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The State University  
of New York

# *State Revenues from Gambling*

CSG/ERC 56<sup>th</sup> Annual Meeting  
& Regional Policy Forum

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# Gambling Fever



Growing reliance on sin taxes:

- Gambling expansion
- Gambling revenues: declines & cannibalization

# 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

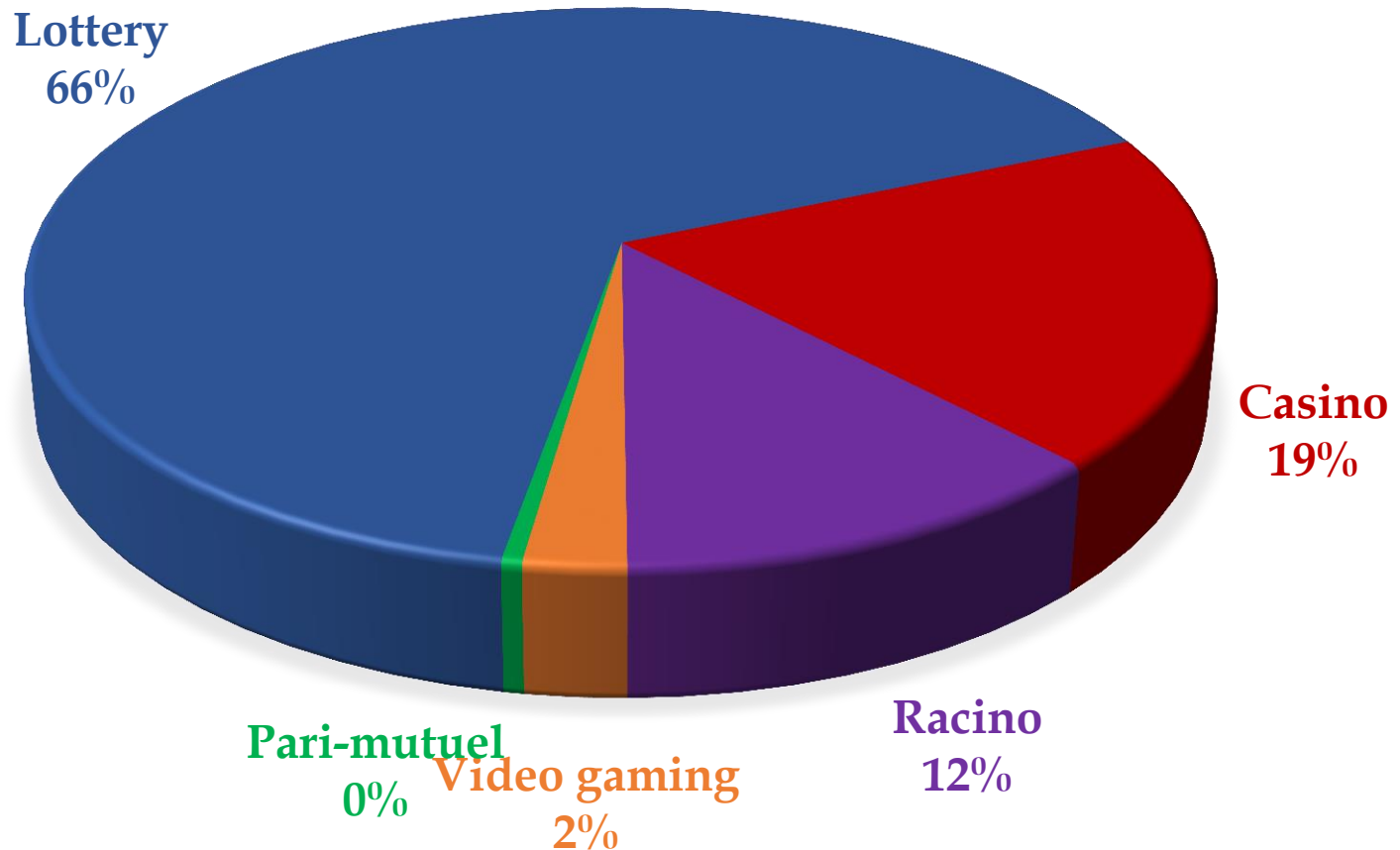
# Gambling Availability & Expansion

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.

