# THE VIABILITY OF PENNSYLVANIA CASINOS AND THE IMPLICATIONS OF INCREASED REGIONAL COMPETITION

*APA – PA CONFERENCE 2014*

**PRESENTED BY:**

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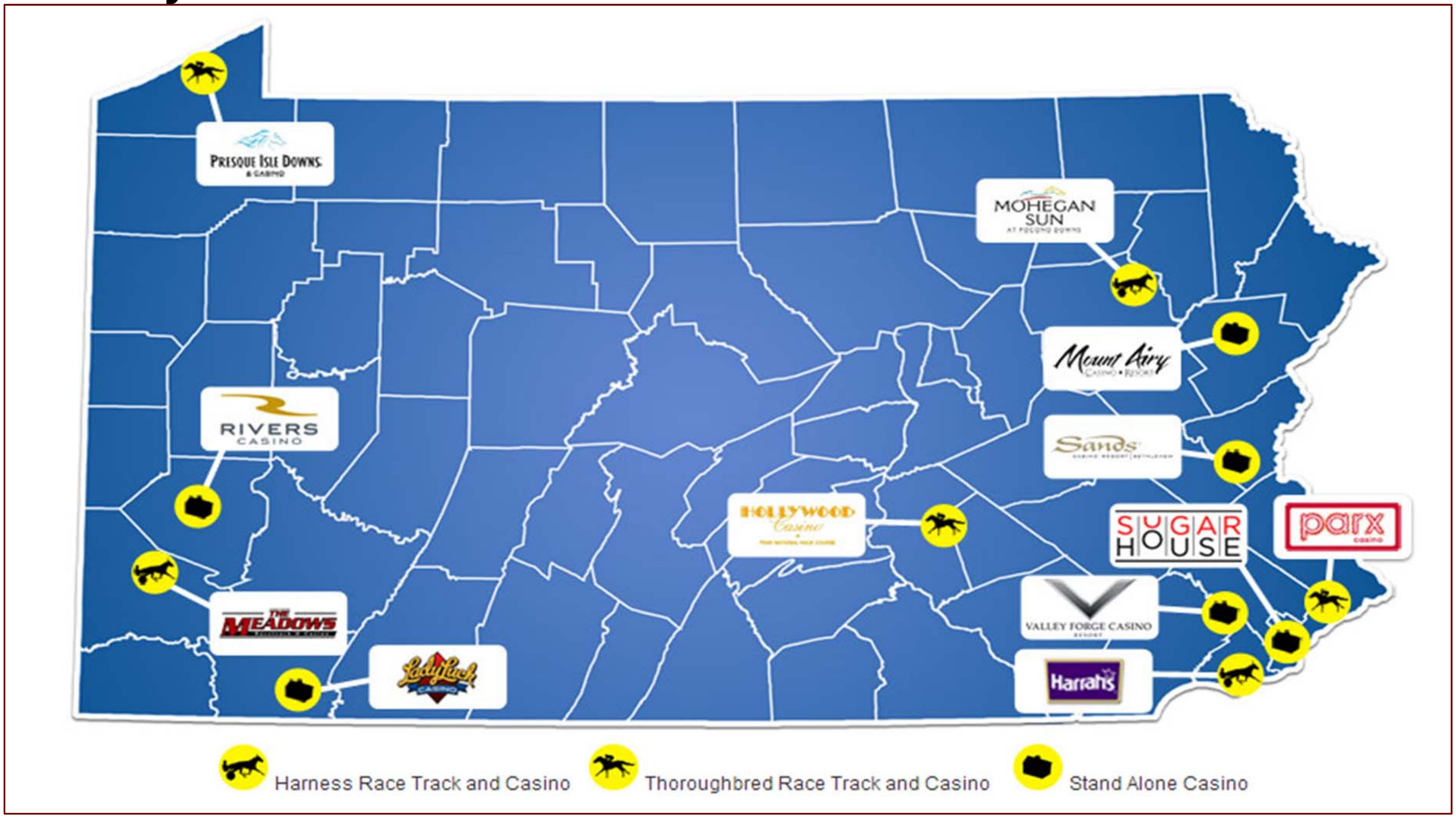
# PRESENTATION OVERVIEW

- Current Condition and Future Viability of Pennsylvania Casinos
- National Trends of the Gaming Industry
- A Changing Regional Regulatory Landscape
- What Does the Future Hold for Pennsylvania and the US?

# CASINO VIABILITY IN PENNSYLVANIA

**Pennsylvania Commercial Casinos**




*Source: Pennsylvania Gaming Control Board (2014)*

# CASINO VIABILITY IN PENNSYLVANIA

## Pennsylvania Commercial Casino Supply and Revenue, 2006 - 2013

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Casinos | 2 | 6 | 7 | 9 | 10 | 10 | 11 | 12 |
| Average Slot Units | 356 | 9,491 | 15,726 | 21,216 | 25,506 | 26,510 | 26,499 | 26,400 |
| Average Table Units | | | | | 348 | 900 | 1,016 | 1,058 |
| Slot Revenue ($ mil) | $31.60 | $1,039.00 | $1,615.60 | $1,964.60 | $2,273.90 | $2,405.90 | $2,470.90 | $2,384.10 |
| Table Revenue ($ mil) | | | | | $212.50 | $618.90 | $687.40 | $729.80 |
| Total Revenue ($ mil) | $31.60 | $1,039.00 | $1,615.60 | $1,964.60 | $2,486.40 | $3,024.80 | $3,158.30 | $3,113.90 |

