of a casino.