

Legislative Budget and Finance Committee

The Impact of Tavern Gaming on the Pennsylvania State Lottery

Report Presentation by Anne Witkonis at the May 4, 2020 Meeting

Good morning. Act 90 of 2013 authorized Pennsylvania taverns to offer gaming in the form of pull-tabs, daily drawings, and raffles. Included in the act was a requirement that our Committee conduct an annual assessment of the impact of this type of gaming on the State Lottery. This is our fifth such review under that act.

Tavern gaming has not taken hold in the way originally envisioned, and therefore, has generated only a small portion of the revenue that was anticipated. The PLCB has licensed 67 establishments to sell tavern games, 47 of which are active. In 2019, tavern gaming generated \$1.37 million in tax revenue, significantly less than the \$93.6 million that was projected to be generated when the bill was enacted in 2013. In fact, from 2015 through 2019, there have been only \$7.4 million in total tavern tax revenues.

The \$1.37 million in taxes generated by tavern games in 2019 equates to about \$2.11 million in patron losses. This is less than two-tenths of 1 percent (0.14 percent) of the losses incurred in Lottery games. Additionally, tavern tax revenues are 0.09 percent of lottery revenues. Both of these percentages have remained almost the same over the five years of this report, so we concluded that tavern gaming did not have a material impact on State Lottery sales in 2019.

In light of the COVID-19 mandated stay-at-home order, we note the impact on lottery sales. According to the lottery, preliminary data shows that sales from the Lottery's traditional games, which include Scratch-Offs and Draw Games such as Powerball and Mega Millions, are down roughly 25 percent since mid-March. Online sales, however, are up about 30 percent during the same time frame. The lottery noted that 70 percent of its revenues are dependent on traditional games. We also note that approximately 30 percent of traditional lottery outlets are closed due to COVID-19.

Additionally, in April the Powerball Product Group announced that there would no longer be a guaranteed Powerball starting jackpot or minimum jackpot between drawings. The group stated that these changes were necessary to ensure ticket sales can continue to cover prizes.

Finally, I would like to thank the Department of Revenue and the Pennsylvania Liquor Control Board for their continued excellent cooperation with this report.

Thank you.