*Source: Pennsylvania Gaming Control Board (2014)*

# CASINO VIABILITY IN PENNSYLVANIA

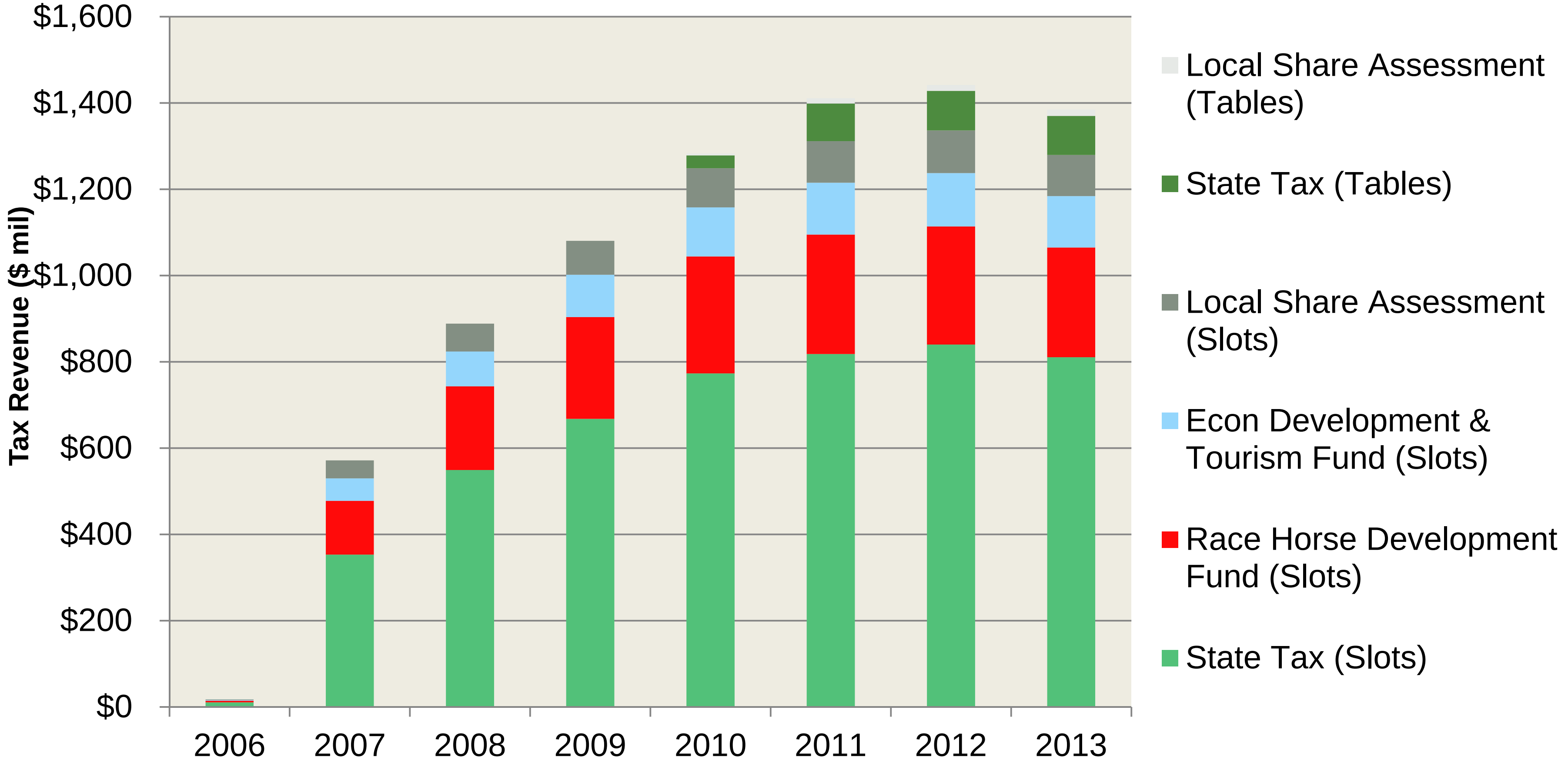
## Summary of Potential Revenue Sources and Direct Tax Impacts

| Revenue Source | More Likely Substitute or Complement for PA Casinos? | Direct Tax Revenue |
|---|---|---|
| iGaming | Complement is most likely | $68 million in the first year, and $110+million annually thereafter |
| Sports Betting | Complement highly likely | $20 million to $110 million annually |
| Fantasy Sports | Complement highly likely | No taxes in short-run, uncertain in long-run |
| Prediction Markets | Neither | No taxes in short-run, uncertain in long-run |
| Small Games of Change | Substitution is possible | Uncertain, likely small unless adoption increases dramatically |
| Airport slots | Neither | $3 to $4 million/year per 100 machines at larger airports |

