Riverboat Gambling in Indiana: Analysis of Impacts

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Center for Urban Policy and the Environment

The Center for Urban Policy and the Environment is a nonpartisan, non-ideological research organization in the School of Public and Environmental Affairs at IUPUI. Faculty and staff with expertise in program evaluation, policy analysis, facilitation, and planning work on a wide variety of policy issues.

The Center's mission is to work with state and local governments and their associations, neighborhood and community organizations, community leaders, and business and civic organizations in Indiana to identify issues, analyze options, and develop the capacity to respond to challenges.

Current research is focused on investment strategies to enhance quality of life in Central Indiana.

Riverboat Gambling in Indiana: Analysis of Impacts

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Executive Summary

Riverboat gambling has been legal in Indiana for ten years. What has it meant for the communities where it is present, in terms of jobs, taxes and economic impact? What has it meant to the state of Indiana and how does Indiana compare to other states using these measures? As part of an evaluation process conducted for the Indiana Gaming Commission, the Center has completed individual analyses of nine of the ten riverboats as part of the five-year renewal process for each licensee. Specific dates of these five-year time periods differ for each boat, but are presented together for comparison. The data presented in this report were collected from those analyses. This paper sets Indiana in context as compared to other states in terms of gaming revenue, employment, and taxes to determine the relative scope of casino gaming in Indiana. We then compare the tourism, employment, fiscal, and economic impacts of the nine Indiana riverboats that have been analyzed

Indiana is one of 11 states in the United States to have implemented state-regulated casino gaming. Among those states, Indiana has the third fewest casinos (10) but the third highest overall revenues, third highest tax revenues as a percent of revenues (26 percent), and the third highest number of employees (16,000). Casino jobs in Indiana pay higher than average wages.

There were a total of 35.9 million admissions to Indiana casinos in 2002. Together, Indiana riverboats collected over $2 billion. Total attendance was 172 million, an average of over 19 million attendees per boat. Casinos collected over $7 billion in casino revenues, averaging almost $800 million each.

Indiana residents were 39 percent of the riverboat patrons surveyed, but the percentages vary, from only one-quarter coming from Indiana to more than one-half coming from Indiana. Almost all survey respondents reported that their primary reason for visiting Indiana riverboat communities was for the riverboat itself.

All casino riverboats employ more than 1,000 people, which represents at least one percent of the labor force in the home port county. Total employment in the fifth year of operation ranged from 1,153 employees at Blue Chip (Michigan City) to 2,198 at Caesars (Harrison County) and from one percent of the labor force (Vanderburgh County) to 70 percent of the labor force (Ohio County). Riverboat casinos have paid $1.3 billion in direct taxes to the state of Indiana. Most of the state revenue is generated from the wagering tax ($1.1 billion). The rest of the state's revenue is generated from the admissions tax ($171 million) and sales and use tax ($24 million). The amount paid ranges from $85 million (Aztar) to $220 million (Argosy).

Riverboat casinos have paid $661 million in direct taxes to local governments in Indiana. Slightly less than half of the local revenue is generated from the wagering tax ($312 million). The rest of the local revenue is generated from the admissions tax ($301 million) paid to the city and county and property taxes ($48 million). The total local direct tax revenue ranges from $49 million (Aztar) to $126 million (Argosy).

The level of incentive payments varies considerably from community to community, from $15 million (Majestic and Blue Chip) to $114 million (Argosy). The payments also vary considerably as a percent of gross gaming receipts from a low of 2.1 percent (Blue Chip) to a high of 9.9 percent (Horseshoe).

There are many ways that local governments can invest the dollars generated by riverboat casinos. In general, they have focused on infrastructure, equipment, construction, landscaping, and rehabilitation. Most local areas spent 11 percent or less of this revenue on operations

Overall, the riverboats have had positive economic and fiscal impacts on their communities. However, in addition to the economic and fiscal impacts, riverboat casino gaming also has social impacts. These are the most difficult to quantify. While not detailed here, in our individual reports on each riverboat, we discuss parts of this issue including the local impact on crime and traffic; and efforts to address compulsive gambling, such as voluntary restrictions, and employee training and education.

Introduction

Riverboat gambling has been legal in Indiana for ten years. What has it meant for the communities where it is present, in terms of jobs, taxes, and economic impact? What has it meant to the state of Indiana and how does Indiana compare to other states using these measures? The Riverboat Gambling Act (Act), effective July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for the express purpose of riverboat gambling in the state of Indiana. Part of the statutory criteria for issuance of these licenses, in addition to being financially capable of completing the project and passing an Indiana State Police investigation, is the applicant's ability to promote tourism and economic development in the home dock area while best serving the interest of the citizens of Indiana. The Indiana Gaming Commission (Commission) contracted with the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to assist the Commission in performing the economic impact, fiscal impact, financial, management, and other analyses required to assist the Commission in awarding the initial riverboat casino licenses. Additionally, the Commission requested the Center's assistance in monitoring the economic impacts and fiscal returns from each riverboat operation.

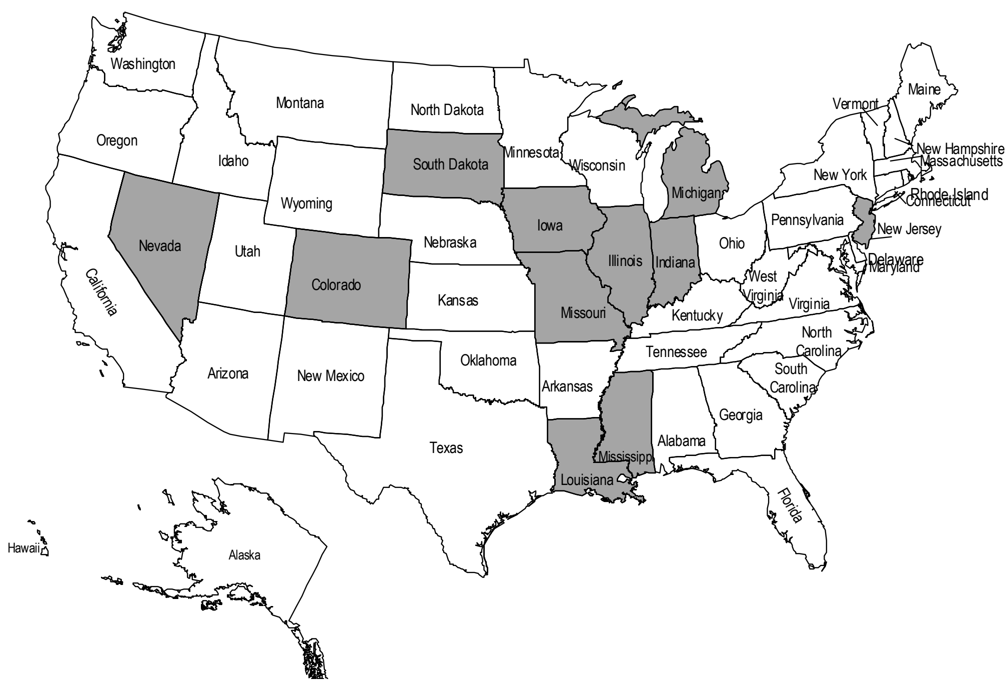
In partnership with the Commission, since 1993, the Center has completed evaluations for the granting of ten riverboat casino licenses. The Center also has completed annual performance reports for all operating riverboat casinos. The Act specifies that an owner's initial license expires five years after the effective date of the license. When the Commission awarded each license, they specified certain levels of project development and incentive payments to be made by the licensee as well as specifying that the licensee abide by agreements made with the city or county where it is located. The Center conducted analyses for each of the riverboats' five-year licensing processes. The data presented in this report were collected from those analyses. Because each analysis needed to be completed before the completion of the licensee's fifth year of operations, data are generally shown as a summary of the first 4 $^1/_2$ years of operation. Specific dates of these time periods differ for each boat, but are presented together for comparison.

This paper sets Indiana in context as compared to other states in terms of gaming revenue, employment, and taxes to determine the relative scope of casino gaming in Indiana. How does Indiana compare to other states with riverboat gaming as well as states known for their casinos like Nevada and New Jersey? We then compare the tourism, employment, fiscal, and economic impacts of the nine Indiana riverboats that have been analyzed. Riverboats have been touted as promoting tourism, and economic development and providing tax revenues to both the local government in which they are sited, as well as the state as a whole. But do riverboats realize these promises and if they do, at what level? A compilation of the data from nine riverboats in Indiana allows us to examine this issue.

Casino Gaming in a State Context

Indiana is one of 11 states in the United States to have implemented state-regulated casino gaming (Map 1). Only two of the four states contiguous to Indiana have legalized state-regulated casino gaming (Illinois and Michigan). Indian casinos are located within several states, but these operations are not regulated by the state in which they are located. None of these are located in Indiana. This section of the report places Indiana casino gaming in a national context by focusing exclusively on state-regulated, commercial gaming. These comparisons indicate that the number of casinos, revenues, tax revenue, casino employment, and casino wages vary considerably among states. Indiana is statutorily limited to 11 casinos (with 10 currently open)—one of the lowest number of casinos nationwide—but the casinos in Indiana are larger, on average, than in other states. Revenue per casino in Indiana is lower than only New Jersey and Michigan.

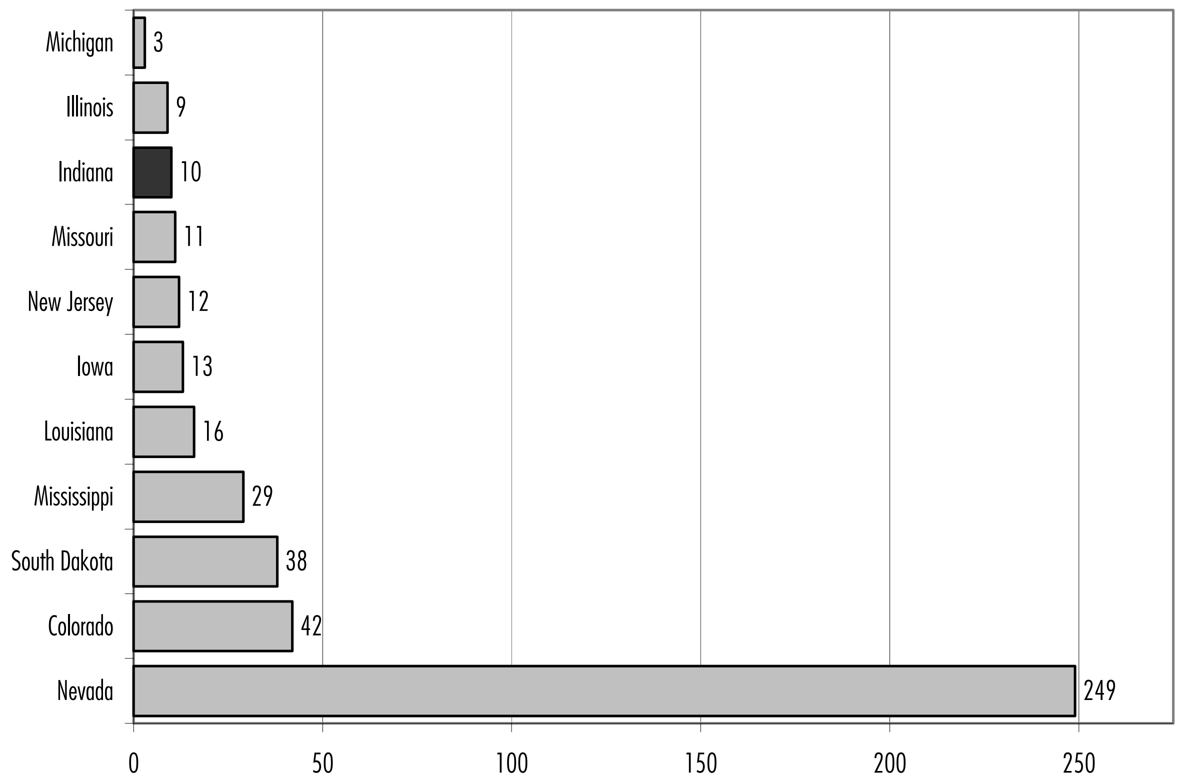
Map 1: States with State-Regulated Casinos



