

responsibilities of the gaming industry through a number of departments and administrative efforts. Pennsylvania, for instance, utilizes both the Gaming Control Board, as well as the State Police, in the enforcement of the gaming industry. Only considering the expenditures made by the Gaming Control Board, does not reflect the full regulatory cost for some states. Conversely, some states have statutory requirements on the percent of gaming revenues that are remitted to the state for general administrative purposes. New York, for instance, requires 10% of revenues be collected to fund administration for the Lottery Department. These administrative costs include certain provider costs, and central monitoring system, in addition to personnel and general administration. These differences make cross-state comparisons difficult and imperfect.

TABLE 4.12 – COST OF GAMING AGENCY AS COMPARED TO GGR AND GAMING TAX REVENUE FOR SELECTED STATES¹¹²

	Cost of Regulations (\$ mil)	Total Gaming Tax Revenue (\$ mil)	Gross Gaming Revenue (\$ mil)	Regulation Cost as a Percent of Tax Revenue	Regulation Cost as a Percent of Gross Gaming Revenue
Pennsylvania	\$33.9	\$3,142.0	\$1,487.0	2%	1.1%
Delaware	-	\$526.7	\$217.4	-	-
Illinois	\$42.8	\$1,551.3	\$574.3	7%	2.8%
Indiana	\$21.5	\$2,614.0	\$806.6	3%	0.8%
Louisiana	\$0.9	\$2,404.0	\$579.5	0%	0.0%
Maryland	-	\$377.8	\$218.2	-	-
Michigan	\$17.0	\$1,417.0	\$319.8	5%	1.2%
Mississippi	\$16.1	\$2,251.0	\$272.7	6%	0.7%
Missouri	\$22.7	\$1,744.8	\$464.2	5%	1.3%
Nevada	\$42.9	\$10,905.4	\$868.6	5%	0.4%
New Jersey	\$55.6	\$3,051.0	\$254.8	22%	1.8%
New York	\$182.5	\$1,802.0	\$822.7	22%	10.1%
Ohio	\$8.3	\$691.1	\$225.4	4%	1.2%
West Virginia	\$17.5	\$948.8	\$402.5	4%	1.9%

Source: State Casino/Lottery Boards & Commissions (2014), American Gaming Association (2013)

PGCB → Each gaming board is constantly trying to improve their regulations and procedures to match the gaming industry. A representative of the Pennsylvania Gaming Board recently had this to say, regarding their aims and efforts.

Thank you for the opportunity to provide input into the Legislative Budget and Finance Committee’s study on the current condition and future viability of gaming in this Commonwealth, specifically with respect to any recommendations for how Pennsylvania statutes, regulations or policies can be modified to help sustain and maximize gaming revenue and the positive impacts of gaming.

¹¹² Comparable administration costs for Delaware and Maryland were unavailable

The Pennsylvania Gaming Control Board (“PGCB”) has no recommendations at this time, and remains dedicated to protecting the people of Pennsylvania and patrons of casinos through strict, efficient enforcement of the law and regulations that pertain to the operation of casinos. Within that context, the PGCB also understands that strict enforcement can be accomplished without overly burdensome regulation, and often makes changes to its policies and regulations to avoid excessive regulation when such changes make sense for both us as regulator and the industry we regulate. The PGCB is committed to continuing this practice, as well as strictly implementing and enforcing any legislated changes to the Pennsylvania Race Horse Development and Gaming Act as they occur.

4.2 REGULATIONS DISADVANTAGING PENNSYLVANIA GAMING

The challenge for any regulators structure is to balance the interests of all parties. The balance is always tricky, and the appropriate regulatory approach can change over time as the industry changes. With these concerns in mind, the evidence suggests there are several regulations that potentially disadvantage Pennsylvania gaming. The inclusion of regulations in this section does not constitute an endorsement of the modifying or removal of the regulatory or legislative requirements. Proper regulation is a balancing act and the result of a broader policy making process, and keeping a regulation that inhibits casino revenue or adds costs might, on balance, still make sense in the policy context.

There are different ways that regulatory reform can affect a casino’s financial position, and as a result, the state’s tax revenues. For example, some regulatory changes primarily affect a casino’s cost structure, and hence its profitability, but do not significantly affect gaming revenue or have an impact on state tax receipts, apart from corporate income tax. Regulations that increase profitability will, however, help the casino afford capital investments needed to stay fresh and competitive. As a result these will improve the sustainability and probability of survival of casinos. Other regulations directly affect the revenue potential of a casino by increasing demand directly, and as a result would increase tax revenues. Finally, some regulations will lower variable costs which will give casinos the incentive to increase output, which in turn will increase gross gambling revenue and taxes.

To differentiate between these types of regulatory savings and to help understand the kinds of economic benefits the state will realize, each regulatory change will be categorized as one or more of three types of improvements for a casino:

- Improve sustainability and probability of survival
- Increase demand (direct GGR and tax increase)
- Decrease variable costs (indirect GGR & tax increase)

In addition, where possible the potential impacts on individual casinos have been estimated. For most regulations there is insufficient information to quantify the likely impacts, however in a few instances estimates were provided by casino operators and we have scaled these to apply to the entire state. These should be seen as highly uncertain and mostly indicative.