SECTION II.

THE ECONOMIC AND SOCIOLOGICAL IMPACTS OF CASINO GAMBLING

A. GENERAL IMPACTS OF CASINO GAMBLING

1. Impacts on Communities with Casino Gambling

The social and economic impacts of casino gambling are vigorously debated topics. Advocates and opponents of casino gambling offer passionate and well-constructed reasons relating to the pros and cons of gaming. Historically, studies have indicated that casino gaming affects various regions of the nation differently.

There are several trends that have been reported nationally, including:

- In most areas with casinos local and/or state governments generally receive significant windfalls from the many taxes which casinos pay to the host communities.

- Despite the individual profitability of any given casino, prosperity for the host community and surrounding region is not necessarily assured. It is consistently demonstrated in casino towns that the profile of casino gamblers is such that many enter and exit the casino without spending money in the host community. The economic spin-offs are thus less than would be assumed given the multitude of visitors. The businesses in the surrounding community do not automatically experience an economic boon when casino gaming becomes a reality.

- The gaming industry is responsible for a significant level of employment through direct and indirect means. In addition to the employees of the casino, typically there are jobs created because of the increased demand for goods and services needed to operate a casino. Moreover, casinos generally contract for supplies and services from local vendors and merchants. Each $100 million in direct casino revenue brings with it $21.7 million in direct supply purchases, which generates 225 full and part-time jobs *(Harrah's Casino*

TUNICA, MISSISSIPPI

This county and its neighbor Coahoma county are home to nine casinos. Since the first casino opened in 1992 several impacts have been felt by the community.

- Welfare rates dropped by about 30% *(Casino Journal, "Free Market Gambling," 7/95, pp. 32-40).*
- Total personal income for the county grew at a rate of 25.7% between 1993 and 1994 compared to 4.1% between 1990 and 1991 *(U.S. Bureau of Economic Analysis).*
- Total employment rose from 1,033 in mid-March 1992 to 2,606 in mid-March 1993 *(U.S. Bureau of the Census).*
- Total annual average employment rose from 3,000 in 1991 to 5,600 in 1993 (Table B-12).

Elsewhere in Mississippi, prices rose faster on the Mississippi Gulf Coast than anywhere in the U.S. during 1994, mostly due to casino business. Further, after gaming was introduced in 1992, Bay St. Louis, Mississippi reduced property taxes by 85% and still increased its budget by $2.5 million *("Mississippi Coast Trends in Development," Harrison County Development Committee).*

Entertainment, 1996). At the same time, casinos can have a negative impact on other sections of the local economy as personal income is diverted to wagering.

- Successful tourism development requires a commitment to community aesthetics, recreational assets, access, visitor services, marketing, and quality of life. Where commitments are made to target revenues from casino gambling back into the development, expansion and enhancement of travel and tourism infrastructure, and to provide a source of small business development capital for new businesses, an area's chances of success are greatly enhanced.

ATLANTIC CITY, NEW JERSEY

Since 1978, when Atlantic City became the first area in the country outside of Nevada to have casinos, their impacts have been thoroughly studied. Like Las Vegas, the casinos are currently considered to be the area's major tourist attraction.

- The number of restaurants in Atlantic City decreased from 243 to 146. However, in the metropolitan area the number of restaurants rose from 383 to 848. (1978-88). *("Restaurant News," November 20, 1992, page 112).*
- Average annual employment in Atlantic County's food and beverage industry in 1980 was 6,325. It peaked in 1988 at 8,330 and then has gradually declined to 6,723 jobs. It should be noted that these numbers represent only jobs outside of hotels, resorts, and casinos *(U.S. Bureau of Labor Statistics).*
- Between 1969 and 1977 Atlantic County's employment grew by an average of 869 jobs per year. However, between 1979 and 1994 this growth rate rose to an average of 3,898 jobs per year *(U.S. Bureau of Economic Analysis).*
- Total annual employment in Atlantic County rose 17.3% from 85,100 in 1977 to 99,800 in 1979. Over this same period retail employment rose from 18,300 to 18,900, an increase of 3.1% *(U.S. Bureau of Economic Analysis).*
- Despite casino gaming, Atlantic City's unemployment was 10.0% in April 1996, compared to 6.4% for New Jersey as a whole and 5.4% for the United States *(U.S. Bureau of Labor Statistics).*

Going beyond this mass of published information to better understand what the impacts might be on New York, a thorough analysis was undertaken on 21 casino communities nationwide (Chart 1), using a variety of sources, including: interviews with local officials, copies of testimony presented at congressional hearings, newspaper and magazine articles, studies of the impacts of casinos in other areas and data provided by the NYS Department of Labor, NYS Department of Taxation and Finance, NYS Racing and Wagering Board, U.S. Bureau of Labor Statistics and the U.S. Bureau of Economic Analysis. It should be noted that these sources frequently provide incomplete and contradictory information.

The first task was to review employment data in selected categories of business in as many of the 21 casino counties as possible. This analysis was undertaken to determine if there were consistent changes in employment in these areas which could be associated, either positively or negatively, with the opening of gambling casinos.

Chart 1: Casino Communities Examined

Name	City	State	Size	Type	Slots	Tables	Rooms	Empl
4 Bears Casino & Lodge (I)	New Town	ND	30,000 sq. ft.	Fixed Building	400	20	40	350
7 Cedars Casino (I)	Sequim	WA	63,400 sq.ft.	Private	0	36	0	250
Alton Belle Casino	Alton	IL	19,300 sq.ft	Riverboat	640	42	0	940
Blue Wolf Casino	Fargo	ND	Small	Fixed Building	0	8	116	37
Camel Rock Casino	Santa Fe	NM	60,000 sq.ft	Fixed Building	403	7	0	300
Casino Du Montreal	Montreal	Can.	Large	Fixed Building	1,815	88	0	2,000
Foxwoods Casino (I)	Ledyard	CT	195,000 sq. ft.	Resort	15,000	400	592	11,000
Grand Casino Biloxi	Biloxi	MS	110,000 sq. ft.	Fixed Building	1,800	82	0	2,200
H.L.T.	Lake Tahoe	NV	75,000 sq. ft.	Resort	1,800	185	551	2,500
Harrah's Ak-Chin Casino (I)	Phoenix	AZ	72,000 sq. ft.	Fixed Building	475	26	0	700
Imperial Hotel & Casino	Cripple Creek	CO	Large	Fixed Building	225	4	30	110
Lady Luck Casino	Tunica	MS	21,000 sq. ft.	Fixed Building	n/a	n/a	n/a	n/a
M.L.D.C.C. (I)	Prior Lake	MN	375,000 sq. ft.	Fixed Building	4,300	150	216	5,500
MGM Grand Hotel & Casino	Las Vegas	NV	171,500 sq. ft	Resort	n/a	n/a	5,000	8,000
Oneida Bingo and Casino (I)	Oneida	WI	65,000 sq. ft.	Fixed Building	2,500	80	0	3,000
Par-A-Dice	East Peoria	IL	33,000 sq.ft.	Riverboat	1,000	37	0	1,000
Players Riverboat Casino	Metropolis	IL	20,000 sq. ft.	Fixed Riverboat	862	51	0	n/a
President Casino on Admiral	St. Louis	MO	70,000 sq.ft.	Fixed Riverboat	1,200	65	0	1,250
President Davenport Iowa	Davenport	IA	20,500 sq.ft.	Fixed Riverboat	700	40	0	n/a
Trump Taj Mahal	Atlantic City	NJ	120,000 sq. ft.	Resort	3,468	246	1,250	n/a
Turning Stone Casino (I)	Verona	NY	89,000 sq.ft.	Fixed Building	805	126	275	1,500

(I) Native American

A total of 17 casino counties were used (See Appendix C). Of these, 15 were selected at random, and two were chosen because of their geographic proximity (i.e., New London, Connecticut [Foxwoods] and Madison/Oneida Counties in New York [Turning Stone]). Areas in the State of Nevada were specifically excluded from the study areas because casinos have been an integral part of the State's economy for decades and comparable employment data by type of business for years prior to the opening of casinos is not available.

Special data sets were obtained from the U.S. Bureau of Labor Statistics (Covered Employment and Wages) and the U.S. Bureau of Economic Analysis (Regional Economic Information System) on annual average retail, lodging, restaurant, and amusement/recreation service industry employment for 1980 through 1994. From this statistical data, employment for the years immediately preceding and following the opening of the first casino in each locality was obtained.

Gambling casinos are relatively new in most of these areas, and some of them are located in relatively small counties. As a result, detailed employment data was not available for every location. In four instances, casinos opened in the middle of 1994 or later, and annual average employment statistics are not yet available for a complete analysis.

- **Total employment** increased in 13 of 14 counties after the introduction of casino gambling. The median percentage increase was 7.9 percent, although a 0.3 percent decline was reported in New London, Connecticut. As might be expected, the largest increases were reported in counties with the smallest employment bases, where the arrival of any new large employer will have a significant effect on total employment levels.

- **Retail employment** increased in all 14 areas after the introduction of casino gambling. The median increase in annual average retail trade employment was 3.9 percent. Large increases of 10 percent or more were reported in four areas.

- **Hotel employment** was available for 13 of the study area counties. Overall, commercial lodging employment increased by an average of 4.4 percent in these areas. Individually, hotel/motel employment increased in eight locations, and declined in four. The areas which reported decreases included both the Connecticut and New York State locations, where Indian-operated casinos are located. It should be noted, however, that the decline in employment in hotels and motels reported for New London, Connecticut (83 jobs) was offset by new commercial lodging employment at the Foxwoods Casino, which is classified in a different industry category.

NEW LONDON, CONNECTICUT

In 1992 this county became the site of the Foxwoods Casino. This casino was the first in the Northeast outside of Atlantic City. A major report on the impacts of this casino was prepared by Arthur W. Wright & Associates (1993). Their key findings are:

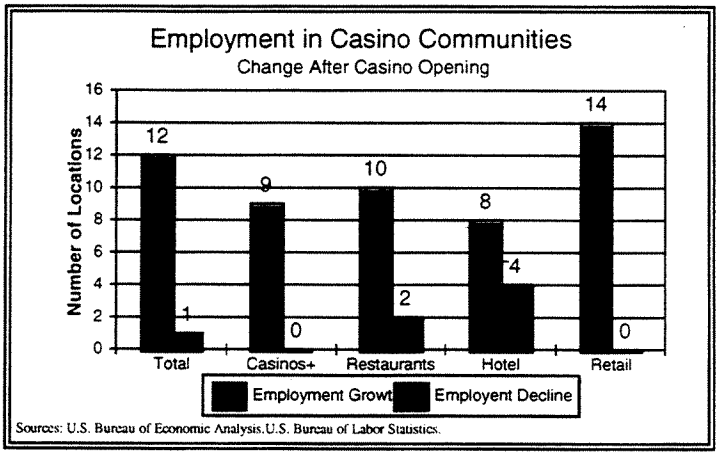
- Every new job at Foxwoods creates a total of 1.75 additional non-casino jobs in Connecticut.
- These jobs could translate into an annual increase of $695 million in annual payroll.
- Every new job trims 0.154 to 0.260 recipients from Connecticut's AFDC rolls. This will save Connecticut $9.6 to $16 million per year.
- Total residential real estate values were expected to rise by almost $1.2 billion by the end of 1994 due to casino employment alone. Including the effects of indirect employment, the total increase could come to more than $6 billion by the end of the decade.

