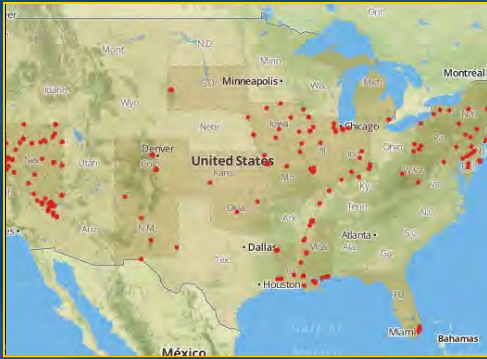
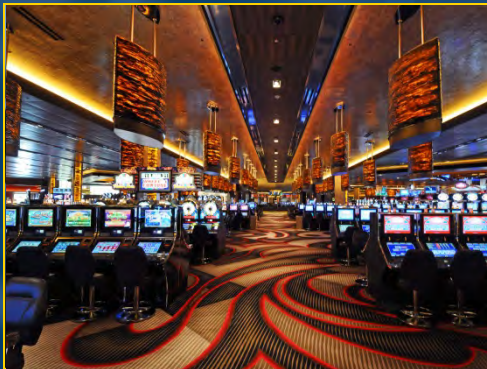




Impacts of the Commercial Gaming Industry in Indiana



November 2014



Overview

- To quantify the statewide impacts of the commercial gaming industry for the American Gaming Association, Oxford Economics analyzed industry information from a variety of sources and prepared a comprehensive measure of industry significance.
- As part of this analysis, Oxford Economics:
 - conducted a survey of national casino operators, gathered information from secondary sources including gaming-sector employment, revenues, and expense benchmarks from Federal, state, and private data sources; and,
 - calculated direct, indirect, and induced economic impacts of commercial casinos on a statewide basis in 2013.
- This document presents key elements of the research and findings of the statewide analysis.

Methods

- Statewide impact analysis includes:
 - Commercial casinos
 - legalized internet gaming conducted by commercial casino operators and reported in state regulatory filings.
- Analysis excludes:
 - Pari-mutuel gaming (e.g. horse racing)
 - Slots and video lottery terminals in bars and other non-casino locations
 - Native American casinos
 - Card rooms
 - Gaming manufacturer revenues & employment impacts

Types of Gaming Covered

- Oxford Economics includes legalized internet gaming conducted by commercial casino operators and reported in state regulatory filings. For 2013, this includes Indiana, New Jersey and Nevada.
- Oxford Economics excludes pari-mutuel gaming (e.g. horse racing), cruise ship casinos, slots and video lottery terminals in bars and other non-casino locations, and lotteries.

Estimating Direct Impacts

- **Industry impacts** include:
 - Commercial casino revenues
- **Ancillary spending impacts** include:
 - Spending by casino patrons at leased third-party operations inside the casino
 - Off-site spending by casino patrons during their trip to the casino
- Metrics of industry impact and off-site spending impact include:
 - Spending/revenues
 - Jobs
 - Labor income

Estimating Casino Revenue

- For the purpose of this analysis, total casino revenue is defined as revenue net of promotional allowances. It represents the amount spent by consumers at casinos, and is therefore equivalent to economic output.
- Oxford Economics estimated total casino revenue at the state level by integrating several sets of available information. These include:
 - Gaming revenue of commercial casinos consistent with state regulatory reporting, as gathered by the American Gaming Association for publication in the State of the States research, plus state reporting on gaming revenue at card clubs
 - Survey responses reporting gaming and non-gaming revenue at the property level as gathered directly by Oxford Economics from national casino operators
 - Data from Casino City on the number of slot machine and table game positions at casinos in each state
 - State regulatory reporting on non-gaming revenue in selected states

Estimating Casino Employment & Labor Income

- Oxford Economics estimated casino employment and labor income at the state level by incorporating several additional sets of information. These include:
 - Bureau of Labor Statistics estimates of employment and annual wages in two industries (NAICS 71321 casinos except casinos hotels, and 72112 casino hotels) based on the Quarterly Census of Employment and Wages
 - Survey responses reporting on payroll costs and employment at the property level as gathered directly by Oxford Economics from national casino operators
 - State regulatory reporting on casino operating expenses and profit margins in selected states

