

March 2015

TO: Members of the Legislative Budget and Finance Committee

FROM: Philip R. Durgin, Executive Director

SUBJECT: Annual Report Required by Act 2004-71: The 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 71, 4 Pa.C.S. §1211(b), requires that the Legislative Budget and Finance Committee issue annual reports to the General Assembly analyzing the impact, if any, of implementing slots gaming on the Pennsylvania State Lottery.

The first slots parlor opened in November 2006, and as of January 2014, twelve slots gaming facilities were located in twelve counties across the Commonwealth (see Exhibit 1). In July 2010, Pennsylvania casinos began offering table games in addition to slots.

Table 1 and Exhibit 2 show that, although Lottery sales initially had little overall growth after the introduction of casino gaming in Pennsylvania, Lottery sales grew by 5.3 percent in 2011, 9.9 percent in 2012, and 4.4 percent in 2013 before dropping slightly (-0.6 percent) in 2014. The overall growth of Lottery sales over the last four years indicates that any impact of casinos on Lottery sales is, at most, marginal.

We also note a strong positive correlation (.80) between Lottery sales and casino gross revenues. While it would seem unlikely that increased casino revenues would be a factor causing increased Lottery sales, the strong positive correlation at least suggests that casino revenues are not negatively affecting Lottery sales to any significant degree.

Exhibit 1

Pennsylvania Casinos

(As of January 2015)

<u>Casino</u>	<u>County</u>	<u>Opened</u>
Mohegan Sun	Luzerne	November 2006
Parx (Formerly Philadelphia Park).....	Bucks	December 2006
Harrah's Chester Downs	Delaware	January 2007
Presque Isle.....	Erie	February 2007
The Meadows	Washington	June 2007
Mount Airy	Monroe	October 2007
Hollywood (Penn National)	Dauphin	February 2008
Sands Bethlehem	Northampton	May 2009
Rivers	Allegheny	August 2009
SugarHouse.....	Philadelphia	September 2010
Valley Forge	Montgomery	April 2012
Nemacolin.....	Fayette	July 2013

Source: Developed by LB&FC staff from information obtained from the Pennsylvania Gaming Control Board.

Table 1

Lottery Sales and Casino Gross Revenues

(\$ in Millions)

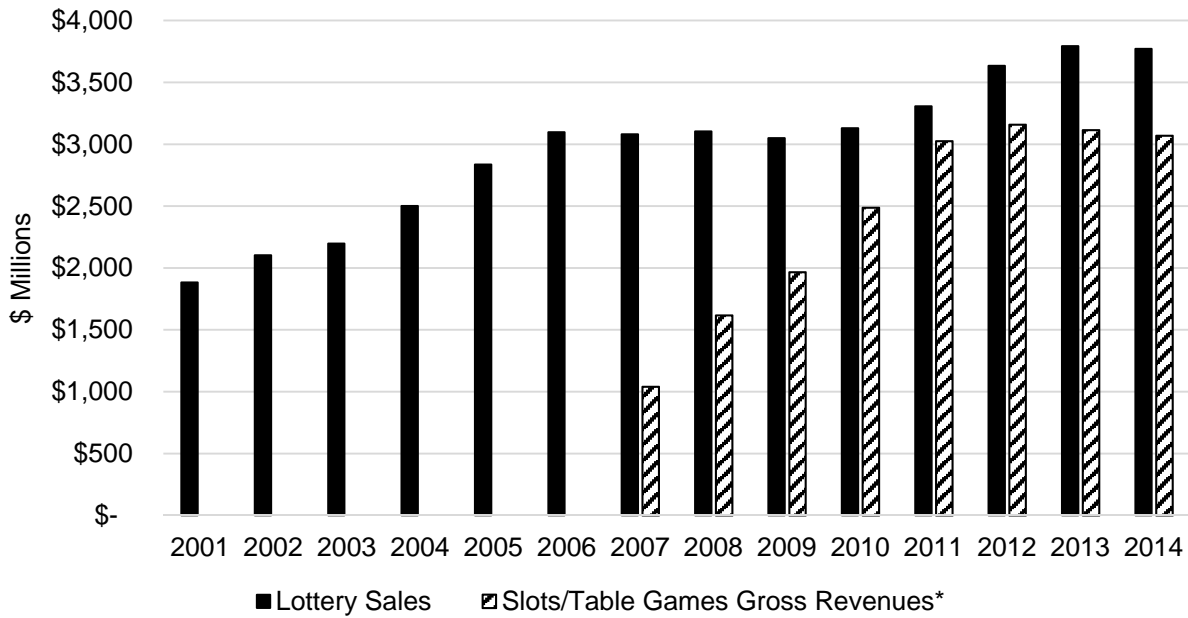
<u>CY</u>	<u>Lottery Sales</u>	<u>Slots/Table Games Gross Revenues*</u>
2001.....	\$1,884	-
2002.....	2,103	-
2003.....	2,198	-
2004.....	2,502	-
2005.....	2,836	-
2006.....	3,097	-
2007.....	3,081	\$1,039
2008.....	3,104	1,616
2009.....	3,050	1,965
2010.....	3,140	2,486
2011.....	3,307	3,025
2012.....	3,634	3,158
2013.....	3,794	3,114
2014.....	3,772	3,069

