



BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

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2007/08 Budget: Slotting Funds for Pennsylvania's Future

Few subjects generate as much interest or discussion as gaming, which was expanded in Pennsylvania by Act 71 of 2004, commonly referred to as the "Slots Law" because it legalized slot machine gambling at existing horse and harness racing tracks and at 11 newly licensed casinos. Its formal name is the Pennsylvania Race Horse Development and Gaming Act. During the debate over the 2007/08 budget, the legislature passed two key pieces of legislation related to gaming: House Bill 1287 makes appropriations from the state Gaming Fund to the Pennsylvania Gaming Control Board; House Bill 1631 provides for distribution of money from the Gaming Economic Development and Tourism Fund.

Gaming Funds for Gaming Control Board

House Bill 1287 appropriates \$50.142 million from the Pennsylvania Gaming Fund to the Pennsylvania Gaming Control Board, the Attorney General, the Department of Revenue and the Pennsylvania State Police, all of which have some responsibility for gaming oversight.

The appropriations, which assume that there will be seven casinos open in 2007/08, are as follows:

- \$29.984 million for salaries, wages and all necessary expenses for the operation of the Pennsylvania Gaming Control Board.*
- \$799,000 for the salaries, wages and all necessary expenses of the Attorney General.
- \$7.786 million for salaries, wages and all necessary expenses of the Pennsylvania Department of Revenue.
- \$11.573 million for the salaries, wages and all necessary expenses of the Pennsylvania State Police.

*Part of the Gaming Board's appropriation (\$22.575 million) is being borrowed from a restricted revenue account established in the State Gaming Fund and will be repaid by the Gaming Board after all 11 slot machine licensees are in operation.

Gaming Economic Development and Tourism Fund

The Race Horse Development and Gaming Act (Act 71 of 2004) created the Pennsylvania Gaming Economic Development and Tourism Fund. As required by law,

licensed gaming entities must pay a daily assessment of five percent of their gross terminal revenue to the fund. Money from the Fund will pay for economic development and tourism projects.

In 2006/07, \$25.2 million was deposited in the Pennsylvania Gaming and Economic Development Fund. The Budget Office projects a deposit of approximately \$54.5 million in 2007/08 and approximately \$107.4 million in 2008/09. When gaming is fully operational, approximately \$150 million will be deposited into the fund on an annual basis.

House Bill 1631 authorizes a total of \$1.509 billion or up to \$105.2 million annually for the first 10 years for Economic Development Capital Budget projects in Allegheny County and Philadelphia. Annual grant payments will occur over a period ranging from 12 to 30 years. Projects will be financed with revenues of the Pennsylvania Gaming and Economic Development Fund; grants will be made by the Department of Community and Economic Development (DCED) with the approval of the Governor.

When gaming is fully operational, cash flow projections for the Fund show that on an annual basis, there will be an average of \$49 million for other projects throughout the Commonwealth during the initial 10 years of the program. It is anticipated that projects for the remainder of the state will be authorized in a future Economic Development Capital Budget.

Philadelphia

- Up to \$64 million annually for 30 years but not to exceed \$880 million for debt service and operating costs to finance the Pennsylvania Convention Center. The amount for debt service may be used to reimburse the General Fund for debt service costs incurred to finance the Center. Operating costs are limited to no more than \$6 million annually.

Pittsburgh

- No less than \$5.1 million annually for 10 years up to a total of \$60 million to retire the indebtedness of the Pittsburgh Development Fund (PDF). Any remaining amounts owed after 10 years will be paid in years 11 and 12.
- No less than \$1.7 million annually for 10 years up to a total of \$20 million to retire the indebtedness of the David L. Lawrence Convention Center. Any remaining

amounts owed after 10 years will be paid in years 11 and 12.

- No less than \$1.7 million annually for 10 years up to a total of \$20 million to pay the operating deficit of the David L. Lawrence Convention Center. Any remaining amounts owed after 10 years will be paid in years 11 and 12.
- Up to \$7.5 million annually for 30 years up to a total of \$225 million to retire debt related to the financing of the Penguins Arena.
- No less than \$12.4 million annually for 10 years up to a total of \$150 million to pay for debt service, development and economic development projects of the Pittsburgh International Airport (PIA). Any remaining amounts owed after 10 years will be paid in years 11 and 12.
- No less than \$6.6 million annually for 10 years up to a total of \$80 million for distribution to an Allegheny County community development infrastructure development fund. Any remaining amounts owed after 10 years will be paid in years 11 and 12.

- No less than \$3.7 million annually for 10 years up to a total of \$44 million to retire the indebtedness of a Pittsburgh hotel or convention center. Any remaining amounts owed after 10 years will be paid in years 11 and 12.
- No less than \$2.5 million annually for 10 years up to a total of \$30 million to retire the indebtedness of an Allegheny County development fund. Any remaining amounts owed after 10 years will be paid in years 11 and 12.

QUESTIONS AND COMMENTS

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Facility	Economics and Earnings	Employment	Tax Revenue Impact
Pennsylvania Convention Center expansion *	<ul style="list-style-type: none"> • More than \$700 million in annual earnings will be supported by Convention Center activities. • Over the next 30 years, it will generate spending of more than \$73.5 billion in total business earnings in southeastern Pennsylvania. 	<ul style="list-style-type: none"> • Construction: 3,733 • Permanent: 18,700 	<ul style="list-style-type: none"> • \$3.6 billion in Commonwealth tax revenue over 30 years • \$1.6 billion in tax revenue to Philadelphia in over 30 years
Penguin Arena, Mellon Arena redevelopment and associated parking**	<ul style="list-style-type: none"> • Employment earnings will surpass \$809.7 million annually for the region. 	<ul style="list-style-type: none"> • Construction: 6,600 • Permanent: 22,040 	<ul style="list-style-type: none"> • \$6.23 million annually to the Commonwealth • \$10.46 million annually to Pittsburgh • \$4.3 million annually to the Pittsburgh School District • \$1.3 million annually to Allegheny County

* Estimated Economic and Tax Revenue Impact of an Expanded Pennsylvania Convention Center, TXP, Inc., January 2007

**Economic Research Associates (ERA) 2005 Economic Impact Study