

SIZING THE ILLEGAL AND UNREGULATED GAMING MARKETS IN THE UNITED STATES

AUGUST 2025



**AMERICAN
GAMING
ASSOCIATION®**

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AGA Introduction

The legal gaming industry remains one of the most heavily regulated sectors in the U.S. economy. From rigorous licensing and financial disclosures to anti-money laundering safeguards and strict consumer protection measures, legal gaming operators and suppliers operate under a robust framework designed to ensure integrity, transparency and public trust.

Illegal and unregulated operators have none of these responsibilities. They operate outside the law, often blurring lines to pose as legitimate businesses, pushing consumers toward high-risk environments and diverting revenue from state governments.

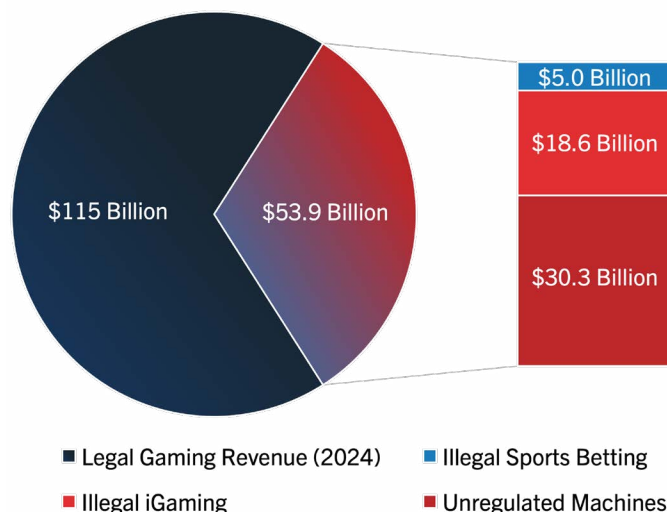
In 2022, the American Gaming Association (AGA) launched a landmark effort to measure the size of the illegal and unregulated gaming market in the United States. At that time, our research revealed that consumers wagered more than half a billion dollars with illegal and unregulated operators, costing state governments billions in lost tax revenue.

This research, in partnership with The Innovation Group, updates our previous estimates on the size of the illegal and unregulated gaming market. Today, we closely examine illegal and unregulated activity in the U.S. across three key verticals: sports betting, online casino gaming (iGaming) and unlicensed gaming machines often mischaracterized as “skill games.”

Combining nationwide survey data about the gambling habits of nearly 2,500 adults and publicly available market information, we estimate in 2025 that Americans now wager over \$673 billion each year with illegal and unregulated gambling operators, costing the legal gaming industry an estimated \$54 billion in annual revenue and depriving state governments of more than \$15 billion in tax receipts.

These operators aren’t neighborhood bookies, many are operating on a massive criminal scale, often targeting players around the world. Here in the U.S., nearly one-third of all gaming revenue each year is captured by operators explicitly breaking the law or exploiting regulatory gaps.

ANNUAL U.S. GAMING REVENUE BY LEGAL STATUS



Illegal and unregulated operators offer diminished consumer protections, increased exposure to fraud and abuse and erode public resources that legal gaming helps fund, including education, public safety and problem gambling services. In fact, illegal and unregulated operators cost state governments half of all potential state gaming tax dollars.

In just two primarily online verticals, illegal sportsbooks and iGaming sites, Americans wager more than \$550 billion annually. These operations lure users with odds and promotional offers made possible by their refusal to pay taxes or adhere to regulatory standards designed to protect consumers and maintain confidence in the industry.

As troubling as the availability of illegal online gaming is the spread of unregulated physical gaming machines. We estimate that more than 625,000 of these devices are currently in operation across the country—roughly 40% of all gaming machines in the U.S. These devices mimic legal slot machines but lack regulatory oversight and take in more than \$123 billion in wagers annually, often with significantly worse odds for the player than regulated machines.

These machines are not confined to backrooms or private clubs, they are widespread and located in places where legal gaming is not permitted, often accessible to underage

AGA Introduction

individuals. Beyond consumer risk, they also present a public safety threat: their unregulated nature makes them attractive for money laundering and other criminal activity.

