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**Data Alert**  
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**Contact:**

Robert Bullock

Deputy Director for Operations

518-443-5837

or by email at [robert.bullock@rockinst.suny.edu](mailto:robert.bullock@rockinst.suny.edu)

## **State Revenues from Gambling Show Weakness Despite Gambling Expansion**

*Lucy Dadayan*

***NOTE: This report covers tax and fee revenues collected from major types of gambling activities for fiscal years 2013 and 2014. We will release a more detailed analysis of the trends observed before and after the Great Recession in the forthcoming "Blinken Report."***

This Data Alert examines four types of legalized gambling from which states earn significant revenues — lotteries, casinos, racinos, and pari-mutuel wagering. We also provide an overview of revenues from video gaming in states for which we were able to obtain data. In this Data Alert, we define revenues as money collected from various taxes and fees transferred to state and local governments.

State-sanctioned and operated gambling has expanded in recent years. Currently 43 states operate lotteries, 17 states operate commercial casinos, 13 states operate racinos, and over 40 states have pari-mutuel wagering. Among the states with casino and racino operations, seven states operate both types of facilities: Indiana, Iowa, Louisiana, Maryland, Ohio, Pennsylvania, and West Virginia.

All states except Hawaii and Utah collect revenue from one or more types of gambling. In Alaska, legal gambling occurs only where sponsored by Native American tribes.

States derive the bulk of gambling-related revenues from three major sources — lotteries, casinos, and racinos. While casinos experienced dramatic growth during the 1990s, that trend shifted downward over the past decade. In recent years, much of the growth has shifted to racinos — hybrids of casinos and racetracks — as more states have approved such facilities. Pari-mutuel betting, once the major source of gambling revenue for states, now represents less than 1.0 percent of such revenue.

When tax revenue weakens during economic downturns, states often consider expanded gambling operations among other options for balancing budgets. That has been no exception during the Great Recession and its aftermath. Since the recession began in December 2007, over a dozen states have enacted various measures to expand gambling. For example, states introduced new forms of gambling such as video games, sports betting, card rooms, and iGaming. Four states — including Maine, Maryland, Ohio, and West Virginia — legalized casino operations. Several states — including Delaware, Maine, Maryland, Pennsylvania, and Rhode Island — legalized poker and other table game operations at their casinos and racinos. New York and nine other states entered into an agreement to create a new multistate lottery game. In New Hampshire, a 10 percent tax was put on gambling winnings greater than \$600

annually. Internet gambling, or the so-called iGaming, appears to be the next target for many states. Currently, internet gambling is legal only in three states —Delaware, Nevada, and New Jersey.

Table 1 shows state-by-state revenue collections in major gambling revenue for fiscal years 2013 and 2014. Table 2 shows the percent change in gambling revenues from fiscal year 2013 to 2014.

In fiscal year 2014, gambling revenue has weakened. States' revenues from the gambling showed soft growth at 0.6 percent in fiscal 2014 compared to fiscal 2013. After adjusting for inflation, revenues from gambling declined by 0.8 percent in fiscal 2014. Revenues from gambling showed a mixed picture in fiscal 2014. Revenue from lottery operation, the most significant source of all gambling revenue, showed a 0.6 percent growth for the nation in fiscal 2014. Revenues from casino operations, the second largest source of all gambling revenue, declined by 1.4 percent. Revenue collections from racino operations increased by 1.5 percent, while revenues from pari-mutuel wagering declined by 3.5 percent. Tables 1 and 2 also show revenues collected from video gaming activities in five states. In fiscal 2014, revenues from video gaming showed 19 percent growth. The large growth in video gaming revenues comes largely from Illinois, where video gaming operations were legalized only recently, in July of 2009.

The growth is not evenly distributed among regions. States in the Mid-Atlantic, New England, Plains, and Rocky Mountain regions saw declines in revenues from gambling while states in the Far West, Great Lakes, Southeast, and Southwest saw growth in fiscal 2014 compared to fiscal 2013. The largest growth was recorded in the Great Lakes region at 3.1 percent, while the largest decline was reported in the Plains region at 3.9 percent. Growth in the Great Lakes region is mostly attributable to two states, Illinois and Ohio. In Illinois, gambling revenues were boosted mostly by newly legalized video gaming operations. The growth in Ohio came from two new casinos and three new racinos.

Of the 47 states with gambling revenue, 27 states reported declines over the year, with nine states reporting declines of more than 5 percent.