*Source: Pennsylvania Gaming Control Board (2014)*

# CASINO VIABILITY IN PENNSYLVANIA

## Pennsylvania Gaming Tax Revenues by Fund, 2006-2013




*Source: Pennsylvania Gaming Control Board (2014)*

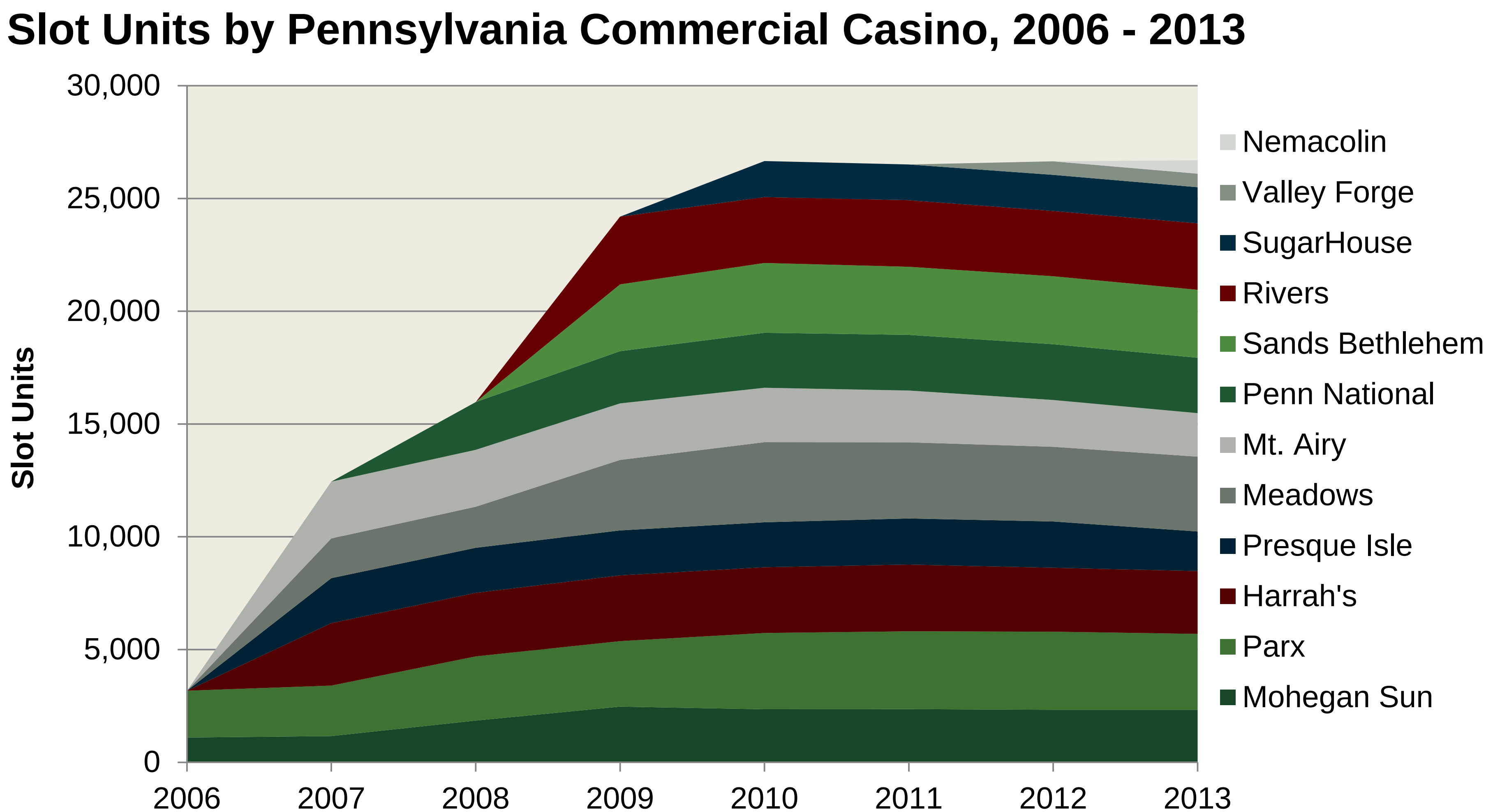
# CASINO VIABILITY IN PENNSYLVANIA

## Economic Impacts of Initial Development of all Casinos Within the Commonwealth of Pennsylvania

| Casino Name | County | Initial Development Expenditures ($M) | Opening Date | 2013 Employment |
|---|---|---|---|---|
| Mohegan Sun | Luzerne County | $267.00 | 6-Nov | 1,732 |
| Parx | Bucks County | $191.80 | 6-Dec | 1,825 |
| Harrah's Philadelphia | Delaware County | $405.00 | 7-Jan | 1,672 |
| Presque Isle | Erie County | $186.00 | 7-Feb | 916 |
| Meadows | Washington County | $284.00 | 7-Jun | 1,260 |
| Mount Airy Casino Resort | Monroe County | $167.30 | 7-Oct | 1,320 |
| Penn National | Dauphin County | $250.00 | 8-Feb | 1,251 |
| Sands Bethlehem | Northampton County | $751.30 | 9-May | 2,117 |
| Rivers Casino | Allegheny County | $372.30 | 9-Aug | 1,782 |
| SugarHouse Casino | Philadelphia County | $102.80 | 10-Sep | 1,104 |
| Valley Forge Casino Resort | Montgomery County | $53.50 | 12-Apr | 1,180 |
| Lady Luck Casino Nemacolin | Fayette County | $55.60 | 13-Jul | 506 |
| **Total** | | $3,086.60 | | 16,665 |