Nationwide, 432 casinos generated $26 billion in revenues in 2002. Fifty-seven percent (247) of all state-regulated casinos were located in Nevada. Colorado (42), South Dakota (38), Mississippi (29), and

Louisiana (16) had the next highest number of casinos. The number of casinos in Indiana (10) is comparable to New Jersey and some of its midwestern neighbors: Illinois (9), Missouri (11), and Iowa (13). Michigan only has three commercial, state-regulated casinos. (Figure 1)

Figure 1: Number of State-Regulated Casinos by State 2002



Source: American Gaming Association 2003 State of the States: The AGA Survey of Casino Entertainment

Table 1 compares casino revenues by state in 2002. The variation in total casino revenues generated reflects the variation in number of casinos. However, Indiana casinos perform generally well when comparing revenues per casino to other states. Indiana ranks third among commercial gaming states with its casinos generating average annual revenues of $210 million in 2002. Michigan, with three casinos in the Detroit area, generates the highest average annual revenue from its casinos than any other state.

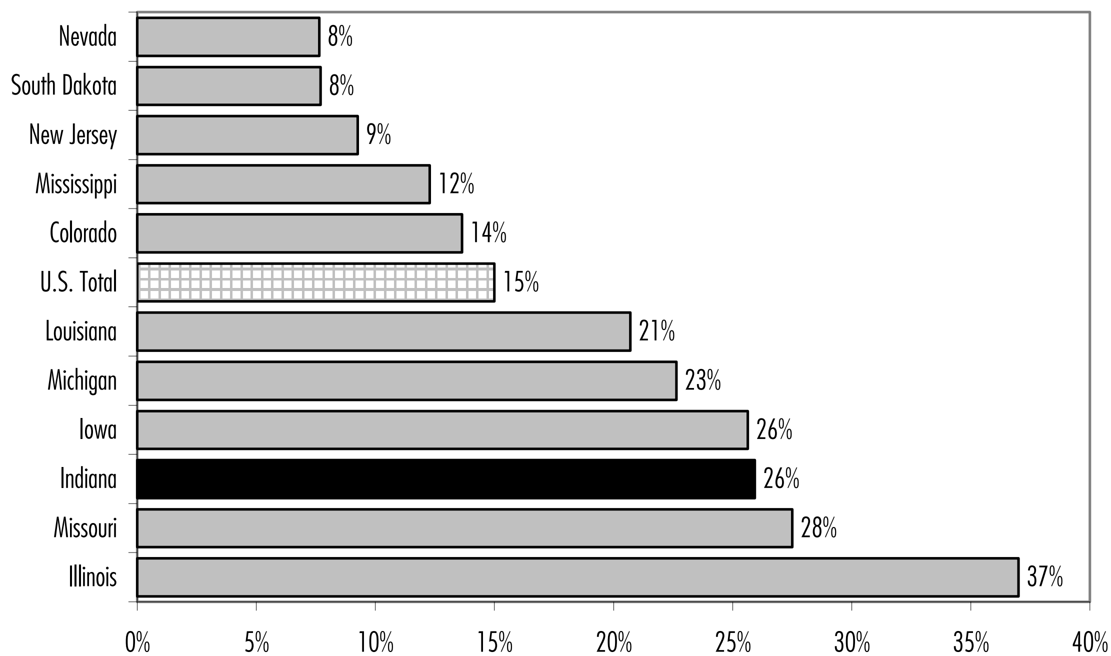
Table 1: Casino Revenue by State 2002

	Casinos	Gross Revenue ($ Billions)	Revenue/casino ($ millions)
Michigan	3	1.1	367
New Jersey	12	4.4	363
Indiana	**10**	**2.1**	**210**
Illinois	9	1.8	200
Louisiana	16	2.0	125
Missouri	11	1.3	118
Mississippi	29	2.7	93
Iowa	13	1.0	75
Nevada	249	9.4	38
Colorado	42	0.7	17
South Dakota	38	0.1	2
US Total	432	26.5	61

Source: American Gaming Association 2003 State of the States: The AGA Survey of Casino Entertainment

Total state casino gaming tax revenue generated in the nation was over $4 billion in 2002, equaling 15 percent of gross revenues collected by all casinos. The percentage of taxed revenues varies greatly by state, ranging from 8 percent to 37 percent.[1] Midwestern states taxed the highest proportion of their casino's revenues. All Midwestern states, based on this comparison, are higher than the national average. Indiana collected 26 percent of its casinos' revenues in 2002, less than Illinois (37 percent) and Missouri (28 percent) (Figure 2). Higher tax rates can be viewed from two perspectives. From that of casino operators, a higher rate might create a disincentive to make further investments. But from the perspective of government officials, capturing additional revenue is needed to address the possible negative externalities generated by casinos.

Figure 2: State Tax Revenue as a Percentage of Casino Gross Revenue 2002



Source: American Gaming Association 2003 State of the States: The AGA Survey of Casino Entertainment

[1] This measure is tax revenue as a proportion of total gross revenue, not tax on gross receipts.

In 2001, state-regulated casinos employed 364,804 people with an average of 841 employees per casino.[2] The number of employees per casino is a good measure for average size of operations. Table 2 shows that the few Indiana casinos are larger-scaled. Indiana casinos employed 16,000 people, averaging 1,600 persons per casino. Nevada had a casino workforce of over 200,000 employees, but ranks near the bottom of casino states in employees per casino. Nevada's low ranking on employees per casino is likely due to the wide variation in types of casinos, both large and small. New Jersey had the highest average number of employees per casino (3,799). Michigan, with only three casinos, had the second highest average number of employees, generating over 2,500 jobs per casino.

Indiana's ten casinos generate significant employment for the state. If a new industry wanted to relocate to the state of Indiana with ten locations and 16,000 employees throughout the state, it is probable that the state would provide that industry substantial incentives to locate here. However, as already shown, Indiana taxes the casinos at relatively high rates when compared to other states with casinos. In addition, the casinos provide incentives to the local communities instead of receiving them.

Table 2: Casino Workforce by State 2001

	Casinos	Total Employees	Average Employees/Casino
New Jersey	12	45,592	3,799
Michigan	3	7,599	2,533
Indiana	**10**	**16,000**	**1,600**
Illinois	9	11,000	1,222
Louisiana	16	18,620	1,164
Mississippi	30	32,510	1,084
Missouri	11	10,516	956
U.S. Total	*434*	*364,804*	*841*
Nevada	247	205,151	831
Iowa	13	9,226	710
Colorado	43	7,132	166
South Dakota	40	1,458	36

Source: American Gaming Association 2003 State of the States: The AGA Survey of Casino Entertainment

[2] We used 2001 employment data from the American Gaming Association because of disparities in data collection in 2002.

Table 3 compares average casino wages (2001) as reported by the American Gaming Association, to average wages and disbursements for all jobs in each of the casino states reported by the Bureau of Economic Analysis (BEA). The table also shows the percentage higher/lower than the average for all casino states in each category. As shown, the average wage for all casino employees in the United States was $31,471. The average wage for a casino employee in Indiana was $32,344, 3 percent greater than the national average of casino employees. In comparison, Indiana's average wage for all jobs was 10 percent lower than the average for all jobs among states with state-regulated casinos. Indiana's relative position in regard to casino wages is considerably higher than its position in wages among the same states for all industries.

Table 3: Casino Employee Wage Comparisons

	BEA Wages and Disbursements		Casino Wages	
	Average Wage ($)	Percentage Greater/Lesser than Casino State Average	Casino Wages ($)	Percentage Greater/Lesser than Casino State Average
Michigan	36,661	7%	40,690	29%
Illinois	38,418	12%	34,191	9%
Casino State AVERAGE	34,396		31,471	
Nevada	33,551	-2%	33,146	5%
Indiana	**31,033**	-10%	**32,344**	3%
Mississippi	25,289	-26%	30,760	-2%
Louisiana	28,362	-18%	28,722	-9%
Iowa	28,097	-18%	27,737	-12%
Colorado	37,189	8%	27,314	-13%
New Jersey	43,424	26%	26,320	-16%
Missouri	31,670	-8%	25,580	-19%
South Dakota	25,061	-27%	16,118	-49%

Source: BEA Wages: Bureau of Economic Analysis; Casino Wages: American Gaming Association

In summary, of the 11 states in the United States to have implemented state-regulated casino gaming, Indiana has the third fewest casinos (10) but the third highest overall revenues, third highest tax revenues as a percent of revenues (26 percent), and the third highest number of employees (16,000). Casino jobs in Indiana pay higher than average wages.

Riverboats in Indiana

Map 2 shows the location of each of the 10 operating casinos in Indiana. As illustrated, all of the Indiana riverboats are located on the state border. Five of the riverboats are located in southern Indiana along the Ohio River. The remaining five riverboats are located in the northwest area of the State. By statute, all riverboats were located in economically distressed areas. Six of the riverboats are located in urban, metropolitan areas and four are located in rural areas. If a riverboat is not located in the largest city in the county, its home port is considered to be the county and the tax revenues that usually accrue to the city of location are paid directly to the county, in addition to the usual county revenues. Almost all of the Indiana riverboat sites, whether rural or urban, are located near a major population center of another state.