The recent geographic expansion of gambling created stiff competition for certain regions of the nation. Therefore, the weakening of the growth in gambling revenues is also attributable to market saturation. Within certain regions, expansion of gambling means rivalry for the same pool of consumers. For example, Pennsylvania enjoyed strong growth in revenues from casino and racino operations until the opening of new casinos and racinos in the neighboring states of Maryland, New York City, and Ohio.

**Table 1: Gambling Revenues from Major Types of Gambling, FY 2013 and FY 2014 (\$ millions)**  
*Video Lottery Terminal (VLT) revenues included in racinos*

| State                 | Fiscal Year 2013 |                |                |              |              |                 | Fiscal Year 2014 |                |                |              |              |                 |
|-----------------------|------------------|----------------|----------------|--------------|--------------|-----------------|------------------|----------------|----------------|--------------|--------------|-----------------|
|                       | Lottery          | Casino         | Racino         | Video Gaming | Pari-mutuel  | Total           | Lottery          | Casino         | Racino         | Video Gaming | Pari-mutuel  | Total           |
| <b>United States</b>  | <b>18,026.7</b>  | <b>5,366.4</b> | <b>3,142.2</b> | <b>489.1</b> | <b>145.6</b> | <b>27,170.0</b> | <b>18,139.9</b>  | <b>5,293.1</b> | <b>3,188.1</b> | <b>582.0</b> | <b>140.5</b> | <b>27,343.6</b> |
| <b>New England</b>    | <b>1,481.5</b>   | <b>50.6</b>    | <b>315.8</b>   |              | <b>12.6</b>  | <b>1,860.5</b>  | <b>1,454.2</b>   | <b>50.8</b>    | <b>318.2</b>   |              | <b>11.2</b>  | <b>1,834.4</b>  |
| Connecticut           | 312.1            |                |                |              | 6.9          | 319.0           | 319.5            |                |                |              | 6.1          | 325.6           |
| Maine                 | 52.9             | 50.6           |                |              | 2.1          | 105.5           | 51.9             | 50.8           |                |              | 1.8          | 104.5           |
| Massachusetts         | 955.8            |                |                |              | 1.8          | 957.6           | 929.8            |                |                |              | 1.2          | 931.1           |
| New Hampshire         | 74.3             |                |                |              | 0.7          | 75.0            | 72.4             |                |                |              | 0.8          | 73.2            |
| Rhode Island          | 63.4             |                | 315.8          |              | 1.2          | 380.4           | 58.1             |                | 318.2          |              | 1.2          | 377.5           |
| Vermont               | 22.9             |                |                |              |              | 22.9            | 22.6             |                |                |              |              | 22.6            |
| <b>Mid-Atlantic</b>   | <b>4,944.0</b>   | <b>1,129.8</b> | <b>1,927.2</b> | <b>0.5</b>   | <b>37.1</b>  | <b>8,038.7</b>  | <b>4,847.0</b>   | <b>1,186.6</b> | <b>1,897.5</b> | <b>1.4</b>   | <b>36.7</b>  | <b>7,969.2</b>  |
| Delaware              | 43.3             |                | 189.2          | 0.5          | 0.1          | 233.1           | 44.4             |                | 163.9          | 1.4          | 0.1          | 209.8           |
| Maryland              | 545.2            | 305.4          | 29.2           |              | 1.2          | 881.1           | 521.1            | 353.8          | 25.1           |              | 3.1          | 903.1           |
| New Jersey            | 1,085.0          | 250.6          |                |              |              | 1,335.6         | 965.0            | 257.1          |                |              |              | 1,222.1         |
| New York              | 2,203.1          |                | 871.0          |              | 22.6         | 3,096.7         | 2,235.0          |                | 937.7          |              | 21.8         | 3,194.4         |
| Pennsylvania          | 1,067.4          | 573.8          | 837.8          |              | 13.2         | 2,492.1         | 1,081.5          | 575.7          | 770.8          |              | 11.8         | 2,439.8         |
| <b>Great Lakes</b>    | <b>2,693.7</b>   | <b>1,703.0</b> | <b>161.5</b>   | <b>36.3</b>  | <b>19.3</b>  | <b>4,613.7</b>  | <b>2,738.9</b>   | <b>1,596.6</b> | <b>259.3</b>   | <b>145.6</b> | <b>18.4</b>  | <b>4,758.8</b>  |
