

PENNSYLVANIA

Continued growth in iGaming revenue saw Pennsylvania’s commercial casino gaming industry report record revenue of \$5.86 billion in 2023, an increase of 9.8 percent on the prior year.

Market Overview

Pennsylvania offers commercial casino gaming at 11 land-based casinos and six racinos, all of which are authorized to operate electronic gaming devices, table games and sports betting. The properties are regulated by the Pennsylvania Gaming Control Board (PGCB).

In 2004, the Pennsylvania legislature approved the Horse Development and Gaming Act, which authorized electronic gaming devices at racetracks, standalone casinos, and three smaller casino-resorts. Table games were approved by the legislature in 2010. In 2017, a wide-ranging gaming expansion bill authorized up to ten additional “satellite” or mini-casinos, each limited to a maximum of 750 electronic gaming devices and 40 table games.

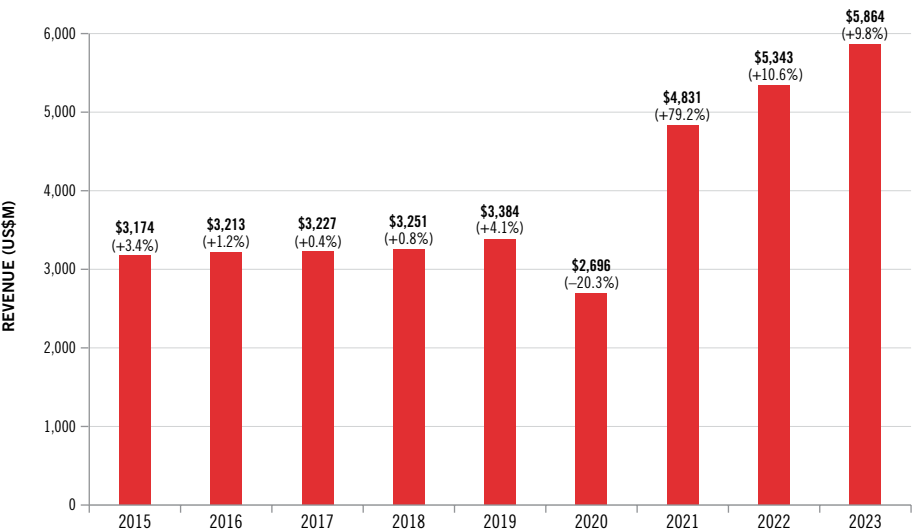
In addition, the 2017 legislation authorized Pennsylvania commercial casinos to apply for separate licenses to offer land-based and online sports betting as well as iGaming via affiliated online casino platforms. At the end of 2023, a total of 21 online casinos and 12 online sportsbooks were operational in Pennsylvania, compared to 20 online casinos and 14 online sportsbooks a year prior.

Market Performance

In 2023, total statewide commercial casino gaming revenue was a record \$5.86 billion, up 9.8 percent compared with the previous year.

Pennsylvania’s iGaming market was the primary driver of overall casino gaming revenue growth in 2023. Total iGaming revenue for the year, as reported by the Pennsylvania Gaming Control Board, was \$1.74 billion, up 27.6 percent relative to 2022.

PENNSYLVANIA: COMMERCIAL CASINO GAMING REVENUE (US\$M) 2015 to 2023



SOURCE: Pennsylvania Gaming Control Board

KEY STATE INFORMATION

NUMBER OF COMMERCIAL CASINOS

17

CASINO FORMAT

Land-Based Casinos;
Racinos

REGULATORY AUTHORITY

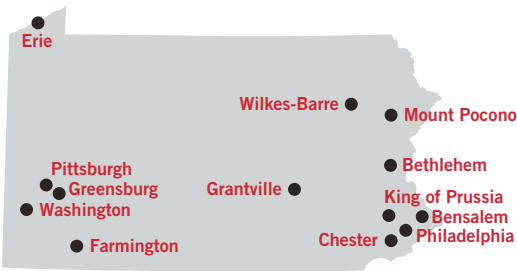
Pennsylvania Gaming
Control Board

GROSS CASINO GAMING REVENUE 2023

\$5.86B

GAMING TAX REVENUE 2023

\$2.32B



Pennsylvania

Pennsylvania's commercial casinos reported land-based casino gaming revenue of \$3.44 billion, a more modest increase of 1.6 percent compared to the prior year. Statewide revenue from electronic gaming devices increased by 3.1 percent to \$2.46 billion, offsetting a 1.9 percent decline in annual table game revenue to \$971.7 million.

Total statewide sports betting revenue was \$686.9 million, up 15.0 percent. Online sports betting revenue grew by approximately 17.4 percent and accounted for \$643.0 million of the statewide sports wagering total. In contrast, revenue from Pennsylvania's land-based sportsbooks fell for the second straight year, dropping 11.8 percent to \$43.9 million.

Gaming Tax Distribution

Pennsylvania land-based commercial casinos and racinos pay a 55 percent tax rate on electronic gaming device revenue, a 16 percent tax rate on table game revenue, and a 50 percent effective tax rate on revenue from electronic versions of table games.

Revenue from iGaming is taxed at a headline rate of either 54 or 16 percent, depending on whether the online casino game in question simulates an electronic gaming device or a table game.