Other impacts of the Foxwoods Casino that were not included in the Wright report, include:

- Even with defense budget cuts that strongly affected this area's largest employers, total employment dropped from 142,500 in 1991 to 146,900 in 1994 (*U.S. Bureau of Labor Statistics*).
- Retail employment increased by almost 1,200 jobs between 1991 and 1994, with half of this increase occurring in restaurants (*U.S. Bureau of Labor Statistics*).
- Amusement industry employment, which includes Foxwoods, increased from about 600 jobs in 1991 to almost 9,000 jobs in 1994 *(U.S. Bureau of Labor Statistics)*.
- Employment in the lodging industry has held relatively stable for the first couple of years since the casino opened *(U.S. Bureau of Labor Statistics)*.
- A survey of local residents found that 62% said their town was less desirable because of the casino's presence. At the same time, only 35% wished that it had never been built *(Economic Development Review, Fall 1995)*.

- **Eating and drinking employment** was available for 12 locations. In 10 of the 12 areas increases in food and beverage employment were reported after casinos opened. The median increase in all 12 areas was 8.5 percent. The two areas which recorded a decline in food and beverage employment were Scott, Minnesota (11.1%), and Madison/Oneida, New York (0.2%). Again, both of these locations are served by Indian-operated casinos.

Chart 2



- **Amusement and recreation employment** was available on a pre/post-casino basis for nine areas, all of which recorded increases. The median increase of 112.7 percent includes jobs in casinos. In addition to these areas, two other locations reported a large number of amusement and recreation service industry jobs after the opening of casinos (Tunica, Mississippi: 2,222; and Massac, Illinois: 774), but data on pre-casino employment is not available. This frequently reflects a small number of employers, where statistics are suppressed by the Labor Department to preserve confidentiality.

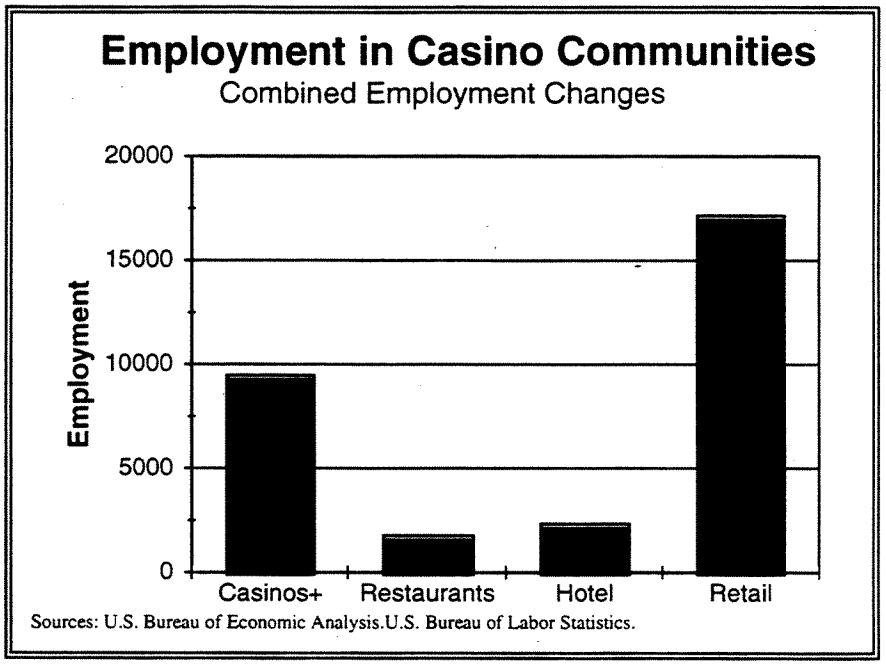
There were nine areas for which employment data for all three travel and tourism related business sectors (i.e., lodging, food and beverages, and amusement/recreation) was available to compare changes which occurred after the introduction of casino gambling. These locations included eight counties where total employment rose after the introduction of casino gambling and one (New London, Connecticut) which experienced a decline.

On a combined basis, total annual average employment in these nine areas rose from 740,582 in the year before casino began operations to 771,212 in the year afterwards, an increase of 4.2 percent (30,630). In reviewing this information, it should be noted, that data for different locations covers different time periods and is not strictly comparable. In some instances, short-term increases in travel and tourism related employment may also reflect general economic recovery following the 1991-92 recession, as well as the impact of the introduction of gambling casinos.

These areas also reported combined increases in hotel/motel industry employment (6.5%), food and beverage industry employment (5.8%) and amusement and recreation service industry employment (248.8%). On an absolute basis, the nine areas recorded combined increases of 17,148 in amusement and recreation service industry jobs, 2,282 in food and beverage industry jobs, and 523 in hotel/motel industry jobs, in the first year after the introduction of casino gambling.

Except in the Oneida/Madison County area of New York (Turning Stone), annual average employment increased in at least two out of three travel related businesses categories after casinos began operation. In Verona, New York, the location of the casino and the significant decline in overall travel and tourism industry employment since the 1991-92 recession may be contributing factors to local impacts.

Chart 3



It is also important to note that gambling casinos are relatively new in most of these locations, and the full impact of casino operations on other travel and tourism related businesses in these areas is not fully demonstrated by comparing data for just two years.

a. Additional Factors Studied

Despite the ability of casinos to generate a substantial volume of visitor traffic, concerns have been raised about the impact of casinos' nongaming operations on other businesses which provide similar visitor services in areas in which they are located. As reported by the New York State Senate Finance Subcommittee on Racing and Wagering (June 23, 1994), the concern is that casino operators provide subsidized food, beverage and rooms to visitors and force other, established businesses out of the marketplace. The negative impact of casinos on the number of restaurants in Atlantic City is the most frequently cited example of such potentially deleterious effects.

A more detailed analysis, therefore, was undertaken for Atlantic City. Our examination of the food and beverage service industry and, in particular, the non-casino related restaurant industry in Atlantic County, New Jersey, based on the 1977 through 1992 Censuses of Retail Trade, showed that the number of establishments in these industries did decline between 1977 and 1982. Since 1982, however, the number of establishments has increased to being substantially more than 1977. In fact, by 1987 there were 70 more restaurants in the county than in 1977, bringing the total number of restaurants outside of lodging or amusement establishments to 398. The mid-March employment in these establishments increased between 1977 and 1982 and between 1982 and 1987. While in response to the recession in the Northeast, employment declined between 1987 and 1992, it was still

over one and one-half times its 1977 pre-casino level. Finally, real sales in these industries generally follow the same trends as employment. Based on this analysis, it is clear that while there may have been some initial disruption to these industries, they have shown no long-term negative impacts.

The one New York example is the 1993 opening of the Turning Stone Casino in Verona, New York, near the Oneida/Madison County border. Between 1992 and 1994, employment in Oneida County's amusement and recreation service industry increased from almost 700 to over 2,044, and the industry's annual payrolls rose from approximately $6 million in 1992 to over $32 million in 1994. Over this same time period, the annual average employment and the number of eating and drinking places in Madison and Oneida Counties have remained fairly constant. It is not possible to draw any broad conclusions from this information for a number of reasons. Perhaps most significantly, the Turning Stone Casino does not serve alcoholic beverages. This data only covers a two-year period, and is not an indicator of long-term impacts, either positive or negative. In addition, most upstate tourism areas have not yet fully recovered from the losses which were recorded in travel industry employment during the 1991-92 recession, and it is difficult to assess any causal relationship between the operation of the casino and general economic recovery.

VERONA, NEW YORK

This is the site of the only casino in New York. It is a generally rural area that has been hit hard by defense cutbacks. The Turning Stone Casino opened in 1993. Impacts of this casino have included:

- According to an analysis by the New York State Department of Labor, the Turning Stone Casino has generally had a positive impact on the region's economy. This casino has created jobs in an area that has been seen job losses in recent years. This hit to the economy has meant that recruitment hasn't been a problem for the Casino.
- Smaller employers in the area had to increase their pay scales in order to keep employees from leaving for comparable jobs at the casino *(NYS Department of Labor).*
- There was virtually no change in employment in either the food and beverage or lodging industries in the area *(NYS Department of Labor).*
- Hotel/Motel sales in area surrounding Turning Stone Casino increased 23.3% between 1990 and 1994 from $15.1 million to $18.6 million. While sales have increased, due to increases in room rates, the number of hotel rooms in the area has held steady *(NYS Department of Tax and Finance).*
- Traffic getting on or off the NYS Thruway at the Verona Interchange increased 72.5 percent between 1990 and 1995 compared to 13.4 percent system wide *(NYS Thruway Authority).*
- The opening of Turning Stone has had a noticeable but not dramatic negative impact on horse racing at nearby Vernon Downs *(NYS Racing and Wagering Board).*

In summary, this data shows that rather than harming the food and beverage industry in their areas, casinos may actually lead to an expansion of this industry. However, while employment in this industry may grow, the number of restaurants and their revenues may decline due to changes in the industry's structure. Some business dislocations are an inevitable component of economic development whether the issues are the impact of new regional,

ILLINOIS RIVERBOATS

Riverboat gambling has existed in Illinois since late 1991. The size and number of boats are severely restricted by state law. Several observations can be made about the impacts of these boats *(Unless otherwise cited, all information is from Truitt, 1994).*

- The largest and most prominent riverboat, the Alton Belle, has done little to stimulate the economy of Alto, Illinois.
- Merchants complain that property taxes have risen and many businesses have closed.
- Although eating and drinking sales rose five to eight percent in Alton, gaming critics are quick to point out that the rest of Illinois had the same growth without casinos.
- In 1994, Harrah's spending on goods and services in Illinois (for one riverboat) was $27.5 million, with 61 percent of that going to local vendors *(Testimony of Jason Ader, Managing Editor and Senior Analyst for Bear-Stearns, 6/5/96, New York City Casino Task Force).*
- Employment in the lodging industry has held relatively constant in the counties with riverboat casinos *(U.S. Bureau of Labor Statistics).*
- Employment in the food and beverage service industry has increased since the introduction of riverboat casinos in each of these counties *(U.S. Bureau of Labor Statistics).*
- Between 1991 and 1992, property values in Joliet, Illinois increased by 11%; when a second riverboat opened in 1993, values jumped another 12% *(Testimony of Jason Ader, Managing Editor and Senior Analyst for Bear-Stearns, 6/5/96, New York State Casino Task Force).*
- Although riverboat gambling in Illinois has enjoyed phenomenal success with revenues pouring into state and local coffers, gaming has not stimulated the kind of economic activity that was expected.

suburban shopping malls or large discount department stores (e.g., Wal-Mart) on inner city retail merchants, or new tourism destination facilities and attractions.