*Source: Pennsylvania Gaming Control Board (2014)*

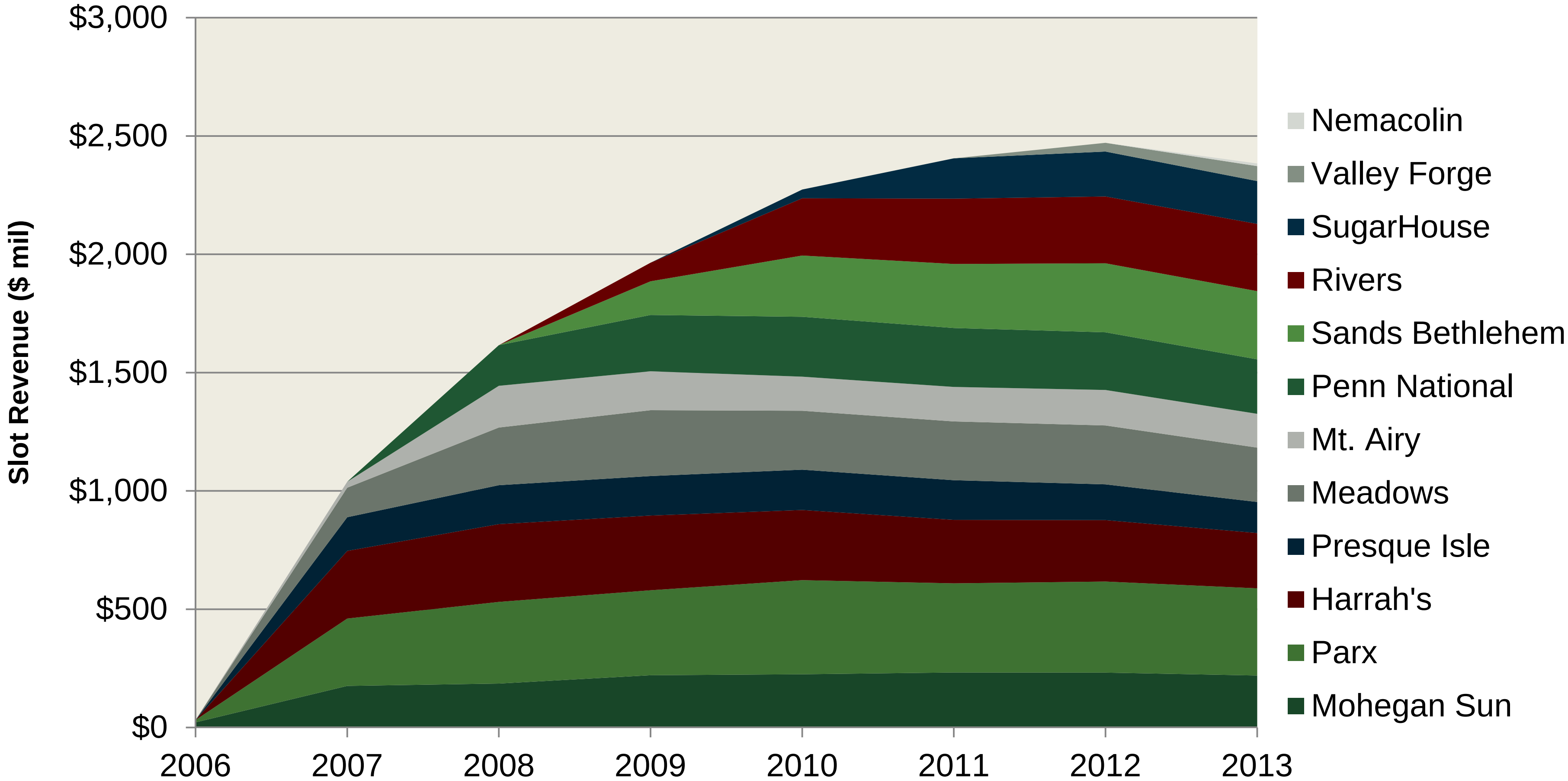
# CASINO VIABILITY IN PENNSYLVANIA




*Source: Pennsylvania Gaming Control Board (2014)*

# CASINO VIABILITY IN PENNSYLVANIA

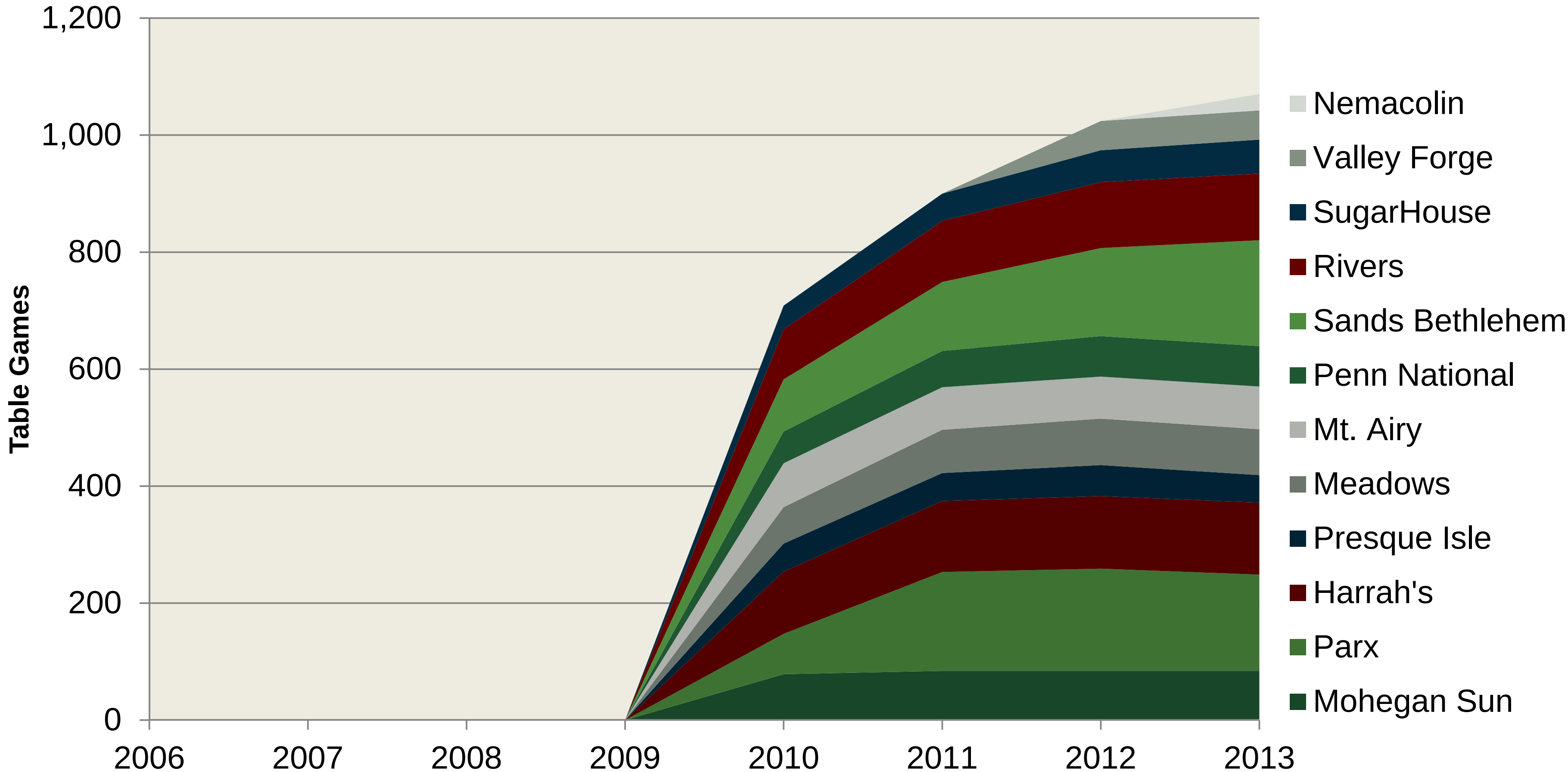
**Slot Revenue by Pennsylvania Commercial Casino, 2006 - 2013**