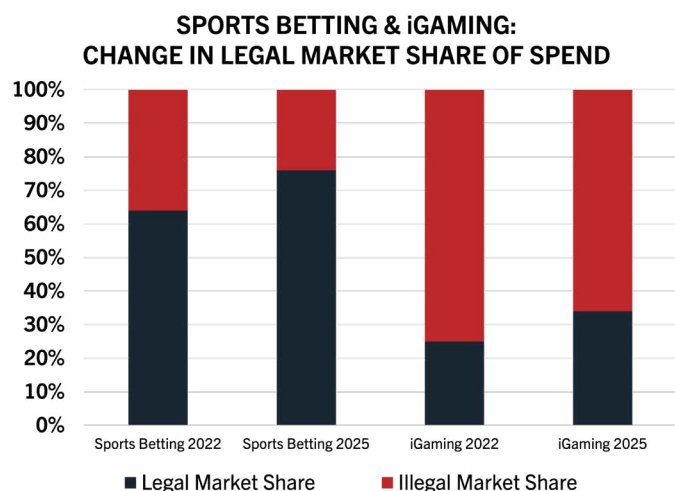
Under federal law, including the Johnson Act, it is illegal to manufacture, possess, or transport unregulated gaming devices, yet enforcement remains inconsistent. These machines often masquerade as “games of skill” to avoid regulation, but in practice they function as slots. State and federal authorities must clarify and enforce the law to protect consumers from these machines and uphold the integrity of the gaming industry.

Due to limited enforcement, illegal and unregulated operators operate in plain sight: online and offline, on smartphones, in strip malls, gas stations and local bars. Consumers often can’t distinguish between legal and illegal options, and criminals exploit this confusion to profit at the public’s expense.

Although the illegal and unregulated sports betting and iGaming markets have both grown since 2022, there is good news. Consumer education and expanded access to legal options mean the illegal market is slowly losing market share to legal, regulated operators. Compared to 2022, the share of sports bettors exclusively using illegal sites fell by a third and illegal sportsbooks’ share of the total U.S. sports betting market fell from 36 percent to 24 percent. Similarly, illegal iGaming operators capture 66 percent of the U.S. iGaming market, down from 75 percent in 2022.

Enforcement remains challenging. Offshore sites, for instance, are designed to evade domestic law enforcement and international cooperation on this topic remains elusive. But make no mistake: participating in the business of illegal gambling is a federal crime. A web of statutes—including the Wire Act, the Illegal Gambling Business Act, the Unlawful Internet Gambling Enforcement Act (UIGEA), and others—makes it illegal to operate or financially support unlicensed gambling in the United States.

Tackling the multi-billion dollar illegal gaming market in the U.S. and around the world will require lawmakers and law enforcement at every level to take bold, coordinated action. We must continue to educate consumers about the dangers of illegal and unregulated gambling, aggressively pursue bad actors, and modernize and enforce laws to eliminate ambiguity.



EXECUTIVE SUMMARY

In late 2022, The American Gaming Association retained The Innovation Group to provide an independent assessment of the size of the illegal and unregulated markets for sports betting, online slots and table games (iGaming), and gaming machines in physical locations. In the report that follows we renew our estimates and further quantify the relationship between legal forms of gaming and the illegal and unregulated market.

The unregulated market, often referred to as the “gray market,” purports to straddle the line between the illegal (black) market and the regulated (white) market. In some cases, the unregulated market includes gambling on which the law is ambiguous, silent or disputed. Examples of unregulated gaming include so-called “skill games” – electronic machines similar to slot machines that, except in states where they have been explicitly regulated or banned, operate largely unregulated in bars, taverns and fraternal halls – and online betting sites that take wagers from U.S. consumers but are not licensed to operate in the U.S. or to accept bets placed from the U.S. (though some are licensed in offshore jurisdictions such as Malta or Curacao).

For the purposes of this report, the “illegal and unregulated market” refers to wagers placed by U.S. residents with operators that lack a U.S. gaming license, irrespective of whether they may be authorized to conduct business anywhere outside the U.S. It includes sports bets placed with bookies and with unlicensed online operators, wagers placed on unlicensed online slots and table games, and wagers placed on “skill games” in states where they are unregulated. The estimates in this report do not include certain other illegal or disputed forms of gambling, including underground casinos or poker, illegal dog fighting, etc., nor does it include so-called sweepstakes gambling sites or prediction markets.

To estimate the combined market size, we conducted a survey of 2,454 American adults in which we asked detailed questions about their overall gambling habits for both land-based and interactive and legal and illegal gambling. We used the survey results to extrapolate a full U.S. estimate from baseline figures that we were able to derive in specific markets based on public reporting and interviews.

SUMMARY OF THE U.S. ILLEGAL AND UNREGULATED MARKET (\$BILLIONS)

UNREGULATED MARKET	ESTIMATED HANDLE	ESTIMATED REVENUE	ESTIMATED STATE
			GAMING TAX REVENUE LOSS
Sports Betting (includes Bookies and Offshore)	\$84.0	\$5.0	\$1.0
Online Slots and Table Games	\$466.2	\$18.6	\$4.8
Unregulated Machines in Bars, Taverns, etc.	\$123.4	\$30.3	\$9.5
TOTAL	\$673.6	\$53.9	\$15.3
<i>Estimated Number of Skill/Gray Machines</i>		625,316	

Tax rates for loss estimate are AGA estimates of average tax rates for each vertical across legal states: Sports – 20.3%, Online Slots and Table Games – 25.8%, Machines – 31.4%

INTRODUCTION

In the United States, illegal and unregulated gambling takes many forms. Gamblers bet on sports with bookies and offshore online sportsbooks. Slots and table games are widely available through offshore online casinos. Unregulated physical devices, including so-called “skill games,” mimic the experience of slot machines and are commonly located in bars, truck stops, malls and other convenience locations around the country.