The New York State Senate Finance Subcommittee hearings did conclude that such concerns are objectively valid, and reported that a number of locations dealt with the matter by limiting the amount of space casinos are permitted to devote to food and or entertainment (e.g., New Orleans), or by mandating a certain regional hotel occupancy before allowing casinos to offer accommodations.

b. Impacts on Business Location Decisions

It is not expected that the introduction of casino gaming in New York State will have any significant negative impact on any community's ability to attract or retain businesses. From an image perspective, the existence of gaming is not usually a factor taken into consideration by a vast majority of business executives charged with making location decisions. Location decisions are predominantly based on whether a particular community can meet the business' critical operating condition and operating cost objectives. These factors primarily include: labor cost, availability, and quality; market access and transportation services; real estate availability and cost; utility availability and cost; taxes; business services; business climate; quality of life; and incentives.

Although casino gaming is relatively new to other jurisdictions in the United States other than Nevada and Atlantic City, within the last few years there

has been few instances where businesses' concern about the existence of casino gaming in a community has been part of the context of a location decision. Nor has there been much on this issue in the professional literature or from location consultants.

The issue of casino gaming impacting location decisions may arise in two more limited contexts. For those communities where casino gaming is the dominant employer, such as Las Vegas, concerns are generally expressed about the availability of labor relative to what the casinos compensate employees, especially by firms seeking unskilled and semi-skilled employees. With the rapid proliferation of casinos in Mississippi, concerns have been raised about labor availability in that state.

In Memphis, more than 4,000 hospitality workers moved from local hotel and restaurant services to casino services. Such competition for labor can translate into increases in labor costs via wages and training. However, in the case where casino gaming is limited and not one of the dominant industries, this appears not to be an issue. The impact of casinos on labor availability and costs would vary from location to location.

The main concern reported by the NYS Department of Labor (DOL) in relation to proposed New York regions was the competition for labor during the tourist seasons in already existing resort areas. For the Saratoga/Warren Counties area, DOL anticipates that a casino would boost the area's economy during the off-season (late fall through early spring). However, during the tourist season labor shortages may occur. These labor shortages may increase employer costs or prevent some businesses from finding enough employees to operate. Unfortunately, these labor shortage impacts will likely affect the exact

MINNESOTA INDIAN CASINOS

Indian casino gambling expanded rapidly in Minnesota since 1990. The State now has over 20 Indian casinos operating *(all information from Minnesota Planning, May 1993).*

- Economic activity in 10 casino counties, measured by gross business sales revenues, increased 8.2% from 1989 to 1991, compared to 4.9% for the rest of the state. In 1990 and 1991, the 10 casino counties had $182 million more in business revenues than they would have had if their economic growth rate had been the same as other counties.
- There is no evidence yet that any part of the state has suffered economically because of casinos.
- Annual payroll was about $127 million in January 1993, according to tribal officials and casino managers. This was a 63% increase from the $78 million reported in March 1992 by Midwest Hospitality Advisors.
- State Department of Revenue data shows that casinos have not had an adverse impact on most nearby bars and restaurants. The revenues of bars and restaurants in casino counties had a 10.7% growth rate from 1989 to 1991, compared to 5.4% for the rest of the state.
- Recent figures show Indian employment at casinos increasing by more than 87% in the past year, to just over 3,000 in January 1993.
- In the 10 casino counties, the average number of people receiving Aid to Families with Dependent Children each month declined by 3.1 percent from 1990 to 1992. At the same time, the economic recession was increasing the number of recipients in the rest of the state by 14.6%.

Chart 4
Top Ten Casino Feeder Markets

Market	Number of Visits
New York City	11 million
Philadelphia	9 million
Los Angeles	7 million
Memphis	6 million
Minneapolis - St. Paul	6 million
Chicago	6 million
Las Vegas	5 million
New Orleans	4 million
Detroit	3 million
Mobile-Pensacola	3 million
Total visits, all states	154 million

Source: Harrah's Survey of Casino Entertainment

businesses that have formed the basis of this area's tourism industry. Finally, DOL states that the resulting increase in the general wage level could adversely affect the area's ability to attract new businesses.

With regard to casinos in the Catskills, DOL states that the region's labor force is too small to staff a casino. The number of jobs in the hotel industry, for example, has declined significantly over the past five years. However, if a sufficient labor supply is available in neighboring areas, this should not be a problem. DOL also concluded, however, that the pressure on wages may be significant, thereby adversely impacting other businesses coming into the county.

For the Buffalo-Niagara Falls area, DOL concludes that due to the large size of the area's labor force, this area could easily handle the employment needs of casinos. Also, there would be minimal impacts on the area's pay scales. Therefore, the introduction of casinos into this area will have little affect on other industries in this area. According to DOL, a positive effect of casinos in this area could be the stabilization of the region's seasonal tourist industry.

In summary, if a community is working well for an existing business, it is unlikely that the existence of casino gaming would cause a business to leave a community.

Chart 5
Top Ten States Collecting Gaming Taxes
($million)

State	Tax Revenues
Nevada	$556
New Jersey	296
Illinois	286
Louisiana	204
Mississippi	189
Connecticut	144
Missouri	130
Colorado	51
Iowa	46
Michigan	15
Total gaming tax revenue, all states	$1,900

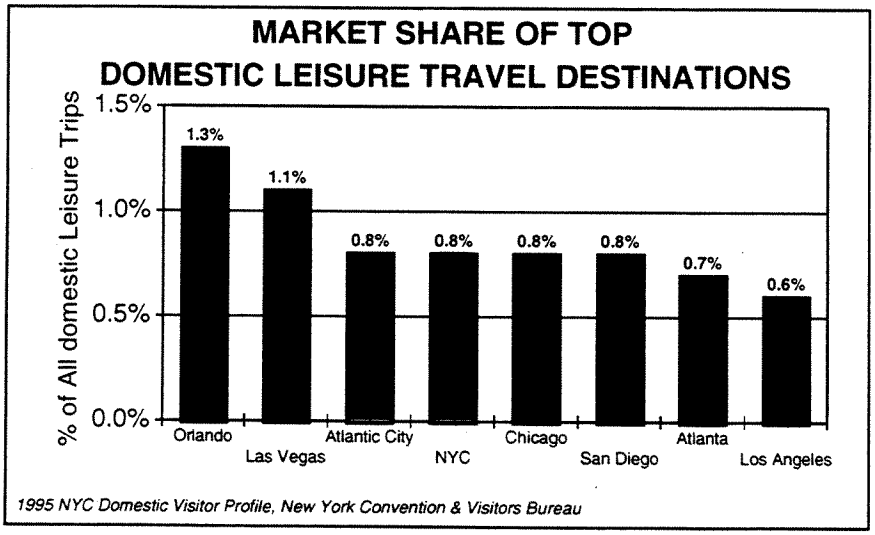
Source: Harrah's Survey of Casino Entertainment
Indian reservations gaming operations in CT and MI pay state taxes.

2. Present Day Economic Impacts on New York State

While New York currently has only one casino, the Turning Stone, New Yorkers like to gamble in casinos. New York City, in fact, is the top casino feeder metropolitan market in the U.S. with 11 million visits to casinos a year (Chart 4). New York State residents visit Atlantic City 7.6 million times on average per year.

These visits represent a significant source of money that flows out of New York State. The impact is not just on tax revenues, even though New Yorkers contribute significantly to New Jersey's collecting almost $300 million in gaming tax revenues each year (Chart 5), or in pure tourism terms, although Atlantic City now equals New York City as a travel destination (Chart 6).

Chart 6



1995 NYC Domestic Visitor Profile, New York Convention & Visitors Bureau

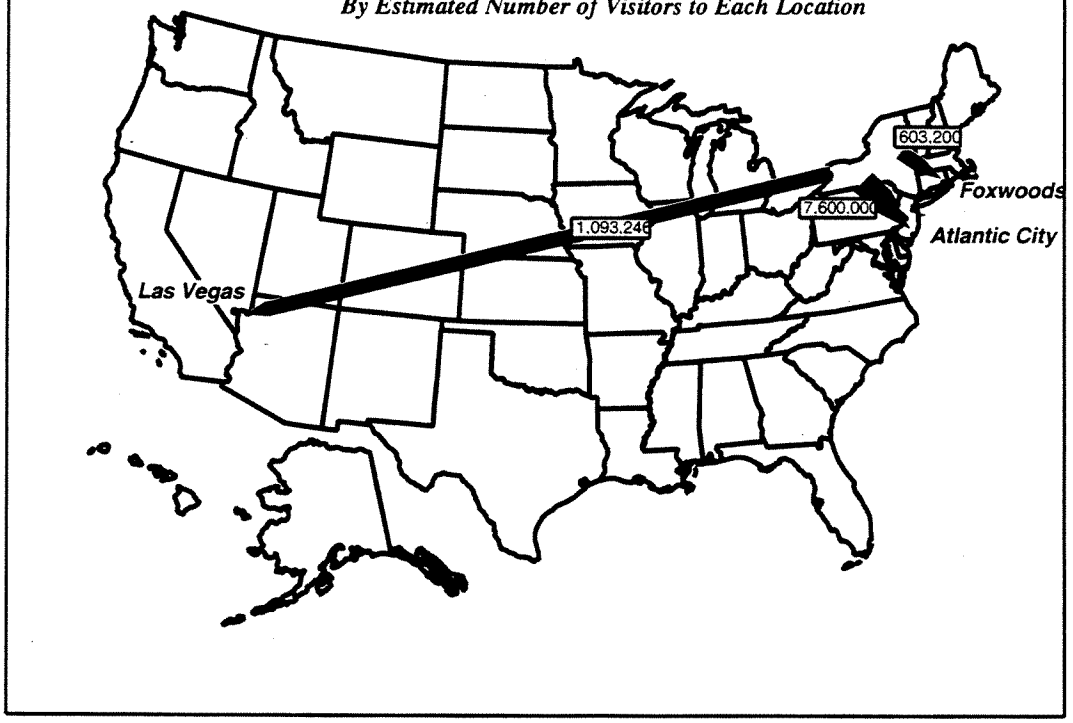
The three main out-of-state places where New Yorkers gamble are Atlantic City (7.6 million visits per year), Las Vegas (1 million visits per year), and Foxwoods in Connecticut (600,000 visits per year) (Map 1). While State residents do go elsewhere to gamble (including the 1.9 million people who visit Turning Stone every year), these three destinations represent the main out-of-state locations that New Yorkers go mainly to gamble.[8]

New York State residents spent an estimated $2.35 billion dollars in casinos and related expenses in these three locations in 1995 (not including inter-state transportation expenses). The distribution among the three major destinations were as follows: $1.3 billion in Atlantic City, $967 million in Las Vegas, and $102 million in Foxwoods.