*Gross revenue is wagers minus payouts, with some adjustments.

Source: Compiled by LB&FC staff from PA State Lottery and PA Gaming Control Board Reports.

Exhibit 2

Growth in Lottery Sales and Casino Gross Revenues*
(Calendar Year)

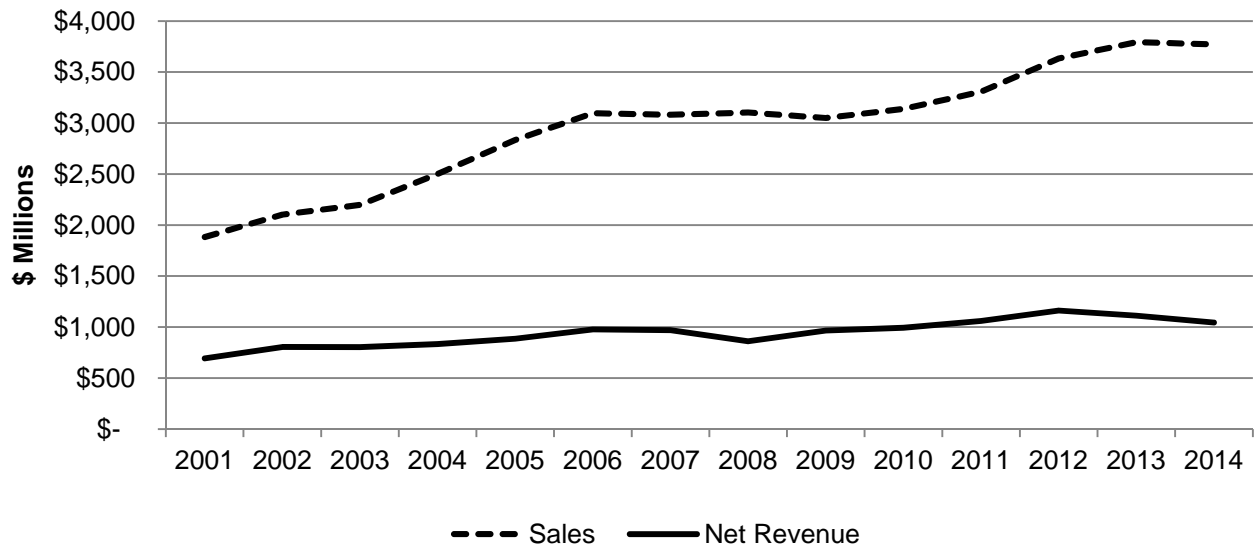


*Gross revenue is wagers minus payouts, with some adjustments.

Source: Compiled by LB&FC staff from PA State Lottery and PA Gaming Control Board Reports.

Exhibit 3

Lottery Sales and Net Revenue
(Calendar Year)



Source: Developed by LB&FC staff from information obtained from the PA State Lottery.