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State Revenues From Gambling: Short-Term Relief, Long-Term Disappointment

30th National Conference on Problem Gambling

Tarrytown, NY

Lucy Dadayan,
Senior Policy Analyst
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Outline

- Gambling availability across the nation
- National trends in various sources of gambling revenue

  [Revenue is defined as tax and fee revenues transferred to the state and local government]

  - Lottery
  - Casinos
  - Racinos
- Review of selected state profiles
- Points for consideration for policymakers
  - Lessons from gambling revenues
  - Hard-to-measure variables for policy analysis

Gambling availability & expansion

Gambling Type	# of states	Period when gambling was adopted			
		Pre-1990	1991-2000	2001-2007	2008-2015
Lottery	44	32	5	5	2
Casinos/1	18 (+1)	4	7	2	4 (+NY)
Racinos	13	0	6	5	2
Pari-Mutuel	43				
Indian Casinos	28				

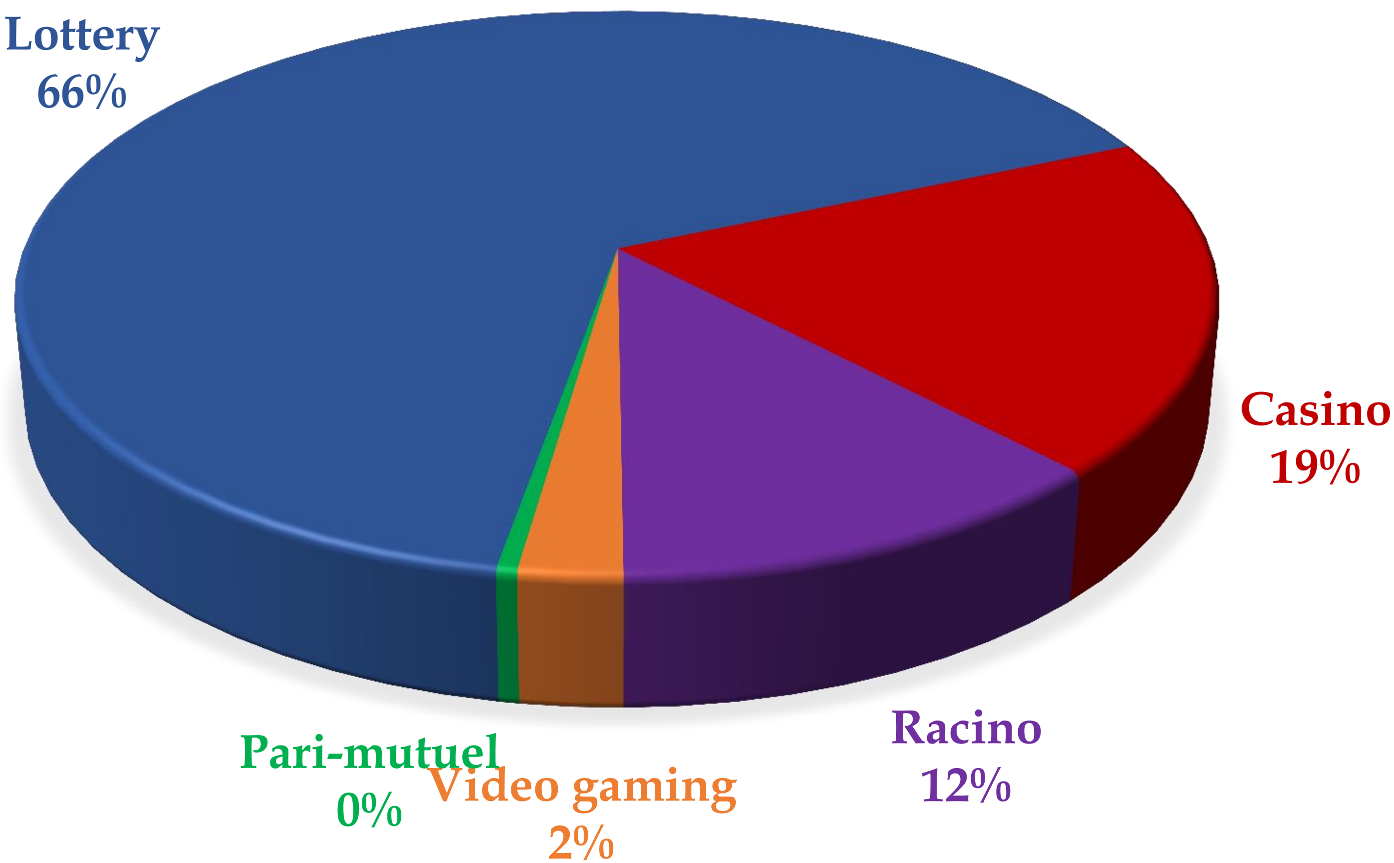
1/ NY also legalized casino operations but have not opened the first casinos yet. MA opened the first casino on June 24, 2015.

Why Do States Legalize & Expand Gambling?

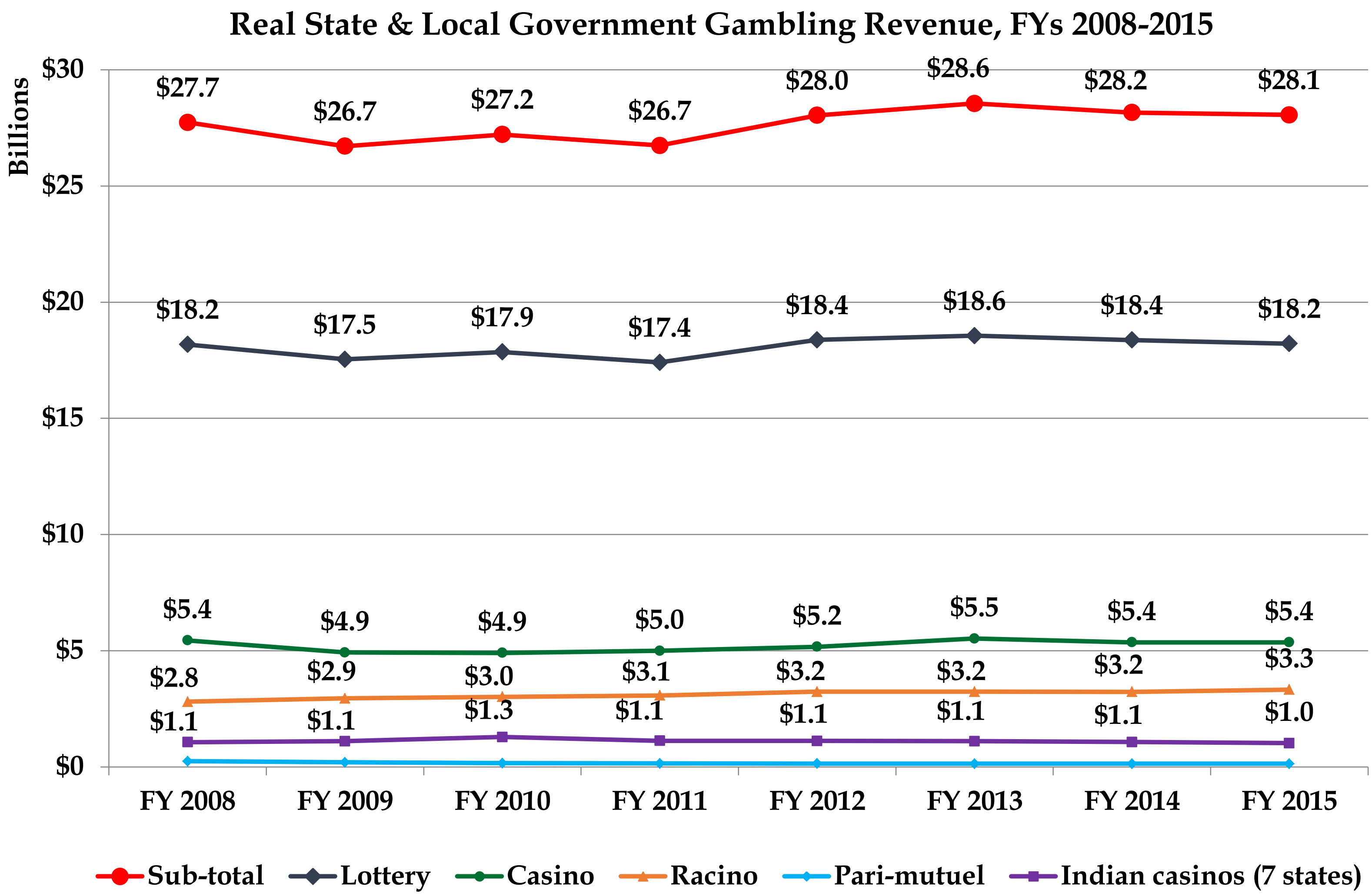
- Raise revenue in response to poor state fiscal conditions
- Stimulate economic development
- Alignment of political interests in support of gambling
- Counteract interstate competition for gambling revenue
- Attract tourism & keep gambling residents & tax dollars in-state

