



Pennsylvania's gaming revenues coming up aces

Introduction: At the close of 2023 Pennsylvania gaming revenue reached \$5.695 billion, the highest yearly total to date, and up 9.3 percent from 2022. In 2023, Pennsylvania taxes on gaming brought in \$2.34 billion in revenue to the commonwealth coffers, 10.4 percent higher than 2022's \$2.12 billion. There are now 19 casinos across the state and six types of gaming options available: retail slots; retail tables; internet gaming; sports wagering; video gaming terminals and fantasy contests. It appears that gaming in Pennsylvania will continue to grow. But how does it compare to neighboring states and what other obstacles could lie ahead?

Types of gaming

When gaming was legalized in Pennsylvania, slot machines, now known as retail slots to distinguish from internet slot play, were the first option available. Even though other gaming options have popped up over the years, it remains the most popular form of gaming, accounting for 43.3 percent of all gaming revenues in 2023. However, that percentage has been steadily falling, particularly as the popularity of internet gaming continues to rise. In 2020, the first full year with all options available, retail slots accounted for 51.1 percent of all gaming revenues. In three years, that share has fallen by 7.8 percentage points. It is likely that the steady decline will continue.

In 2023 Pennsylvania casinos pulled in \$2.46 billion in retail slots revenue, the second highest ever behind 2012's \$2.47 billion. And 2012's revenue was collected with just 11 casinos compared to the 19 available in 2023. From 2010 through 2023, except for pandemic-2020, retail slots' revenues were roughly averaging a steady \$2.37 billion annually, with a standard deviation of only \$54.3 million—this despite the rise in the number of casinos. 2023 collections were a relatively small 3.05 percent higher than in 2022.

Internet gaming has been very hot since debuting in July 2019. While there are three components to internet gaming—slots, tables and poker—they will be treated as one entity in this study. They are all taxed the same way as their retail counterparts except for the local allocations as there isn't a host municipality. For a more detailed breakout of how games are taxed, please see [Policy Brief Vol. 20, No. 7](#).

In 2020, the first full year of internet gaming, the revenue comprised 21.3 percent of all gaming revenue. In 2023 that share reached 30.6 percent. Internet gaming revenue quickly surpassed collections from retail table games. For every \$1 in revenue earned by retail table games, internet

gaming collected \$1.12 in 2020. In 2023, for every \$1 in revenue earned by retail table games, internet gaming collected \$1.80.

Even though internet gaming available in Pennsylvania can only be played by Pennsylvania residents as verified by their IP address, it has steadily risen since that first full year in 2020 when it earned over \$565 million. In 2023, internet revenue reached \$1.74 billion, up 27.7 percent over 2022's \$1.36 billion.

As mentioned above, there are three components of internet gaming, with the largest component being internet slots. With \$1.23 billion in revenue, internet slots accounted for 71 percent of all internet gaming revenue in 2023. It grew 31.7 percent from the 2022 level.

Retail table games such as poker, blackjack, etc., had the third-highest amount of revenue statewide at \$970.1 million. However, this was a decline of 2.1 percent compared to 2022's \$990.6 million. Retail table games debuted in mid-2010 and revenue grew steadily from 2011 (\$619.9 million) through 2019 when it reached its highest point to date at \$903 million.

The fourth highest gaming revenue option is sports wagering. This form of gaming debuted in 2019 and in its first full year, pandemic-2020, collected \$189.7 million. In 2021 it collected \$340.1 million and has grown quickly to reach \$458.7 million, a jump of 35 percent over 2021.

Comparing Pennsylvania with neighboring Ohio and New Jersey

Neighboring New Jersey has had gaming a lot longer than Pennsylvania while Ohio added gaming in response to Pennsylvania enacting its law in 2004. All states allow retail slots and tables. New Jersey and Pennsylvania both allow internet gaming, while Ohio does not.

New Jersey has nine casinos located in Atlantic City. Ohio has seven racinos (racetracks with retail slots) and four stand-alone casinos with both retail slots and tables. They are located around the state. Since New Jersey's data is only available from 2015 through 2023, that will be the time period for comparison.

In 2015 casinos in New Jersey earned \$1.73 billion from retail slots, which grew to \$2.11 billion in 2023—an increase of 22 percent. In Ohio retail slots revenue ballooned from \$1.38 billion to \$2.096 billion—up 51.8 percent over the period. The growth of Pennsylvania retail slots revenue during this same period was 20 percent. No doubt Pennsylvania's slower-than-Ohio growth was due in large part to the introduction of many other gaming options.

Revenue gains from retail table games have been slower than revenue increases from retail slots. From 2015 to 2023 Ohio had the largest gain at 9.1 percent followed by New Jersey (7.8 percent) and Pennsylvania (4.1 percent). In 2023, Ohio's four casinos collected \$286 million while New Jersey collected \$736.2 million; Pennsylvania collected \$970.1 million. For each state the 2023 value was lower than in 2022.

In New Jersey and Pennsylvania, internet gaming surpassed retail table games revenue. For each state, internet gaming revenue has been steady since introduction, New Jersey in 2014 and 2019 in Pennsylvania. In 2023, internet gaming revenue in New Jersey was 15.7 percent greater than in 2022 while Pennsylvania saw a much greater 27.7 percent jump over the period.

Conclusions

There are two issues coming to Pennsylvania that may threaten the gaming industry. The first is the proliferation of “skill games” in neighborhoods around the commonwealth. They are currently not under the purview of the Pennsylvania Gaming Control Board and so data are not available as it is for casino games. Revenue from skill games is lumped in with other revenues for an establishment and likely taxed as corporate net income. But they are showing up in places like bars, restaurants and convenience stores. There are an estimated 15,000 skill games across the state while there are an estimated 25,000 retail slot machines at sanctioned casinos. Skill games may start to make a dent in the retail slot figures.

Another thing to consider is the dropping population in Pennsylvania, down an estimated 10,400 since 2020, and in the largest counties, Philadelphia (-16,300) and Allegheny (-7,800). If the population losses continue in Pennsylvania, gaming revenues could start to drop.

The gaming industry in Pennsylvania is nearly 20 years old as the gaming law was passed in July 2004 and the first casino opened in November 2006. State and local governments have gotten used to the steady stream of revenues. Gaming money bailed out the Allegheny County Airport Authority as it helped retire the debt on the current terminal and is helping to fund the next terminal. The Economic Development and Tourism Fund provides \$10.3 million per year to various projects around Allegheny County.

Gaming revenues continue to roll along in Pennsylvania. With 19 casinos and six gaming options it seems like there’s no end in sight. Even neighboring New Jersey and Ohio are seeing continued growth. But what is quickly forgotten is that every dollar spent on gaming is a dollar not spent on other goods and services. Gaming is a leisure activity; it is likely taking away revenue from other leisure activities.

Furthermore, there isn’t any data on problem-or addictive-gaming behavior or any estimate on the social impact of gaming. Something to always consider as social programs may require taxpayer money to support.

Gaming money should not be so heavily relied upon. Policymakers in the Pittsburgh area and in Harrisburg must do a better job of making Pennsylvania a more business-friendly state to encourage jobs and real economic growth.

Frank Gamrat, Ph.D., Executive Director

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
X (Twitter): [AlleghenyInst1](https://twitter.com/AlleghenyInst1)