

Report Highlights

An Assessment of the Impact of Slots Gaming on Pennsylvania Lottery Sales

As a major new entrant into the state’s gaming market, many believe that slots wagering could adversely affect sales of the PA Lottery. Recognizing this concern, Act 2004-71, requires that the LB&FC issue annual reports to the Legislature analyzing the impact, if any, of the implementation of legalized slots gaming on the Lottery. This report covers the period November 2006 through February 2009.

Study Conclusions:

➤ **Slots Wagering Since Start-Up.** Revenues at PA’s seven slots facilities have continued to grow despite deteriorating economic conditions. Between November 2006, when the first racino opened and the end of February 2009, the total amount wagered reached \$36.61 billion.

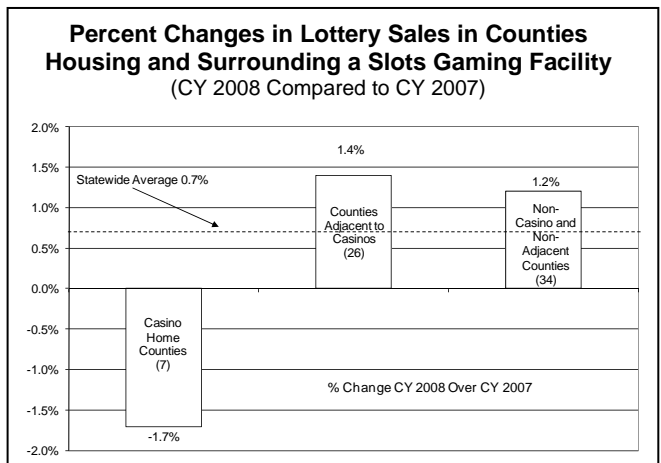
➤ **Slots Wagering in 2008.** Of the total \$36.61 billion wagered to date, \$20.46, or about 56%, was wagered during CY 2008. This represents an increase of about two-thirds over the total wagered in CY 2007, a trend which runs counter to a national slowdown in gaming activity.

➤ **Lottery Sales in FY 2007-08.** Despite the ongoing and substantial increases in wagering activity at PA slots facilities, a declining economy, and diminished consumer confidence, the PA Lottery had another records sales year at \$3.09 billion. Nationally, the PA Lottery improved its ranking to 6th among all U.S. lotteries in terms of total sales.

➤ **Slots Impact on Lottery Sales.** As was the case in our initial assessment in 2008, the operation of the slots facilities does not yet appear to be having a significant effect, at least on a statewide basis on Lottery sales. We found, in fact, that monthly Lottery sales in the “post-slots” period of CY 2007 and CY 2008 were actually higher than average monthly sales in the “pre-slots” years of CY 2005 and CY 2006.

Pre- and Post-Slots Lottery Sales			
Pre-Slots Lottery Sales		Post-Slots Lottery Sales	
CY 2005	\$2,836,109,932	CY 2007	\$3,081,127,638
CY 2006	<u>3,097,004,468</u>	CY 2008	<u>3,104,059,144</u>
Total:	\$5,933,114,400	Total:	\$6,185,186,782
Monthly Average:..	\$ 247,213,100	Monthly Average: \$	257,716,116

We did, however, again, find that the presence of slots gaming facilities may be having some effect on Lottery sales in those particular counties that are host to a casino or racino. Lottery ticket sales declined by an average of 1.7 percent from CY 2007 to CY 2008 in the seven “host counties” in which a casino or racino is located while sales statewide increased by 0.7 percent. In four of these seven counties, this represents a continuation of a downward trend that began in 2007.



➤ **Slots/Lottery Impact Projections.** With seven additional slots facilities yet to open, it is still too early to arrive at a definitive conclusion on how casino gaming may ultimately impact the Lottery. For example, the Gaming Control Board estimates that two new casinos scheduled to open in 2009 in Bethlehem and Pittsburgh will increase slots activity by 40%. While competition from slots gaming cannot be discounted as a factor affecting Lottery sales levels, it remains just one of many factors that must be considered. Other factors include the state of the economy and the prevailing level of consumer confidence, the number of retailers selling Lottery products, the size of Powerball and other jackpots, and border-state competition. Currently, the Lottery projects FY 2008-09 sales in the \$3.16 billion range which, if achieved, would be another record sales year for the Lottery.

For a full copy of the report, please call 717-783-1600 or e-mail us at info@lbfclcgis.state.pa.us, or download at <http://lbfclcgis.state.pa.us>.

April 1, 2009