Lottery Still The Big Player in Gambling

Shares of Gambling Revenues, FY 2015



More Gambling, Not Much More Revenues Since The Great Recession (2015 dollars)

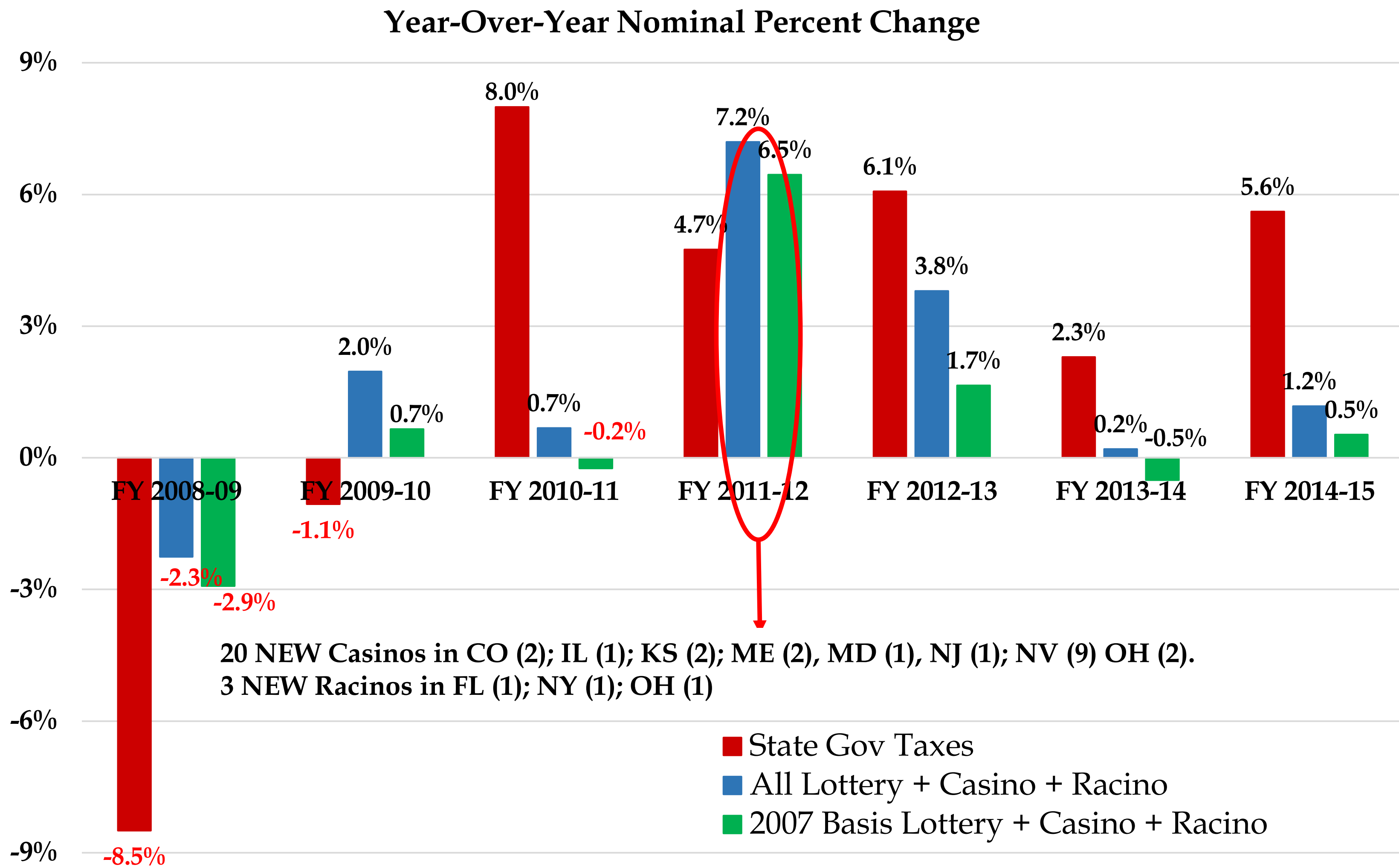


States' Revenue from Selected Sources, FY 2015

Rounded to billions of dollars

Gambling tax & fee revenues		Major sources of state government taxes	
Lottery	$18,218	PIT	$337,444
Casinos	$5,361	Sales tax	$284,598
Racinos	$3,326	CIT	$49,402
Video games	$672	Motor fuel tax	$43,849
Indian casinos	$135	Property tax	$15,046
Total gambling	**$27,714**	**Total Taxes**	**$911,953**

