

# ***Memo***

*From the House Appropriations Committee (D)*



**TO:** House Democratic Members and Interested Parties  
**FROM:** Rep. Joseph Markosek, Chairman  
**SUBJECT:** Gaming Local Share Analysis  
**DATE:** October 25, 2016

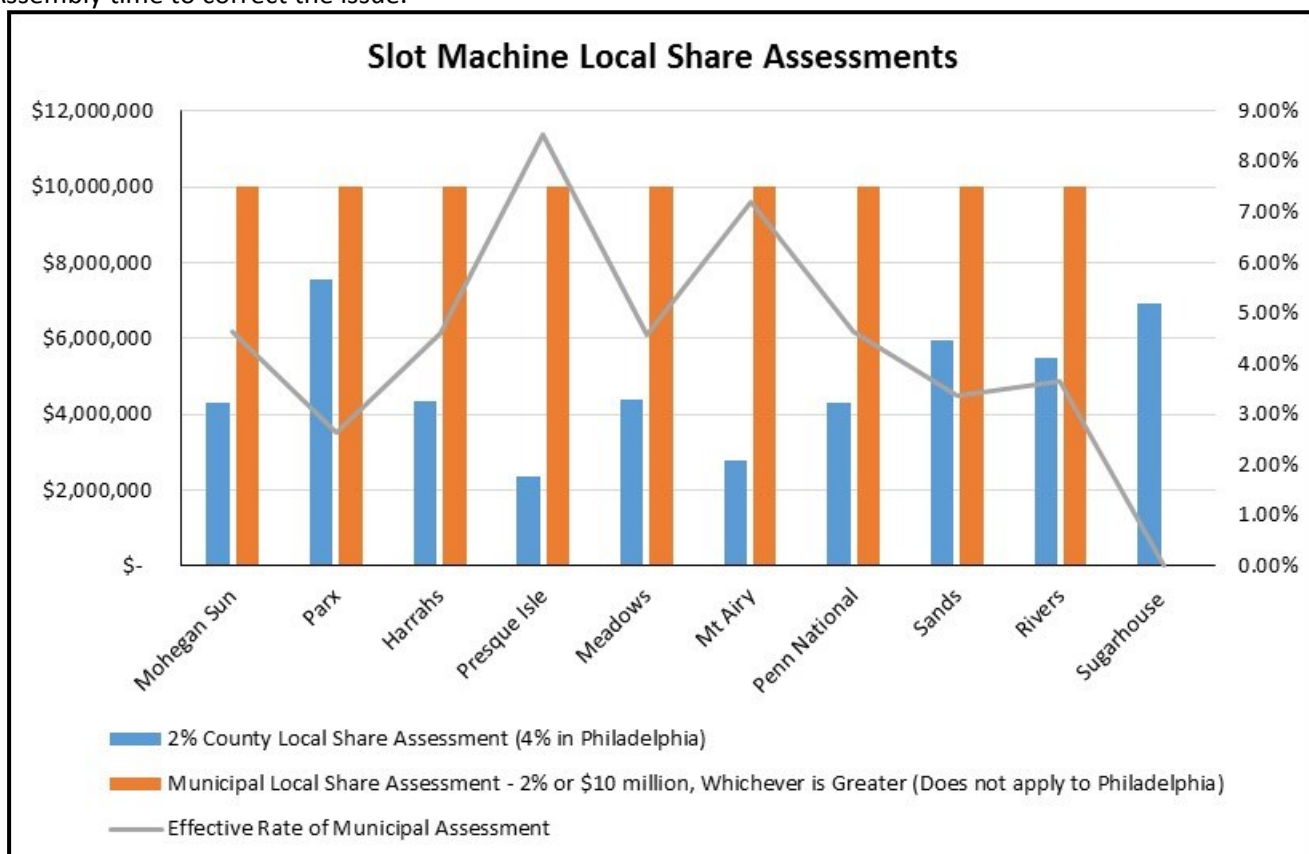
## Gaming Local Share Review

The Pennsylvania Supreme Court forced the General Assembly to revisit the 2004 law that prescribes how slot machine revenue is assessed when, on Sept. 28, it decided that the commonwealth's local share assessment on licensed casinos is unconstitutional.