Unregulated operators are not beholden to reporting requirements, and the threat of enforcement provides incentives for these operators to conceal their revenue and other data. This lack of transparency makes estimating the scope of this industry a difficult task.

Further, the unregulated gaming market resists comparison to other markets. Extrapolation from the regulated gaming market is impeded by the unregulated market’s fragmented and largely online character. Several existing estimates of unregulated market size in the literature that we reviewed employed a “top-down” approach, attempting to size the market by comparison with other regulated gaming markets, reporting large ranges for revenue and handle as a result. Others utilize opaque “machine learning” methodologies. Notably, none of the approaches we reviewed published survey data of self-reported unregulated market gambling spend among U.S. residents aged 21 and older.

Surveying gamblers about their spend by channel allows an estimate of the unregulated market size to be constructed from the “bottom up,” extrapolating per-person spend by a sample’s propensity to gamble. These metrics are readily calculated for the overall population in the regulated market, so we can use the disparity between self-reporting and known quantities (e.g., publicly available reporting from regulatory agencies in regulated markets) to identify and correct for respondents’ tendency to misreport their gambling spend.¹ We were likewise able to utilize estimates of unregulated machine counts from several jurisdictions as a range of inputs to correct for reporting bias in unregulated machine survey data.

To estimate the size of the unregulated gambling market, we surveyed 2,454 U.S. adults, asking all respondents to indicate where they had encountered unregulated machines, and asking those 21+ to report where and how often they gambled, as well as how much they spent when they did. We asked all surveyed adults about their observation of skill machines but only asked those 21+ about their own gambling behaviors. Of the total sample, 2,366 were aged 21+. Precise sampling allowed us to complete an approximately equal number of interviews in each U.S. Census region.

To account for survey bias, we calibrated our survey-based estimates using publicly available benchmarks. For sports betting and online casino markets, we compared our survey’s implied legal market sizes to actual reported revenues from regulatory agencies, then applied the same adjustment factors to our illegal market estimates. For skill games, we used known machine counts from states with public reporting to validate and refine our models of machine prevalence nationwide. Using this methodology, we produced U.S. market size estimates for unregulated sports betting, unregulated online slots and table games, and unregulated machines.

In the sections that follow, we detail our approach to estimating the size of each of these markets. Each section reports the average of the outputs of our various approaches, understanding that there are considerations in favor of higher or lower estimates for each.

¹ The methodology of adjusting by known regulated market spend/handle helps account for survey respondent tendency to misreport the size and frequency of wagers, but it is not able to account for any disproportionate tendency for survey respondents to misreport wagers placed through unregulated channels.

THE ILLEGAL SPORTS BETTING MARKET

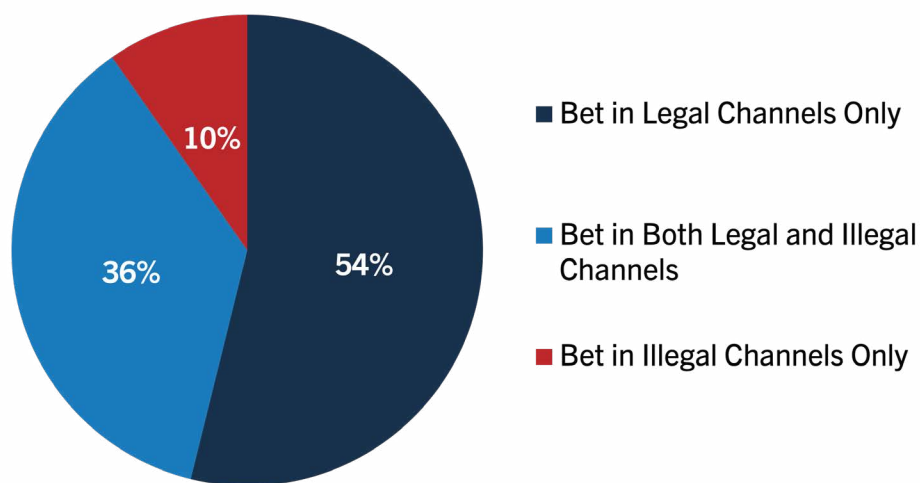
Since the Supreme Court overturned the Professional and Amateur Sports Protection Act (PASPA) in 2018, the U.S. regulated sports betting market has grown rapidly, with regulated sports betting now legal in 40 jurisdictions and mobile sports betting legal in 34.