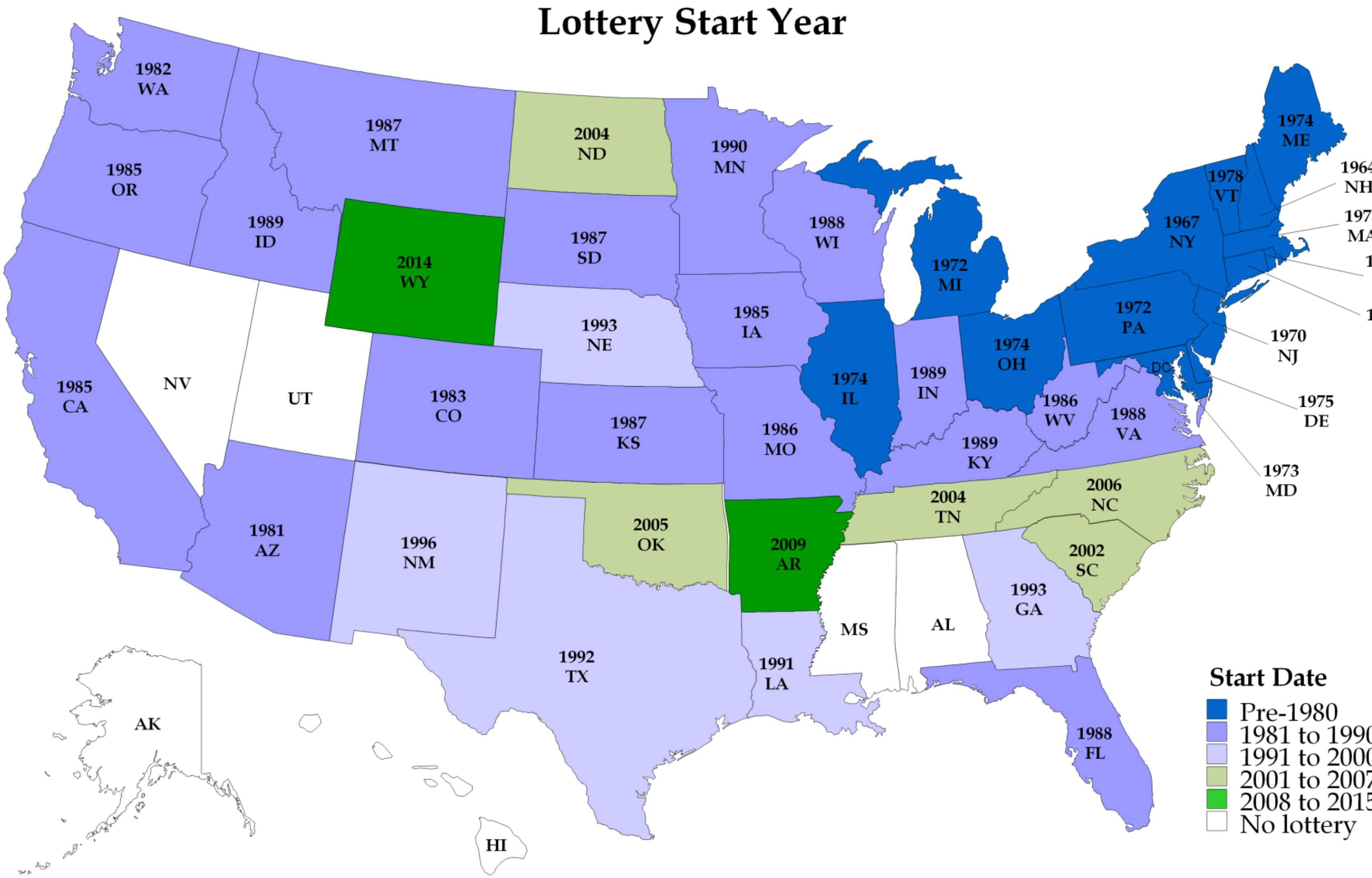
Nominal Growth in State Total Taxes vs. Gambling Revenues, FYs 2009-2015



Lottery excludes AR; Casinos exclude KS, ME, MD, OH, PA, WV; Racinos exclude IN, MD, OH.