Mount Airy Casino in Mt. Pocono (Northeast PA) argued that the current local share assessment for municipalities – of two percent of gross terminal revenue or \$10 million, whichever is greater – violated Pennsylvania's Uniformity Clause.

Since no casino currently generates more than \$500 million in slot machine gross terminal revenue, all Category 1 and Category 2 casinos are assessed the \$10 million minimum for the municipal portion of the local share assessment, except for Philadelphia casinos, resulting in a non-uniform effective rate as a percentage of gross terminal revenue (the gray line in the chart below illustrates).

The Supreme Court opinion (No. 34 EM 2015) found merit in the argument that the municipal local share portion of the current law fails to meet the constitutional requirements of the Uniformity Clause. Working to avoid the appearance of making a policy decision, the court stayed its decision for 120 days to give the General Assembly time to correct the issue.



## Current Local Share Assessments

- **Municipal Local Share Assessment:** 2 percent of slot machine gross terminal revenue, or \$10 million annually, whichever is greater, for all Category 1 and 2 casinos outside the City of Philadelphia.
  - Category 3 casinos (the resort casinos, Valley Forge and Nemacolin) are only subject to the 2 percent rate and are not subject to the \$10 million minimum.
  - Philadelphia casinos are only assessed 4 percent of gross terminal revenue at the county level and are not subject to the \$10 million minimum.
- **County Local Share Assessment:** 2 percent of slot machine gross terminal revenue assessed on all casinos outside the City of Philadelphia.
  - Casinos within Philadelphia are assessed 4 percent of gross terminal revenue (since the city and county are coterminous)
- **Table Games Local Share Assessment:** 2 percent of gross table games revenue.
- **Distribution of Local Assessments:** The distribution varies by casino as established in Title 4, Section 1403(c) (for slot machine revenue) and Section 13A63 for table games revenue.
  - Some cities are subject to an upper limit on the total amount of proceeds received in a year (i.e. 50 percent of their 2003/04 budget), and any additional revenue is then distributed to the host county.