Map 2: Casino Locations in Indiana

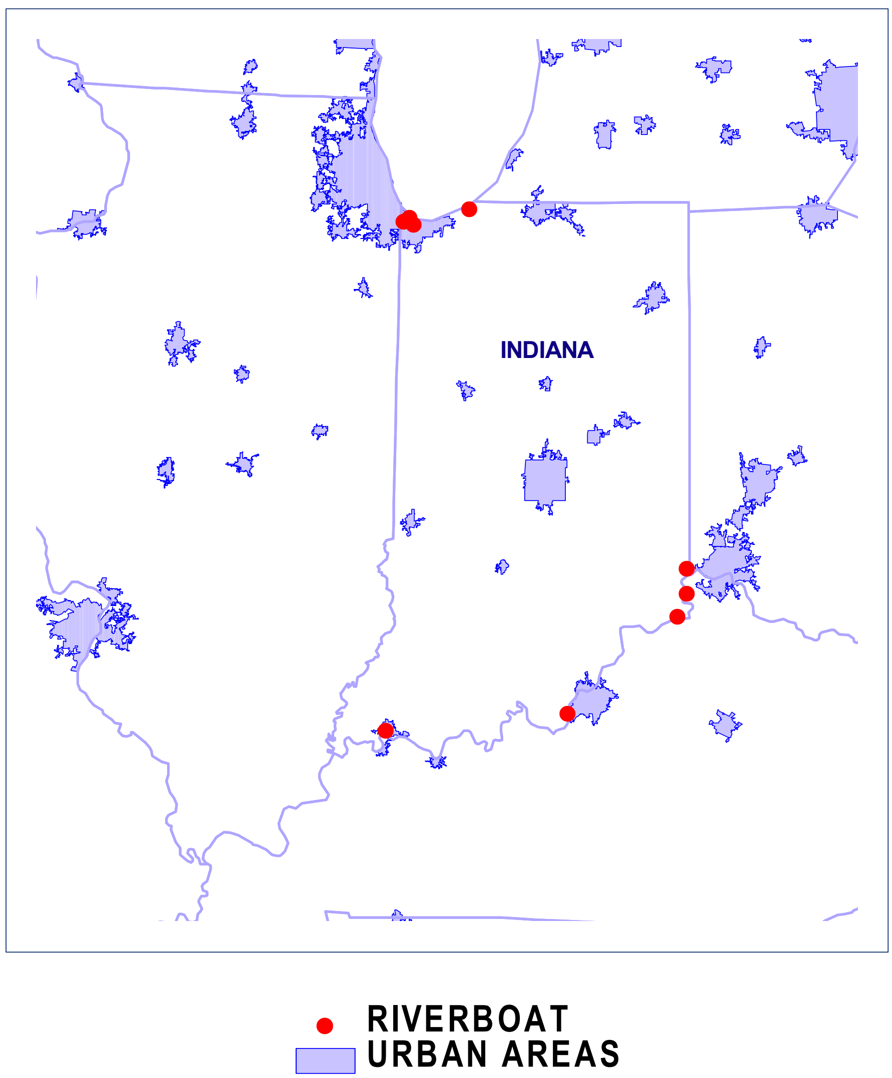


Table 4 shows that as of the date of this report, nine of the Indiana riverboats have completed five years of gaming operations: Aztar, Argosy, Majestic Star, Trump, Horseshoe, Grand Victoria, Harrah's, Blue Chip, and Caesars. The 2002 populations of the designated locations of the riverboats range from 4,685 (rural) to 121,582 in Evansville (urban).

Table 4: Year Operation Began and Location

Riverboat	City/County Location	City/County Population Estimate 2002	Year Began Operation	North/South Location	Urban/Rural
Aztar	Evansville	121,582	1995	South	Urban
Argosy	Lawrenceburg	4,685	1996	South	Rural
Majestic	Gary	102,746	1996	North	Urban
Trump	Gary	102,746	1996	North	Urban
Horseshoe	Hammond	83,048	1996	North	Urban
Grand Victoria	Rising Sun	2,470	1996	South	Rural
Harrah's	East Chicago	32,414	1997	North	Urban
Blue Chip	Michigan City	110,384	1997	North	Urban
Caesar's	Harrison County	35,244	1998	South	Rural
Belterra*	Switzerland County	9,410	2000	South	Rural

*5-year analysis has not been completed.

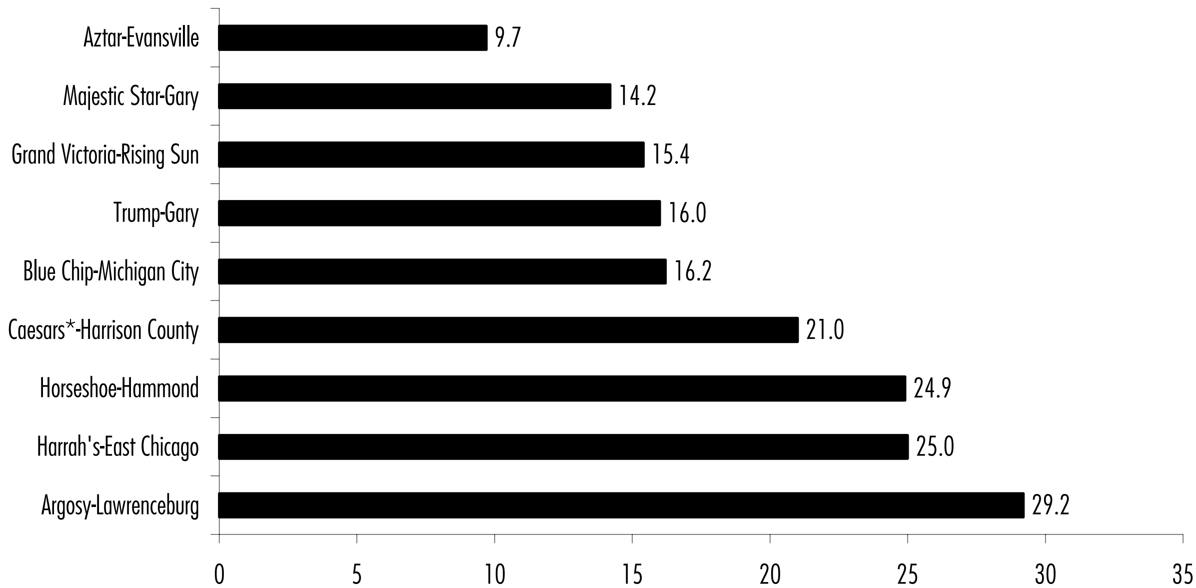
Gaming Activity and Tourism in Indiana

Riverboats in Indiana are not required to meet any specific levels of gaming activity when granted a license. However, one argument and statutory criteria for legalizing riverboats in the state was that the projects would become tourist destinations and local business would benefit from the influx of visitors who would consume goods and services at the local establishments as well as at the riverboat. As with any economic development prospect, the goal for each riverboat project was to draw tourists that would not have otherwise visited the area.

There were a total of 35.9 million admissions to Indiana casinos in 2002. Together, Indiana riverboats collected over $2 billion. Total attendance the first 4 ½ years of operation[3] was 172 million, an average of over 19 million attendees per boat. Casinos collected over $7 billion in casino revenues, averaging almost $800 million each. Figures 3 and 4 illustrate that attendance and gross gaming receipts vary widely between riverboats. Much of the difference in attendance is likely due to the amount of nearby casino competition and the distance patrons travel to gamble. Argosy in Lawrenceburg had the highest attendance and revenues of any individual riverboat probably because it is the riverboat closest to the Cincinnati market. Grand Victoria in Rising Sun also serves the Cincinnati area but is farther away, leading to relatively lower attendance and revenues. The Lake County boats, near the Chicago market, also had high attendance, although not as high as they might have had if they did not have competition in Illinois. In contrast, Aztar in Evansville, with the closest population center in Louisville (112 miles away and served by Caesars in Harrison County) had the lowest attendance.

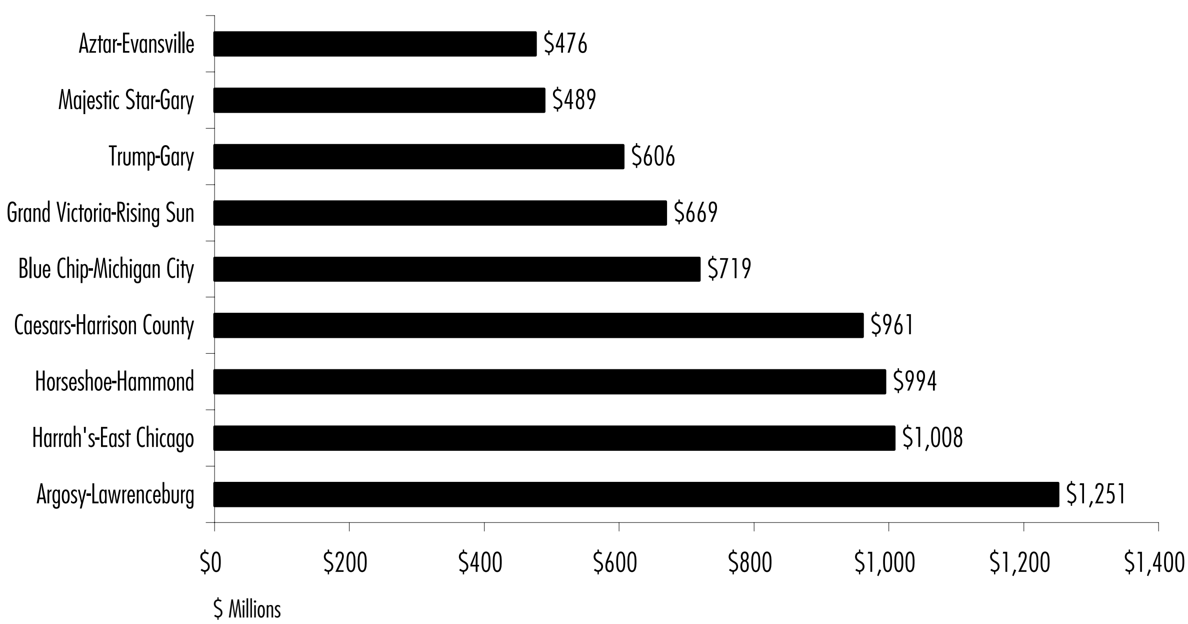
[3] As previously noted, the first 4 ½ years of operation for all riverboats clearly did not run concurrently, but the totals for these time periods for each riverboat are combined for analysis and discussion.

Figure 3: Attendance at Indiana Riverboat Casinos During First 4½ Years of Operation



*reflects flexible boarding attendance since August 2002

Figure 4: Gross Gaming Receipts at Indiana Riverboat Casinos During First 4½ Years of Operation



Tourism Impact

With the cooperation of the riverboat companies, the Center conducted face-to-face interviews with riverboat patrons over a four-day period in each riverboat pavilion as part of the five-year renewal process. As Table 5 illustrates, during each four-day interviewing period, the number of patrons surveyed ranged from 109 to 262.[4] A total of 1,443 interviews were completed. Indiana residents were 39 percent of the riverboat patrons surveyed, but the percentages vary, from only one-quarter coming from Indiana to more than one-half coming from Indiana. Indiana legislation requires that the riverboats currently licensed locate on Lake Michigan or the Ohio River. This placed most of the riverboats near population centers in other states (Chicago, Cincinnati, and Louisville). The exceptions to this are Evansville and Michigan City, both of which get more than half of their patrons from Indiana.

Table 5: Percent of Indiana Residents Surveyed

Riverboat	City/County	Sample Size	Percentage from Indiana
Argosy	Lawrenceburg	109	26%
Horseshoe	Hammond	139	27%
Harrah's	East Chicago	179	28%
Caesars	Harrison County	187	31%
Grand Victoria	Rising Sun	116	36%
Trump/Majestic*	Gary	262	42%
Blue Chip	Michigan City	234	51%
Aztar	Evansville	217	57%
All Riverboats		**1,443**	**39%**

* Majestic Star and Trump share the same pavilion. Interviews were completed in the pavilion.

Table 6 illustrates the importance of nearby population centers on patronage at Indiana riverboats. As shown, distance traveled to each riverboat varies. However, distance traveled by interviewed patrons corresponds with distance to selected population centers. On average, the interviewed patrons traveled 76 miles to gamble at Indiana casinos. The average distance to selected populations centers is 84 miles. Note that only two of the listed population centers are located in Indiana.

[4] While not a statistically representative sample, survey responses were consistent across riverboats and provide enough information to draw some conclusions about the attitudes of patrons toward the Indiana gaming operations.