| Illinois              | 819.4            | 558.0          |                | 36.3         | 5.9          | 1,419.5         | 815.4            | 516.6          |                | 145.6        | 6.5          | 1,484.2         |
| Indiana               | 225.1            | 646.4          | 106.0          |              | 2.5          | 980.0           | 251.1            | 542.7          | 111.3          |              | 2.5          | 907.6           |
| Michigan              | 739.8            | 273.3          |                |              | 4.6          | 1,017.7         | 738.1            | 264.0          |                |              | 4.3          | 1,006.3         |
| Ohio                  | 752.5            | 225.4          | 55.5           |              | 6.2          | 1,039.6         | 764.9            | 273.4          | 148.0          |              | 5.0          | 1,191.4         |
| Wisconsin             | 156.8            |                |                |              |              | 156.8           | 169.3            |                |                |              |              | 169.3           |
| <b>Plains</b>         | <b>730.1</b>     | <b>786.7</b>   | <b>101.6</b>   |              | <b>5.9</b>   | <b>1,624.3</b>  | <b>704.9</b>     | <b>749.2</b>   | <b>100.8</b>   |              | <b>6.1</b>   | <b>1,561.0</b>  |
| Iowa                  | 84.9             | 207.9          | 101.6          |              | 3.9          | 398.4           | 74.0             | 198.6          | 100.8          |              | 3.9          | 377.3           |
| Kansas                | 74.5             | 97.4           |                |              |              | 171.9           | 74.3             | 95.6           |                |              |              | 169.9           |
| Minnesota             | 135.1            |                |                |              | 0.6          | 135.7           | 127.0            |                |                |              | 0.5          | 127.5           |
| Missouri              | 280.0            | 464.2          |                |              |              | 744.2           | 277.5            | 438.8          |                |              |              | 716.3           |
| Nebraska              | 40.0             |                |                |              | 0.1          | 40.1            | 38.0             |                |                |              | 0.1          | 38.1            |
| North Dakota          | 7.9              |                |                |              | 0.7          | 8.7             | 7.8              |                |                |              | 1.2          | 9.0             |
| South Dakota          | 107.7            | 17.1           |                |              | 0.5          | 125.4           | 106.2            | 16.2           |                |              | 0.5          | 122.9           |
| <b>Southeast</b>      | <b>4,502.6</b>   | <b>700.1</b>   | <b>552.0</b>   | <b>395.2</b> | <b>42.3</b>  | <b>6,192.2</b>  | <b>4,692.8</b>   | <b>692.6</b>   | <b>524.7</b>   | <b>377.9</b> | <b>40.8</b>  | <b>6,328.9</b>  |
| Alabama               |                  |                |                |              | 1.6          | 1.6             |                  |                |                |              | 1.5          | 1.5             |
| Arkansas              | 90.5             |                |                |              | 3.1          | 93.6            | 81.7             |                |                |              | 3.1          | 84.8            |
| Florida               | 1,424.3          |                | 152.5          |              | 23.4         | 1,600.2         | 1,495.4          |                | 174.0          |              | 25.3         | 1,694.7         |
| Georgia               | 927.5            |                |                |              |              | 927.5           | 945.1            |                |                |              |              | 945.1           |
| Kentucky              | 223.8            |                |                |              | 4.8          | 228.7           | 226.1            |                |                |              | 2.4          | 228.5           |
| Louisiana             | 160.2            | 432.2          | 61.0           | 182.1        | 7.1          | 842.6           | 170.7            | 441.0          | 58.7           | 175.9        | 6.2          | 852.3           |