*Source: Pennsylvania Gaming Control Board (2014)*

# CASINO VIABILITY IN PENNSYLVANIA

## Table Game Units by Pennsylvania Commercial Casino, 2006 - 2013




*Source: Pennsylvania Gaming Control Board (2014)*

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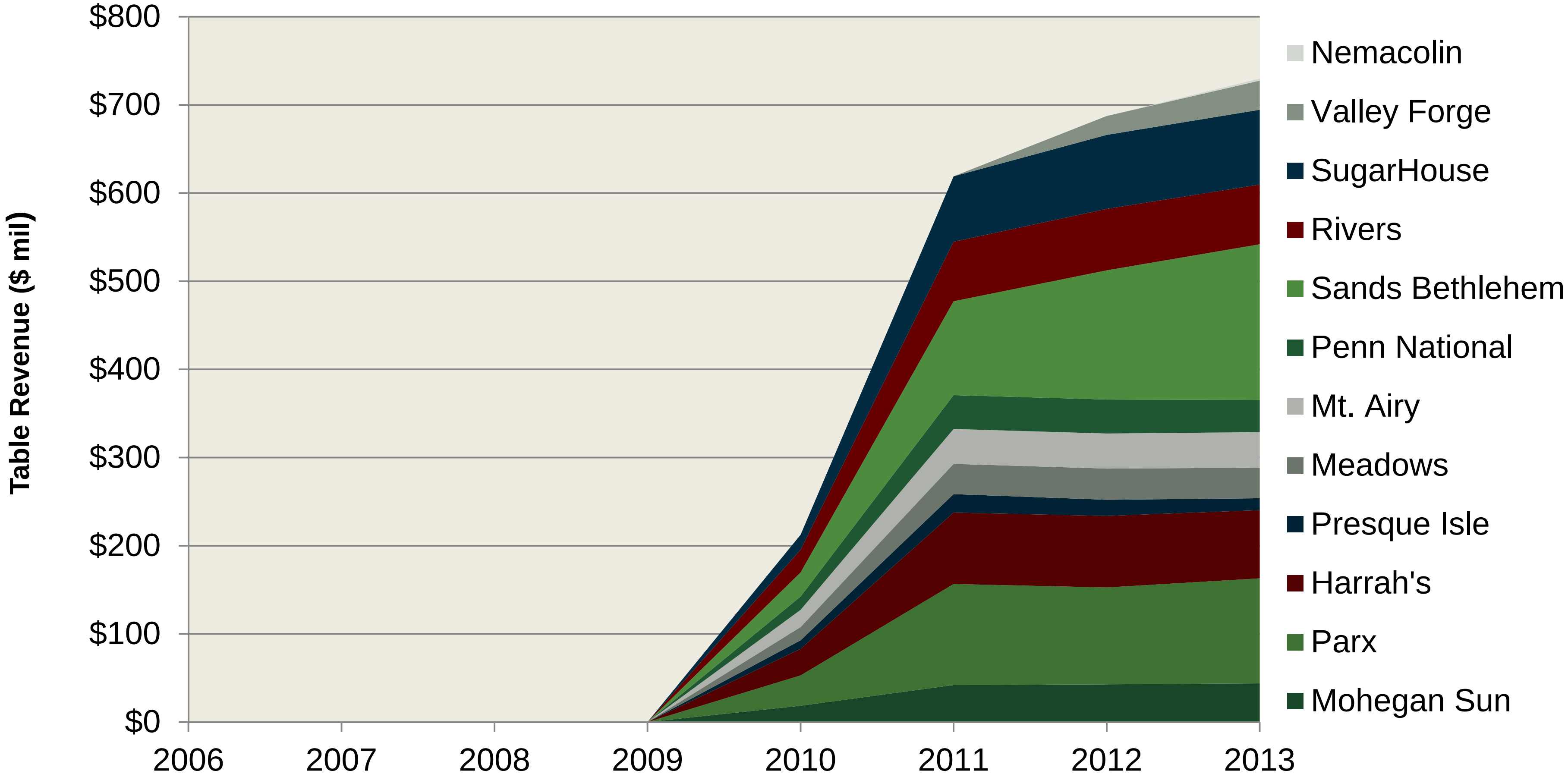



