

Legislative Budget and Finance Committee

The Impact of Tavern Gaming on the Pennsylvania State Lottery

Report Presentation by Anne Witkonis at the May 12, 2021 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 sixth 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 2020, tavern gaming generated \$857,000 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 2016 through 2020, there have been only \$6.9 million in total tavern tax revenues.

The \$857,000 in taxes generated by tavern games in 2020, down 38 percent from 2019, equates to about \$1.32 million in patron losses. This is less than one-tenth of 1 percent (0.08 percent) of the losses incurred in Lottery games. Tavern tax revenues were also less than one-tenth of one percent (0.05) percent of lottery revenues. Both 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 2020.

Costs to two of three state agencies responsible for tavern game administration, the PA Liquor Control Board (LCB) and the Department of Revenue (DOR) are minimal. The PLCB estimates its costs to be \$36 per application and the DOR estimates its costs to be \$1157 per year. The Pennsylvania Gaming Control Board did not provide specific costs but believes that they are offset by the \$1000 fee it receives.

Considering the COVID-19 mandated stay-at-home order, we note the impact on lottery sales. According to Lottery officials, 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 were closed at least part of CY 2020 due to COVID-19.

Additionally, in April 2020 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.