The continued expansion of regulated sports betting in the U.S. raises questions about the impact to the illegal market. Namely, what is a U.S. adult's propensity to bet on sports in the illegal market? How much do they bet on illegal sites? Do these metrics vary by region? Is the availability of legal betting options slowing the growth of illegal operators? To answer these, we conducted a survey of U.S. adults to estimate illegal sports betting spend, handle and propensity to gamble in each of the U.S. census regions.

We asked survey respondents aged 21+ to indicate how often in the past year they bet on sports, the size of their average bet, and the percentages of their bets placed online, at a casino or with a bookie. We asked respondents who indicated that they bet on sports online to select from a list of 25 prominent online sports betting providers (including both legal and illegal sites; the legality of the sites was not indicated to respondents) to tell us on which sites they had bet and the percentage of their bets they placed on each site. We included an option for respondents to write-in sites on which they bet that were not included in the list and are comfortable that the list captured the most popular legal and illegal providers.

The chart below shows the percentage of respondents that bet only in legal channels, bet in both legal and illegal channels, and bet only in illegal channels. Since our last survey in 2022, we see a decrease in sports bettors using illegal channels only.

SHARE OF SPORTS BETTORS BY CHANNEL



ESTIMATING THE SIZE OF THE ILLEGAL MARKET

We counted the number of respondents who reported engaging in sports betting in the past year and divided this number by the number of survey respondents aged 21+ to calculate the sample's propensity to engage in sports betting. We repeated this analysis for those who indicated that they bet on a regulated site or at a casino to calculate our sample's propensity to engage in regulated sports gambling, and for those who indicated that they bet on an illegal site or with a bookie to calculate our sample's propensity to engage in illegal sports betting.

SURVEY RESPONDENT DATA

	NATIONWIDE	NORTHEAST	SOUTH	MIDWEST	WEST
Survey Respondents 21+	2,366	501	882	479	504
Total Sports Bettors ²	822	191	302	152	177
Total Sports Betting Propensity	34.7%	38.1%	34.2%	31.7%	35.1%
Legal Sports Bettors	585	142	205	110	128
Legal Sports Propensity	24.7%	28.3%	23.2%	23.0%	25.4%
Illegal Sports Bettors	299	75	109	46	69
Illegal Sports Propensity	12.6%	15.0%	12.4%	9.6%	13.7%

We calculated the average reported yearly handle, or money wagered, per player for both the legal and illegal markets by multiplying each player's reported sports betting frequency by the size of their reported average bet and multiplying by the percentage of bets they reported placing in the legal market and illegal market, respectively. We then calculated each region's legal sports betting handle implied by our survey data by multiplying average handle per player by the relevant sample's propensity to gamble and the 21+ population of each region. We summed each region's implied legal sports betting handle to calculate the nationwide legal market handle implied by our survey data. To correct for survey bias, we calculated adjustment factors for our handle estimation by dividing the nationwide regulated market handle implied by our survey data by nationwide legal sports betting handle from industry reports.

According to H2 Gambling Capital, there was a regulated sports betting handle of \$172.1 billion, with total revenues of \$15.9 billion, implying a hold percentage of 9.2 percent, for June 2024 – May 2025 (the twelve months preceding the conclusion of the survey).

REGULATED SPORTS BETTING REVENUE (\$BILLIONS)

LAST 12 MONTHS – H2	
Handle	\$172.1
Revenue	\$15.9
Hold Percentage	9.2%

² Includes all bettors who said "Yes" when asked if they bet sports in any form over the past year, including 174 who did not go on to report further information about their fraction of spend on legal online or illegal online sites.

We multiplied the survey's implied illegal handle by the regulated market adjustment factor to estimate unregulated handle. Assuming a reduced hold percentage in the unregulated market of 6 percent, we estimated unregulated sports revenue by multiplying handle by hold percentage.

**ESTIMATED ILLEGAL SPORTS BETTING MARKET
REVENUE BY REGION (\$BILLIONS)**

REVENUE/HANDLE - REGION	MARKET SIZE	REVENUE/HANDLE PER CAPITA
Revenue - Northeast	\$1.08	\$24.5
Revenue - South	\$1.41	\$14.6
Revenue - Midwest	\$0.90	\$17.5
Revenue - West	\$1.65	\$27.5
Revenue - Nationwide	\$5.04	\$20.0
Handle - Northeast	\$18.0	\$408.0
Handle - South	\$23.6	\$243.1
Handle - Midwest	\$15.0	\$291.0
Handle - West	\$27.5	\$459.0
Handle - Nationwide	\$84.0	\$332.9

In our previous 2022 report, the legal sports market was estimated at approximately \$6.8 billion in annual revenue and the illegal market at approximately \$3.8 billion, with the illegal market representing about 36% of combined sports betting activity. Now, the legal market stands at approximately \$16 billion dollars, with the illegal market estimated at approximately \$5 billion, with the illegal market representing approximately 24% of all sports betting activity. Although the illegal sports betting market has risen in absolute terms, it makes up a significantly smaller portion of total sports betting than it did three years ago.