*Source: Pennsylvania Gaming Control Board (2014)*

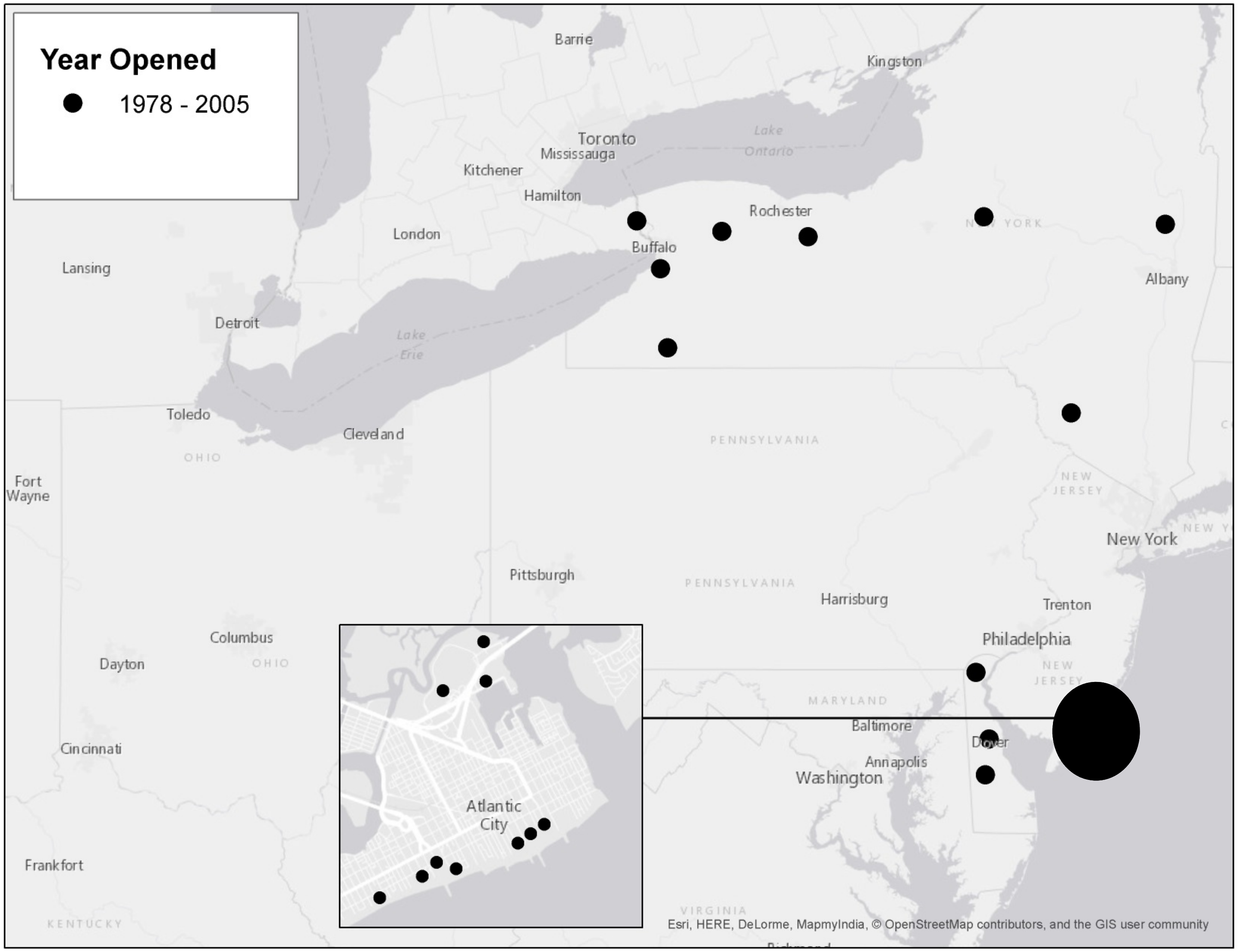
# CASINO VIABILITY IN PENNSYLVANIA

**Top 12 States for Gross Gaming Revenue, 2012**

| State | Number of Casinos | Gross Gaming Revenue ($ mil) |
|---|---:|---:|
| Nevada | 265 | $10,860 |
| Pennsylvania | 11 | $3,158 |
| New Jersey | 12 | $3,051 |
| Indiana | 13 | $2,614 |
| Louisiana | 18 | $2,404 |
| Mississippi | 30 | $2,251 |
| New York | 9 | $1,802 |
| Missouri | 13 | $1,769 |
| Illinois | 10 | $1,639 |
| Iowa | 18 | $1,467 |
| Michigan | 3 | $1,417 |
| West Virginia | 5 | $999 |

*Source: Various State Gaming Boards (2014), American Gaming Association (2013)*

# A CHANGING REGIONAL COMPETITIVE LANDSCAPE



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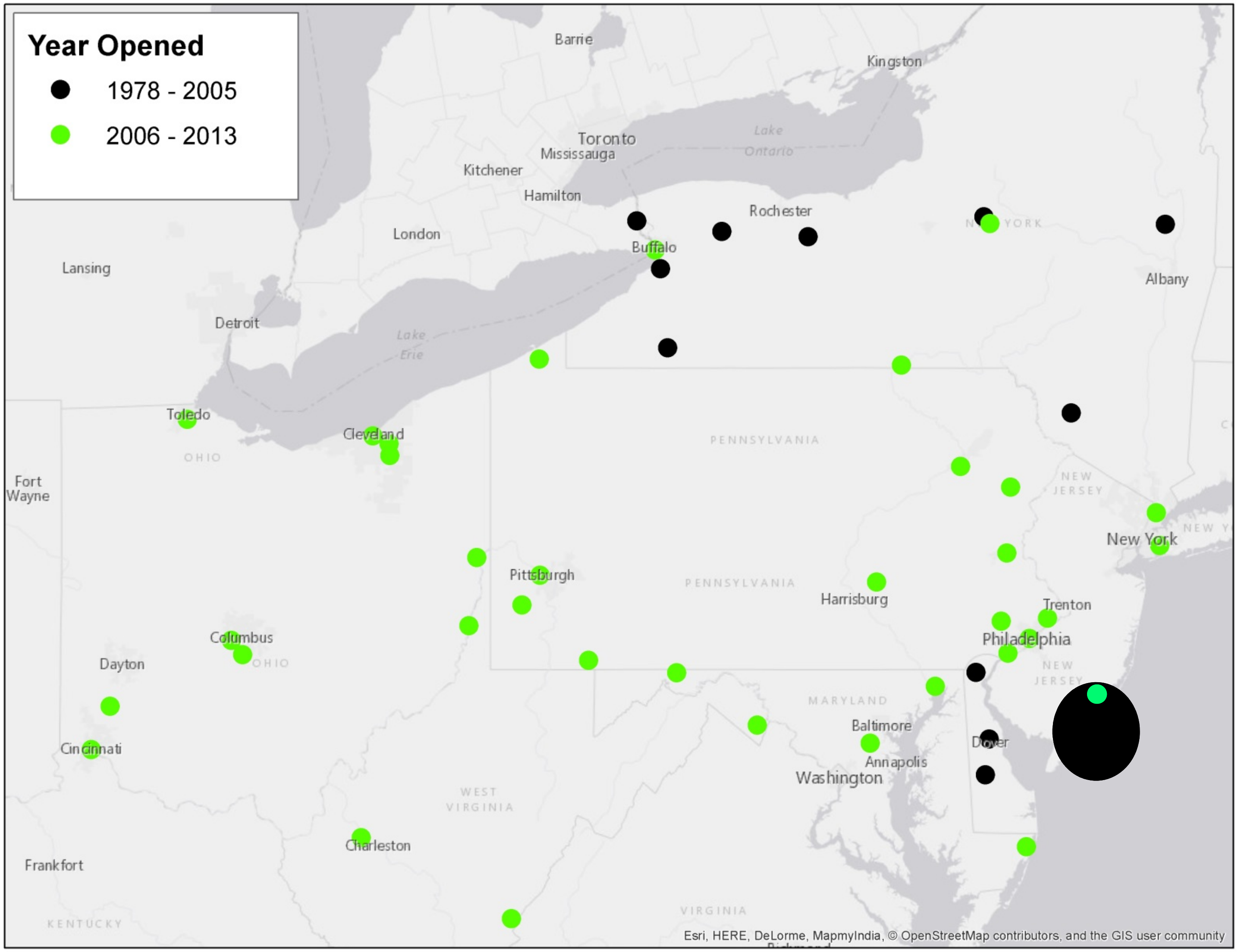