# Lottery Still The Big Player in Gambling

## Shares of Gambling Revenues, FY 2015



# States' Revenue from Selected Sources, FY 2015

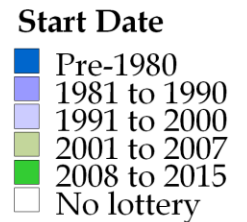
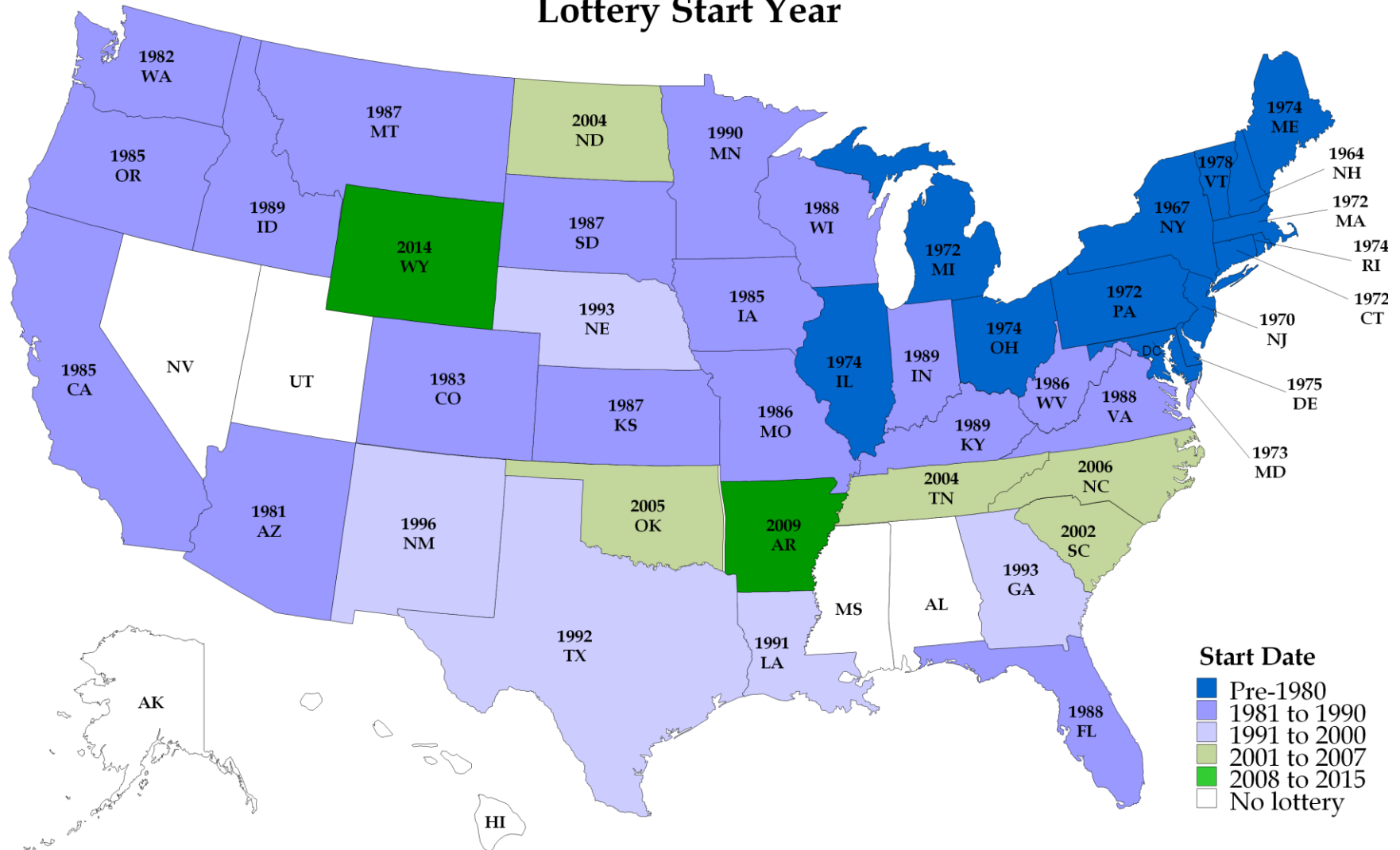
Rounded to billions of dollars