Lotteries

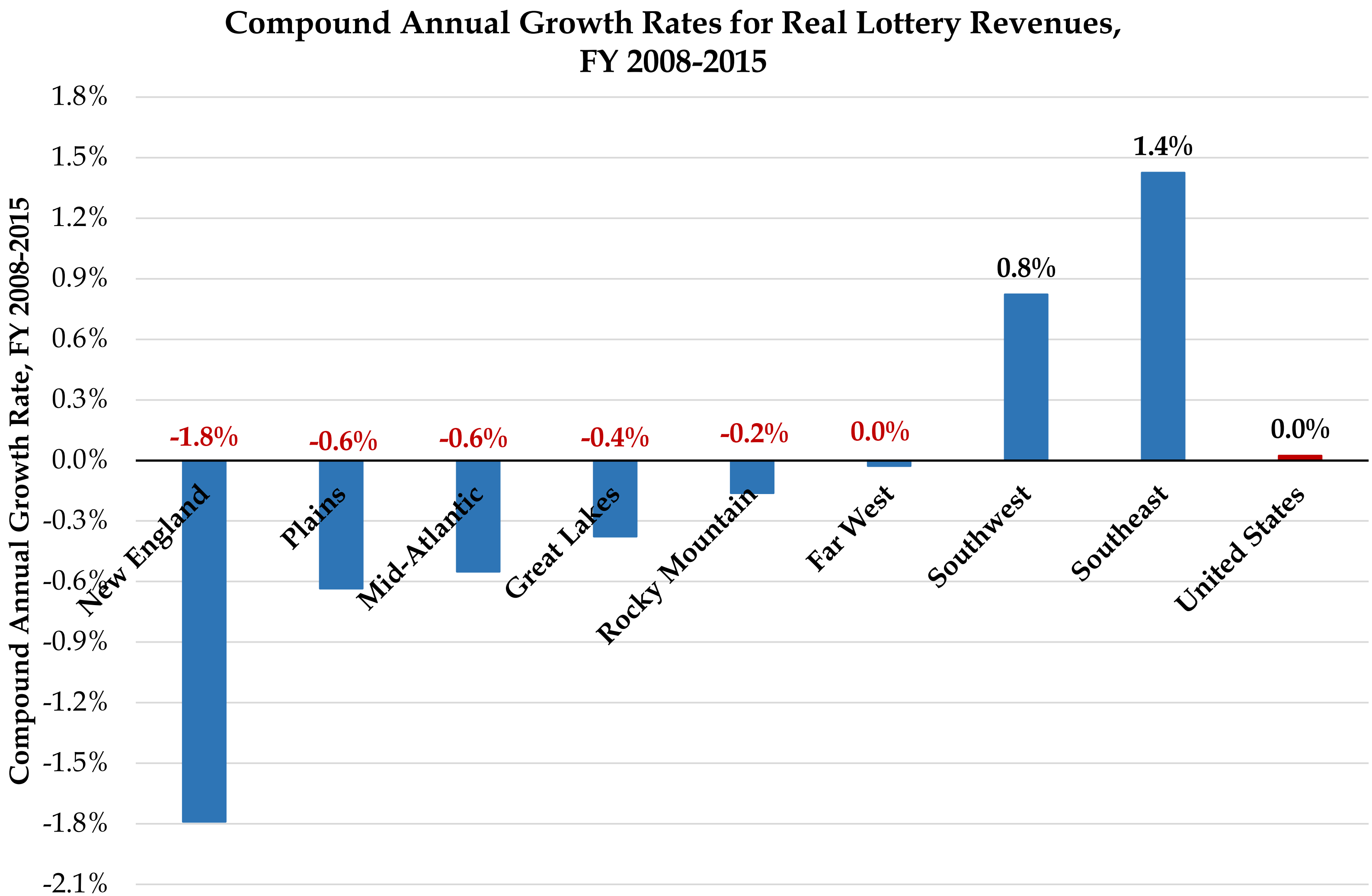
Lottery Timeline



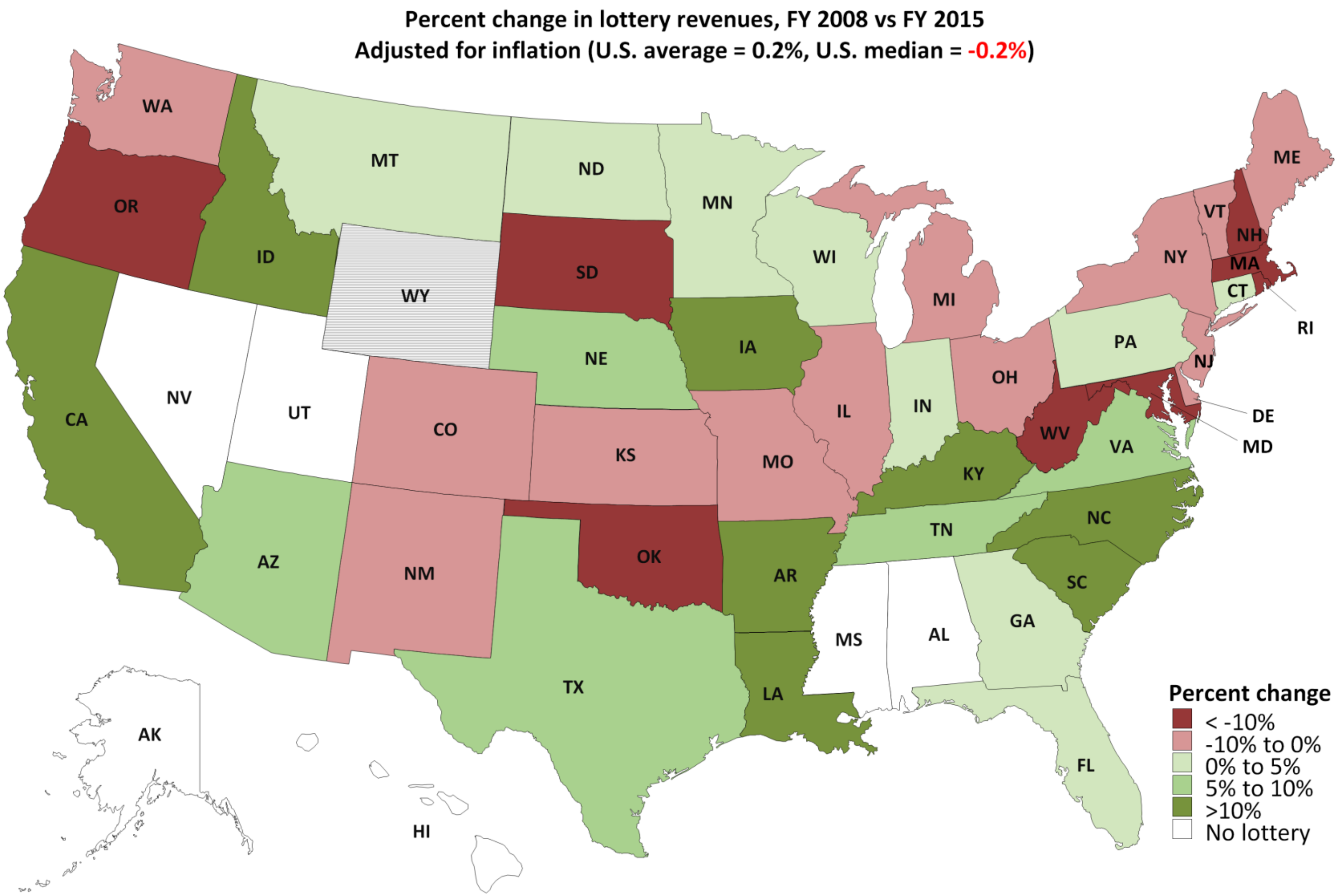
States Vary in Lottery Contributions to the State Funds, FY 2015

State	Lottery start date	% transferred	State	Lottery start date	% transferred
South Dakota	1987	74%	New Hampshire	1964	26%
Oregon	1985	49%	Ohio	1974	26%
Louisiana	1991	41%	Tennessee	2004	25%
Oklahoma	2005	35%	California	1985	25%
West Virginia	1986	34%	Georgia	1993	25%
New Jersey	1970	31%	North Dakota	2004	25%
New York	1967	31%	South Carolina	2002	24%
New Mexico	1996	30%	Missouri	1986	24%
Kansas	1987	30%	Illinois	1974	24%
Maine	1974	30%	Colorado	1983	24%
Maryland	1973	30%	Washington	1982	24%
Wisconsin	1988	29%	Arizona	1981	23%
Virginia	1988	29%	Rhode Island	1974	23%
Michigan	1972	29%	Indiana	1989	23%
Connecticut	1972	28%	Nebraska	1993	23%
Delaware	1975	28%	Montana	1987	23%
Pennsylvania	1972	28%	Iowa	1985	23%
Texas	1992	27%	Idaho	1989	21%
Florida	1988	27%	Vermont	1978	20%
North Carolina	2006	27%	Massachusetts	1972	19%
Kentucky	1989	27%	Arkansas	2009	18%
Minnesota	1990	27%	Wyoming /1	2014	0%