[8]This may change with the proposed casino on the Canadian side of Niagara Falls. Of its projected 6.5 million visitors, almost 80 percent are expected to come from New York, in particular from Western New York.

MAP 1: MAJOR GAMBLING DESTINATIONS FOR NYS RESIDENTS

By Estimated Number of Visitors to Each Location



Based on the IMPLAN[9] spending multipliers, if the entire $2.35 billion were spent in the State, it would have (Charts 7 and 8):

- supported a total of 41,700 jobs,
- added $3.3 billion to total State output,
- added $1.85 billion of total income in the State and $1.2 billion of personal income.
- added over $45 million in State personal income taxes, over $101 million in New York sales/use taxes and over $75 million in local sales/use taxes (assuming a 3% local rate).

These impact estimations are based upon NYS residents' median income spending pattern, and the model's assumption that approximately 65 percent of the disposable income will be spent in New York State, and the other 35 percent will be spent on imports from outside of the State. The

[9]IMPLAN, an input-output economic impact model used by the Task Force, is outlined on pages 27 - 30.

daily spending on food and drink, local transportation and the per night spending on hotel/motel rooms are converted into per trip spending by using the 3.5 nights stayed by average visitors to Las Vegas.

In many ways, these numbers understate the impact on New York. Simply put, because New Yorkers go out-of-state to gamble, this does not mean that the social costs related to gambling go out-of-state as well. Problem and pathological gamblers[10] manifest these problems back home, in failed marriages, bankruptcies, lost job productivity, etc.

Chart 7: NYS Residents' Casino Gambling Spending Outside of the State[11]

Spending Type	Atlantic City	Foxwoods	Las Vegas	Total
In Casino Gambling	$109.00	$109.00	$513.73	
In Casino Non-gambling	$25.00	$25.00		
Other Spending Outside of Casino	$35.00	$35.00		
Food & Drink			$78.86	
Transportation (Local)			$32.06	
Shopping			$66.18	
Shows			$26.01	
Sightseeing			$4.70	
Hotel / Motel			$163.41	
Total Spending per visitor	$169.00	$169.00	$884.95	
Number of Visitors	**7,592,162**	**603,200**	**1,093,246**	**9,288,608**
Total Spending	**$1,283,075,378**	**$101,940,800**	**$967,462,581**	**$2,352,478,759**

[10]Estimated in New York to number close to 500,000 current problem and pathological gamblers in the 1996 report on compulsive gambling conducted for the New York Council on Problem Gambling, Inc.

[11]Atlantic City Visitor Numbers: Salomon Brothers, Atlantic City: Worthy of a Second Look ; Atlantic City Visitor Spending: Journal of Travel Research, Winter 1996; Foxwoods Visitor Percentage: NYS South-East Connecticut Council of Government; Foxwoods Visitor Spending: Using Atlantic City figures for lack of information and for the similarity in visitor crowd; Las Vegas Visitor Numbers: Las Vegas Convention and Visitors Authority; Las Vegas Visitor Spending: Las Vegas Convention and Visitors Authority. Due to the inconsistency in measuring visitor spending, some approximation is used.

Chart 8: Spending Multipliers & Multiplier Effects[12]

	Multiplier	Multiplier Effects
Employment	19.13	41,669
Output	1.3959	$3,284
Total Income	0.7878	$1,853
Personal Income	0.4978	$1,171

B. POTENTIAL ECONOMIC IMPACTS OF CASINO GAMBLING IN NEW YORK

1. Criteria Used to Evaluate Economic Impacts

a. Market Area Analysis

The first step in evaluating the demand for a casino is determining its potential customer base. For the purposes of this analysis, a potential customer is defined as an adult 18 years of age or older[13]. The potential customer base is, therefore, a determination of the number of adults that could possibly visit the casino.

Three different geographic distinctions are used. The first, the *primary zone*, is the population living within the surrounding community, of which a portion will visit the casino on a regular basis because of its convenience. The casino would also be considered a part of the local leisure market, along with movies, bowling alleys, parks, etc. None of the potential customers would need to spend the night but they would be expected to spend some amount on food and beverages. This zone is calculated to be a distance of up to 25 miles, or one half hour driving distance.

The second geographical zone, the *secondary zone*, defined here as distances between 25 and 75 miles, or up to an hour and a half driving distance. The distance would tend to preclude many casual visits so prospective casino patrons in this zone are expected to visit less often. This is usually the distance at which bus packages are organized. It is also assumed that only a few of the secondary zone people (15 percent) would be staying the night in the immediate area even though many may combine casino gambling with other activities in a single excursion.

The third geographic zone, the *tertiary zone*, ranges from 75 to 150 miles, or up to three

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[12] Id.

[13] A population of adults 18 and older was used because, at present, that is the legal age that one can wager in New York (race tracks, OTB, lottery, etc.).

hours driving time. This represents the limits of a realistic market size for a casino, based on the experiences of other casino markets. At this distance, it is assumed that casino visitors will visit much less frequently but a significant percentage would stay overnight (35 percent). For many, the trip would be part of a larger visit to the community, so other tourist attractions become more significant. Bus packages typically include hotel accommodations, dining and entertainment activities along with gambling.

Another major consumer market segment includes new, overnight travelers who are attracted to the area because of the existence of casinos. The volume and expenditures of these new visitors is determined, in large part, by a combination of factors, including the quality of the casino product, competition from other destination casinos, accessibility, the number/variety/quality of other attractions and tourism related services in the community, community aesthetics and quality of life.

Finally, a separate group of visitors are those who would visit the community for other travel and tourism reasons, such as to visit friends or see Niagara Falls. It is assumed that a certain percentage of those visitors would stay in the area longer because of the additional attraction of casino gambling.

With several potential gaming sites in New York, it is assumed for the purposes of this report that the potential customer base of each would be impacted by the others. If a gambler had a choice between Verona and the Catskills, his or her travel time and distance were considered as determining factors. Foxwoods and Atlantic City also will impact decision-making with Atlantic City's drawing power assumed, all things being equal, to be greater because of the existence of several casino resorts in one location. Map 2, on page 40, illustrates the casino sites contained in the amendment, the concentric zones that make up their market areas, and how the potential market for each is affected by the existence of the others.

Three other factors were used to calculate the estimated total casino visitors for each location.

- *Participation rates* are percentage estimates, based on standard methodology found in the literature, of the adult population within a certain distance likely to visit the casino. The closer the casino, the higher the participation rate. The more the casino has to offer (e.g., stand alone vs. resort), the higher the participation rate.

- *Casino visitor frequency* is a calculation of the number of times a year that a percentage of the adult population will visit the casino. Again, this is impacted by both distance and the draw of the casino itself and is based on standard methodology.

- *Overnight adjustment* is simply a technique to ensure that overnight visitors are not double-counted as day visitors. This is necessary because their spending habits are different. In Atlantic City, for example, it is estimated that overnight guests account for 14 percent of total casino visits and 36 percent of total casino revenues.[14] Charts 9 and 11 and 10 and 12 show both the estimates used for stand alone and resort casinos respectively, as well as the resultant casino visitor estimations.

b. Gambling Revenues

Once the potential market for a casino is estimated, the next step is to calculate the potential total gambling revenues that the casino visitor market represents. Customer spending translates into casino gaming revenues, or "win." Note that this analysis is demand-driven in that it is only an estimation of the market viability of the respective locations. The actual draw of any casino will also be determined by its relative attractiveness, capacity and competition.

Win varies greatly depending on the forms of gambling offered (e.g., slots vs. video poker), table and other monetary limits, establishment hours, the availability of alcohol and entertainment, and any other factor that might influence the individual gambler.

Since slot machines are crucial to total casino revenues and profitability, their availability elsewhere, such as racing tracks, is also an issue. For this reason, the $55 per visit amount that each gamer would lose on average (win per customer per visit) is taken from the 1995 economic evaluation of Bridgeport casino proposals.[15] The Bridgeport proposal was similar to the proposed New York constitutional amendment in this respect. This amount is also within the range of casino gaming revenues in other locales, including a study of the potential casino market in New York State, prepared by Harrah's Casino Entertainment, Inc.[16]

Using a percentage average from all the casinos in Atlantic City, the amount of revenue generated by slot machines and by gaming tables was calculated. These percentages were also used to calculate non-gaming revenues generated by casinos. In the case of resort casinos, this included hotel revenues. Again, this information for the proposed sites in the three New York region, plus the existing Turning Stone casino, is in Charts 9 and 10.

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[14]Salomon Brothers, Atlantic City: Worthy of a Second Look (May 1995).

[15]Blais, Cummingham and Lott, The Bridgeport Casino Proposals: An Economic Evaluation. (1995).

[16]Harrah's Entertainment, Inc., Casino Entertainment Economic Impact, New York (February 1996).

c. Casino Employment

Casino gaming employment was estimated using established ratios of revenues generated by slot machines, table games, and the other gaming employees (i.e., supervisors, cashiers) needed as support in Atlantic City casinos. Similar percentages were used to determine non-gaming casino employment for both stand alone and resort facilities [Charts 9 and 10].

d. Positive Economic Impacts

Any new development, such as casino gaming, results in a number of economic benefits which are typically evaluated through the analysis of net new spending in the area. New spending can be in the form of additional spending in the community by nonresidents, as well as spending by local residents which was formerly spent to purchase goods or services produced by foreign (i.e., non-local) suppliers. The new spending in the region results in new jobs for area and state residents, new sales for businesses, and additional revenue for local and state governments. This new direct spending also generates additional or secondary spending that provides even more sales, jobs, income and tax revenue for the area. The extent of this process, known as the multiplier effect, is measured with an economic impact model and is the basis upon which casino gaming's economic impact is judged.