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
<b>Total gambling</b>	<b>\$27,714</b>	<b>Total Taxes</b>	<b>\$911,953</b>

# Lotteries

# Lottery Timeline

## Lottery Start Year



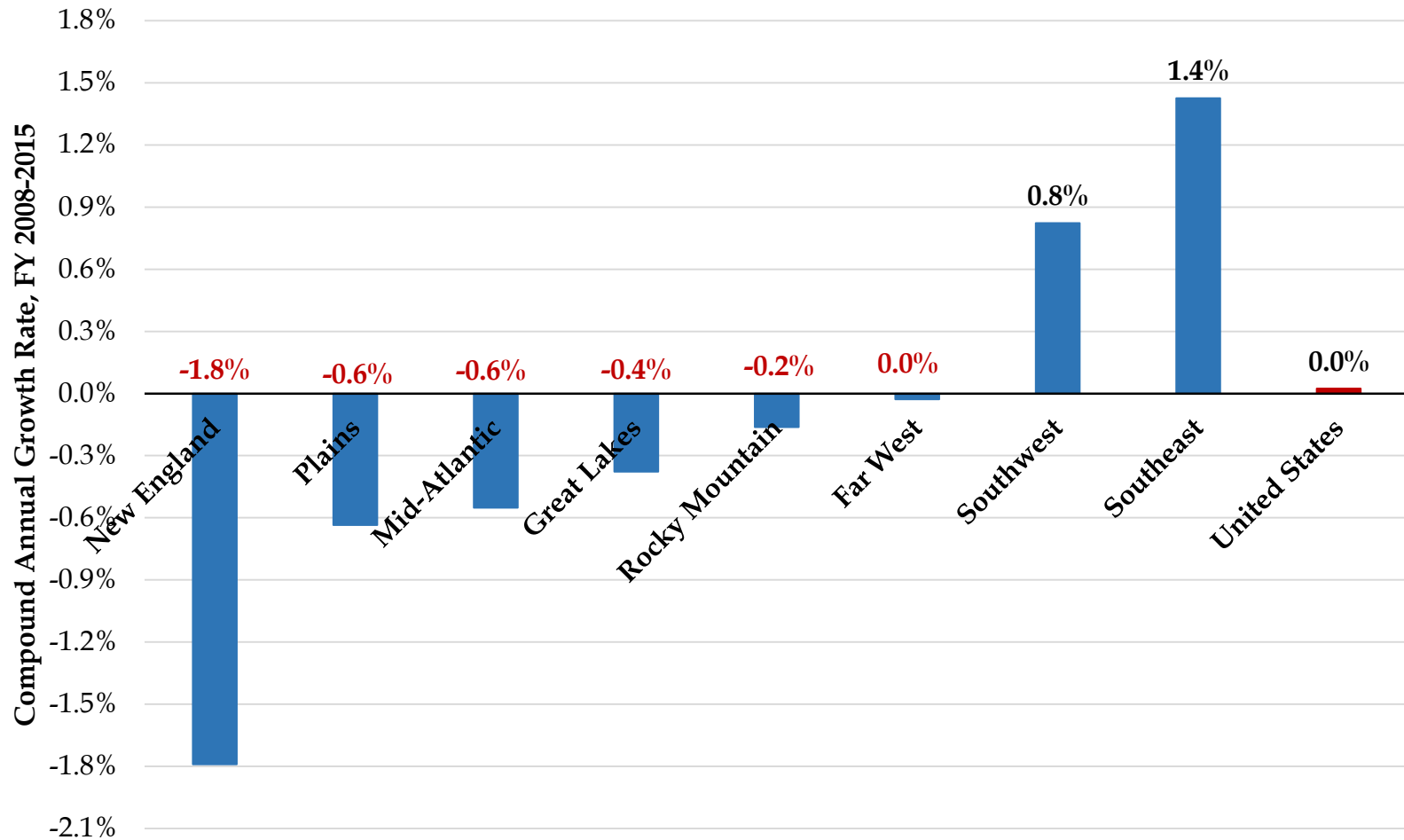


# States Vary in Lottery Contributions to the State Funds, FY 2015

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