Wide Regional Disparity in Lottery Revenue Growth Rates



Lottery revenues: Not much growth between 2008 & 2015; declines in 21 states



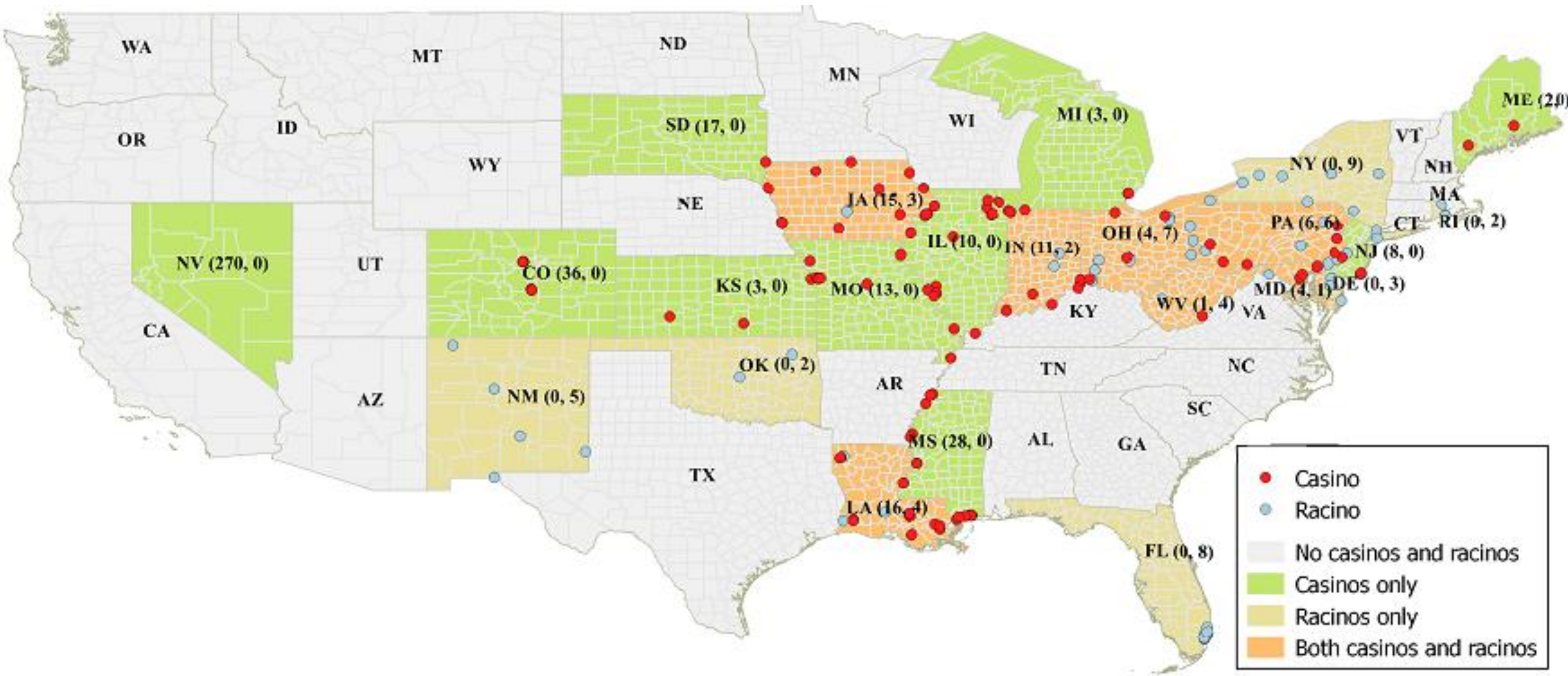
Casinos & Racinos

Casino & Racino Opening Timeline

Timeline	Casinos	Racinos	Casinos & racinos	Casinos & racinos, % of total /1
FY 1978 - FY 1990	7	0	7	3%
FY 1991 - FY 1995	50	7	57	27%
FY 1996 - FY 2000	34	9	43	20%
FY 2001 - FY 2005	19	8	27	13%
FY 2006 - FY 2010	20	20	40	19%
FY 2011 - FY 2015	30	11	41	19%
Total	**160**	**55**	**215**	**100%**

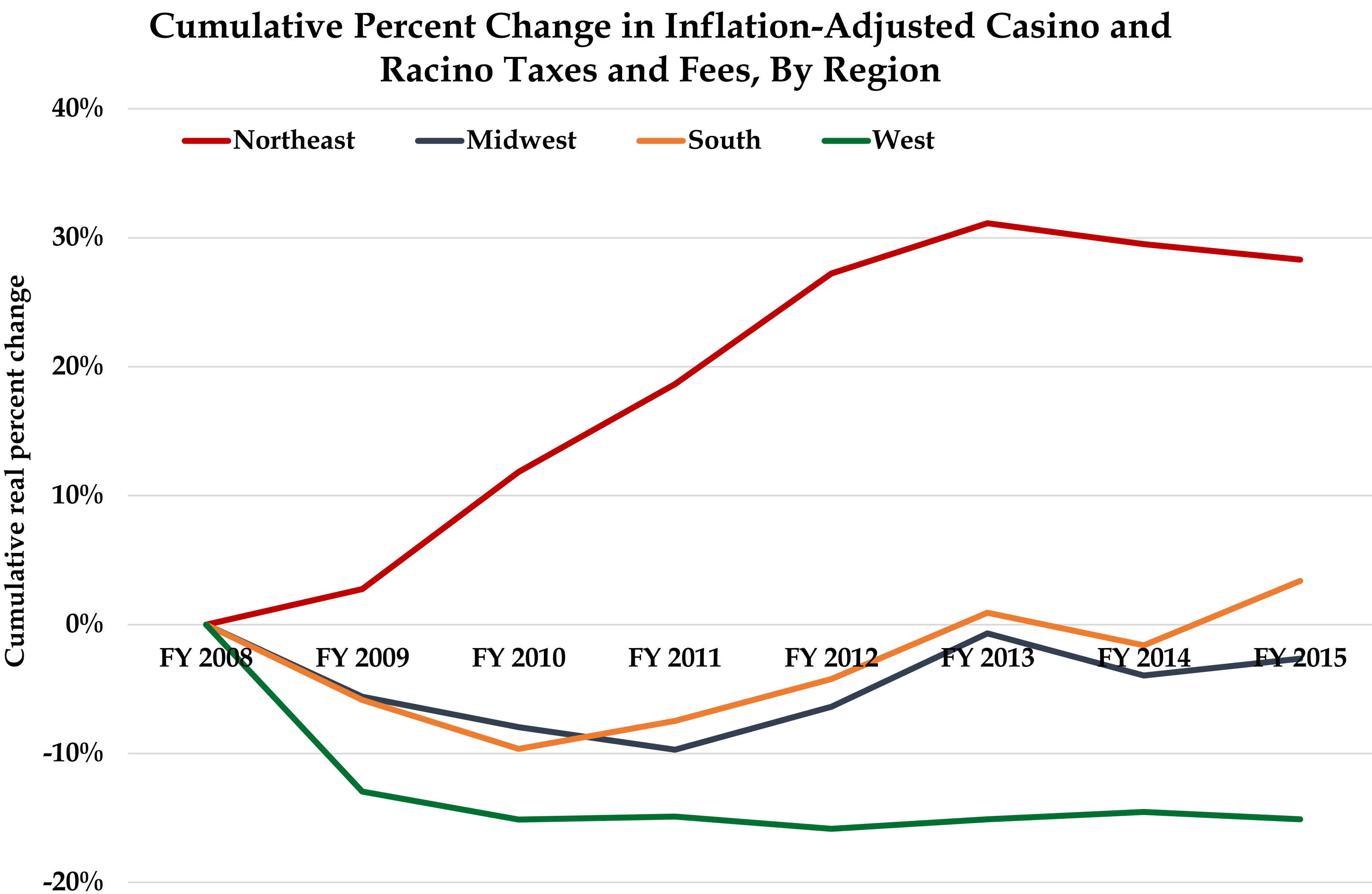
1/ The total excludes previously opened facilities in Nevada & South Dakota.