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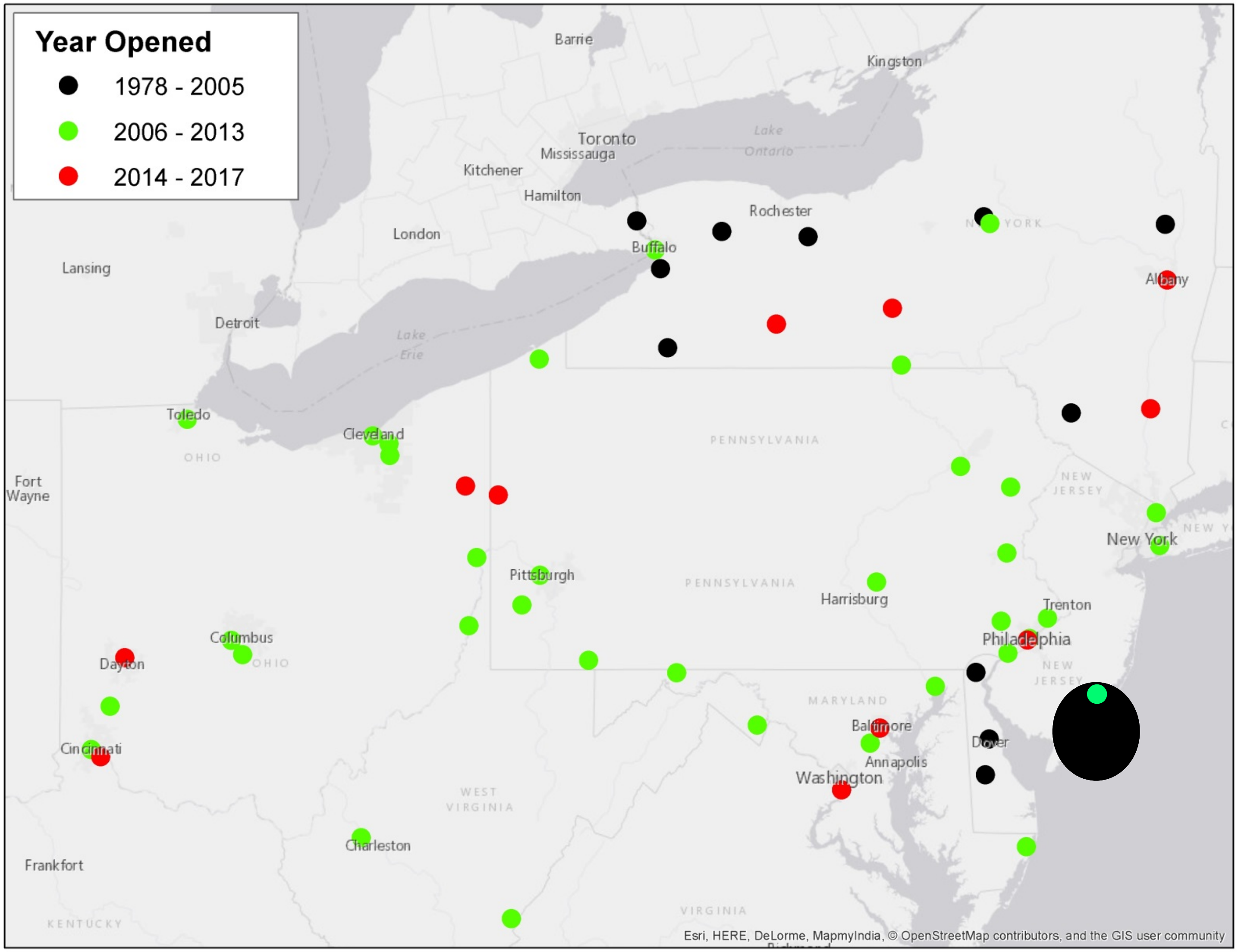
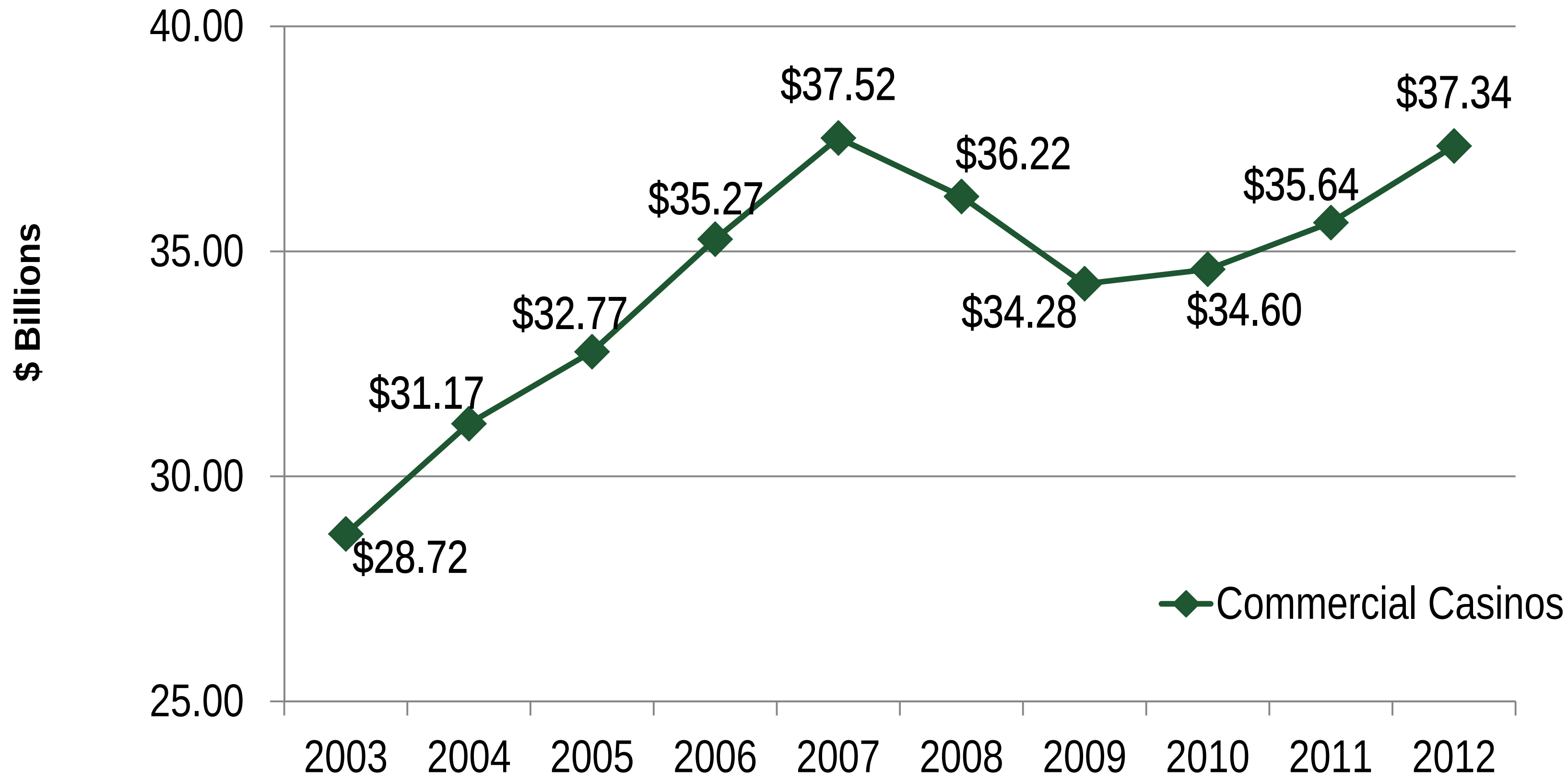