| Mississippi           |                  | 263.8          |                |              |              | 263.8           |                  | 247.8          |                |              |              | 247.8           |
| North Carolina        | 478.5            |                |                |              |              | 478.5           | 503.1            |                |                |              |              | 503.1           |
| South Carolina        | 305.2            |                |                |              |              | 305.2           | 330.7            |                |                |              |              | 330.7           |
| Tennessee             | 339.7            |                |                |              |              | 339.7           | 337.3            |                |                |              |              | 337.3           |
| Virginia              | 486.5            |                |                |              |              | 486.5           | 538.6            |                |                |              |              | 538.6           |
| West Virginia         | 66.4             | 4.1            | 338.4          | 213.1        | 2.3          | 624.4           | 64.2             | 3.8            | 292.0          | 202.1        | 2.3          | 564.4           |
| <b>Southwest</b>      | <b>1,505.9</b>   |                | <b>84.1</b>    |              | <b>9.5</b>   | <b>1,599.4</b>  | <b>1,504.6</b>   |                | <b>87.6</b>    |              | <b>9.0</b>   | <b>1,601.2</b>  |
| Arizona               | 177.8            |                |                |              | 0.2          | 178.0           | 175.6            |                |                |              | 0.2          | 175.9           |
| New Mexico            | 43.7             |                | 63.4           |              | 0.9          | 108.0           | 40.9             |                | 67.0           |              | 0.4          | 108.3           |
| Oklahoma              | 70.3             |                | 20.7           |              | 1.2          | 92.1            | 67.4             |                | 20.6           |              | 1.1          | 89.1            |
| Texas                 | 1,214.1          |                |                |              | 7.1          | 1,221.2         | 1,220.7          |                |                |              | 7.3          | 1,228.0         |
| <b>Rocky Mountain</b> | <b>197.0</b>     | <b>104.1</b>   |                | <b>57.0</b>  | <b>2.0</b>   | <b>360.2</b>    | <b>191.3</b>     | <b>104.9</b>   |                | <b>56.9</b>  | <b>2.2</b>   | <b>355.3</b>    |
| Colorado              | 135.6            | 104.1          |                |              | 0.7          | 240.4           | 130.1            | 104.9          |                |              | 0.6          | 235.6           |
| Idaho                 | 48.3             |                |                |              | 1.2          | 49.5            | 49.1             |                |                |              | 1.2          | 50.3            |
| Montana               | 13.1             |                |                | 57.0         | 0.0          | 70.1            | 12.1             |                |                | 56.9         | 0.0          | 69.1            |
| Wyoming               |                  |                |                |              | 0.1          | 0.1             |                  |                |                |              | 0.4          | 0.4             |
| <b>Far West</b>       | <b>1,972.0</b>   | <b>892.1</b>   |                |              | <b>16.9</b>  | <b>2,881.1</b>  | <b>2,006.2</b>   | <b>912.4</b>   |                |              | <b>16.1</b>  | <b>2,934.7</b>  |
| California            | 1,284.4          |                |                |              | 14.6         | 1,298.9         | 1,349.6          |                |                |              | 13.8         | 1,363.4         |
| Nevada                |                  | 892.1          |                |              |              | 892.1           |                  | 912.4          |                |              |              | 912.4           |
| Oregon                | 548.4            |                |                |              | 0.8          | 549.2           | 508.9            |                |                |              | 0.7          | 509.7           |
| Washington            | 139.2            |                |                |              | 1.6          | 140.8           | 147.7            |                |                |              | 1.5          | 149.2           |

