

Legislative Budget and Finance Committee

The Impact of Tavern Gaming on the Pennsylvania State Lottery

Report Presentation by Anne Witkonis at the April 13, 2022, Meeting

Good morning again! 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 seventh 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 Pennsylvania Liquor Control Board (PLCB) has licensed 71 establishments to sell tavern games (out of a total of 80 applications), 45 of which are active. In 2021, tavern gaming generated \$1.3 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 2017 through 2021, there have been only \$6.6 million in total tavern tax revenues.

The \$1.3 million in taxes generated by tavern games in 2021, which, incidentally, is up 48 percent from 2020, equates to about \$1.9 million in patron losses. This is one-tenth of 1 percent (0.10 percent) of the losses incurred in Lottery games. Tavern tax revenues were also less than one-tenth of one percent (0.07 percent) of lottery revenues. Both percentages have remained relatively the same over the five years included in this report, so we conclude that tavern gaming did not have a material impact on State Lottery sales in 2021.

Costs to two of three state agencies responsible for tavern game administration, the PLCB 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 for each license application.

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

Thank you.