THE ILLEGAL ONLINE SLOT & TABLE MARKET

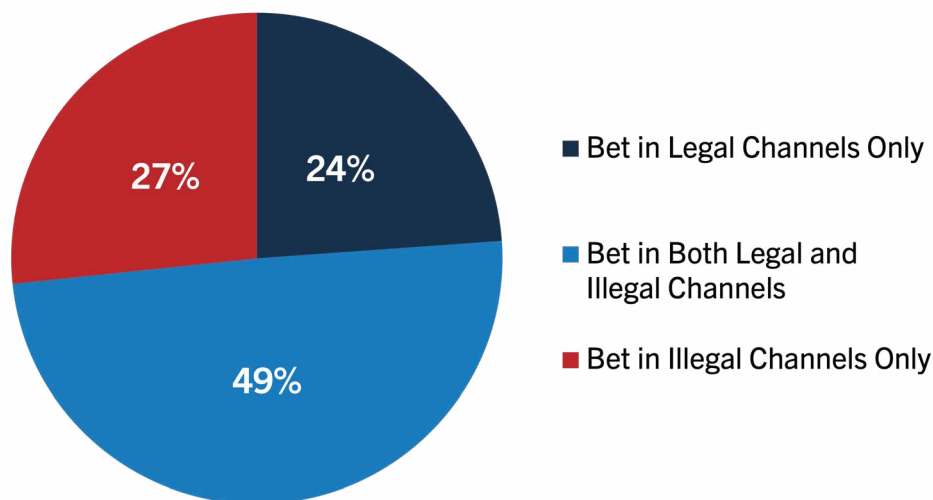
While the reach of the legal market for online slots and table games in the U.S. is small relative to that of legal sports betting, similar questions arise about the illegal iGaming market. To answer these, we conducted a survey of U.S. adults to estimate illegal online slot and table game spend, handle and propensity to gamble in each of the U.S. census regions.

We asked survey respondents to indicate how often in the past year they played slots or table games, their average budget when playing these types of games, and what percentage of their play occurred online, at a casino or at distributed locations (e.g., bars, fraternal halls, gas stations, etc.). Similar to the approach for sizing the illegal sports betting market, we asked respondents about their brick-and-mortar slot and table game spend and legal online slot and table game spend to identify respondent's tendency to over- or under-report their gambling spend.

We asked respondents who indicated that they played slots or table games online to select from a list of 33 prominent illegal and legal online slot and table game provider sites (including both legal and illegal sites; the legality of the sites was not indicated to respondents) and to indicate the sites on which they played and the percentage of their play on each site. We included an option for respondents to write in sites on which they bet that were not included in the list. We are comfortable that the list captured the most popular online slot and table game providers.

The chart below shows the percentage of iGaming respondents who reported betting only in legal channels, bet in both legal and illegal channels and bet in only illegal channels. Since our last survey in 2022, we see a shift in bettors towards those who bet in both channels, with a decrease in those who bet in legal channels only. Overall, the combined fraction of those who bet in the illegal market has substantively increased.

SHARE OF ONLINE CASINO PLAYERS BY CHANNEL



We counted the number of respondents who reported playing any slots or table games in the past year and divided this number by the number of survey respondents aged 21+ to calculate the sample's propensity to play slots or table games through any channel for each U.S. Census region. We repeated this analysis to calculate propensity to play slots or table games in-person at a casino and on illegal online slot and table game sites. Survey results are displayed in the table below.

SURVEY RESPONDENT DATA FOR SLOT AND TABLE GAMES

	NATIONWIDE	NORTHEAST	SOUTH	MIDWEST	WEST
Survey Respondents 21+	2,366	501	882	479	504
All Slot/Table Players	973	199	338	199	237
All Slot/Table Propensity	41.1%	39.7%	38.3%	41.5%	47.0%
In-Person Slot/Table Players	601	131	186	123	161
In-Person Slot/Table Propensity	25.4%	26.1%	21.1%	25.7%	31.9%
Illegal Online Slot/Table Players	140	33	48	27	32
Illegal Online Slot/Table Propensity	5.9%	6.6%	5.4%	5.6%	6.3%

We repeated this propensity analysis for respondents from the seven states in which online slots and table games are regulated and operational.³

SURVEY RESPONDENT DATA REGULATED ONLINE SLOT AND TABLE GAMES STATES

	REGULATED STATES
Survey Respondents 21+	324
Regulated Online Slot/Table Players	42
Regulated Online Slot/Table Propensity	13%

For the in-person casino market, the legal iGaming market and the illegal iGaming market, we calculated average yearly spend per player by multiplying their reported play frequency by their average slot/table spend in the channel. We then calculated the spend implied by our survey data by multiplying average spend per player by the relevant sample's propensity to gamble and the relevant 21+ population. We summed these estimates to arrive at nationwide spend estimates implied by the survey data for the in-person slots and table games market, the legal online slots and table games market and the illegal online slots and table games market. Since in-person casino spend and legal online slots and table games spend are publicly known or, in the case of tribal gaming, widely reported, we used these figures to normalize respondents' reported spend levels and adjust for bias.