Geographic Distribution of Casinos & Racinos, FY 2015

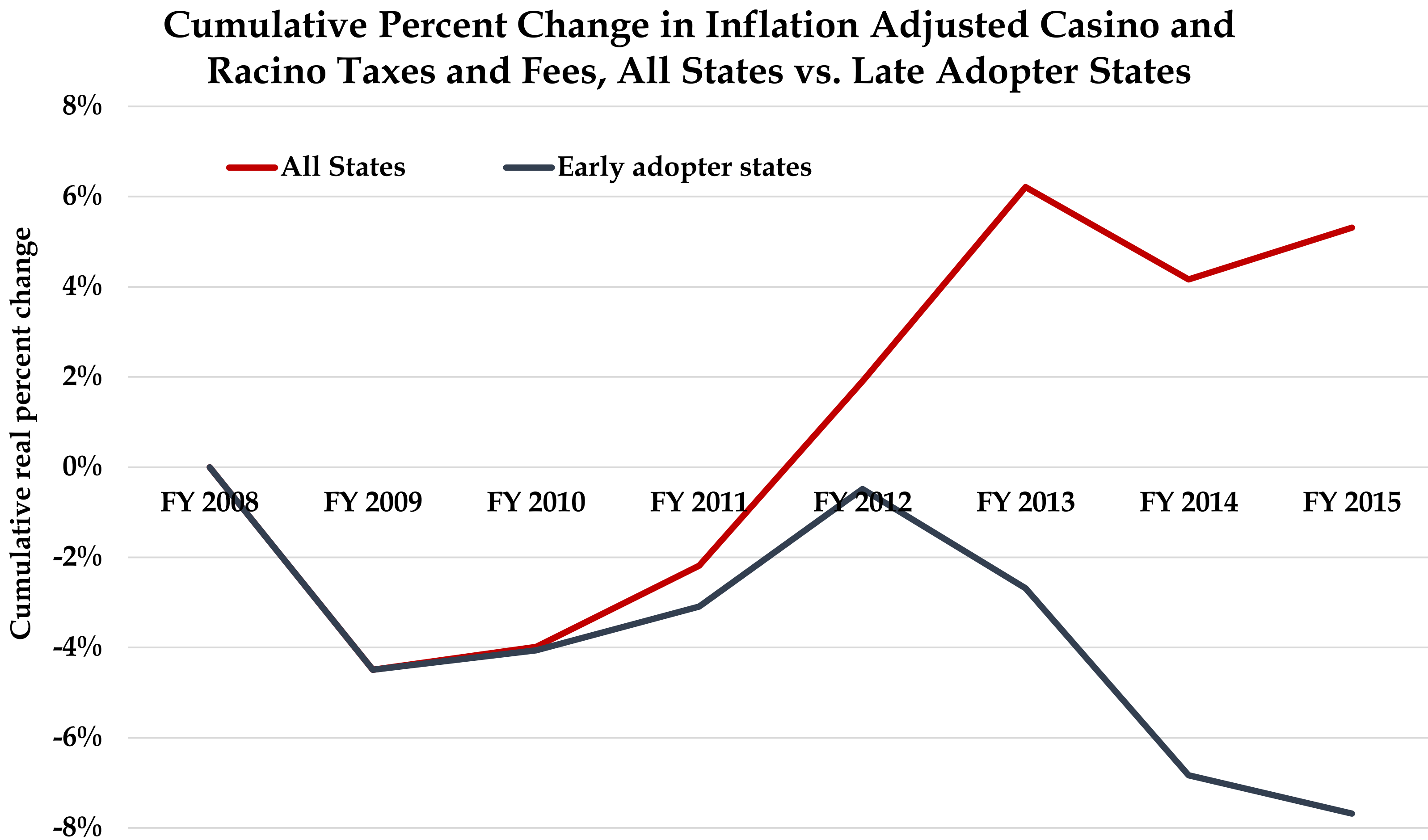


Notes: Casino locations are not shown for NV and SD.
MA legalized casino operations and will open 3 casinos and 1 slots parlor.
NY legalized casino operations and will open 4 casinos.
Number of facilities is in parentheses. Each dot represents a facility but dots overlap in certain states (e.g., CO), where facilities are highly concentrated in a small geographical area.

Wide Regional Disparity in Tax and Fee Revenues from Casinos and Racinos



Steep Declines in Casino and Racino Tax & Fee Revenues in Early Adopter States



Note: The following three states – KS, MD, OH, are identified as late adopter states since all three states started casino/racino operations after FY 2008.

Commercial Casino Tax Rates

States are sorted based on casino legalization date			
State	**Legalization date**	**Tax type**	**Tax rates and fees**
Nevada	1931	Graduated	3.5% to 6.75% PLUS annual & quarterly fees
New Jersey	1976	Flat	9.25%
Iowa	1989	Graduated	5% to 22%
South Dakota	1989	Flat	9% PLUS $2,000 device fee
Colorado	1990	Graduated	0.25% to 20%
Illinois	1990	Graduated	15% to 50% PLUS $2 or $3 admission fee
Mississippi	1990	Graduated	4% to 8% PLUS Municipalities can impose 4% tax
Louisiana	1991	Flat	21.5% PLUS some local fees
Indiana	1993	Graduated	15% to 40% PLUS $3 admission fee
Missouri	1993	Flat	21% PLUS $2 admission fee
Michigan	1996	Flat	20%
Pennsylvania	2004	Flat	55%
Kansas	2007	Flat	27%
Maryland	2008	Flat	50% to 67% on slots depending on casino facility
Ohio	2009	Flat	33%
West Virginia	2009	Flat	35%
Maine	2010	Flat	40% or 46%

Commercial Casino Tax and Fee Revenues

State	$ millions, adjusted for inflation								% chg	CAGR	% chg	$ chg
	2008	2009	2010	2011	2012	2013	2014	2015	2014-15	2008-15	2008-15	2008-15
US	**$5,444**	**$4,923**	**$4,907**	**$4,993**	**$5,168**	**$5,524**	**$5,361**	**$5,361**	**0.0%**	**-0.2%**	**-1.5%**	**($82.9)**
"Older" states	**$5,376**	**$4,797**	**$4,552**	**$4,427**	**$4,409**	**$4,231**	**$3,991**	**$3,931**	**-1.5%**	**-4.4%**	**-26.9%**	**($1,445.3)**
IN	903.4	840.2	818.7	784.6	744.9	665.4	549.6	506.8	(7.8)	(7.9)	(43.9)	(396.6)
NJ	523.5	440.9	373.1	330.0	292.4	258.0	260.9	241.2	(7.6)	(10.5)	(53.9)	(282.3)
IL	776.4	582.3	525.6	488.6	574.4	574.4	523.2	498.3	(4.8)	(6.1)	(35.8)	(278.1)
NV	1,089.8	938.7	902.3	911.8	905.8	918.3	924.0	909.9	(1.5)	(2.5)	(16.5)	(179.9)
MS	383.2	341.5	312.3	293.3	294.9	271.5	251.0	250.2	(0.3)	(5.9)	(34.7)	(133.0)
MI	332.2	307.9	287.7	300.8	299.4	281.3	267.3	273.5	2.3	(2.7)	(17.7)	(58.6)
LA	531.6	504.7	463.6	459.4	449.5	444.9	446.6	477.3	6.9	(1.5)	(10.2)	(54.4)
MO	476.6	499.7	516.5	521.2	503.3	477.8	444.4	440.9	(0.8)	(1.1)	(7.5)	(35.7)
IA	221.3	219.6	216.3	207.9	219.7	214.1	201.2	206.5	2.7	(1.0)	(6.7)	(14.8)
CO	120.3	103.8	117.1	112.0	107.0	107.2	106.2	110.1	3.6	(1.3)	(8.5)	(10.2)
SD	17.7	17.4	18.5	17.7	17.9	17.6	16.4	16.1	(2.0)	(1.4)	(9.3)	(1.6)
"New" states	**$68**	**$127**	**$355**	**$566**	**$759**	**$1,294**	**$1,370**	**$1,430**	**4.4%**	**54.6%**	**2014.3%**	**$1,362.4**
WV			0.9	3.6	3.8	4.3	3.9	3.2	(18.1)			3.2
ME					12.3	52.0	51.5	51.7	0.5			51.7
KS			6.1	11.6	55.8	100.3	96.8	98.6	1.8			98.6
OH					20.7	232.1	276.9	266.0	(3.9)			266.0
MD				50.8	88.3	314.4	358.3	419.6	17.1			419.6
PA	67.6	126.7	347.7	500.0	577.9	590.6	583.0	591.0	1.4	36.3	773.7	523.3

