

## Report Highlights

### Impact of Slots Gaming on the Pennsylvania State Lottery

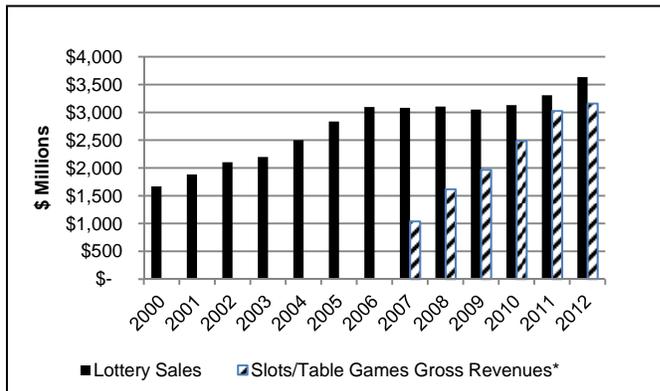
As a major new entrant into the state’s gaming market, many believed that slots gaming could adversely affect sales of the Pennsylvania State Lottery. Recognizing this concern, Act 2004-71 requires the LB&FC to issue annual reports to the General Assembly analyzing the impact, if any, of implementing slots gaming on the Pennsylvania State Lottery. We found:

- **Eleven slots gaming facilities are now operating in the Commonwealth.**

The first slots parlor opened in November 2006, the most recent in April 2012. All 11 gaming facilities now offer table games.

- **Despite rapid growth in casino wagering, Lottery sales remained stable during the initial years and have increased significantly during the past two years.**

Part of the slowdown in Lottery sales in the years following the introduction of casinos can be attributed to the rapid growth of sales in the early 2000s. This growth was due to the substantial expansion of the Lottery retailer network and Pennsylvania’s entry into the multi-state Powerball jackpot game.



Lottery sales increased by 5.3% in 2011 and by an even more impressive 9.9% in 2012, indicating the impact of casinos on Lottery sales may be less significant than the previous data suggested.

- **Casino gaming may have suppressed Lottery sales in counties that host casinos.**

As shown below, with one exception, the growth in Lottery sales in counties that host a casino has significantly underperformed the growth in non-host counties and the statewide average during each of the relevant time periods. (Because casinos opened in different counties in different years, we divided the host county into six “cohorts.”)

Increase/Decrease in Lottery Sales From	Host Counties	Non-host Counties*	Statewide Average
2006 to 2012	1.8% (5)	3.6% (56)	2.7%
2007 to 2012	1.9 (2)	4.0 (56)	2.8
2008 to 2012	1.0 (1)	4.9 (56)	4.0
2009 to 2012	3.2 (1)	7.2 (56)	4.5
2010 to 2012	3.7 (1)	8.8 (56)	7.6
2011 to 2012	11.8 (1)	11.0 (56)	9.9

\*Includes only the 56 counties that currently do not host a casino.

The Lottery staff believes, however, that the relative poor performance of Lottery sales in host counties may be more attributable to the demographics of Lottery customers than to the presence of a casino. In particular, terminal-based numbers games have traditionally been more popular in urban, rather than rural, areas of the state. As casinos also tend to be located in urbanized areas, lower Lottery sales may be more attributable to the general trend of lower sales for terminal-based games (versus instant ticket games) than to the presence of a casino.