Ancillary Spending

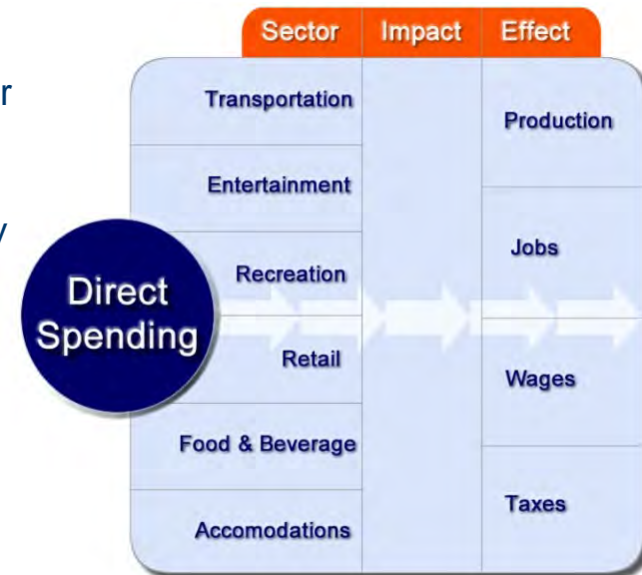
- Ancillary spending includes purchases by casino patrons at retailers and businesses outside the casino and at businesses inside the casino owned by third-party operators.
- Existing research by the AGA indicates that the majority of casino patrons spend time outside the casino and spend money at restaurants or shops outside the casino during their casino trip.
- Since this casino patron spending is primarily driven by the patrons' trips to the casino, it is included in the gaming industry's direct impact as ancillary spending.
- Estimates of ancillary spending are based on Longwoods International's Travel USA survey of domestic travel in 2013.
 - Analysis is limited to travelers who indicated that a casino was the main purpose for their trip.

Economic Impact Analysis

- Analysis of the direct effects of the commercial casino industry serve as inputs for the respective statewide economic impact models.
- Input-Output (I-O) models for respective state economies calculate the downstream impacts of direct spending.
- Indirect impacts refer to supply chain effects.
- Induced impacts refer to additional impacts as employees spend in the statewide economy.
- Note: Each statewide input-output model accounts for the economic impacts and various rounds of economic activity that occur within the respective state boundaries. The input-output models do not take into account a casinos' purchases of goods and services or the spending of employee salaries and wages outside state boundaries. For example, in the case of a casino in Pennsylvania, the resulting statewide impacts capture the economic and fiscal benefits that occur within Pennsylvania state borders and do not account for the positive economic and fiscal benefits in surrounding states such as Indiana and New Jersey.

Main Components of Economic Impacts

- There are three main components of a project's overall economic impact:
 - Direct impacts
 - Indirect impacts
 - Induced impacts
- **Direct Impacts** include direct spending and revenues.
 - Industry impacts include casinos revenues (gaming and non-gaming)
 - Ancillary spending includes spending by casino patrons at third-party leased establishments inside the casino and other establishments outside the casino.
- **Indirect Impacts** include statewide downstream supplier industry impacts. For example, casinos might hire a third-party cleaning service, food and equipment delivery service, linen cleaning service, legal services, or marketing services.
- **Induced Impacts** arise as employees spend their wages in the statewide economy. For example, casino employees will spend money on rent, transportation, food & beverage, and entertainment.



Summary Economic & Fiscal (Tax) Impacts

- Overall, the total economic impact of the commercial gaming industry in Indiana was approximately \$4.1 billion in 2013.
- The total economic impact of \$4.1 billion included approximately \$1.1 billion in total labor income, supporting approximately 25,000 total jobs.
- The economic impacts attributable to the commercial gaming industry generated approximately \$1.4 billion in total tax revenues.

Summary Economic & Fiscal (Tax) Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Total Output Impact	\$4,124,097,642
Total Employment Impact	25,362
Total Labor Income Impact	\$1,058,340,118
Total Tax Impact	\$1,427,197,352

Summary Direct Impacts - Output

- Total revenues at commercial casinos amounted to approximately \$2.5 billion, including \$2.3 billion in gaming revenues and approximately \$163 million in non-gaming revenues.
- Statewide ancillary spending amounted to approximately \$160 million.
- The total direct output impact in Indiana was nearly \$2.7 billion.

Direct Output Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Commercial Casinos - Total Revenues	\$2,494,870,049
Commercial Casinos - Gaming Revenues	\$2,331,654,251
Commercial Casinos - Non-Gaming Revenues	\$163,215,798
Ancillary Spending	\$160,375,234
Total Direct Output Impact	\$2,655,245,283

Summary Direct Impacts – Employment & Labor Income

- The total direct employment impact was nearly 15,000 direct jobs, including approximately 12,000 commercial casino jobs and 2,500 jobs associated with ancillary spending.
- Total direct labor income amounted to approximately \$585 million.

Direct Employment & Labor Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Commercial Casinos - Direct Employment	12,389
Ancillary Spending - Direct Employment	2,480
Total Direct Employment Impact	14,869

Description	Amount
Commercial Casinos - Direct Labor Income	\$543,871,888
Ancillary Spending - Direct Labor Income	\$41,320,146
Total Direct Labor Income	\$585,192,034

Note: In some states, direct casino employment and wage information was not available from the Bureau of Labor Statistics. In these cases, Oxford Economics modeled employment, payroll and operating costs based on survey benchmarks and data available for each state. This approach supports consistency across states and represents a conservative estimate of industry impacts.