Economic impact models use traditional input/output economic analysis to determine the effect of any investment on an economy. Because the terminology in economic impact studies is often inconsistent and confusing, the following definitions are provided for the terms used in this analysis:

- **Direct economic impacts** are the additional employment and spending related to the construction and operation of the casino gaming facilities.

- **Indirect economic impacts** include the economic impact of purchases used for construction, and ongoing casino gaming operations. The indirect impact is calculated using standard input/output coefficients from the U.S. Department of Commerce and generates the estimated employment, sales, and income that results from spending in the primary industry sectors of the economy.

- **Induced economic impacts** are the impacts on other economic establishments and activities that would occur as a result of the direct and indirect economic employment and spending effects of casino gaming on a regional economy.

- **Non-gaming spending impacts** includes the economic impact on the local economy of tourist-related activities other than the gambling itself. This includes eating and drinking, lodging, retail sales, etc. This spending can occur within the casino itself (more likely if it is a resort) or at other existing or new businesses within the community.

Note that for this analysis the economic impacts related to construction are not considered. Besides being temporary in nature, estimations of this type are difficult in that the exact size and type of construction are unknown.

e. Direct Jobs Created

An important impact resulting from gaming development is job creation. Casino jobs are in five different functional areas:

- **Gaming Operations** - machine technicians, cashiers, dealers, table games supervisors.

- **Casino Services** - security, food and beverage, retail, purchasing, and maintenance and facilities specialists.

- **Marketing** - public relations, market research, and advertising professionals.

- **Human Resources** - employee relations, compensation, staffing, and training specialists.

- **Finance and Administration** - lawyers, accounts payable, audit, payroll, and income control specialists.

Regional differences in prevailing wage rates affect compensation rates at specific casinos. About one-third of casino jobs (i.e., clerical, cashiering, and maintenance positions) will pay between $14,000 and $20,000. Another third of the jobs (i.e., gaming operations, accounting, food and beverage service) will pay between $20,000 and $30,000. The final third (i.e., table game dealers, gaming supervisors, and management) will pay more than $30,000. In this analysis it is assumed that the average annual income per casino gaming employee is $27,000.

As a result of the increased visitors to the area from the region and out-of-state, both the hotel and restaurant/entertainment industries will experience a direct impact from the casino activities. This will result in the hiring of new employees at the hotels and restaurants to accommodate the increased tourism and spending resulting from gaming. Again, a certain percentage of these jobs will

be created within the casino itself depending on its type and scale.[17]

f. Indirect Jobs

Casino gambling also generates indirect jobs, through both the purchase of goods and services by casinos themselves as well as the construction, hotel and restaurant industries. For example, local businesses that supply kitchen equipment, electrical supplies, or printing or accounting services are likely to benefit from a casino's business. The computer generated model estimates the indirect employment and income in industry sectors resulting from spending in the area's economy due to the direct impacts and tourism. These sectors include:

- Imports to the local economy from agriculture, mining and manufacturing;
- Construction;
- Transportation, communication and public utilities;
- Wholesale and retail trade;
- Finance, Insurance and Real Estate;
- Hotels;
- Business services (i.e., advertising, computer services, credit agencies, etc.);
- Restaurants and bars;
- Other services (i.e., auto repair, movie theaters, health, education, social services, accounting, engineering).

g. Induced Jobs

The induced jobs occur through general expansion of the local economy via expenditures by both casino patrons and direct and indirect employees. In this analysis, it is combined with the indirect jobs impacts.

h. Negative Economic Impacts

It is unrealistic to assume that the money expended at New York casinos is all new money and will not have negative impacts on other sectors of the state and relevant local economies. To some degree, it will be a substitute from current spending patterns.

One possibly affected component to the introduction of casino gambling in New York is the already existing gaming industry within the State. An estimate of possible negative impacts on the lottery is included elsewhere in this document (see: pages 124 through 134) and is subtracted from

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[17]An estimation of the existing number of overnight visitors to the relevant areas of the State was calculated and is shown in Appendix Table C-11.

the total estimated casino revenues as the first step in determining the negative economic impacts to the broader economy. An attempt to quantify the impact of casino gambling on New York's charitable gambling is also included elsewhere in this document (see: page 113). The impact on horse racing is a factor to be considered and is also discussed later in the document (see: page 86). However, it is assumed, for purposes of this analysis, pari-mutuel losses will be offset by slot machines and allocation of revenues as contained in the first passage.

The second step is to remove, based on market analysis (Map 2), money spent in New York casinos by out-of-state residents. The result is money spent by New York State residents on casino gambling.

A third step is to estimate how much of the monies New Yorkers now spend gambling out-of-state would now be spent gambling in New York. The market area analysis indicates that this could be as high as 50 percent. This percentage is deducted from the State economic impact analysis, but not from any of the regional impacts analyses. Since the large majority of this spending is by New York City metropolitan area residents at Foxwoods and Atlantic City, New York residents living in the counties where casinos are proposed constitute a relatively insignificant percentage of this out-of-state money flow.

A fourth step is to remove monies that New Yorkers now spend out-of-state for other than gambling purchases or services (i.e., vacations), that they would now spend in-state gambling. Based on other casino impact studies, an adjustment of 20 percent is made to spending by residents out-of-state.

After all these adjustments, what remains is the amount the New Yorkers will divert towards gambling from other New York businesses and activities. Based on other casino impact studies, this local product substitution is allocated in the following manner: 70 percent from recreation and amusement, 20 percent from dining out, and 10 percent from retail sales.[1] An economic impact analysis then determines the possible job and income loss to the economy as a whole.

2. Economic Models Utilized

Two economic impact models were used in this study: a traditional input-output model (IMPLAN) and a model which combines the input-output analysis with econometric modeling of the product and labor markets (REMI).

a. IMPLAN

The input-output model used is IMPLAN, developed by the Minnesota IMPLAN Group, Inc. The impact analysis is based on New York State and substate regional industrial Input-Output (I-O)

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[1] See, for example, Blais, Cummingham, and Lott, The Bridgeport Casino Proposals: An Economic Evaluation. (1995).

linkages. These state and substate I-O tables are based on the I-O structure of the U.S. economy, and is adjusted for regional trade flows.

The estimated casino revenue, direct employment and average annual wage are used as the bases to introduce this new industry into the State. IMPLAN then uses the industry I-O structure to estimate the secondary and consecutive economic activities following the introduction of the casinos. The model does not consider the responses in the labor market. It implicitly assumes infinite supply of labor and other production resources. When estimating the indirect and induced impact of the casino gambling, the model assumes average regional purchasing coefficients (i.e., the portion of new demand to be satisfied by local producers). This may not be true when dealing with a substate region that does not have an industrial base to supply to the casino itself and the related economic activities. If specific information becomes available on where the casinos buy their supplies and which portion of their purchase benefits local suppliers, the impact estimates can be revised accordingly.

Micro IMPLAN (IMpact analysis for PLANning) is a microcomputer program that performs regional input-output analysis. A model can be defined for any region in the United States with counties being the smallest unit of measure. The IMPLAN system consists of software and databases to construct regional economic accounts of any state or county in the U.S. The system can be used in economic base analysis, industry targeting and relocation, plant closing, natural resource issues, etc.

Regional social accounting systems, such as IMPLAN, enable the user to:

- develop a set of balanced economic/social accounts, i.e. a descriptive model;
- develop multiplier tables, i.e. a predictive model;
- change any component of the system, production functions, trade flow or database;
- create custom impact analysis by entering final demand changes.

The analysis is based on the idea of input-output accounting. For each dollar of output of one product to be produced by an industry, a certain amount of inputs from various industries needs to be used. The input-output table traces these production linkages throughout the economy. Thus, if there is a change in the final demand of one product, besides the industry directly impacted, other industries indirectly impacted will be indicated. These indirectly impacted industries will in turn tap into their input suppliers and create further impact on the economy. The process will go on until the changes in production and input demand became negligible. The model then sums up this process and reports the whole multiplier effects caused by the initial change of the final demand. The model also traces the induced income effect caused by the spending of increased personal income from all the additional economic activities described above, and reports that as the induced effects.

b. REMI

The REMI Regional Economic Models has built-in wage and price responses besides the I-O linkages. Any expansion of the economy which causes multiplicative increases in economic activities, also causes wages and prices to go up. The increased employment opportunities will lead to in-migration and increase of population. The population expansion, and the resulting problems of congestion, housing price increases, increased demand for government services, all puts a limit on how much an economy can expand. The REMI model is also a dynamic forecasting and simulation model. It provides a time path of the impacts following a new economic initiative.

The REMI model is a combination of input-output analysis and regional econometric modeling. If the econometric responses are suppressed, the REMI model collapses to a traditional input-output model. The econometric specifications are derived from economic theories that are generally neoclassical in nature. The notion of regional equilibrium is central to the model's long-term portrait of regional economic growth.

REMI models may be constructed for any subnational region consisting of one or several counties or states. The particular model used in this analysis is a single area New York State 53 sector model. It reveals the economic and demographic effects that policy initiatives or external events may result in a local economy.

Conceptually, the REMI model consists of five basic blocks: 1) output, 2) labor and capital demands, 3) population and labor supply, 4) wages, prices, and profits, and 5) market shares.

The output block contains the input-output component of the model. Final demands drive the output block. Production uses factor inputs, labor, capital and fuel, and intermediate inputs. Fixed proportions use of intermediate inputs are based on the national input-output tables. Factor input use is governed by Cobb-Douglas production functions in Block 2. Thus, the relative factor intensities respond to changes in factor costs (i.e. wage rates, cost of capital and fuel prices). Labor supply in Block 3 responds positively to wage rates because of migration. The interaction of labor demand in Block 2 and labor supply in Block 3 determines wage rates in Block 4. Wage rates affect the competitiveness of local firms relative to firms in other regions in Block 5. Regional competitiveness affects the shares of local and export markets that local firms capture (market shares). Endogenous consumption, investment, and government expenditures plus exports are the final demands that drive the output block. The endogenous regional purchase coefficient (RPC) is the portion of local market captured by local firms, or a measure of self-sufficiency. Solution values for the endogenous variables in the REMI model must satisfy the equations in all five blocks simultaneously.

The REMI model is also dynamic. Its controlled forecast can be used in regular economic forecasting and planning. Its alternative forecast allows us to time the impact of the initial policy change or external shock, and forecast any lasting effects over the years. It also provides graphic presentation of the results.