The sum of reported commercial casino slot and table game revenue as well as tribal casino slot and table game revenue for 2024 was estimated to be \$92.8 billion.⁴

³ These states are Connecticut, Delaware, Michigan, New Jersey, Pennsylvania, Rhode Island, and West Virginia

⁴ [State of Play - American Gaming Association](#)

The AGA reported legal online slot and table game revenue at \$9.4 billion for the twelve months preceding the survey, from June 2024 – May 2025.

We multiplied the survey’s implied illegal online slot and table games revenue by each of our two legal market adjustment factors to derive estimates of illegal market size, estimating an aggregate 4 percent hold.

ESTIMATED UNREGULATED ONLINE SLOT AND TABLE GAME MARKET REVENUE (\$BILLIONS)

REVENUE/HANDLE - REGION	AVERAGE	BASED ON B&M CASINO	BASED ON REGULATED ONLINE SLOTS AND TABLE GAMES	REVENUE/HANDLE PER CAPITA
Revenue - Northeast	\$1.76	\$1.75	\$1.77	\$39.9
Revenue - South	\$7.26	\$7.21	\$7.30	\$74.9
Revenue - Midwest	\$4.29	\$4.27	\$4.32	\$83.5
Revenue - West	\$5.34	\$5.30	\$5.37	\$89.1
Revenue - Nationwide	\$18.6	\$18.5	\$18.8	\$73.9
Handle - Northeast	\$44.0	\$43.8	\$44.3	\$998.3
Handle - South	\$181.4	\$180.3	\$182.5	\$1,872.0
Handle - Midwest	\$107.3	\$106.7	\$108.0	\$2,088.7
Handle - West	\$133.4	\$132.6	\$134.3	\$2,227.0
Handle - Nationwide	\$466.2	\$463.4	\$469.0	\$1,847.8

In our previous 2022 study, the legal iGaming market was estimated at approximately \$4.6 billion in annual revenue and the illegal market at approximately \$13.6 billion, with the illegal market representing about 75% of combined online slot and table betting activity. Now, the legal market stands at approximately \$9.4 billion dollars, with the illegal market estimated at approximately \$18.6 billion, with the illegal market representing approximately 66% of all iGaming activity. Although the illegal iGaming market has risen in absolute terms, it makes up a slightly smaller portion of total online slot and table betting since our last analysis.

THE UNREGULATED MACHINES MARKET

In this section, we estimate the number of machines, revenue and handle in the unregulated machines market. Unregulated machines or so-called “skill games” are commonly located in bars, truck stops, malls and convenience locations around the country.

We again leverage survey data to estimate the size of the market, relying on the responses of people who had seen and/or played these games in their state of residence. As a benchmark, we reviewed reporting on skill game preponderance in Nebraska, Virginia, Kentucky, and Pennsylvania, and additionally considered the known number of Coin-Operated Amusement Machines in Georgia to provide an indication of the market size for unregulated machines in other states. Since our last report, Kentucky and Virginia, which we used in our models, have made skill games illegal, and have initiated enforcement action. Because of the way our survey question is worded (e.g. “Have you seen skill games in your state or a neighboring state?”) we expect to sample individuals who answer ‘yes’ to this question because they have seen them in prior years, and so we include these states again as benchmarks, using their last known machine counts from the prior survey.

BENCHMARK STATES

Below we review data indicating the number of machines in several states with differing regulatory regimes.

Nebraska

Nebraska permits “skill games” provided operators apply for a site license and obtain a tax decal for each machine. Thus, the Nebraska Department of Revenue maintains a statewide database of all skill games with an active tax decal. As of July of 2025, there were 5,413 registered skill games in Nebraska, a 44 percent increase since late 2022.

Georgia

The Georgia Lottery licenses “Coin Operated Amusement Machines” (COAMs), electronic games that provide a similar experience to slot machines. These machines are regulated by the state lottery, but still may provide a benchmark for machine preponderance. In their June 2025 Class B Licenses and COAMs statement, the Georgia Lottery Corporation reported 41,119 active machines, a 4 percent increase from 2021.⁵

Virginia

The Virginia legislature has twice enacted measures to clarify that skill game machines qualify as illegal gambling devices under state law. Most recently, skill games were defined as illegal gambling by the state legislature as part of the 2022-2024 state budget. Prior to this, the legislature in 2020 enacted a ban on skill games that was set to take effect in 2021. This measure provided existing machines a one-year grace period to continue operation during the Covid-19 pandemic under the regulation of the state Alcoholic Beverage Control Authority (ABC). Virginia ABC published data on the number of licensed “skill games” in the state from the beginning of the licensing period in July 2020 through May 2021. From these data, we estimated the number of machines in Virginia during the aforementioned licensing period at 8,194.