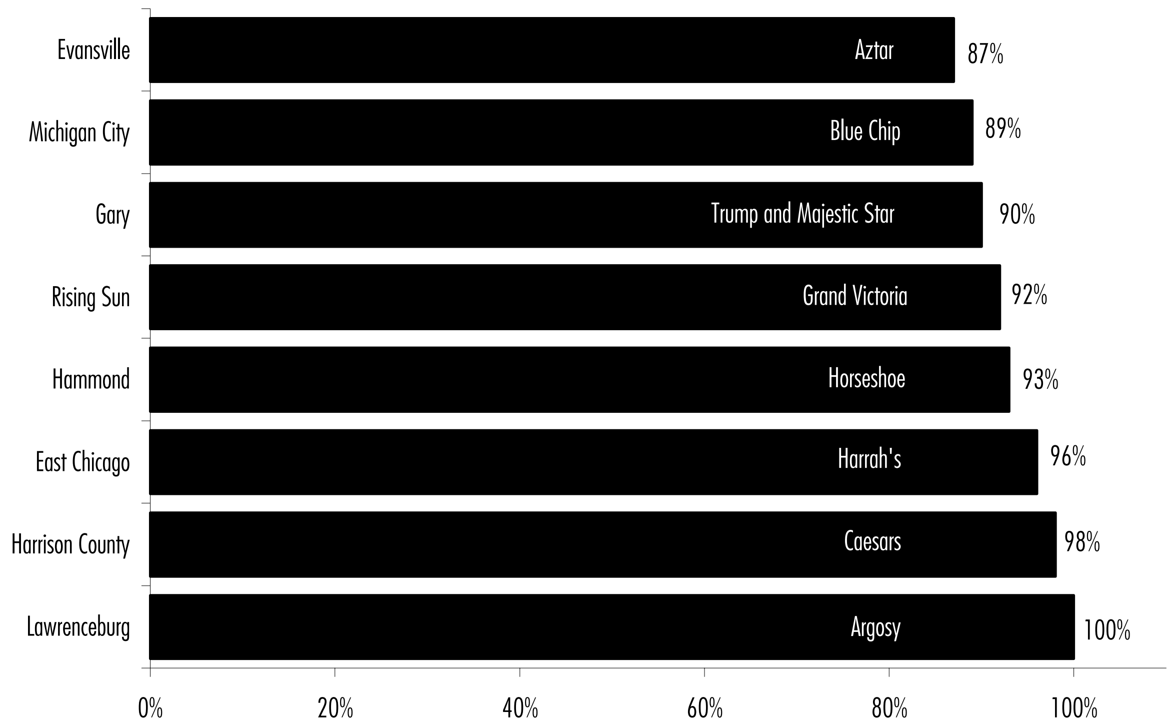
Table 6: Average Distance Traveled by Survey Respondents and to Population Centers

Riverboat	City/County	Average Distance Traveled	Distance to Selected Nearby Population Centers	Average Distance to Selected Population Centers*
Grand Victoria	Rising Sun	118	Cincinnati, OH (38) Dayton, OH (84) Louisville, KY (72) Indianapolis, IN (102) Lexington, KY (106)	101
Aztar	Evansville	111	Louisville, KY (112) St. Louis, MO (161) Indianapolis, IN (180) Nashville, TN (139)	148
Blue Chip	Michigan City	97	South Bend, IN (34) Chicago, IL (45) Kalamazoo, MI (75) Grand Rapids, MI (104) Lansing, MI (137)	79
Argosy	Lawrenceburg	86	Cincinnati, OH (24) Dayton, OH (70) Louisville, KY (85) Indianapolis, IN (90) Lexington, KY (92)	90
Caesars	Harrison County	67	Louisville, KY (18) Lexington, KY (94) Cincinnati, OH (116) Indianapolis, IN (125) Nashville, TN (190)	109
Trump/Majestic**	Gary	62	Chicago, IL (18) South Bend, IN (60)	39
Harrah's	East Chicago	36	Chicago, IL (12) South Bend, IN (63)	38
Horseshoe	Hammond	34	Chicago, IL (12) South Bend, IN (65)	39
All Riverboats		76		84

*Average distances are not weighted.
** Majestic Star and Trump share the same pavilion. Interviews were completed in the pavilion.

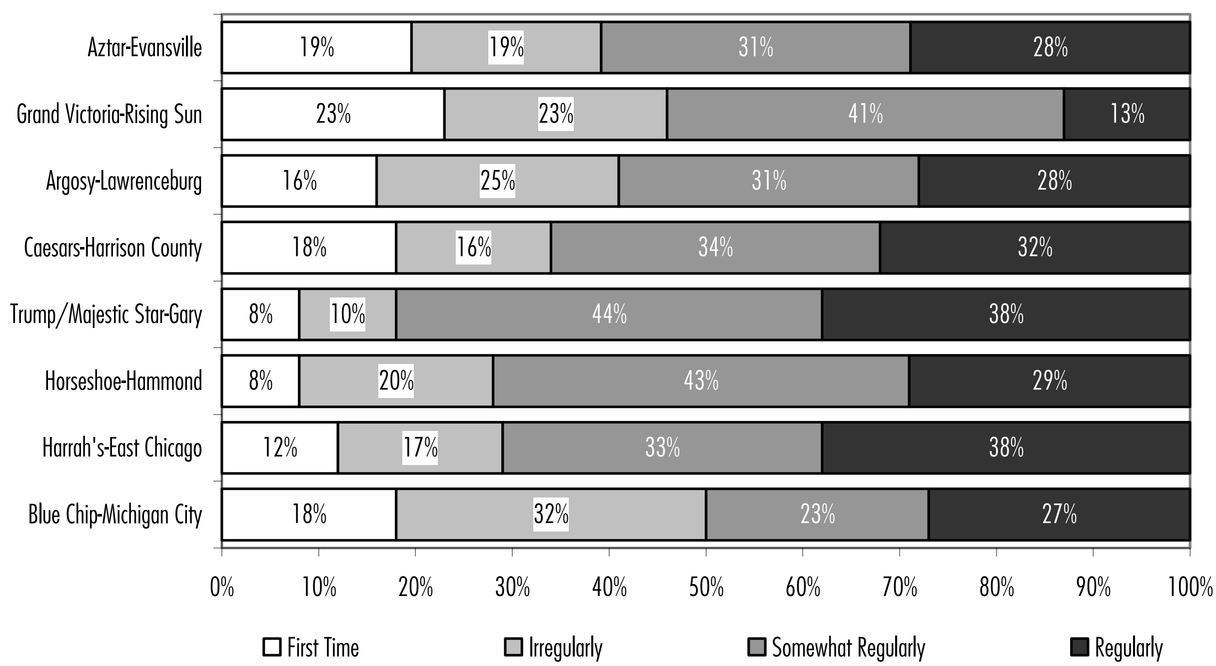
To suggest that riverboat casinos increase tourism in local areas is another way of saying that the riverboat will draw people that would not have otherwise visited the area. To test that assumption, we asked patrons to provide the main reason for traveling to the community in which the riverboat was docked. Figure 5 shows that respondents consistently reported that their primary reason for visiting Indiana riverboat communities was for the riverboat itself. Ninety-two percent of the interviewed Indiana riverboat patrons reported that gambling was the primary reason they visited the community, ranging from 87 percent (Evansville) to 100 percent (Lawrenceburg) among the communities. Michigan City, known for amenities such as the Dunes State Park and outlet malls was the closest example of a casino mixing with other local tourist attractions. Other reasons for visiting riverboat communities included visiting relatives, business, or vacationing.

Figure 5: Gambling was Primary Reason for Visiting Community



We also asked the survey respondents at each location how often they visited that particular riverboat. Specifically, we asked each respondent to what degree he or she regularly visits the riverboat. This does not measure total annual visits, but rather is a self-report of regularity of visits to the riverboat. While the respondents' level of gaming participation varied somewhat among locations, consistently, most Indiana riverboat patrons are regular or somewhat regular visitors (Figure 6). Sixty-five percent of all respondents indicated that they visited the riverboat on which they were interviewed at least once every couple months.

Figure 6: Regularity of Patron Visits to Indiana Riverboats



First Time Visitor
- Visiting specific riverboat for the first time

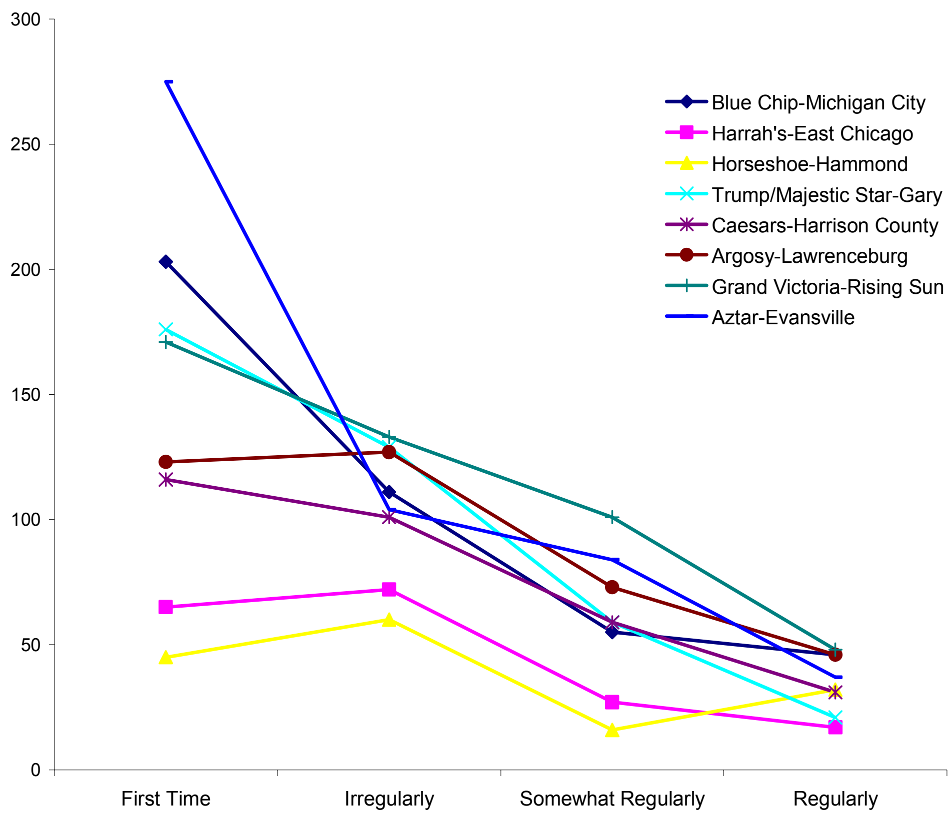
Irregular Visitor
- Visit specific riverboat less than once a year
- Visit specific riverboat one or two times a year

Somewhat Regular Visitor
- Visit specific riverboat every couple months
- Visit specific riverboat once a month

Regular Visitor
- Visit specific riverboat once a week
- Visit specific riverboat two to three times a week
- Visit specific riverboat everyday

Figure 7 compares the average estimated distance traveled to visit Indiana riverboats by the regularity of visits. While the actual miles traveled vary for the same reasons mentioned previously (primary location), the pattern is nearly the same among riverboats. The patrons who visit the riverboat more frequently are more likely to live closer to the riverboat.

Figure 7: Average Miles Traveled by Regularity of Visits



As stated previously, 92 percent of patrons surveyed were visiting the homeport community specifically for the riverboat. In addition, we asked each patron how long he or she planned to stay in the riverboat community during the visit. Table 7 shows that most riverboat patrons stayed in the community for less than eight hours. Consistent among the riverboat communities, the interviewed Indiana riverboat patrons who stayed longer than eight hours were more likely to have traveled from farther away. This is an important point given that patrons who stay longer are more likely to spend additional money in the community, beyond what they spent at the riverboat.