In preparing for the REMI runs in the casino gambling study, on top of the estimated casino revenue, employment and average annual wage, the following additional assumptions were made:

- Total construction cost will be 1.6 billion dollars, split into two years, 1997 and 1998.[19]
- Casino revenue and employment is kept at the same level throughout the period (1999-2018).
- The negative impact on the State's Lottery sales only occurs in the first two years after the casinos are fully operational, and 40 percent of this loss will be the loss of state revenue.
- The money spent by local residents, net of the amount expected to be recaptured from being spent at Atlantic City, Foxwoods and other tourist destinations, is assumed to come from spending on other amusement and recreation services, restaurants and retail sales as outlined previously.

The REMI analysis resulted is a slightly smaller employment impact, which is expected giving the restrictions posed by the model. The REMI definition of personal income is broader than the IMPLAN definition. It includes both employee compensation and proprietors income, thus the increase in personal income is higher after adjusted for the inflation. The REMI output measure is not comparable to IMPLAN's. IMPLAN uses total output / production, while REMI uses the value-added or gross regional product concept. On the whole, each analysis confirms the other.

3. Casinos as an Economic Development Strategy

Atlantic City was the first area in the United States where casinos were used as the primary tool for the redevelopment of a tourist destination which had undergone substantial deterioration over a long period of time. In the twenty years since gambling was legalized in Atlantic City, it has been used as an example of the positive and negative effects of casinos in the United States. Many of these analyses exhibit a degree of personal bias, and are often selectively constructed to provide substantiation of personal views. Nevertheless, the Atlantic City experience provides some insights into the potential of this type of economic development strategy, as well as problems which can be anticipated in other areas of the region which serve the same, or a similar clientele.

Legalization of gambling was approved in New Jersey as tool of urban development, through which it was believed that the introduction of a limited number of casinos, new hotel accommodations and convention facilities would facilitate the redevelopment of one of the country's most economically troubled cities. The New Jersey Casino Control Act created the Casino Control Commission (CCC) to regulate the industry, and to carry out the economic development objectives

[19]Even though construction costs and economic impacts are not considered in this report, an estimated figure is needed for the REMI model to run properly.

of the legislation.

As a result, the physical characteristics of casinos in Atlantic City were determined by the CCC, not by the consumer marketplace. The Commission sought to insure that gaming operations were integrated into hotel services in order to avoid an arcade atmosphere of freestanding casinos. Initial regulations initially required each casino to provide a minimum of 500 guest rooms. These regulations resulted in large capital requirements, which have produced over $5 billion in capital investments in just 12 casinos.

Despite these heavy investments in destination facilities, Atlantic City remained primarily dependent upon day trips, and gaming accounted for most of casino hotel revenues. By comparison, casino hotels in Las Vegas received over 40 percent of their revenues from non-gaming business. With an average length of stay of just 1.5 days, it was apparent that Atlantic City casino market was substantially different than Las Vegas, where visitors stayed an average of 3.5 days.

From an operational perspective, it was also apparent that the high turnover rate in Atlantic City hotels produced an undesirable acceleration of the deterioration and depreciation of the City's new and expanded guest room inventory, as well as congestion problems in and outside of the casinos. A major reason for this deterioration and congestion was the use of tax revenues generated by the casinos for the construction of public housing and subsidy of local property tax rates, rather than being reinvestment into the community's tourism resources. The New Jersey Casino Redevelopment Authority committed no expenditures of funds on any type of beautification prior to 1992, despite the extensive urban blight which pervaded Atlantic City. In its first eight years of operation, the CRDA funded $185 million in projects from casino gaming tax revenues, 85 percent of which were spent on housing projects.

New Jersey eventually recognized that the Atlantic City casino tourism development strategy had not been successful, despite the more than 30 million casino visitors each year. The limited investments in tourism infrastructure largely failed to improve the City's aesthetic appeal and access.

In 1994, New Jersey established the Atlantic City Fund, which uses casino gaming tax revenues for economic development projects of a revenue producing nature (other than the construction of casino hotels) to foster the redevelopment of Atlantic City.

Over the next several years, the Atlantic City Fund will receive approximately $70 million for infrastructure improvement and area beautification funding. New projects, which include a combination of both private and public funding, are:

- The $175-million Corridor Project, which is designed to improve the primary highway access to Atlantic City.

- A new $25-million Atlantic City Convention Center is under construction and is expected to open in early 1997. Although

the project is not directly funded by the casino industry, it reflects the State's renewed emphasis on tourism development in the community.

- The Atlantic City Airport is undergoing an multi-phased expansion which includes a $15-million expansion of the airport terminal, doubling its present size; a $7-million expansion of the airport's runways, and aprons for general aviation aircraft. The third phase of the project will include $13.5 million for improvement to the airport's main runway.

- In 1994, about 125 buildings in Atlantic City were scheduled for demolition by the City government; an additional 150 to 200 were to be razed in 1995 and 1996.

This renewed commitment by the State and City governments to improving and enhancing Atlantic City's atmosphere as a tourism destination has been recognized by its casino industry. Many operators in the industry are reevaluating the development of additional hotels rooms, their entertainment facilities, and their marketing strategies.

As a direct result of these activities, Atlantic City is in a period of transition from a day-trip destination to one enhanced with the attributes required to attract overnight tourists. It is now widely accepted that this reinvestment in tourism infrastructure and marketing by the State and City governments, and their new cooperative investment strategy with the casino industry, will help insure the long-term economic viability of Atlantic City as a tourist destination, despite the proliferation of gambling opportunities elsewhere in the country and the region.

The problems that Atlantic City endured over the last 20 years are to some degree reflected in the unsuccessful attempt to open a large casino in New Orleans. It was expected that a casino for New Orleans would become the centerpiece for urban renewal in a seriously deteriorated area of the City, but the operator of the casino, Harrah's, was forced to file for bankruptcy after only several months of operation. Although a number of factors have been cited as contributing to the casino's ultimate failure, its location in a deteriorated, perceived unsafe high-crime area of the City was a major problem in generating enough traffic to make the casino commercially viable.

Learning from these and other experiences, New York should recognize that successful tourism development requires a commitment to community aesthetics, recreational assets, access, visitor services, marketing, and quality of life. Because of the lack of commitment to these types of improvements in Atlantic City, it failed to establish itself as anything much more than a day trip recreational center, rather than a major overnight tourist destination.

While it appears highly unlikely that any other location in the Northeast will establish itself with the same magnitude of investment in casino gaming facilities as Atlantic City, casino operations

in established tourism areas, such as the Catskills, have a significant potential to capitalize on the growing interest and potential of casino gambling as an additional amenity to improve their competitiveness as a destination. Where commitments are made to target tax revenues from casino gambling back into the development, expansion and enhancement of travel and tourism infrastructure, and to provide a source of small business development capital for new businesses, the area's chances of success are greatly enhanced.

4. The Role of Casinos in Tourism Destination Development

A major objective of government economic development programs is to develop strategies which effectively attract investment capital, utilize local and regional resources to create jobs and personal income for its citizens. Travel and tourism have been recognized as one of the mechanisms which can be used to achieve these goals.

Of all the factors which influence tourism, attractions are the most important. Guiding the development of attractions is critical to the functioning of the entire tourism system. In a broad sense, attractions include all the physical developments that provide the settings for meeting market needs. Attractions evolve and change over time, and are typically clustered to provide both the critical mass required to adequately serve the needs of travelers, as well as to establish a "sense of place" required to remain competitive in directing the flow travel and tourism activity.

Gaming areas and casinos have been used successfully as a catalyst for travel and tourism development because of their ability to attract large numbers of non-local residents. Until recently, however, there has been little comprehensive information available on the significance of gaming as a component on the overall domestic travel marketplace. The primary reasons were the relatively limited number of locations which offered casino gambling before the beginning of the current decade.

A variety of estimates have been reported on the number of people who participate in various gambling related activities in the United States. Harrah's Survey of Casino Entertainment (1994) reports that 30 percent of U.S. households reported a *visit* to a casino during the year, and estimates total casino *visits* at 125 million. The Harrah's survey does not, however, distinguish between local casino visitors and travelers to casino destinations.

In 1996, the U.S. Travel Data Center completed a study of gambling trips by Americans. The study is based on the results of the Data Center's on-going national study of overnight travel and day trips to places 50 miles or more away from home by U.S. residents (TravelScope).

The Data Center's Profile of Travelers Who Participate in Gambling (April 1996), reported that of the more than 1 billion person-trips taken by U.S. residents in 1994, 65.6 million (6.5 percent) included gambling as an activity on their trip.

The two primary findings of the Data Center study are:

(1) There are several characteristics which distinguish gambling trips from other types of travel; and,

(2) There are two, distinct gambling travel markets which the Data Center labels as *multi-activity* and *gambling only*. Nearly four in ten gambling travelers (39 percent) indicated that gambling was the *only* activity, while 61 percent of gambling travelers reported multiple trip activities.

Over one half (51%) of all gambling trips are to destinations in the West census region, most of which are to Nevada (40 percent of the U.S. total). The South captured 19 percent of U.S. gambling trips, followed by the Northeast (17 percent) and the Midwest (13 percent). The data correlates with the general geographic distribution of land-based, riverboat and Indian casino facilities in the United States.

Although most gambling trips occur within the same region as the traveler lives, there are substantial differences in the geographic distribution of interregional travel. The flow of gambling trips between different regions varies significantly across the country producing an unbalanced volume of travel and tourism activity to the West Census Region because of the large number of visitors to the State of Nevada[20].

Nevada is the leading destination of gambling travelers living in the West (79 percent) and Midwest (27 percent), as well as the second leading destination of gambling trips from the Northeast (13 percent) and the South (17 percent). These results indicate the continued preeminence of Las Vegas as the leading destination of long-distanced gambling trips by residents of the United States, despite the recent expansion of gambling casinos and riverboats in other areas of the country.

Overall, the West (32%) and Midwest (31%) account for the highest shares of *non-resident* gambling visitors, followed by the Northeast (23%) and the South (19%). Most residents of the West (96%) remain in their own region to gamble on a trip. Residents of the Northeast also demonstrate a higher than average tendency (74%) to travel within their own region on gambling trips. This may be described as Atlantic City/Foxwoods factor, since New Jersey and Connecticut account for 57 percent of the long-distance gambling trips by Northeast residents in 1994.

Gaming trips to New York and Pennsylvania account for a combined market share of 7 percent of the Northeast's domestic gaming travel market, which are probably associated with racing, rather than casino gambling. New Jersey is the only state in the Northeast which accounts for a significant volume of travel from outside the region with six percent of the gambling trips which originate in South.