Compound Annual Growth Rates for Real Lottery Revenues,  
FY 2008-2015



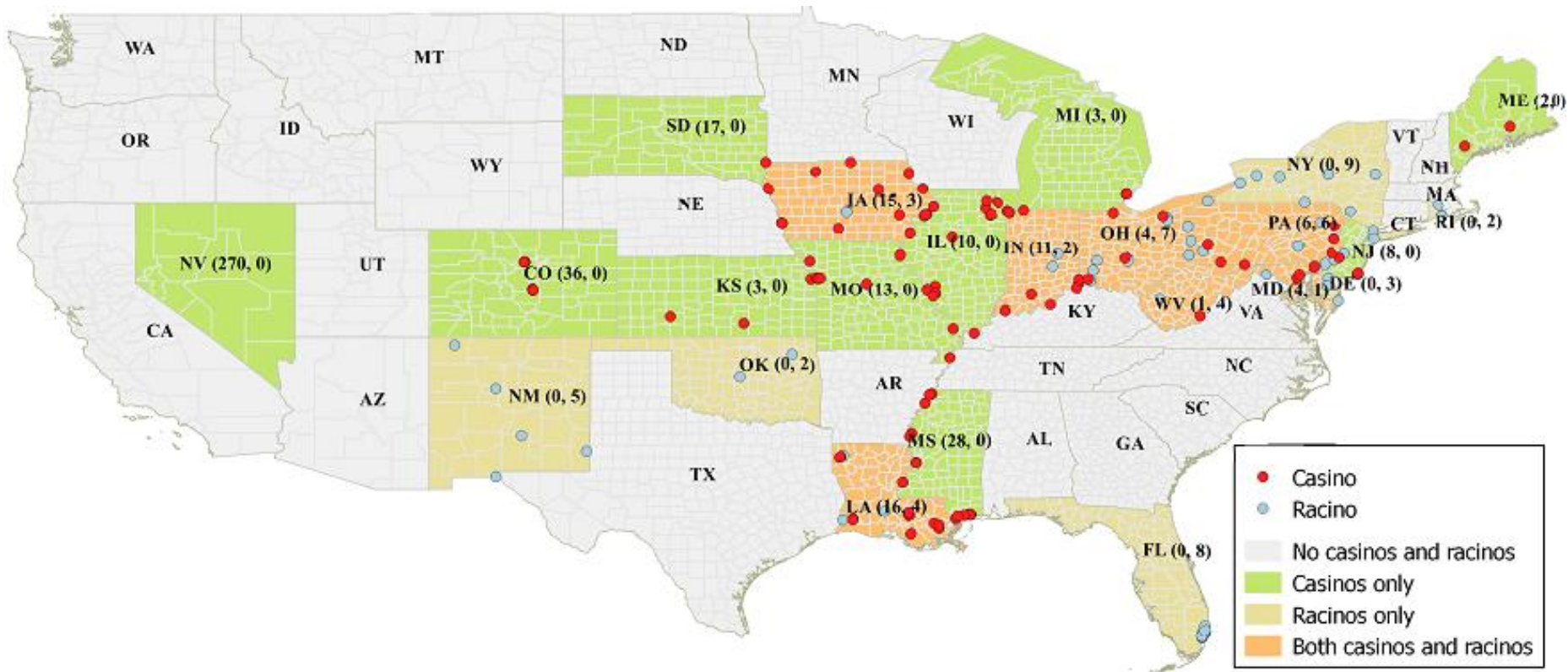
# Casinos & Racinos

# 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%
<b>Total</b>	<b>160</b>	<b>55</b>	<b>215</b>	<b>100%</b>

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.