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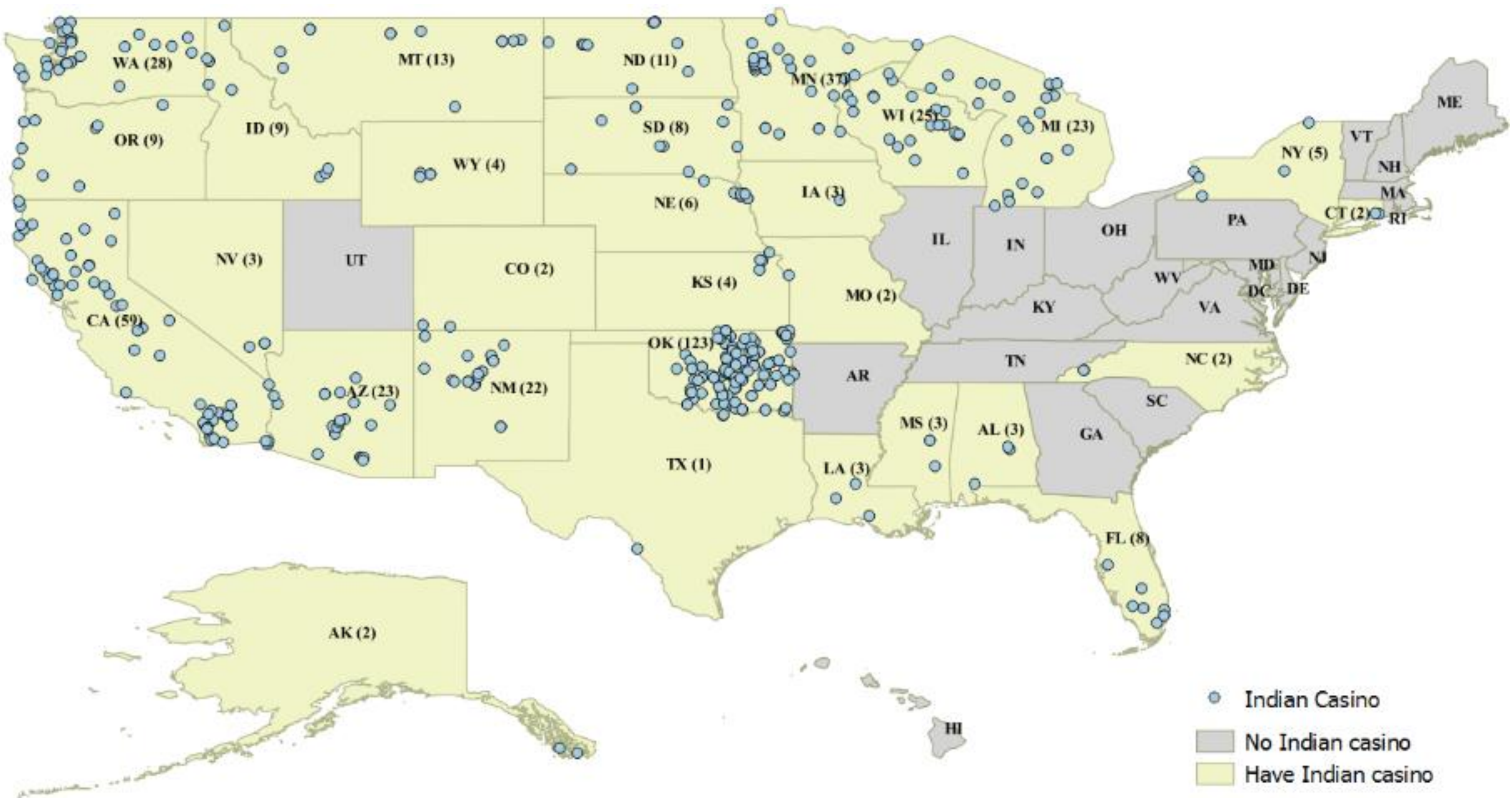
Racino Tax Rates

States are sorted based on racino legalization date			
State	**Legalization date**	**Tax type**	**Tax rates and fees**
Rhode Island	1992	Flat	61.03% at Twin River AND 59.17% at Newport Grand 16.0% table games
West Virginia	1994	Flat	42% VLTs 35% table games
Delaware	1995	Flat	43.33%
Iowa	1995	Graduated	22% or 24%
New Mexico	1999	Flat	26% gaming tax 20% tax for racing purses 0.25% tax for problem gambling
Louisiana	2002	Flat	18.5% state taxes 4% local parish
New York	2004	Graduated	Varies between 55% to 70% depending on the facility
Oklahoma	2005	Graduated	10% to 30%
Florida	2006	Flat	35%
Pennsylvania	2006	Flat	55%
Indiana	2008	Graduated	State wagering tax between 25% to 35% County wagering tax at 3% Addition wagering tax at 1% Initial license fee at $250 mln Annual license fee after 5 years of operation at $100 mln
Maryland	2011	Flat	67%
Ohio	2012	Flat	33.50%

Racino Tax and Fee Revenues

State	$ millions, adjusted for inflation								% chg	CAGR	% chg	$ chg
	2008	2009	2010	2011	2012	2013	2014	2015	2014-15	2008-15	2008-15	2008-15
US	**$2,805**	**$2,955**	**$3,013**	**$3,075**	**$3,238**	**$3,237**	**$3,231**	**$3,326**	**2.9%**	**2.5%**	**18.6%**	**$520.9**
"Older" states	**$2,798**	**$2,837**	**$2,882**	**$2,924**	**$3,082**	**$3,040**	**$2,943**	**$2,927**	**-0.5%**	**0.6%**	**4.6%**	**$129.6**
WV	470.2	452.2	391.8	397.6	417.8	348.4	295.7	307.0	3.8	(5.9)	(34.7)	(163.2)
DE	236.9	230.5	258.0	263.5	237.5	194.8	166.0	151.0	(9.1)	(6.2)	(36.3)	(85.9)
PA	791.5	928.8	947.7	958.6	943.8	862.5	780.7	768.2	(1.6)	(0.4)	(2.9)	(23.3)
IA	118.0	108.5	105.7	105.0	107.7	104.6	102.1	98.5	(3.5)	(2.6)	(16.6)	(19.5)
LA	64.8	68.0	63.9	63.2	63.9	62.8	59.4	57.7	(3.0)	(1.7)	(11.1)	(7.2)
NM	74.6	75.7	70.8	69.8	68.5	65.2	67.8	70.6	4.1	(0.8)	(5.4)	(4.0)
RI	327.0	309.7	312.4	321.9	338.2	327.3	324.4	327.2	0.9	0.0	0.1	0.2
OK	12.0	15.3	15.1	18.6	19.9	21.3	20.9	20.6	(1.2)	8.1	72.3	8.7
FL	134.1	113.7	150.3	133.6	150.8	157.0	176.2	182.6	3.6	4.5	36.2	48.5
NY	545.7	505.8	535.8	562.6	714.2	896.6	949.6	943.7	(0.6)	8.1	72.9	398.0
ME	22.7	28.9	30.7	29.5	19.4							
"New" states	**$7**	**$118**	**$131**	**$151**	**$156**	**$196**	**$288**	**$399**	**38.4%**	**77.1%**	**5374.4%**	**$391.3**
MD				12.5	28.9	30.1	25.4	26.0	2.2			26.0
IN	7.3	117.9	130.9	138.9	123.6	109.1	112.7	111.1	(1.4)	47.6	1,426.0	103.8
OH					3.9	57.1	149.9	261.5	74.4			261.5