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[20]See Appendix D.

According to the U.S. Travel Data Center, gambling travelers are generally older, more likely to be retired and less likely to be married or have children in their households.

Gambling travelers spend more than average on their trips ($652 versus $404), stay longer on their trips (4.1 versus 3.4 nights), and are substantially more likely to use commercial lodging (73% versus 48%) than non-gambling travelers.

While forty-two percent of those who gambled spend $500 or more during their trip, only 23 percent of non-gamblers do so. In contrast, three times as many non-gamblers as gamblers spend less than $100 (30% versus 10%).

Because of the longer average duration of gambling-related trips and higher average visitor spending, travel expenditures associated with gambling amounts to $42.8 billion, or 10.5 percent of domestic travel spending by U.S. residents in 1994. After factoring in the higher use of hotel and motel accommodations among gamblers, the overall significance of this travel market becomes clear. In 1994, gambling travelers account for 12 percent of all guest nights in commercial accommodations in 1994 (i.e., 98-million room nights, 196-million guest nights), almost twice the segment's 6.5 percent share of total person trips.

A party size of two people was the most common among gambling travelers, significantly higher than for non-gambling travel parties (45% versus 30%). Conversely, fewer gambling trips included larger traveling parties of three or more persons (29% versus 43%). As may be expected, group tour use was three time higher among gambling travelers compared to non-gamblers (9% versus 3%).

Overall, more than twice as many gamblers than non-gamblers reported three or more activities per trip (37% versus 15%). In addition to gaming, the most popular activities reported by gamblers were: shopping (33%), nightlife/dancing (17%), and visits to museums and historic places (16%). Gambling travelers are less likely to engage in any outdoor recreation activities while traveling compared to other travelers (12 % versus 20%).

Short trips are more popular among *gambling only* travelers, averaging 2.1 nights away from home, compared to 5.4 nights for *multi-activity* gambling travelers. An above average proportion of gambling only trips are group tours (12% gambling only versus 7% multi-activity).

A larger proportion of multi-activity gambling travelers are younger, have children in their households (30% versus 20%), are employed (52% versus 47%), college-educated (37% versus 29%), and are from larger households than *gambling only* travelers.

Two-thirds of travelers for whom gambling was the *only activity* on their trip are in the 55+ age bracket compared to less than one-half who participated in gambling plus other activities (66% versus 45%). Similarly, a larger share of *gambling only* travelers are retired (24% versus 16%), and do not have children in their household (80% versus 70%) compared to their multi-activity

counterparts. A higher share of *gambling only* travelers attained a high school education or less (37% versus 29%), and reported lower household incomes compared to multi-activity gambling travelers.

Analyzing the demographic characteristics of the U.S. gambling travel markets, the Data Center has identified five key target groups which exhibit above average frequency of gambling trips. These key target groups account for 51.5 percent of all gambling trips and include the following: Urban Sophisticates (15.2%), Suburban Families (13.9%), Seniors (9.3%), Midscale Metro Families (6.8%), and City Mix (6.4%).

Urban Sophisticates are predominately college-educated singles and couples with household incomes over $50,000 per year. They tend to be middle aged (35-54) and have a mix of professional occupations. In general, they have fewer family responsibilities and greater disposable incomes. Urban Sophisticates account for 10.6 percent of all households, 12.5 percent of all travelers and 15.2 percent of gambling travelers.

Suburban Families are predominately parents and couples living in single unit housing with incomes over $50,000. They differ from Urban Sophisticates in that they own two or more automobiles, take fewer foreign trips, and the presence of children in their households strongly influences their lifestyles and spending habits. Suburban Families account for 9.7 percent of all U.S. households, 12.3 percent of all traveling households, and 13.4 percent of gambling travelers.

Seniors are predominately single retirees with fixed incomes of less than $20,000 per year. They often own their own cars, and take domestic trips by bus. The Seniors account for 8.1 percent of U.S. households, 7.1 percent of all traveling households, and 9.3 percent of gambling travelers.

Midscale Metro Families are couples and families living in multi-unit buildings, with annual incomes of between $25,000 and $34,000, usually employed in blue-collar occupations. Midscale Metro Families represent 7.0 percent of all households, 4.8 percent of traveling households, and 6.8 percent of gambling households.

The City Mix target group is comprised of singles and couples, earning under $20,000 per year, that live in multi-unit structures and often do not own an automobile. The City Mix group accounts for 9.7 percent of all households, 4.3 percent of all travelers, and 6.4 percent of gambling travelers.

5. Economic Potential of Casino Gambling by Region

The concurrent resolution to amend the State constitution, Senate 5557 / Assembly 8356, would permit privately operated, land-based casinos in specific locations of New York State, including:

- an unspecified number of casinos in Greene, Sullivan and Ulster Counties;

- one casino in the Cities of Buffalo and Niagara Falls;
- one casino in either Warren or Saratoga County;
- and slot machines at licensed horse racing tracks when live racing is being conducted, except in New York City, Nassau and Tioga counties.

New York race tracks that would be eligible for slot machines and video gambling include: Saratoga Race Course, Saratoga Raceway, Finger Lakes Race Course, Yonkers Raceway, Monticello Raceway, Vernon Downs Raceway, Batavia Raceway, Buffalo Raceway, and the Syracuse Mile.

The first analysis of the economic impacts of casino gaming in New York is limited to the above mentioned communities and the resultant overall State impacts. Because of the limited nature of gambling at the above mentioned race tracks, that analysis is not included except that the existence of slot machines at those tracks is expected to lessen the average win at the casinos.

AN ANALYSIS OF WHICH REGIONS IN THE STATE MAY BE BEST SUITED FOR ECONOMICALLY VIABLE CASINOS WAS PRESCRIBED IN EXECUTIVE ORDER NUMBER 36 AND WAS UNDERTAKEN BY THE TASK FORCE. RESULTS OF THAT STUDY ARE INCLUDED IN THIS REPORT. SUCH INCLUSIONS DO NOT CONSTITUTE RECOMMENDATION FOR LOCATING CASINOS IN THOSE REGIONS.

The second analysis is broader in nature in that it examines which regions of the State may be best suited for economically viable casinos, regardless of the limitations imposed by the concurrent resolution. This was determined two ways. First, an examination of existing tourism and hotel infrastructure was undertaken using information from the 1992 Economic Census. It was also assumed that any casino would need to be near a major highway system. Second, potential market areas and expected casino visitors were calculated. As a result, possible casinos could be economically viable in the Adirondacks, the Finger Lakes region, New York City, and Long Island. The inclusion of New York City and Long Island are especially significant in that those regions constitute the current major market areas for Atlantic City and Foxwoods and are only partially within the Catskills proposed market area.

Casino Sites Mentioned in the Legislation

An examination was undertaken of the four broader communities mentioned by name in the

proposed legislation to assess what their economic impact would be, both on New York and their locales. Because no specific site information is included, this report can only be a broader market analysis. The numbers reported below relate to market ***potential***; that is, the *maximum* number of jobs that could be created, *the maximum* amount of tourism dollars that might be spent, and the *maximum* tax revenue potential for the State as a whole and for each site mentioned in the legislation. In addition, it would take two or three years after passage of the constitutional amendment for the casinos to be fully operational.

The market potential of Western New York, which includes Buffalo and Niagara Falls, was examined. The exact size and type of any casino that eventually is built will determine more exactly the market share, tax revenues, etc. Similarly, the market potential of the Catskills region of the State was analyzed irrespective of casinos being sited in Sullivan, Green or Ulster Counties. The same is true for the Saratoga/Warren Counties region of the State. The only exception was the Turning Stone Casino in Verona, which needed to be included because of its potential impacts on the proposed four locations. Maps 2a to 2d shows the defined market draw of each site, including Verona. The following analysis represents calculations shown in Charts 9 and 10, as well as charts for each location and for New York State in Appendix C concerning estimated nongaming spending by casino visitors, distribution of nongaming spending, and the results of the economic impact analysis.

a. New York State in General

Since the type of casino directly impacts its market draw, all impact analysis considered both stand alone and resort casinos. Stand alone casinos offer gaming and some food and beverage service. Resort casinos, modeled after Atlantic City and Foxwoods, offer entertainment, first-class lodging, several eating and drinking choices, and retail shops within. No statewide analysis was done using different types of casinos in different locations, even though each choice was examined in each region. Also, the statewide market share portion of the analysis assumed that there would be adequate capacity to serve each market in all New York locations.