Detailed Economic Impacts

Detailed Economic Impacts - Output

- The direct output of \$2.7 billion generated \$695 million in indirect output and approximately \$774 million in induced output, resulting in a statewide economic impact of approximately \$4.1 billion in 2013.

Economic Output Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Direct Output	\$2,655,245,283
Indirect Output	\$694,834,751
Induced Output	\$774,017,608
Total Output	\$4,124,097,642

Detailed Economic Impacts - Employment

- In addition to approximately 15,000 direct jobs, the commercial casino industry generated 5,000 indirect jobs and 6,000 induced jobs, resulting in a total job impact of approximately 25,000 total jobs throughout Indiana.

Employment Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Direct Employment	14,869
Indirect Employment	4,784
Induced Employment	5,710
Total Employment	25,362

Detailed Economic Impacts – Labor Income

- The commercial casino industry in Indiana generated approximately \$585 million in direct labor income, \$234 million in indirect labor income, and \$239 million in induced labor income, resulting in a statewide labor income impact of \$1.1 billion.

Labor Income Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Direct Labor Income	\$585,192,034
Indirect Labor Income	\$233,915,597
Induced Labor Income	\$239,232,486
Total Labor Income	\$1,058,340,118

Detailed Fiscal (Tax) Impacts

Detailed Fiscal (Tax) Impacts – State & Local Taxes

- The commercial casino industry generated \$411 million in state and local tax revenues, including \$180 million in sales taxes, \$26 million in personal income taxes, and \$152 million in property taxes.

State & Local Fiscal (Tax) Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Total State & Local Tax Revenues	\$410,501,223
Sales Tax	\$180,167,419
Personal Income	\$25,994,493
Corporate	\$11,432,246
Social Security	\$1,365,240
Excise and Fees	\$39,888,396
Property	\$151,653,428

Detailed Fiscal (Tax) Impacts – Federal Taxes

- The commercial casino industry generated \$314 million in federal tax revenues, including approximately \$66 million in federal personal income taxes, \$72 million in federal corporate taxes, and \$123 million in social security taxes.

Federal Fiscal (Tax) Impacts of the Commercial Gaming Industry in Indiana

Description	Amount
Total Federal Tax Revenues	\$314,183,072
Personal Income	\$65,880,394
Federal- Corporate	\$71,802,687
Indirect Business	\$53,606,202
Social Security	\$122,893,789

Detailed Fiscal (Tax) Impacts – Gaming Taxes

- The commercial casino industry generated approximately \$703 million in gaming taxes in 2013.

Gaming Taxes Generated by the Commercial Gaming Industry in Indiana

Description	Amount
Gaming Taxes	\$702,513,057

Fiscal (Tax) Impacts – Combined Tax Revenues

- The commercial casino industry generated more than \$1.4 billion in total tax revenues.

Summary Fiscal (Tax) Impacts of the Commercial Gaming Industry in Indiana

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Social Security	\$122,893,789
Description	Amount
Gaming Taxes	\$702,513,057
Total Tax Revenues	\$1,427,197,352

Impacts in Context

Employment Impacts in Context

- Without the commercial casino industry's total employment impact of approximately 25,000 total jobs, the unemployment rate in Indiana would rise from 5.7% to 6.9%.

Description	Amount
Total Employment Impact of Commercial Casinos	25,362
Current Unemployment Rate	5.7%
Unemployment Rate without Commercial Casino Employment Impact	6.9%

Employment Impacts in Context

- The commercial casino industry in Indiana supports approximately one out of every 116 jobs statewide.

Description	Amount
Total Employment Impact of Commercial Casinos	25,362
Total Statewide Jobs	2,933,300
Gaming Supports 1 Out of Every ___ Jobs Statewide	116
% of Statewide Jobs Supported	0.9%

Fiscal (Tax) Impacts in Context

- The commercial casino's fiscal (tax) impact of \$1.4 billion would cover the starting salaries of more than 41,000 state school teachers.

Description	Amount
Total Tax Impact Attributable to Commercial Casinos	\$1,427,197,352
Average Starting Salary of School Teachers in State	\$34,696
# of State School Teachers' Salaries Equivalent	41,134

Note: Average school salary data is based on 2012-2013 average starting teacher salaries (by state) from the National Education Association

Fiscal (Tax) Impacts in Context

- Without commercial casinos' total tax impact of approximately \$1.4 billion in total tax revenues, households on average would pay an additional \$570 in taxes each year.

Description	Amount
Total Tax Impact Attributable to Commercial Casinos	\$1,427,197,352
Total State Tax Revenues	\$16,930,731,000
Number of Households	2,502,154
Current Taxes Per Household	\$6,766
Average Per Household Tax Revenues Generated by Commercial Casinos	\$570

Note: Total state tax revenues based on the US Census Bureau's 2013 Annual Survey of State Government Tax Collections.



OXFORD
ECONOMICS

For more information:

adam@tourismeconomics.com

aran.ryan@tourismeconomics.com

mmariano@tourismeconomics.com

+1.610.995.9600