# NATIONAL TRENDS

**U.S. Consumer Spending on Commercial Casino Gaming, 2003-2012**




*Source: State Gaming Regulatory Agencies*

# NATIONAL TRENDS

**NIGC Tribal Gaming Revenues, 2004-2013**

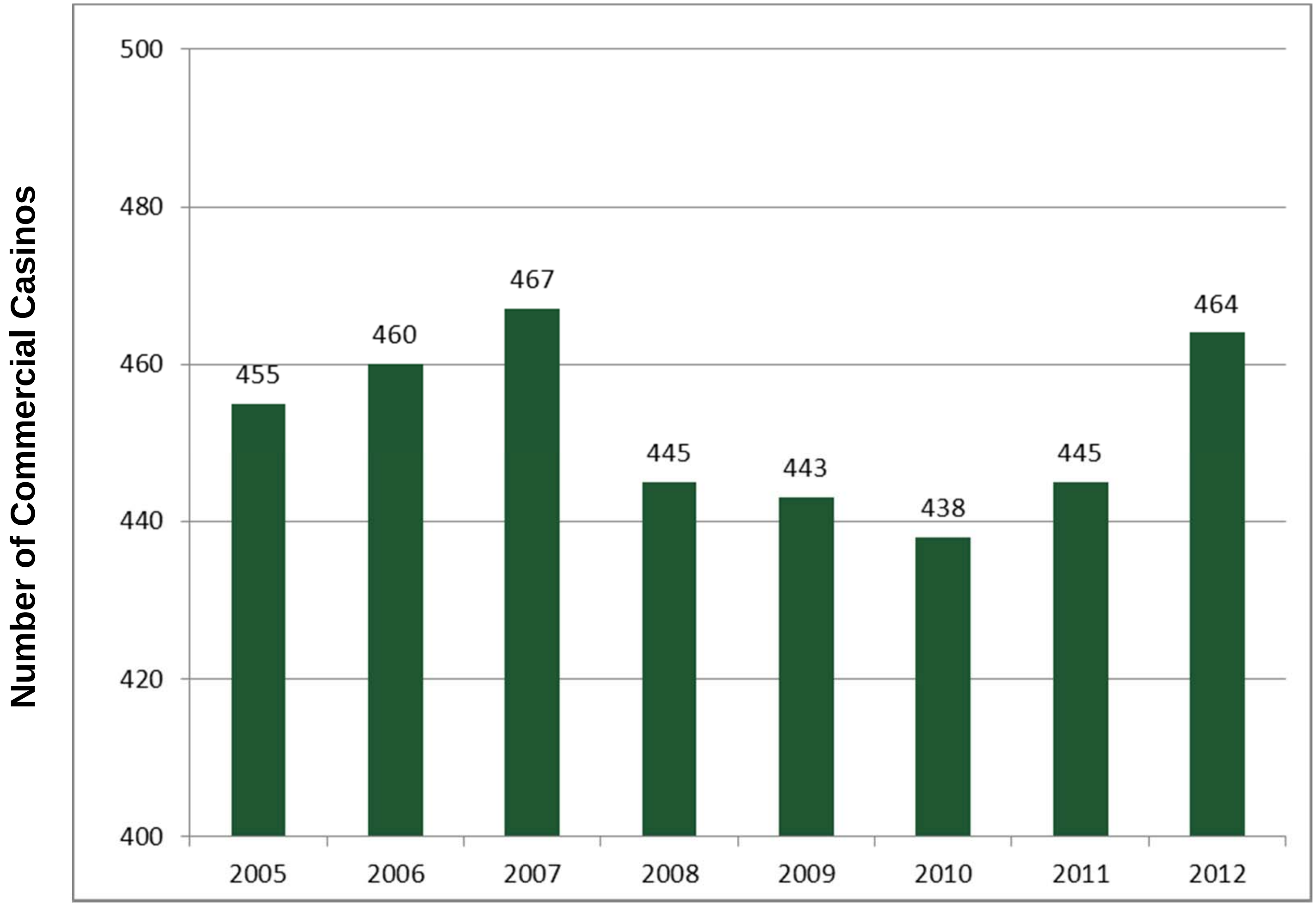
| Year | Total Number of operations | Revenues (in thousands) |
|---|---:|---:|
| 2013 | 449 | $28,031,595 |
| 2012 | 425 | $27,900,004 |
| 2011 | 421 | $27,153,807 |
| 2010 | 422 | $26,502,533 |
| 2009 | 419 | $26,482,447 |
| 2008 | 405 | $26,738,826 |
| 2007 | 391 | $26,143,472 |
| 2006 | 394 | $24,889,022 |
| 2005 | 392 | $22,578,800 |
| 2004 | 375 | $19,479,134 |



*Source: Compiled from gaming operation audit reports received and entered by the NIGC through 6/27/2014.*

# NATIONAL TRENDS

**Total Number of Commercial Casinos in the U.S., 2005 - 2012**




*Source: Statista, 2014*

# A CHANGING REGIONAL REGULATORY LANDSCAPE

- Delaware: online poker partnership with Nevada in place, New Jersey?
- Maryland: allows for a sixth casino to be built by 2016
- New Jersey: iGaming legalized in 2013
- New York: legalization of online poker is still up in the air
- Ohio: debates on limited forms of electronic gaming
- West Virginia: proposals for sixth casino unsuccessful
- Virginia: not much happening

# WHAT DOES THE FUTURE HOLD?

Changes in gaming technology

Innovations in casino design

# WHAT DOES THE FUTURE HOLD?

**Samples of Design**


# FUTURE ROLE FOR PLANNING?

- Economic development and planning to maximize spin-off and induced economic activity and investment (not merely revenue generation)
- Location, complementarity, and type key
- Planning and design for specific casinos and resort/entertainment centers

# DISCUSSION

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