Table 7: Time Spent by Miles Traveled to Riverboat Community

		Average Miles Traveled	
City/County	Proportion of respondents who stayed less than 8 hours	Stayed Less than 8 hours	Stayed more than 8 hours
Evansville	89%	93	240
Rising Sun	81%	85	191
Lawrenceburg	79%	76	127
Harrison County	81%	61	92
Gary	87%	51	149
Hammond	98%	34	N/A
East Chicago	87%	29	80
Michigan City	83%	91	127

Each interviewed patron was asked if he or she had visited or planned on visiting any other attractions in the immediate community. Patrons rarely visited other attractions or spent additional money in the local community. Most respondents that indicated they planned to spend money, other than that which they planned on gambling (or had gambled), spent it (or planned on spending it) in the riverboat pavilion.[5] Money spent outside the riverboat and pavilion varied.[6] However, consistent among most of the riverboats, patrons attracted to the riverboat from farther away were more likely to spend money in the local community.

[5] Each Indiana riverboat has a pavilion. A pavilion is building connected to the riverboat docking area that provides tickets and includes businesses such as eateries, pubs, and souvenir shops.

[6] A common response in the northwest region from Illinois patrons was that they planned to buy gasoline and cigarettes. This, however, is common for Illinois residents when they cross the Indiana border, no matter whether or not they visit the riverboat.

Employment Impact

In testimony given to the Indiana Gambling Impact Study Commission in 1999, proponents of legal gaming asserted that gaming-related employment offers the chronically unemployed and under-employed an opportunity to establish a work record and skill set that may lead to even greater economic opportunity. Those who oppose legal gambling questioned the validity for this assertion and claimed that gambling-related jobs are often dead-end positions, plagued by high turnover rates. As part of the five-year analysis, we asked current casino employees to complete a survey of their past and current work history, including questions about the learning and skill-building opportunities presented to them.

As figures 8 and 9 illustrate, employment levels vary considerably among riverboats, but all of them employ more than 1,000 people and represent at least one percent of the labor force in the home port county. Total employment in the fifth year of operation ranged from 1,153 employees at Blue Chip (Michigan City) to 2,198 at Caesars (Harrison County).

The percentages presented in Figure 9 represent the total number of riverboat employees in a county as a proportion of the total labor force in that county in 2000. For example, in Ohio County, the number of riverboat employees is 70 percent of the total labor force (people working and available to work) in that county. Some of the people included in the total labor force figure work outside Ohio County, and some riverboat employees are from outside the county. A total of 28 percent of Grand Victoria's employees were from Ohio County. Thirteen percent of the labor force in Ohio County work at the riverboat.

Figure 8: Employment at Indiana Riverboat Casinos in Fifth Year of License

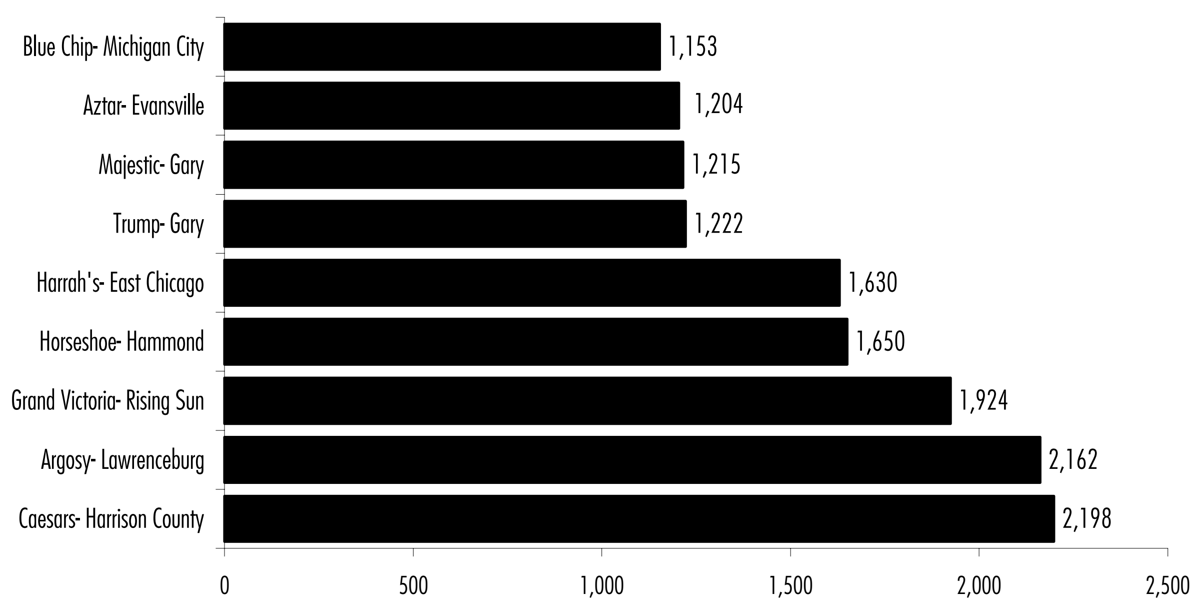
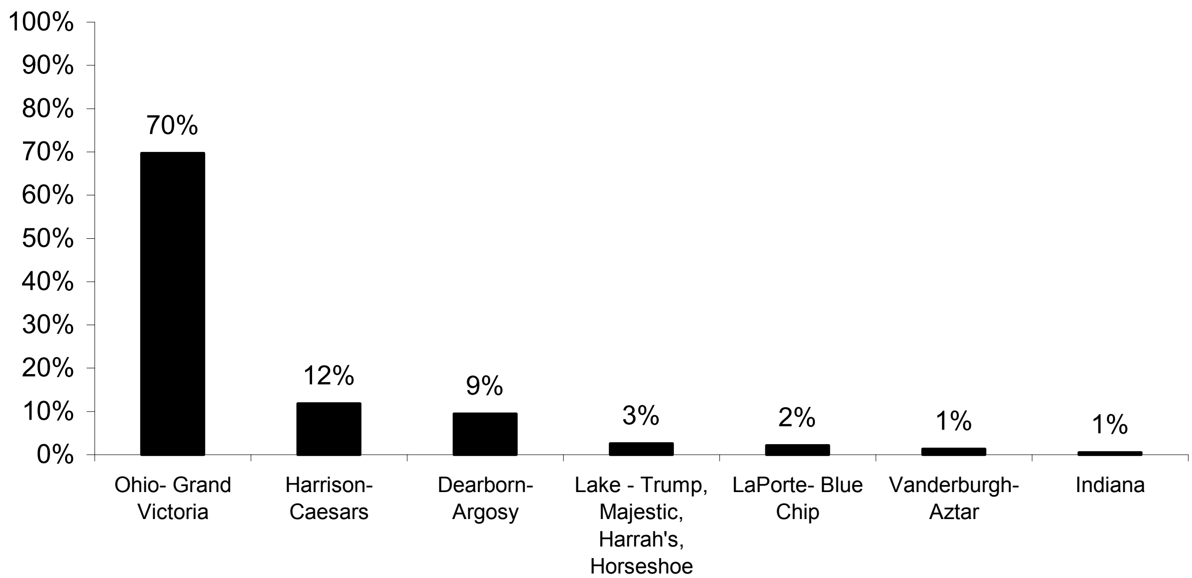
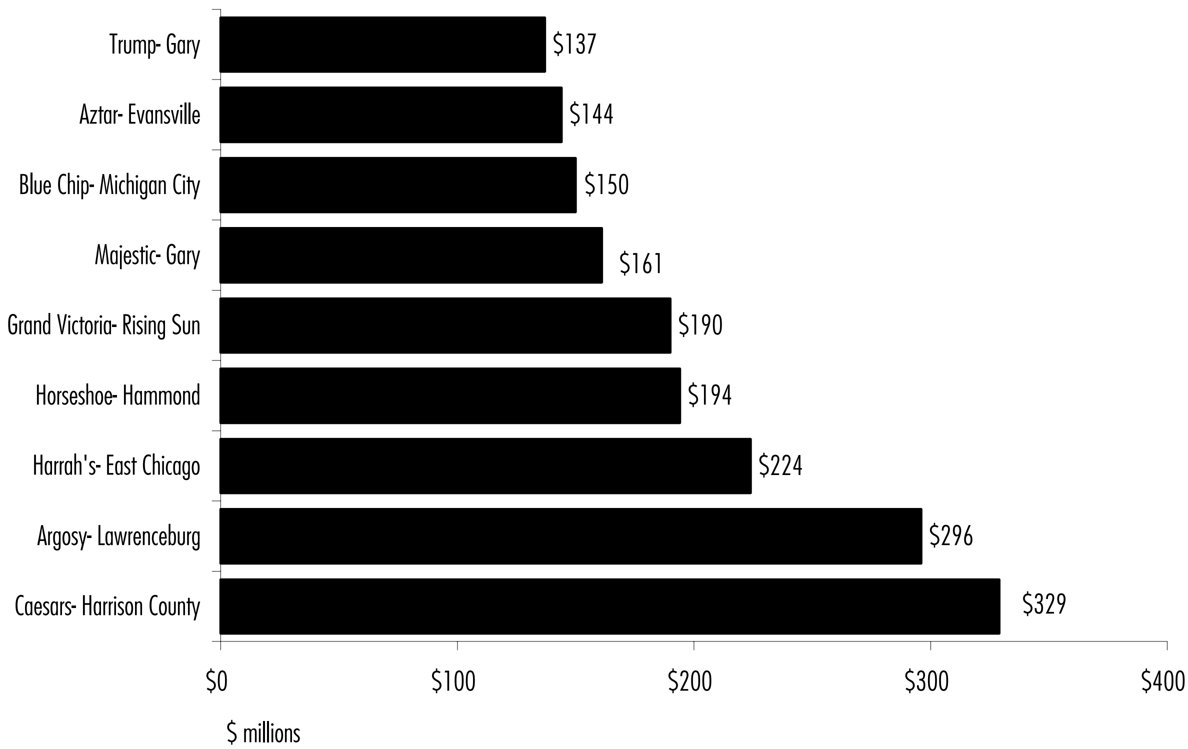


Figure 9: Casino Employment as Percentage of Total Labor Force in County



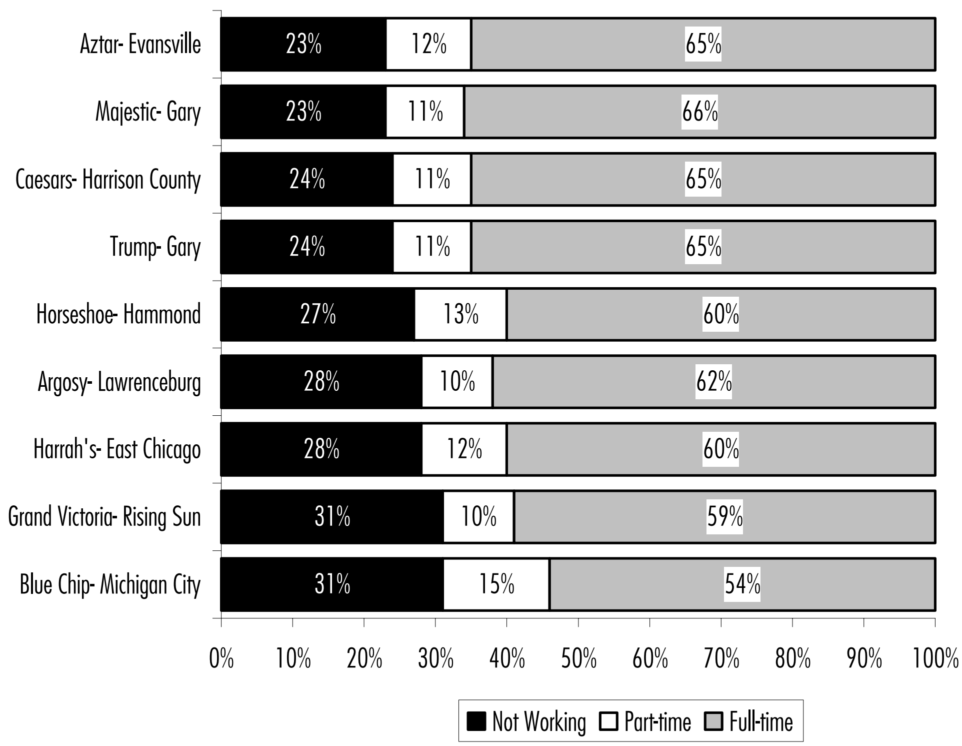
As Figure 10 illustrates, total wages also vary considerably. Total wages over the first 4 ½ years of operation ranged from $137 million for Trump to $329 million for Caesars.

