

Legislative Budget and Finance Committee

The Impact of Tavern Gaming on the Pennsylvania State Lottery

Report Presentation by Anne Witkonis

June 7, 2023

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 eighth such review under that act.

Tavern gaming has not taken hold as originally expected, and therefore, has generated only a small portion of the anticipated revenue. The PLCB has licensed 77 establishments to sell tavern games (out of a total of 94 applications), 41 of which are active. In 2022, tavern gaming generated \$1.2 million in tax revenue, significantly less than the \$93.6 million projected to be generated when the bill was enacted in 2013. In fact, from 2018 through 2022, there has been only \$6.3 million in total tavern tax revenues.

The \$1.2 million in taxes generated by tavern games in 2022 equates to about \$1.8 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 less than one-tenth of one percent (0.07 percent) of lottery revenues. Both percentages have remained relatively 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 2022.

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 \$1,157 per year. The Pennsylvania Gaming Control Board did not provide specific costs but believes they are offset by the \$1,000 fee it receives.

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.