Sports betting revenue is subject to a 36 percent effective tax rate, which includes a two percent tax for local municipalities and is applied after deduction of promotional free bets offered to players. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2023, total casino gaming tax revenue in Pennsylvania amounted to \$2.32 billion, some \$250 million more than was generated in any other state in the nation. The tax revenue total was up 10.6 percent from 2022.

The state's share of gaming tax revenue in Pennsylvania is primarily used to reduce school taxes paid by Pennsylvania property owners, with additional allocations for local law enforcement grants and responsible gaming programs. In 2023, the state's share of direct gaming tax revenue was approximately \$1.62 billion.

Approximately \$196.2 million was distributed to Pennsylvania's horse racing industry in 2023, while remaining monies were allocated to an economic development and tourism fund, to county governments, and to the municipalities that host casinos and racinos.

Competitive Landscape

Pennsylvania's casinos operate at the intersection of the fiercely competitive Northeast and Mid-Atlantic markets. Individual Pennsylvania casinos compete against rival properties in Delaware and northern Maryland to the south; New York City and Atlantic City to the east; Ohio to the west; and West Virginia to the southwest.

Competition within the state's borders has also intensified since 2017's gaming expansion law, following the opening of four additional satellite casinos in different regions of Pennsylvania that must be owned or operated by one of the state's incumbent land-based casinos. The 2017 law generally restricted the site of the state's satellite casinos to at least 25 miles from a pre-existing casino property, among other conditions.

Pennsylvania commercial casinos also face a degree of competition from the operation of lawful electronic gaming devices (VGTs) at truck stops. As authorized under the state's 2017 gaming expansion law, truck stops meeting a certain set of criteria are eligible to install up to five VGTs on their premises. In 2023, electronic gaming devices operational at a total of 71 truck stops across the state generated approximately \$41.2 million in gaming revenue, down 2.0 percent from the previous year.

Policy & Regulatory Review

Illegal Gaming

Pennsylvania's network of tens of thousands of unregulated electronic gaming devices operating in bars and convenience stores across the state was a focus of state policymakers, law enforcement and court judges in 2023.

In October, the state Senate committee with primary responsibility for gaming matters heard conflicting testimony as to how to best address the devices which purport to offer games based on skill but resemble those typically found in a casino. Providers of the devices advocated for their operations to be recognized as lawful and regulated in Pennsylvania. Representatives of the state's commercial casino industry instead called for the devices to be more clearly prohibited and eliminated, while a third proposed approach would see the state expand its VGT market to include bars and other locations beyond truck stops, similar to Illinois.

Contrasting bills to either prohibit or regulate so-called Pennsylvania Skill devices were introduced in the Senate in 2023, but neither had advanced out of committee before the end of the year. Notably, proponents of

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regulating the devices have advocated for legislation that would allow them to avoid oversight by the Pennsylvania Gaming Control Board and pay significantly lower taxes and fees than those applied to the commercial casino gaming industry.

The ongoing debate over the future of unregulated gaming devices in Pennsylvania further evolved in November when the state's Commonwealth Court ruled that at least one prominent device did not meet the statutory definition of a "slot machine," and therefore was not necessarily illegal under current law.

Expansion

In January, the Pennsylvania Gaming Control Board awarded the state's fifth Category 4 casino license for a satellite casino project sited near Pennsylvania State University in Centre County.

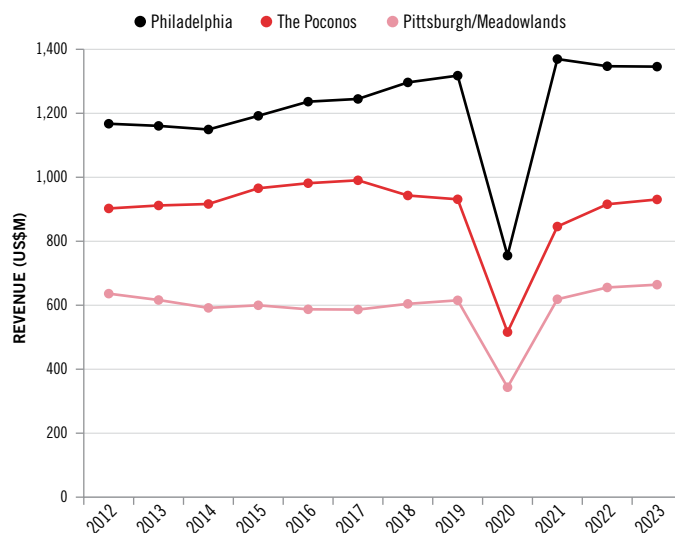
In 2020, a minority owner of Rivers Casino Pittsburgh won an auction to acquire the license before later establishing a partnership with Bally's Corporation to develop and operate the casino that will offer the maximum permitted 750 electronic gaming devices plus 30 table games and a retail sportsbook.

As of the end of 2023, however, the proposed satellite casino remained subject to a pending legal challenge that was filed before the Pennsylvania Supreme Court by a rival casino operator. The court challenge argues that having a minority ownership in one casino is insufficient to qualify for a Category 4 license per the state's 2017 gaming expansion law.

PENNSYLVANIA CASINOS: COMMERCIAL GAMING REVENUE BY REGION (US\$M)

2012 to 2023

As in previous years, Pennsylvania was home to three of the top 20 largest land-based commercial casino markets in the U.S. in 2023. However, revenue reported by casinos in the largest of those three markets—Philadelphia—was down slightly from the previous year.



SOURCE: Pennsylvania Gaming Control Board