Geographic Distribution of Indian Casinos



Indian Casino Revenues to State-Local Government

State	$ millions, adjusted for inflation								% chg	CAGR	% chg	$ chg
	2008	2009	2010	2011	2012	2013	2014	2015	2014-15	2008-15	2008-15	2008-15
7 states	**$1,066**	**$1,104**	**$1,282**	**$1,122**	**$1,118**	**$1,105**	**$1,072**	**$1,023**	**-4.6%**	**-0.6%**	**-4.0%**	**($42.5)**
CT	457.5	413.3	390.9	384.1	360.7	305.1	283.4	268.0	(5.5)	(7.4)	(41.4)	(189.5)
OK	79.7	101.6	15.5	15.3	15.5	15.8	14.9	15.4	3.4	(20.9)	(80.7)	(64.3)
MI	60.0	61.8	67.1	85.1	95.2	95.8	87.1	32.6	(62.6)	(8.4)	(45.7)	(27.5)
AZ	123.6	106.7	96.9	96.7	102.0	100.5	99.1	99.5	0.4	(3.1)	(19.5)	(24.1)
NM	72.8	69.7	68.2	69.3	70.2	70.8	68.0	66.6	(2.1)	(1.3)	(8.6)	(6.2)
CA	272.1	351.3	331.1	321.8	321.3	288.6	286.3	292.7	2.2	1.0	7.6	20.6
FL			312.8	149.2	153.3	228.1	233.2	248.5	6.5			

Selected State Profiles

NYS Racinos: Tax & Fee Revenues

Racinos	Opening Date	Share of total SFY 2015	SFY 2009 (real, $ mlns)	SFY 2015 (real, $ mlns)	AAGR 2009-2015
Saratoga Gaming & Raceway	Jan-04	8.8%	$ 69.1	$ 76.3	-0.1%
Finger Lakes Gaming & Raceway	Feb-04	6.7%	$ 51.7	$ 57.8	0.9%
Hamburg Casino (Fairgrounds)	Mar-04	2.6%	$ 19.2	$ 22.2	-0.8%
Monticello Mighty M Gaming	Jun-04	2.6%	$ 23.7	$ 22.8	-5.0%
Batavia Downs	May-05	2.3%	$ 14.7	$ 20.1	3.1%
Tioga Downs	Jul-06	2.5%	$ 18.9	$ 21.2	-1.0%
Vernon Downs	Oct-06	1.7%	$ 13.8	$ 14.3	-3.2%
Empire City at Yonkers Raceway	Oct-06	31.5%	$ 259.1	$ 273.1	0.0%
Resorts World Casino NYC	Oct-11	41.4%		$ 359.1	N/A
NYS Total		**100.0%**	**$ 470.4**	**$ 866.9**	**7.9%**
NYS (excluding NYC)		**58.6%**	**$ 470.4**	**$ 507.8**	**-0.4%**

Source: http://nylottery.ny.gov/wps/portal/Home/Lottery/Home/Video+Gaming/VIDEO+GAMING+REPORTS

PA Casinos & Racinos: Tax & Fee Revenues

Casinos & Racinos	Opening date	Share of total SFY 2015	SFY 2012 (real, $ mlns)	SFY 2015 (real, $ mlns)	AAGR 2012-2015
Casinos					
Mount Airy	Oct-07	5.9%	$ 91.4	$ 80.8	-3.1%
Sands Bethlehem	May-09	13.4%	$ 184.1	$ 182.5	2.4%
The Rivers	Aug-09	11.6%	$ 172.9	$ 158.2	-0.7%
Sugar House	Sep-10	7.9%	$ 121.6	$ 107.4	10.9%
Valley Forge	Mar-12	3.3%	$ 7.9	$ 45.5	N/A
Nemacolin Lady Luck	Jun-13	1.2%		$ 16.5	N/A
Racinos					
Mohegan Sun	Nov-06	8.8%	$ 143.1	$ 120.3	-3.4%
Parx (Philadelphia Park)	Dec-06	16.1%	$ 241.4	$ 218.5	-2.0%
Harrah's Chester Downs	Jan-07	9.3%	$ 163.7	$ 126.7	-7.8%
Presque Isle	Feb-07	4.7%	$ 97.5	$ 64.5	-10.8%
The Meadows	Jun-07	8.7%	$ 149.0	$ 118.4	-6.0%
Penn National	Feb-08	8.8%	$ 149.0	$ 119.8	-5.6%
PA Total Casinos & Racinos		**100.0%**	**$ 1,521.6**	**$ 1,359.2**	**-1.7%**

Source: http://gamingcontrolboard.pa.gov/?p=216

FL Racinos: Tax & Fee Revenues

Racinos	Opening Date	Share of total SFY 2015	SFY 2012 (real, $ mlns)	SFY 2015 (real, $ mlns)	AAGR 2012-2015
Gulfstream Park Racing & Casino	Nov-06	9.4%	$ 20.0	$ 17.2	-3.9%
Mardi Gras Casino	Dec-06	9.2%	$ 20.2	$ 16.8	-3.9%
The Isle of Pompano Park	Apr-07	27.9%	$ 44.3	$ 51.0	6.3%
Flagler/Magic City Casino	Oct-09	15.5%	$ 29.5	$ 28.3	1.0%
Calder Casino & Race Course	Jan-10	14.1%	$ 27.5	$ 25.8	-0.4%
Miami Jai Alai	Jan-12	11.0%	$ 9.3	$ 20.1	N/A
Hialeah Park Racing & Casino	Aug-13	12.3%		$ 22.5	N/A
Dania Jai Alai	Feb-14	0.6%		$ 1.0	N/A
FL Total		**100.0%**	**$ 150.8**	**$ 182.6**	**8.2%**

Source: http://www.myfloridalicense.com/dbpr/pmw/PMW-Statistics.html

Lessons from gambling revenues: Short-term relief, long-term disappointment

- Gambling is **<u>NOT</u>** recession-proof
- Gambling expansion brings in more revenue, until a saturation point is reached
- Some new revenue represents a shift, rather than net growth
- Future growth in gambling revenue will not keep pace with tax revenue, or spending
  - If gambling revenue is intended to support part of the overall budget, gaps may emerge in future years
- Gambling is a slow-growing revenue source & not a solution in the never-ending quest to balance the budget

Hard-to-Measure Variables for Policy Analysis

- "iGaming" = Impact of Internet gambling on traditional casinos, lotteries, etc.
- Regional expansion of gambling and competition
- Increased bankruptcy rate
- Increased crime rate
- Unemployment and loss of productivity
- Problem/pathological gambling

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Rockefeller Institute of Government

The Public Policy Institute of the State University of New York

411 State Street
Albany, NY 12203-1003
www.rockinst.org

Lucy Dadayan, Senior Policy Analyst
ldadayan@albany.edu
lucy.dadayan@rockinst.suny.edu