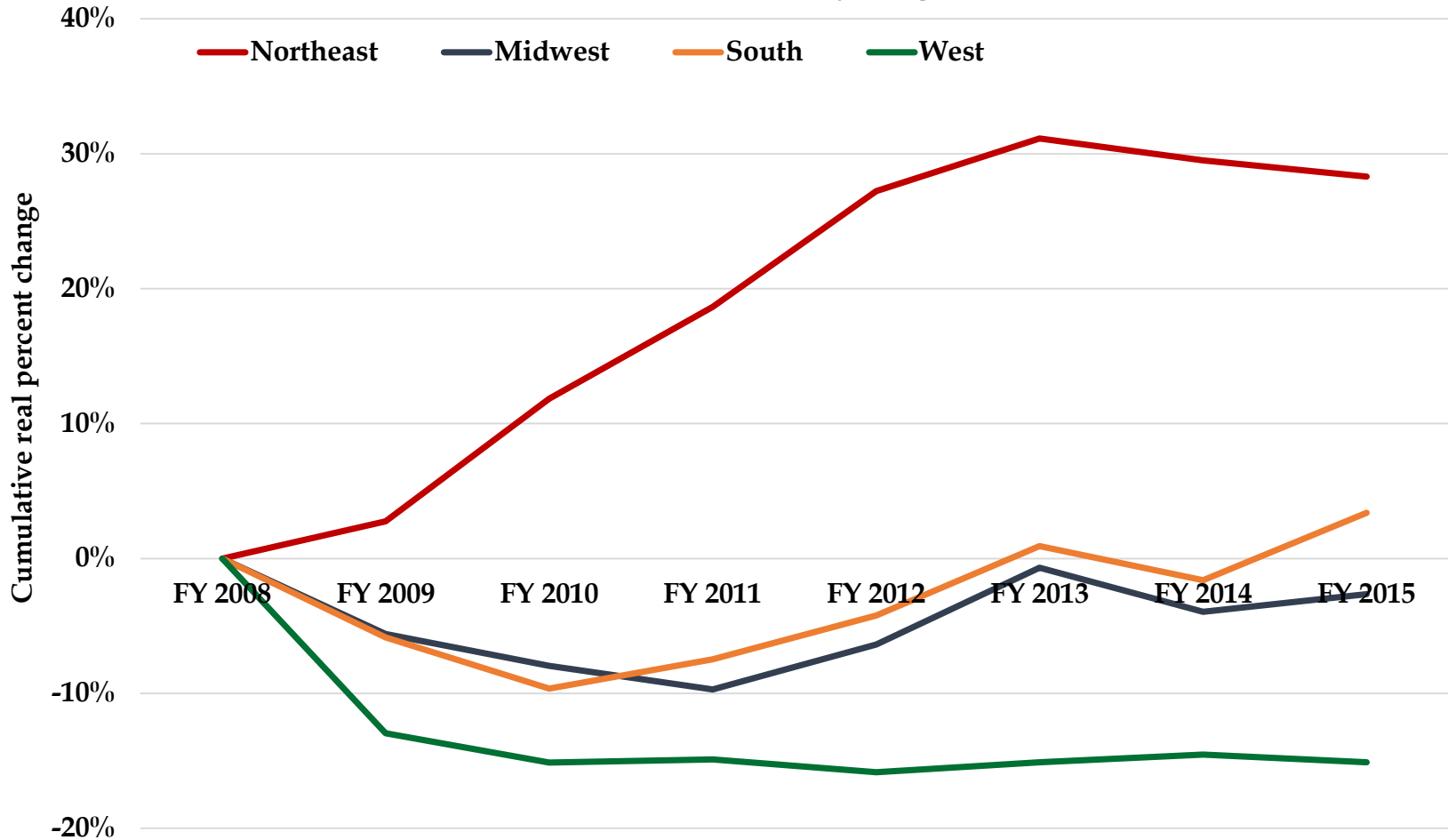
MA legalized casino operations and will open 3 casinos and 1 slots parlor.

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.