**Sources:** Census Bureau (pari-mutuels); Rockefeller Institute review of state lottery and gaming regulatory agencies' financial reports for lottery, casino, racino, table games, and video gaming revenues.

Note: VLT revenues for the following six states are excluded from lottery and included in racinos: Delaware, Maryland, New York, Ohio, Rhode Island, and West Virginia.

**Table 2: Percent Change in Gambling Revenues, FY 2013 to FY 2014**  
*VLT revenues included in racinos*

| State                 | Lottery      | Casino       | Racino       | Video Gaming | Pari-mutuel   | Total        |
|-----------------------|--------------|--------------|--------------|--------------|---------------|--------------|
| <b>United States</b>  | <b>0.6</b>   | <b>(1.4)</b> | <b>1.5</b>   | <b>19.0</b>  | <b>(3.5)</b>  | <b>0.6</b>   |
| <b>New England</b>    | <b>(1.8)</b> | <b>0.6</b>   | <b>0.7</b>   |              | <b>(11.7)</b> | <b>(1.4)</b> |
| Connecticut           | 2.4          |              |              |              | (11.5)        | 2.1          |
| Maine                 | (2.0)        | 0.6          |              |              | (12.2)        | (1.0)        |
| Massachusetts         | (2.7)        |              |              |              | (32.0)        | (2.8)        |
| New Hampshire         | (2.6)        |              |              |              | 22.2          | (2.4)        |
| Rhode Island          | (8.3)        |              | 0.7          |              | (0.3)         | (0.8)        |
| Vermont               | (1.6)        |              |              |              |               | (1.6)        |
| <b>Mid-Atlantic</b>   | <b>(2.0)</b> | <b>5.0</b>   | <b>(1.5)</b> | <b>177.0</b> | <b>(1.1)</b>  | <b>(0.9)</b> |
| Delaware              | 2.4          |              | (13.4)       | 177.0        | 3.8           | (10.0)       |
| Maryland              | (4.4)        | 15.8         | (14.2)       |              | 155.3         | 2.5          |
| New Jersey            | (11.1)       | 2.6          |              |              |               | (8.5)        |
| New York              | 1.4          |              | 7.7          |              | (3.8)         | 3.2          |
| Pennsylvania          | 1.3          | 0.3          | (8.0)        |              | (10.6)        | (2.1)        |
| <b>Great Lakes</b>    | <b>1.7</b>   | <b>(6.2)</b> | <b>60.6</b>  | <b>301.0</b> | <b>(4.7)</b>  | <b>3.1</b>   |
| Illinois              | (0.5)        | (7.4)        |              | 301.0        | 11.1          | 4.6          |
| Indiana               | 11.6         | (16.0)       | 5.0          |              | 0.0           | (7.4)        |
| Michigan              | (0.2)        | (3.4)        |              |              | (7.5)         | (1.1)        |
| Ohio                  | 1.6          | 21.3         | 167.0        |              | (19.6)        | 14.6         |
| Wisconsin             | 8.0          |              |              |              |               | 8.0          |
| <b>Plains</b>         | <b>(3.5)</b> | <b>(4.8)</b> | <b>(0.8)</b> |              | <b>4.0</b>    | <b>(3.9)</b> |
| Iowa                  | (12.9)       | (4.5)        | (0.8)        |              | (1.1)         | (5.3)        |
| Kansas                | (0.3)        | (1.9)        |              |              |               | (1.2)        |
| Minnesota             | (6.0)        |              |              |              | (14.1)        | (6.0)        |
| Missouri              | (0.9)        | (5.5)        |              |              |               | (3.7)        |
| Nebraska              | (5.0)        |              |              |              | 11.7          | (5.0)        |
| North Dakota          | (1.3)        |              |              |              | 56.2          | 3.6          |
| South Dakota          | (1.4)        | (5.6)        |              |              | (13.7)        | (2.0)        |
| <b>Southeast</b>      | <b>4.2</b>   | <b>(1.1)</b> | <b>(4.9)</b> | <b>(4.4)</b> | <b>(3.6)</b>  | <b>2.2</b>   |
| Alabama               |              |              |              |              | (0.7)         | (0.7)        |
| Arkansas              | (9.7)        |              |              |              | (0.8)         | (9.4)        |
| Florida               | 5.0          |              | 14.1         |              | 8.1           | 5.9          |
| Georgia               | 1.9          |              |              |              |               | 1.9          |
| Kentucky              | 1.0          |              |              |              | (50.0)        | (0.0)        |
| Louisiana             | 6.5          | 2.0          | (3.8)        | (3.4)        | (13.3)        | 1.2          |
| Mississippi           |              | (6.0)        |              |              |               | (6.0)        |
| North Carolina        | 5.1          |              |              |              |               | 5.1          |
| South Carolina        | 8.4          |              |              |              |               | 8.4          |
| Tennessee             | (0.7)        |              |              |              |               | (0.7)        |
| Virginia              | 10.7         |              |              |              |               | 10.7         |
| West Virginia         | (3.2)        | (7.7)        | (13.7)       | (5.2)        | 0.0           | (9.6)        |
| <b>Southwest</b>      | <b>(0.1)</b> |              | <b>4.2</b>   |              | <b>(4.7)</b>  | <b>0.1</b>   |
| Arizona               | (1.2)        |              |              |              | 0.0           | (1.2)        |
| New Mexico            | (6.3)        |              | 5.7          |              | (59.2)        | 0.3          |
| Oklahoma              | (4.1)        |              | (0.4)        |              | (6.5)         | (3.3)        |
| Texas                 | 0.5          |              |              |              | 2.7           | 0.6          |
| <b>Rocky Mountain</b> | <b>(2.9)</b> | <b>0.7</b>   |              | <b>(0.2)</b> | <b>10.2</b>   | <b>(1.3)</b> |
| Colorado              | (4.1)        | 0.7          |              |              | (8.9)         | (2.0)        |
| Idaho                 | 1.7          |              |              |              | 1.2           | 1.7          |
| Montana               | (7.5)        |              |              | (0.2)        | 81.8          | (1.5)        |
| Wyoming               |              |              |              |              | 166.2         | 166.2        |
| <b>Far West</b>       | <b>1.7</b>   | <b>2.3</b>   |              |              | <b>(5.1)</b>  | <b>1.9</b>   |
| California            | 5.1          |              |              |              | (5.0)         | 5.0          |
| Nevada                |              | 2.3          |              |              |               | 2.3          |
| Oregon                | (7.2)        |              |              |              | (5.9)         | (7.2)        |
| Washington            | 6.1          |              |              |              | (5.2)         | 5.9          |

**Sources:** Census Bureau (pari-mutuels); Rockefeller Institute review of state lottery and gaming regulatory agencies' financial reports for lottery, casino, racino, table games, and video gaming revenues.

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