Figure 10: Total Wages, Tips, and Benefits at Indiana Riverboat Casinos During First 4½ Years of Operation



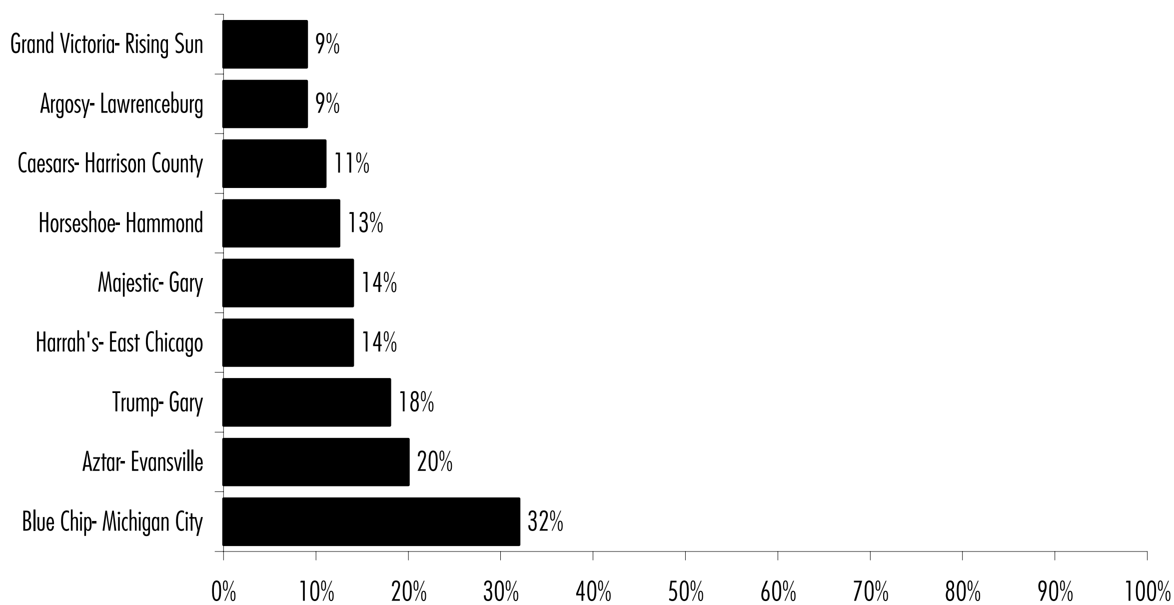
One reason Indiana statute authorized riverboat casinos in economically distressed areas was to stimulate the economy and employ local workers. As Figure 11 illustrates, more than half of the employees hired by the riverboat casinos were already working full-time when they were hired.

Figure 11: Employment Status of Indiana Riverboat Casino Employees When Hired



While the data on wages and employment show that Indiana riverboat casinos are employing a large number of people, training and skill enhancements are key factors to continued growth and career opportunities. General education training, paid for by tuition reimbursement, is not required by the Indiana Gaming Commission, although it is encouraged. Figure 12 shows that at some riverboats, fewer than ten percent of employees are accessing skill-building opportunities beyond those directly related to their duties at the riverboat, while at others almost one-third of employees are receiving this training.

Figure 12: Percent of Employees at Indiana Riverboat Casinos Receiving General Education Training



Fiscal Impact

In addition to gaming-related taxes, the riverboat casinos also generate traditional local tax revenues, principally property taxes on the boat and on other facilities. The presence of the casino and its patrons creates additional costs for local government. For example, the boat and the accompanying change in traffic patterns and volume may require new infrastructure or more frequent maintenance and increased traffic control costs. The influx of new visitors may require additional public safety expenditures. Riverboat casino employees may choose to relocate within the community and pay new taxes (principally property) and demand new infrastructure and services, including police protection and schools. The fiscal impact of a riverboat casino is determined by comparing the additional tax revenues attributable to the casino to the service and infrastructure costs. If added revenue exceeds cost, the fiscal impact is said to be positive. If the added revenues fall short of costs, the fiscal impact is negative.

The fiscal impacts of each riverboat were evaluated in the five-year reports, and are summarized below. In all local governments in Indiana, the additional costs have been negligible compared to revenue and the fiscal impact has been determined to be overwhelmingly positive. In addition to tax revenues, riverboat casinos can impact the local area through incentives they pay, contributions, and local purchases.

Tax Revenue

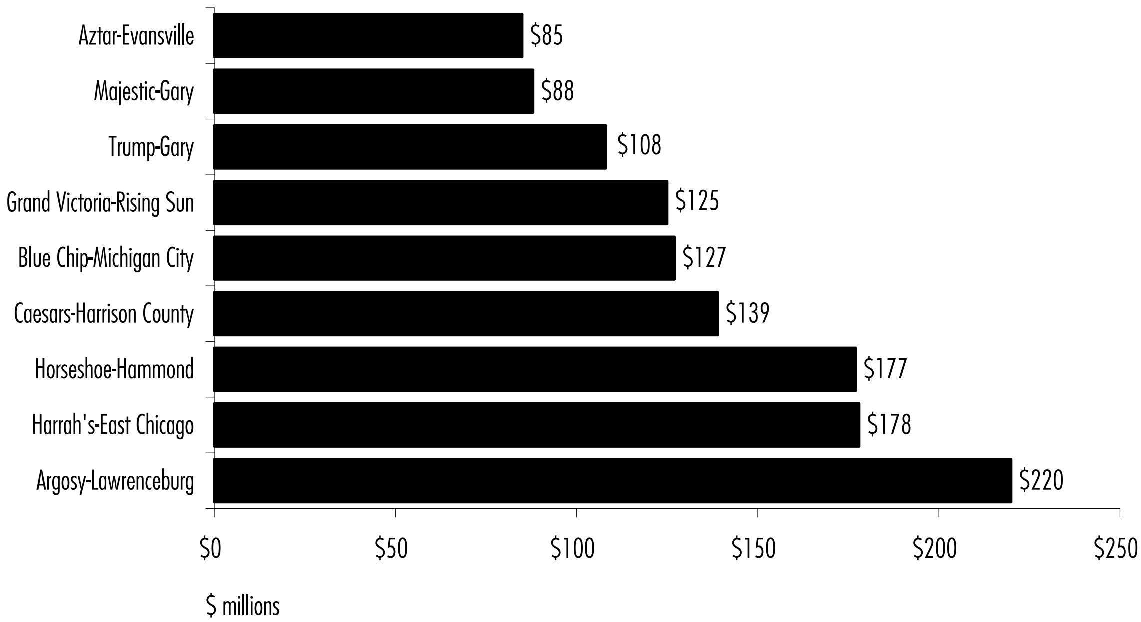
In the original authorizing legislation, there were two sources of direct gaming revenue: the gaming tax, which was 20 percent of gross revenues, and the admission tax, a total of $3 per admission. The city (or county where there is no city) received one-quarter of the gaming tax and $1 per admission. The county also received $1 per admission. In addition, another dollar is collected that is split several ways by the state. There are other revenues that are collected as a result of the gaming facility being located in the community—property taxes, sales taxes, and food and beverage taxes. The Indiana General Assembly made several changes that affected the taxation of riverboat admissions and wagering receipts in its June 2002 special session:

- It allowed riverboats to adopt flexible boarding, also known as dockside gaming, rather than requiring two-hour excursions throughout the day.
- It adopted new, higher graduated tax rates for the wagering tax.
- It capped the revenue that host cities and towns could receive from the wagering tax, at the amount received during the state's fiscal year 2001-02.
- It put a floor on the revenue that host cities, towns, and counties could receive from the admissions tax, at the amount received during the state's fiscal year 2001-02.
- It designated the first $33 million in wagering taxes collected in each state fiscal year for distribution to non-riverboat counties, cities, and towns.

All of the data reported here are based on the original taxation scheme, except for a portion of Caesar's revenues.

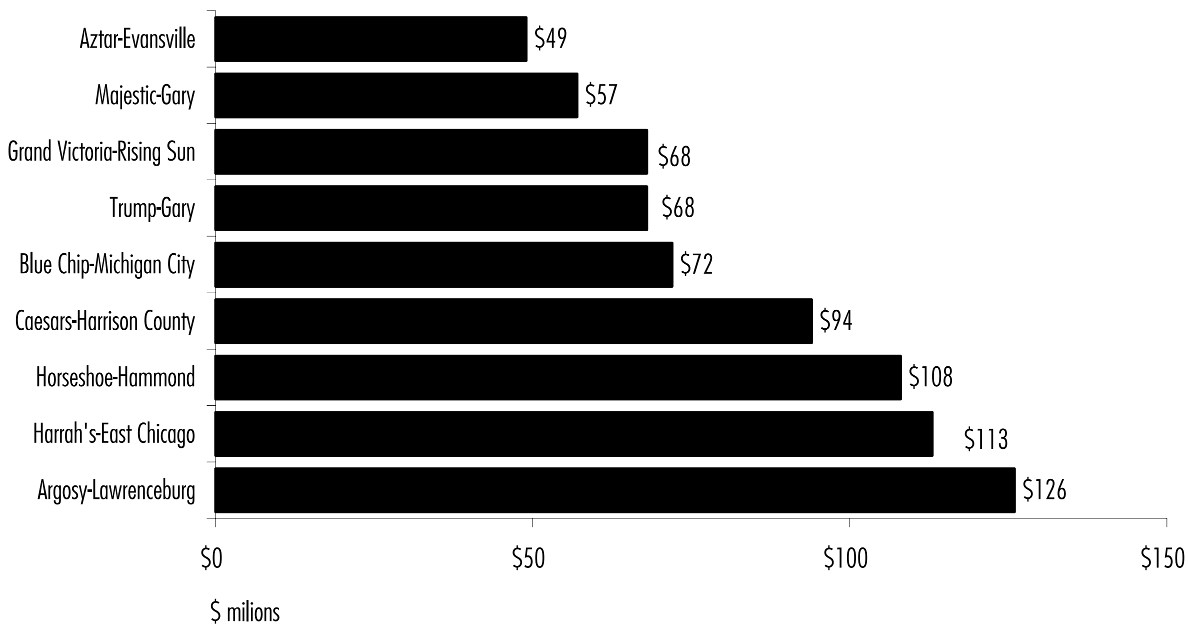
Riverboat casinos have paid $1.3 billion in direct taxes to the state of Indiana. Most of the state revenue is generated from the wagering tax ($1.1 billion). The rest of the state's revenue is generated from the admissions tax ($171 million) and sales and use tax ($24 million). As Figure 13 illustrates, the amount paid ranges from $85 million (Aztar) to $220 million (Argosy).