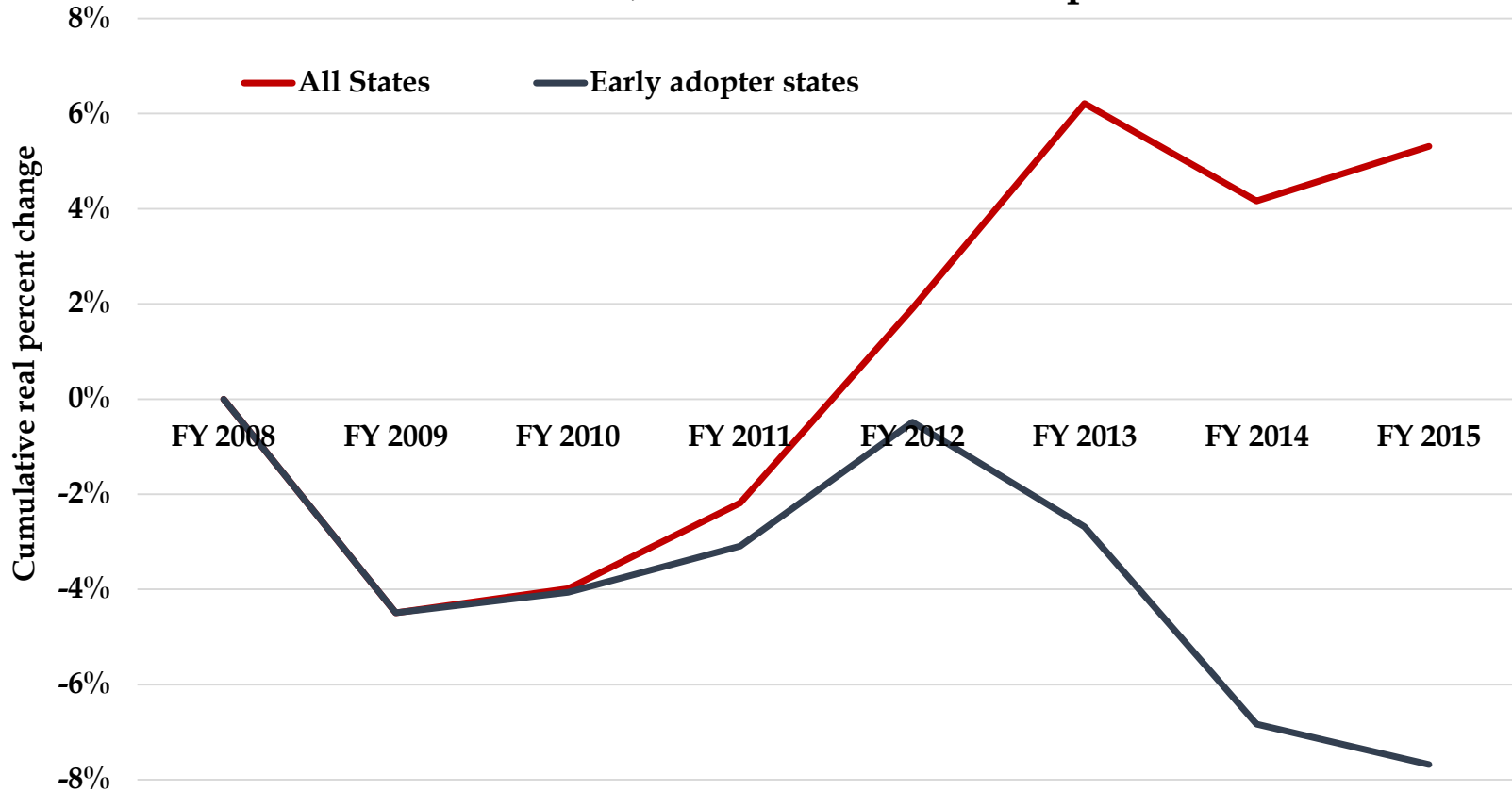
# Wide Regional Disparity in Tax and Fee Revenues from Casinos and Racinos

Cumulative Percent Change in Inflation-Adjusted Casino and Racino Taxes and Fees, By Region



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

Cumulative Percent Change in Inflation Adjusted Casino and Racino Taxes and Fees, All States vs. Late 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