Kentucky

We estimated the number of skill games in Kentucky in two ways, using their average as our benchmark. In 2022, the Kentucky Lottery undertook a survey of games in lottery locations and estimated their impact on state lottery revenues. We used the number of games observed in lottery retailers and an estimate (utilizing data from a similar study undertaken by the Virginia Lottery) of the proportion of games in lottery locations to derive an estimate of the number of machines in Kentucky (15,459). Alternatively, we used an estimate of per-machine impact on state lottery revenues from the Virginia Lottery and combined it with a total lottery impact number from the Kentucky Lottery to derive an estimate of the number of machines in Kentucky (9,078). We took the average of these two estimates, 12,269, for the Kentucky benchmark.

⁵ [Class B COAM Report](#). Georgia Lottery Corporation. Accessed June 2025.

Pennsylvania

In 2019, the Virginia Joint Legislative Audit and Review Commission (JLARC) reported that Pennsylvania had anywhere from 52,000 to 82,000 machines.⁶ In 2022, Pennsylvania Bar News reported that the state had as many as 80,000 machines.⁷ We estimate the number of machines at 67,000, the average of the range reported by JLARC.

TOTAL MACHINE ESTIMATES BY STATE

	NEBRASKA	VIRGINIA	KENTUCKY	GEORGIA	PENNSYLVANIA
Machines	5,413	8,194	12,269	41,119	67,000

MODELING THE NUMBER OF MACHINES

Our survey asked U.S. adults (18+) to indicate the states in which they had seen these unregulated machines and the states in which they had played such games. To avoid double-counting, we restricted these to observations by respondents who indicated seeing or playing gray machines in their state of residence. We then calculated propensity to see gray machines and play gray machines among survey respondents 21+ on a state-by-state basis.

Using each benchmark state's machines per-capita metric, we estimated the number of machines in each state by multiplying by the state population and the relevant propensity metric, exempting states in which skill games are clearly regulated (Georgia, Nebraska) and states with regulated distributed gaming where survey confusion seemed likely (Nevada, Illinois, Wyoming).

MACHINES PER CAPITA SEEN AND PLAYED BY STATE

	VIRGINIA	NEBRASKA	KENTUCKY	GEORGIA	PENNSYLVANIA
Machines	8,194	5,413	12,269	41,119	67,000
Population 21+	6,521,880	1,433,198	3,359,018	8,183,303	9,939,120
Propensity - Machines Seen	0.71	0.80	0.46	0.73	0.64
Propensity - Machines Played	0.46	0.40	0.46	0.47	0.39
Machines per Capita Seen	0.0018	0.0047	0.0079	0.0069	0.0106
Machines per Capita Played	0.0027	0.0094	0.0079	0.0107	0.0174

While in our previous work we averaged the state machine estimates for each benchmark state's 'seen' and 'played' models, in this iteration of the report we use only the "seen" models, which better predict the number of skill games in states where the number of machines is publicly reported. The 'played' models overestimated these numbers by a large margin. So too did our model for the state of Pennsylvania. While we report the number of machines produced by the Pennsylvania model here, our final estimate of skill games excludes Pennsylvania as an outlier because it poorly predicts the number of skill games in states where the number of machines is known. Further, the machines metrics in Pennsylvania derived from our survey data may also reflect survey respondent misstating skill game observations with legal Video Gambling Terminals, which have been gradually expanding during the past several years.

⁶ [Gaming in the Commonwealth | 2019 | JLARC Report](#)

⁷ Pennsylvania Bar News, Vol. 32, No. 13, July 11, 2022 at p. 3

ESTIMATED MACHINE COUNT BY BENCHMARK STATE

BENCHMARK	NATIONWIDE	NORTHEAST	SOUTH	MIDWEST	WEST
Approach 1 (Using VA Model)	208,190	40,108	83,043	41,095	43,945
Approach 2 (Using NE Model)	555,554	107,026	221,600	109,661	117,266
Approach 3 (Using KY Model)	925,754	178,345	369,266	182,735	195,408
Approach 4 (Using GA Model)	811,767	156,385	323,799	160,235	171,347
Approach 5 (Using PA Model)	1,245,104	239,867	496,649	245,772	262,816

REVENUE, HANDLE AND HOLD

A 2024 Georgia Lottery financial report provided data on the number of active Class B COAMs, the total amount wagered, and the total amount awarded. From these, we calculated average annual machine revenue, handle and hold percent. As a second revenue benchmark, we also used Virginia ABC reports from January-May 2021, which provided statewide data for the number of active skill games, the total amount wagered, and the total amount awarded.⁸ Since these Virginia data are from several years ago, we grew Virginia revenue per machine by the rate at which COAM revenues per machine grew over the same period, approximately 4.5%.