Figure 13: State Direct Tax Revenue from Indiana Riverboat Casinos During First 4½ Years of Operation



Riverboat casinos have paid $661 million in direct taxes to local governments in Indiana. Slightly less than half of the local revenue is generated from the wagering tax ($312 million). The rest of the local revenue is generated from the admissions tax ($301 million) paid to the city and county and property taxes ($48 million). As shown in Figure 14, the total local direct tax revenue ranges from $49 million (Aztar) to $126 million (Argosy).

Figure 14: Local Direct Tax Revenue from Indiana Riverboat Casinos During First 4½ Years of Operation



As Table 8 illustrates, while all communities with a riverboat are receiving substantial tax revenues, some smaller communities (Lawrenceburg and Rising Sun) are receiving tax revenues at a level (several thousand a year per capita) to make a real difference in their community. For example, Rising Sun, which did not previously have a doctor in the community, was able to build and staff a community health center after the riverboat began operation. In Lawrenceburg, in addition to improving roads, they built new fire stations and senior citizen housing, bought police and fire vehicles, computers for schools and government, and provided job training and services for youth.

Table 8: Per Capita Gaming-Related Tax Revenues to Local Governments

Riverboat Location*	Population of Location	Riverboat Tax Revenue to Location (First 4 ½ years)	Per Capita First 4 ½ Years	Average per year
Aztar-Evansville	121,582	$39,255,700	$323	$72
Argosy-Lawrenceburg	4,685	$96,893,892	$20,682	$4,596
Caesars-Harrison County	35,244	$94,062,427	$2,669	$593
Trump/Majestic Star-Gary	102,746	$94,643,590	$921	$205
Horseshoe-Hammond	83,048	$83,178,970	$1,002	$223
Grand Victoria- Rising Sun	2,470	$68,452,581	$27,714	$6,159
Harrah's-East Chicago	32,414	$87,858,836	$2,711	$602
Blue Chip-Michigan City	32,900	$55,473,825	$1,686	$375

*"Location" indicates the local government in which the riverboat is sited and which receives gaming-related tax revenue. County gaming revenue is not included in this table, except for Harrison County, because Harrison County is the only recipient of local gaming revenue.

In each community that has a riverboat license, the applicants included incentives to the local government as part of their application. These incentives ranged from an additional percentage of revenues going straight to the local government; capital expenditures, such as road improvement or sewage lines; or revenue contributed to a community foundation or other local nonprofit. The largest impact of the casino riverboats in the local area (outside of taxes) has been through incentive payments, a total of $424 million. These payments were the result of agreements that were made with the city or county as part of their application process. As figures 15 and 16 illustrate, the level of incentive payments vary considerably from community to community, from $15 million (Majestic and Blue Chip) to $114 million (Argosy). The payments also vary considerably as a percent of gross gaming receipts from a low of 2.1 percent (Blue Chip) to a high of 9.9 percent (Horseshoe).

Figure 15: Incentive Payments Made by Indiana Riverboat Casinos During First 4½ Year of Operation

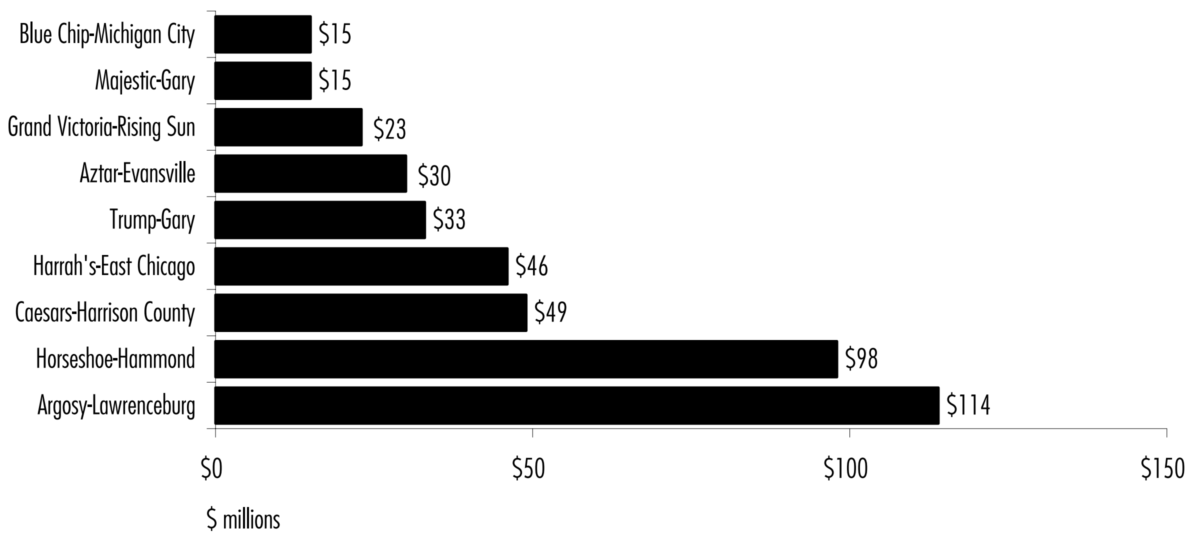
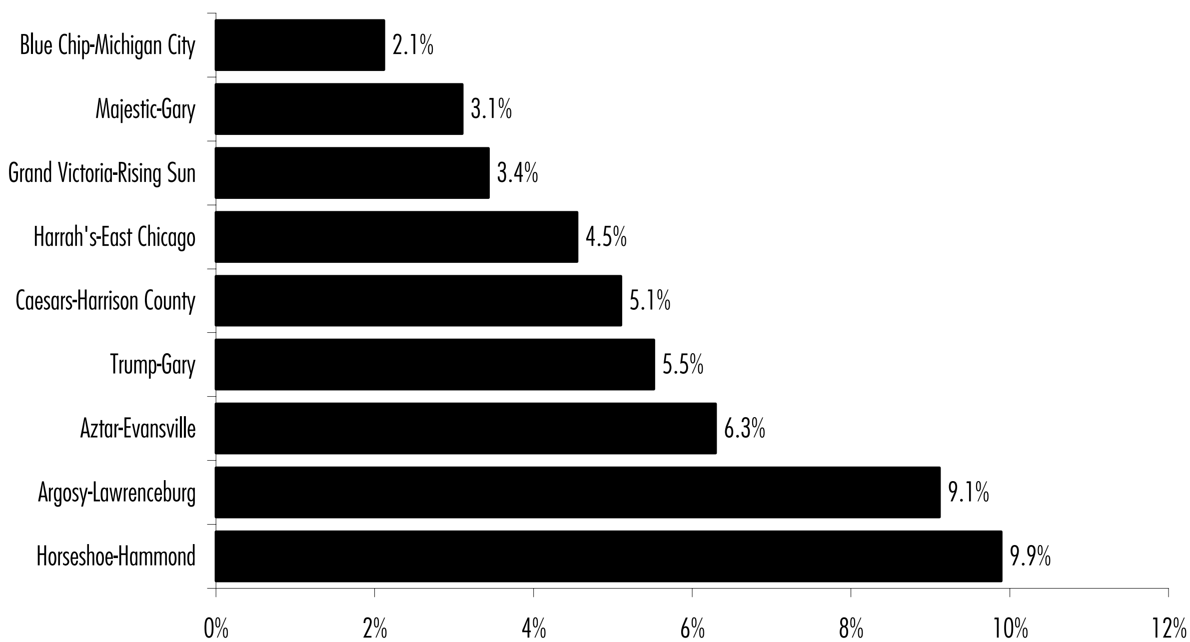
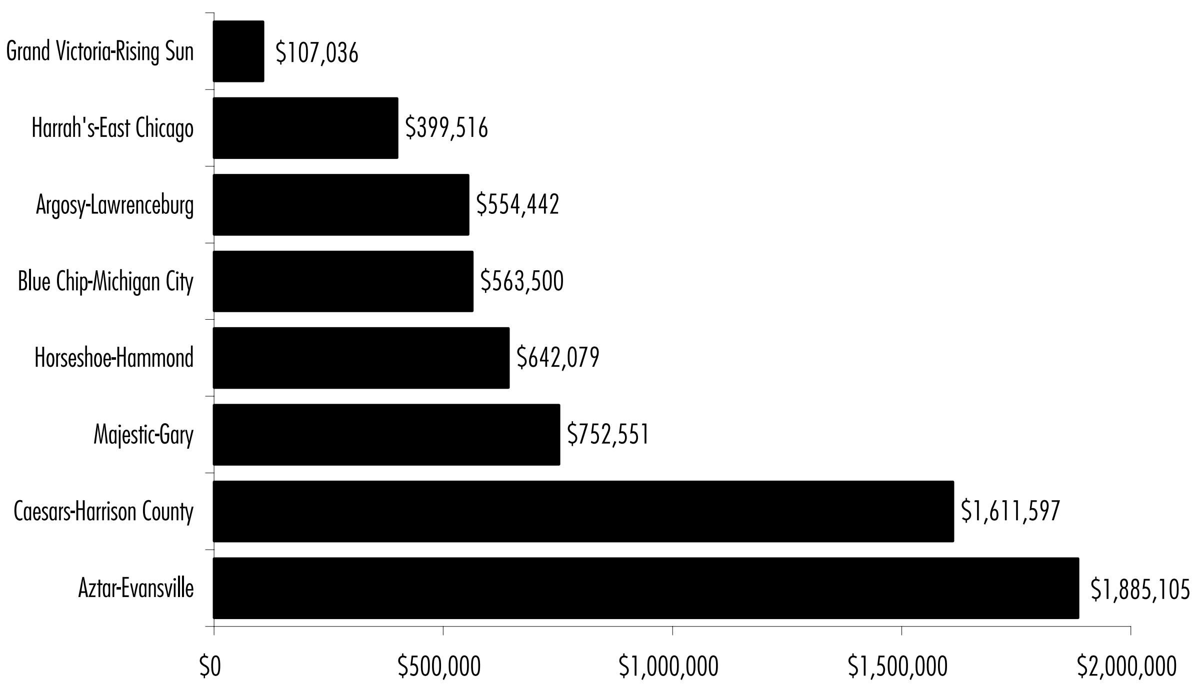


Figure 16: Incentives as a Percent of Gross Gaming Receipts During First 4½ Years of Operation