# Racino Tax Rates

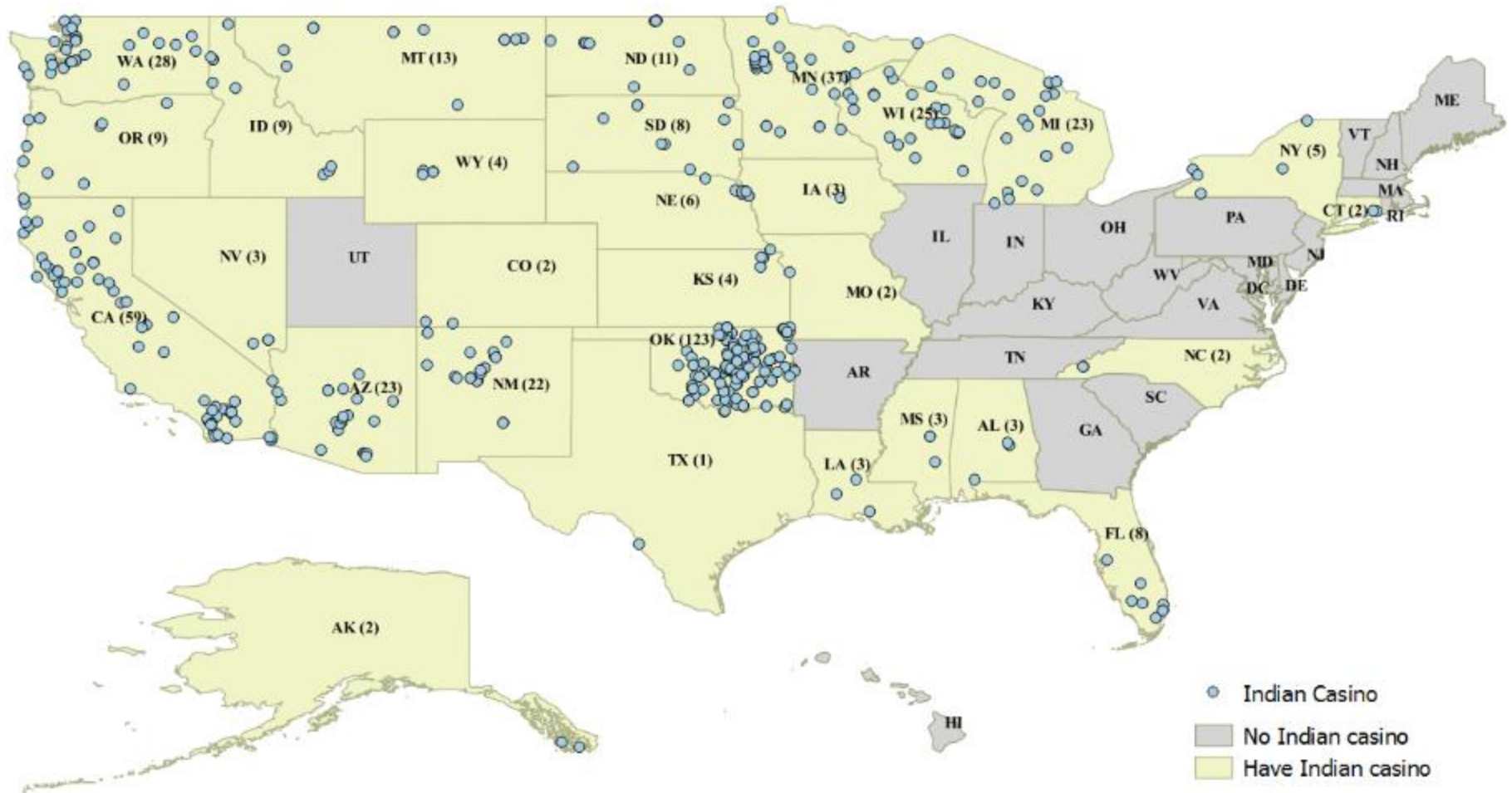
States are sorted based on racino legalization date

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
<b>7 states</b>	<b>\$1,066</b>	<b>\$1,104</b>	<b>\$1,282</b>	<b>\$1,122</b>	<b>\$1,118</b>	<b>\$1,105</b>	<b>\$1,072</b>	<b>\$1,023</b>	<b>-4.6%</b>	<b>-0.6%</b>	<b>-4.0%</b>	<b>(\$42.5)</b>
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			

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

- Gambling is **NOT** 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

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