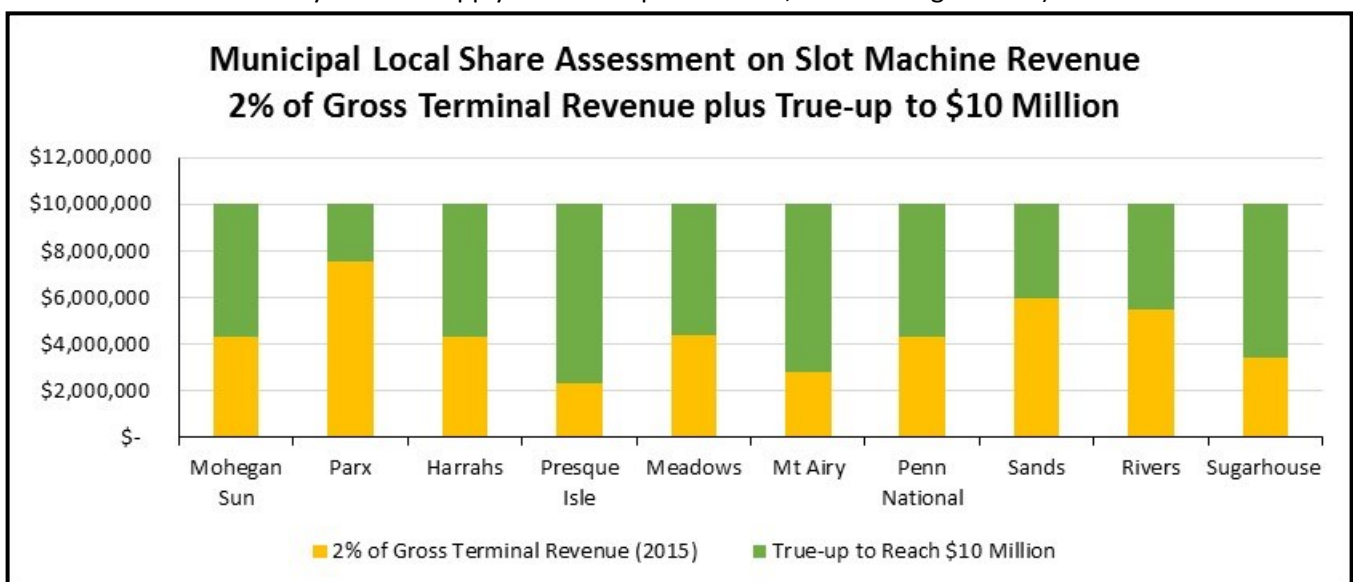
## What's at Stake

The recent court decision only affects the municipal portion of local share assessments for category one and two casinos. Also, the court decision only affects local share assessments on slot machine revenues. The county local share assessment is uniform and remains unaffected, and local share assessments on table games revenue remains unaffected by the court decision, as well, because they are all uniform rates. The only non-uniform levy was the municipal slots revenue local share.

If policy makers wish to maintain the revenue stream to municipalities, they will need to change the assessment methodology.

Total local share assessments on slot machine revenues in 2015 were worth \$142.7 million. Of that, the county local share assessments were \$50.6 million, and municipal assessments were \$92.1 million. If the category one and two casinos (outside of Philadelphia) were only subject to the 2 percent municipal assessment and not the \$10 million minimum, those casinos would have saved \$48.5 million in 2015.

In the table below, the yellow area represents a 2 percent assessment, and the green area represents the amount needed for category one and two casinos to true-up to the \$10 million assessment (Note, the \$10 million minimum currently does not apply to Philadelphia casinos, which is Sugarhouse).



This chart also shows the lack of uniformity of effective tax rates as compared to gross terminal revenue.

Slot Machine Local Share Payment Summary (2015)					
Casino	Host County	County Share <sup>1</sup>	Municipality	Municipal Share	Total
Parx	Bucks County	\$ 7,564,808	Bensalem Township	\$ 10,000,000	\$ 17,564,808
Mohegan Sun	Luzerne County - CFA	\$ 11,658,066	Plains Township	\$ 2,665,551	\$ 14,323,617
Harrahs	Delaware County	\$ 4,356,119	Chester City	\$ 10,000,000	\$ 14,356,119
Presque Isle	Erie County	\$ 11,011,921	Summit Township	\$ 1,331,999	\$ 12,343,920
Meadows	Washington County - DCED	\$ 8,530,260	North Strabane Township	\$ 2,459,373	\$ 14,370,346
			All Other Municipalities	\$ 3,380,713	
Mt Airy	Monroe County - CFA	\$ 9,500,841	Paradise Township	\$ 880,465	\$ 12,781,306
	Monroe County	\$ 2,400,000			
Penn National	Dauphin County	\$ 13,103,287	East Hanover Twp, Dauphin	\$ 1,054,198	\$ 14,317,485
			Eash Hanover Twp, Lebanon	\$ 160,000	
Rivers	Allegheny County	\$ 5,494,366	Pittsburgh/ICA	\$ 10,000,000	\$ 15,494,366
Sands	Lehigh County	\$ 953,503	Allentown City	\$ 3,430,255	\$ 15,959,394
	Northampton County	\$ 2,860,509	Bethlehem City	\$ 8,715,127	
Sugarhouse	Philadelphia School District	\$ 4,023,788			\$ 6,916,888
	Philadelphia City	\$ 2,893,100			
Valley Forge	Montgomery County - CFA	\$ 1,545,839	Upper Merion Township	\$ 1,545,840	\$ 3,091,679
Nemacolin	Fayette County - DCED	\$ 597,938	Wharton Township	\$ 597,938	\$ 1,195,876
<b>Total</b>		<b>\$ 86,494,345</b>		<b>\$ 56,221,458</b>	<b>\$ 142,715,803</b>

<sup>1</sup> Actual payments to counties reflect a higher amount than the 2% assessment since many municipalities are capped with a windfall provision. In those cases, the excess revenue is distributed to the host county. Philadelphia casinos have a 4% county assessment and no municipal assessment.

Data provided by the Department of Revenue.

House Appropriations Committee (D)		
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