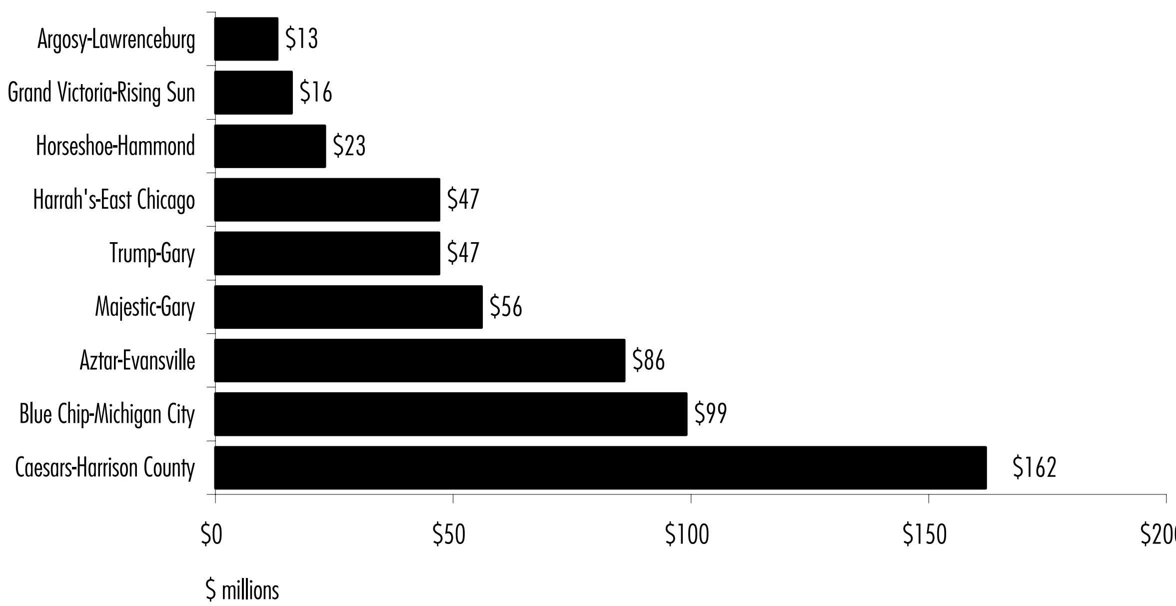
In addition to incentives agreed upon by the community and the riverboats as a part of the initial agreement, the riverboats also contributed to local charities and sponsored local events. Figure 17 compares the charitable contributions and sponsorships of the casinos. It is interesting to note that Aztar, with the lowest amount of gross gaming receipts, and a high level of local incentive payments, had the highest amount of charitable contributions. Caesars, with the highest level of gross gaming receipts, had the second highest level, more than twice the third highest, Majestic.

Figure 17: Charitable Contributions and Sponsorships of Indiana Riverboat Casinos During First 4½ Years of Operation



In addition to taxes and incentive payments, riverboat casinos local spending (spending in port county and surrounding counties) can have a positive impact on the community. Spending locally on items like supplies and services by the riverboat casinos adds up to a considerable amount of money $549 million. Figure 18 shows that local spending by the riverboats ranged from $13 million (Argosy) to $162 million (Caesars). Interestingly, Blue Chip (with the lowest incentive payments) had the second highest level of local spending, $99.2 million, while Argosy (with the highest dollar value of incentive payments) had the lowest level of local spending, $13 million.

Figure 18: Local Spending by Indiana Riverboat Casinos During First 4½ Years of Operation



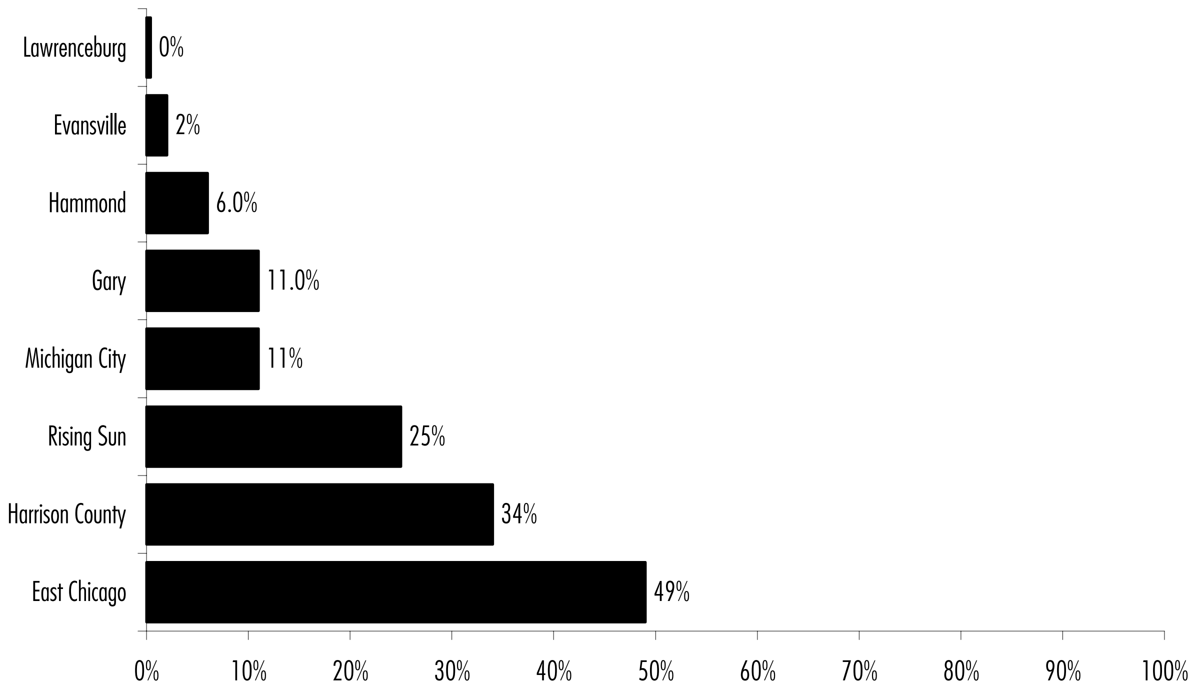
Economic Benefits of Tax Revenues and Incentives

While there is much discussion and controversy regarding the economic benefits of the gaming industry to a community, little attention has been focused on the community economic benefits generated by spending the local tax dollars and incentive payments generated through the gaming industry. The Indiana Gambling Impact Study Commission found that those who support legalized gaming claim economic benefits such as new jobs at the casino, millions of dollars of private investment for gaming facilities, accompanied by spin-off benefits generated by visitors to and suppliers of the facilities. Those who question the economic benefits generated by the gaming industry claim that much of the spending is done by local residents and represents redirected rather than new dollars for the local economy. Opponents also claim that profits are exported to the corporate headquarters of the local casino and that there is no evidence of new visitor spending beyond the gaming facility.

This debate ignores the economic contributions made by spending the tax revenues and incentives generated by gaming facilities for local government. The manner in which local governments choose to invest local gaming tax revenue and incentives has immediate and long-term impacts for the local economy. An immediate benefit occurs when these dollars are spent and the effect works its way through the local economy. The long-term benefit is determined by how well this spending contributes to the long-term economic competitiveness of the local economy.

There are many ways that local governments can invest the dollars generated by riverboat casinos. In general, they have focused on infrastructure, equipment, construction, landscaping and rehabilitation, not operations. Operations include salaries and services provided as well as scholarships. As Figure 19 illustrates, most local areas spent 11 percent or less of this revenue on operations. The lasting benefits of improved roads and facilities may outweigh the immediate benefits of operations. From the long-term perspective, the degree to which the investments contribute to the economic competitiveness of local firms, the local workforce, and the area's quality of life must be considered. It should be noted that in Harrison County, Rising Sun, and East Chicago, a portion of the funds are spent by local foundations, not the local government, and these foundations are much more likely to fund operations, including scholarships and youth programs.

Figure 19: Percent of Indiana Riverboat Casino Revenue Spent on Operations By Locality



Conclusion

Indiana has ten casinos, one of the fewest in the country. However, among the 11 states with commercial state-regulated gambling, in terms of revenue per casino, Indiana is only behind Michigan and New Jersey. Indiana taxes casinos at a relatively high rate compared to other states, 26 percent of total casino revenue.

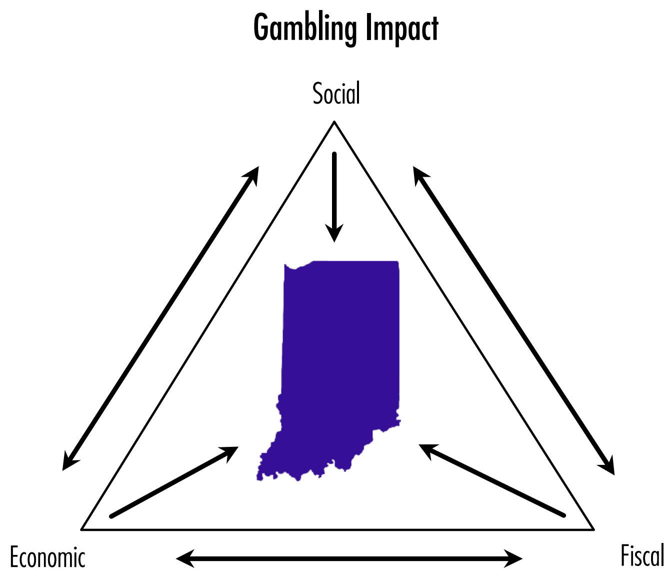
The patrons of Indiana's casinos come from outside the state, except for two locations that are not close to population centers of neighboring states (Evansville and Michigan City). Patrons who visit frequently are more likely to live closer to the boat. Most people visit the community to visit the riverboats but stay less than eight hours and do little else while they are there. While they may be classified as tourists by definition, they do not behave in a traditional tourist manner (staying in hotels, eating out, visiting several attractions, etc). This result could be because most of the cities where the riverboats were placed were not tourist attractions before the riverboat opened.

Employment averages 1,600 employees per community but the impact varies, ranging from one percent of the total local labor force to 70 percent. Approximately 40 percent of the workers hired by the riverboats had been working part-time or not at all when hired. Riverboat casinos have generated substantial amounts of tax revenue for state and local governments. In some communities the gaming-related tax revenue averages out to over $5,000 per person per year. In some communities the incentives total almost as much as the local tax revenues, with two casinos paying close to ten percent of their revenues in incentives. Indiana communities, in general, have made good use of the funds, with investments in the future of the community.

Overall, the riverboats have had positive economic and fiscal impacts on their communities. However, in addition to the economic and fiscal impacts, riverboat casino gaming also has social impacts. These are the most difficult to quantify. While not detailed here, in our individual reports on each riverboat, we discuss parts of this issue including the local impact on crime and traffic; and efforts to address compulsive gambling, such as voluntary restrictions, and employee training and education.

These tradeoffs among social, economic, and fiscal impacts may be depicted as the interconnected points of a triangle (Figure 20).[7] Change in any one of the three points, either an increase or decrease, will have impacts on the other two points, the state, its citizens, and institutions.

Figure 20: Tradeoffs of Legalized Gambling



For example, the likely consequence of an unaddressed increase in competition for gambling expenditures will be reduced revenues for the state of Indiana and some local governments, and a reduction in gambling-related employment and income. While all areas of the state will be affected by a reduction in gambling-related revenues and economic activity, those areas that have become the most dependent on gambling-related enterprises are the most likely to suffer negative economic impact. Similarly, if evidence of negative impacts of gambling should become compelling to policy makers, tighter regulations controlling gaming activities would have economic and fiscal impacts.

[7] *Report to the Governor: The Social, Fiscal, and Economic Impacts of Legalized Gambling in Indiana.* (December 1999) Indianapolis: Center for Urban Policy and the Environment.