

## REPORT HIGHLIGHTS

### *The Impact of Tavern Gaming on the Pennsylvania State Lottery for CY 2020*

Released: 05/12/2021

Act 2013-90, an amendment to the Local Option Small Games of Chance Act, requires the Legislative Budget and Finance Committee (LBFC) to conduct an annual study of the impact of tavern gaming on the State Lottery. Under the act, the Governor may request the General Assembly appropriate money from the General Fund to the State Lottery Fund up to the amount identified in the study. This is the sixth report under this mandate.

#### Findings:

- ❖ **As of January 2021, the PLCB had approved 71 tavern gaming establishments, 48 of which are active.** This is far below the initial estimate of 2,000 licenses by the Governor's Office. Expensive up-front license fees, intrusive background checks, and an unfavorable tax structure have been cited as some of the reasons for low participation among tavern owners.
- ❖ **In 2020, tavern games generated \$857,000 in state and host municipality tax revenue.** This is far below the initial estimate of \$93.6 million annually by the Governor's Office. From 2016 through 2020, there have been only \$6.9 million in total tavern tax revenues.
- ❖ **Tavern gaming has not had a material impact on the State Lottery.** The \$857,000 in tavern gaming revenue collected by the Commonwealth in 2020 represents about \$1.32 million in patron losses as compared to about \$1.62 billion in losses for persons participating in Lottery games, including iLottery play. Tavern gaming losses are less than one-tenth of one percent (0.08 percent) of the losses incurred in Lottery games, and tavern tax revenues are 0.05 percent of Lottery revenues. Because of this, we concluded tavern gaming did not have a material impact on State Lottery sales in 2020.
- ❖ **COVID 19 may have had an impact on tavern gaming.** The ratios of tavern gaming to Lottery revenues (0.09-0.11) and tavern gaming to Lottery patron losses (0.13-0.16) remained relatively stable from 2016 to 2019. However, these ratios realized a substantial decline in 2020, possibly because taverns were shut down several times throughout 2020. The Lottery also noted that approximately 30 percent of traditional Lottery outlets were closed at least part of 2020 due to COVID 19.

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