AVERAGE ANNUAL MACHINE REVENUE, HANDLE AND HOLD

	AVERAGE	VIRGINIA DATA	GEORGIA DATA
Yearly Revenue per Machine	\$48,394	\$61,420	\$35,369
Yearly Handle per Machine	\$197,281	\$276,665	\$117,896
Hold Percentage	24.5%	22.2%	30.0%

Source: Virginia ABC; Georgia Lottery

Virginia revenue and handle metrics likely constitute a reasonable estimate for per machine revenue in other states. Pace-o-Matic, a skill games distributor, had a strong presence in Virginia and other states around the country.⁹ They advertised that operators could make \$20,000 per year with their machines and our research indicates that the operator took a 40% share of machine revenue, placing yearly machine revenue at approximately \$50,000.^{10 11}

To estimate total revenue, we multiply revenue per machine and handle per machine estimates by the number of machines in each state in our unregulated market models. We note that the inclusion of Pennsylvania has the largest single impact on nationwide machine counts of any state (increasing our estimate by over 100,000 machines), and significantly overestimates machine counts in known states. Further, Pennsylvania's machine count estimate relies on a broad range estimate and comes from a journalistic rather than regulatory source, generating machines per capita estimates that are nearly 50% higher than other benchmark states. While we present the results of the Pennsylvania model for transparency, we exclude it from the blended model, using the four-state average of Virginia, Nebraska, Kentucky, and Georgia for our final estimate.

⁸ [Games of Skill Activity - May 2021](#)

⁹ [Queen of Virginia Skill & Entertainment Games by Pace O Matic](#)

¹⁰ [Kentucky Lottery State Legislature Testimony](#)

¹¹ [ibid](#)

ESTIMATED UNREGULATED GAMING MACHINE TOTAL U.S. REVENUE AND HANDLE BY BENCHMARK STATE (\$BILLIONS)

BENCHMARK STATE	AVERAGE (EXCL. PA)	MODEL 1 (VA)	MODEL 2 (NE)	MODEL 3 (KY)	MODEL 4 (GA)	MODEL 5 (PA)
Total U.S. Machines	625,316	208,190	555,554	925,754	811,767	1,245,104
Total U.S. Revenue	\$30.3	\$10.1	\$26.9	\$44.8	\$39.3	\$60.3
Total U.S. Handle	\$123.4	\$41.1	\$109.6	\$182.6	\$160.1	\$245.6

Below we include the average skill game machine count, revenue, and handle for each census region.

U.S. CENSUS REGION UNREGULATED MACHINE REVENUE AND HANDLE ESTIMATES (\$BILLIONS)

	NORTHEAST	SOUTH	MIDWEST	WEST
Machines	120,466	249,427	123,432	131,991
Revenue	\$5.8	\$12.1	\$6.0	\$6.4
Handle	\$23.8	\$49.2	\$24.4	\$26.0

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “project” or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

Prepared for:
American Gaming Association
August 2025

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Glossary

Illegal and Unregulated Gaming | Wagers placed by U.S. residents with operators that lack a U.S. gaming license, irrespective of whether they may be authorized to conduct business anywhere outside the U.S. It includes sports bets placed with bookies and with unlicensed online operators, wagers placed on unlicensed online slots and table games, and wagers placed on electronic gaming machines including “skill games” in states where they are unregulated.

iGaming | Real money online casino games like poker, slots or blackjack. It does not include online lottery products or so-called social games in which no real money is wagered.

Illegal iGaming operators | Those without a U.S. gaming licenses that take bets from consumers in the U.S., irrespective of whether they may be licensed in other jurisdictions.

Illegal sports betting operators | Unlicensed individuals or organizations that take sports bets from consumers in the U.S. This includes in-person bookies as well online sportsbooks that do not hold a U.S. gaming license, irrespective of whether they may be licensed in other jurisdictions.

Handle | The total amount bet by consumers.

Revenue | The handle, minus the amount returned to bettors in winning payouts. In other words, the amount won by casinos, sportsbooks or machine operators.

Hold or hold percentage | Gaming operator revenue divided by handle. In other words, the percent of the total amount bet won by the casino, sportsbook or machine operators.

Unregulated machines | Machines that are not licensed or regulated by states or tribal governments. These machines often look and play like traditional regulated slot machines. They include so-called “skill games,” which are commonly located in bars, truck stops, malls and convenience locations around the country.

Coin Operated Amusement Machines (COAMs) | Electronic games that provide a similar experience to slot machines.

State gaming taxes | Taxes derived directly from legal gaming revenue. They do not include other taxes paid by legal gaming operators, including real estate taxes, payroll taxes, corporate income taxes, or federal excise taxes, among others.