The table to the right offers a total New York State snapshot of casino visits,

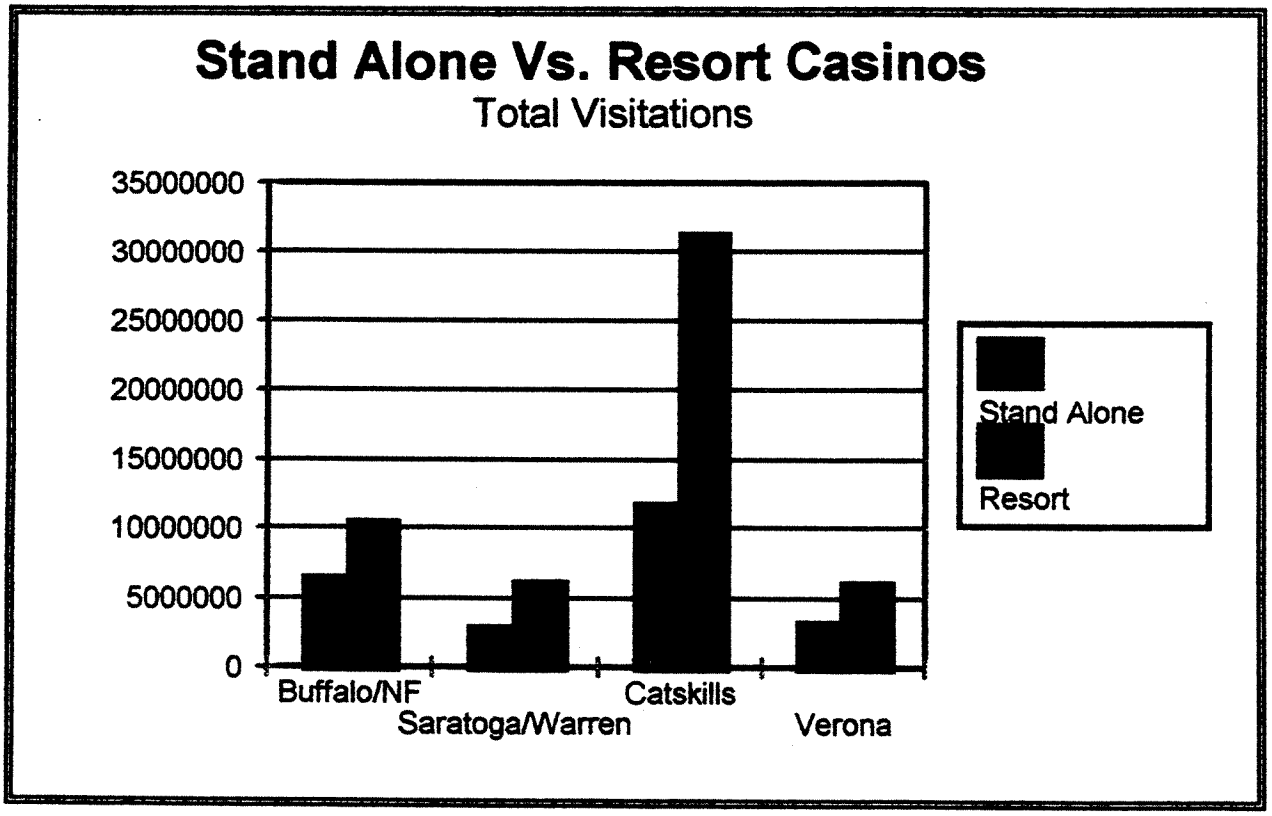
New York State

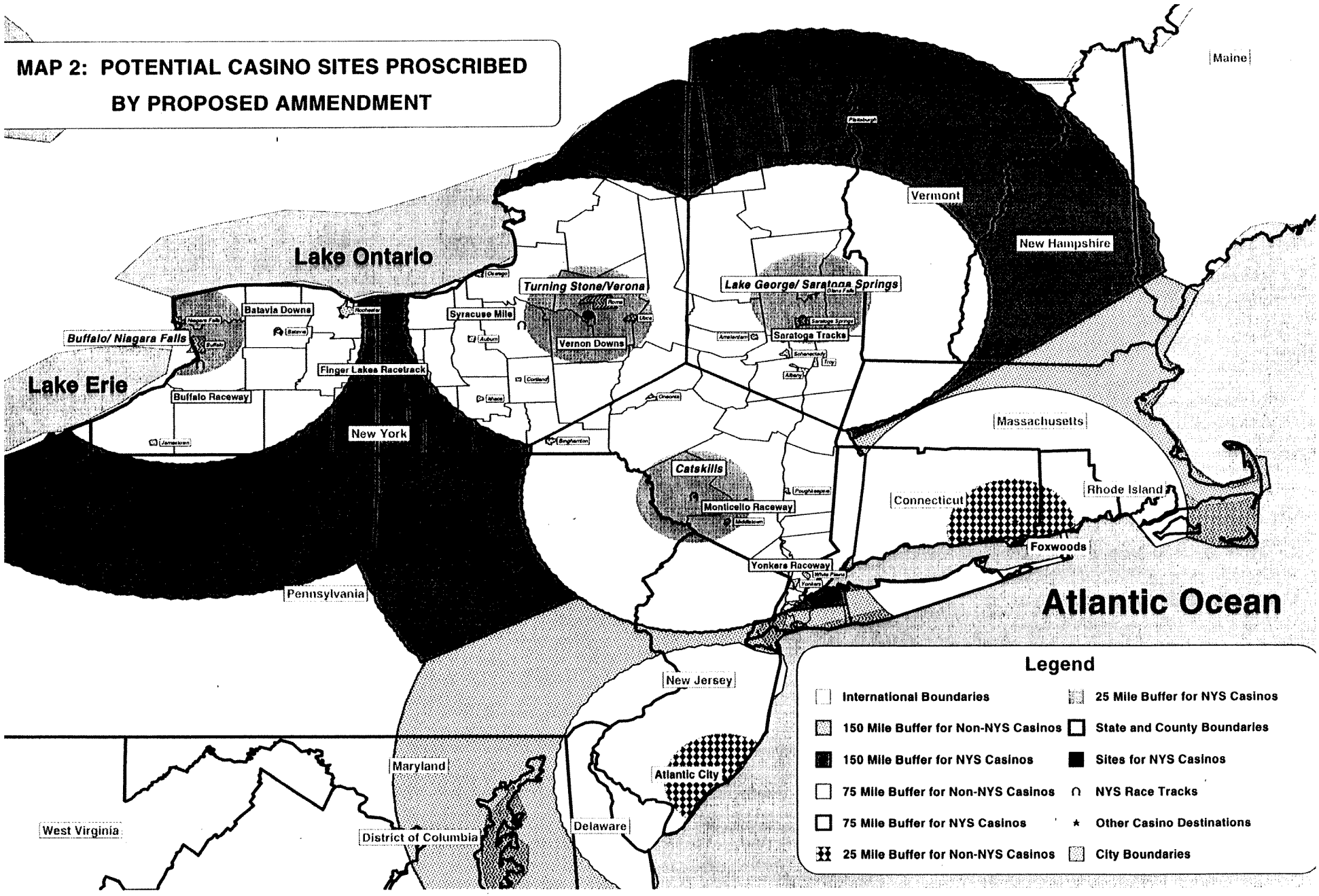
	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	7,662,515	10,114,520
(25 to 75 miles)	9,818,119	28,051,767
(75 to 150 miles)	734,614	1,958,971
Total Casino Visits by Overnight Visitors	5,960,341	13,714,284
TOTAL CASINO VISITS	**24,175,588**	**53,839,542**
Total Win	**$1,329,657,365**	**$2,961,174,795**
Total Gaming Employment	**5,946**	**13,241**
Hotel Revenues		$207,282,236
Hotel Employment		2,807
Food/Beverage Revenues	$79,779,442	$355,340,975
Food/Beverage Employment	2,057	9,162
Other (retail) Revenues	$13,296,574	$85,874,069
Other (retail) Employment	1,609	10,391
Total Casino Employment	**9,612**	**35,602**
Total Casino Revenues	**$1,422,733,380**	**$3,609,672,075**

employment and revenues. More details can be found in Charts 9 and 10 and in Appendix C charts. Highlights are as follows:

- Over 1½ million New Yorkers over the age of 18 would be within 25 miles of a casino. Over 60 percent of the adults in the State would be within 75 miles, under the proposed casino legislation.

- Out-of-State residents would account for up to 7.4 million casino visits (over 30%) over a one year period using the stand alone scenario. If the proposed legislation is implemented in a manner that fully exploits market potential, 19 million casino visits could result, bringing approximately $1 billion into New York, using the resort casino scenario.




MAP 2: POTENTIAL CASINO SITES PROSCRIBED BY PROPOSED AMMENDMENT
Lake Ontario
Lake Erie
Batavia Downs
Buffalo/ Niagara Falls
Finger Lakes Racetrack
Buffalo Raceway
Syracuse Mile
Turning Stone/Verona
Vernon Downs
Lake George/ Saratoga Springs
Saratoga Tracks
New York
Catskills
Monticello Raceway
Yonkers Raceway
Pennsylvania
New Jersey
Maryland
Atlantic City
West Virginia
District of Columbia
Delaware
Vermont
New Hampshire
Maine
Massachusetts
Connecticut
Rhode Island
Foxwoods
Atlantic Ocean
Legend
International Boundaries
150 Mile Buffer for Non-NYS Casinos
150 Mile Buffer for NYS Casinos
75 Mile Buffer for Non-NYS Casinos
75 Mile Buffer for NYS Casinos
25 Mile Buffer for Non-NYS Casinos
25 Mile Buffer for NYS Casinos
State and County Boundaries
Sites for NYS Casinos
NYS Race Tracks
Other Casino Destinations
City Boundaries

- Stand alone casinos would generate up to 6,000 gaming jobs and an additional 3,650 other casino jobs. Resort casinos would generate an estimated 13,240 gaming jobs and an up to an additional 22,360 other resort jobs.

- Casino visitors would spend up to $308 million outside of gambling itself in the stand alone scenario; up to $1.4 billion in the resort scenario. Over half of these expenditures would be spent outside the casinos themselves, even in the resort scenario.

- Given this amount of nongaming spending, as well as accounting for indirect spending by the casinos, New York State would have the potential to gain an estimated 19,000 jobs and up to $590 million in personal income if the casinos were stand alone. Resort casinos would lead to the creation of up to 66,000 total jobs and up to $1.9 billion in personal income.

- New York State would experience a loss of jobs and personal income in other sectors of the economy as the result of spending pattern changes. These could total up to 4,500 jobs and over $100 million in personal income using the stand alone scenario. The total could be as high as 29,000 jobs and almost $650 million in personal income if the casinos were resorts.

- The net potential gain in New York jobs, after subtracting the negative effects, is estimated at over 14,500 under the stand alone scenario; up to 38,000 jobs under the resort scenario. The potential net gain in personal income could be as high as $487.5 million and $1.24 billion, respectively.

- Stand alone casinos would generate up to $22.5 million in State personal income taxes and $87.4 million in State sales/use taxes. Assuming a 3 percent rate, local sales taxes would mean an up to an additional $65.6 million would flow to the counties involved.

- Resort casinos would generate up to $55 million in State personal income taxes and $223 million in State sales/use taxes. Assuming a 3 percent rate, local sales taxes would increase by up to $167 million.

CHART 9: POTENTIAL DIRECT CASINO GAMING REVENUES AND EMPLOYMENT IN NEW YORK STATE
STAND ALONE SCENARIO

			Buffalo/ Niagara Falls	Saratoga/ Warren	Catskills	Verona	New York State
Y TRIPS							
Primary Zone (0 to 25 miles)							
Adult Gaming Market			850,279	182,484	153,141	346,599	1,532,503
Participation Rate	50%		425,140	91,242	76,571	173,300	766,252
Frequency	10						
Casino Visitors			**4,251,395**	**912,420**	**765,705**	**1,732,995**	**7,662,515**
Secondary Zone (26 to 75 miles)							
Adult Gaming Market			881,580	1,007,498	8,164,506	947,109	11,000,693
Participation Rate	15%		132,237	151,125	1,224,676	142,066	1,650,104
Frequency	7		925,659	1,057,873	8,572,731	994,464	11,550,728
Overnight Adjustment	15%						
Casino Visitors			**786,810**	**899,192**	**7,286,822**	**845,295**	**9,818,119**
Tertiary Zone (76 to 150 miles)							
Adult Gaming Market			969,675	1,030,188	1,431,183	336,205	3,767,251
Participation Rate	15%		145,451	154,528	214,677	50,431	565,088
Frequency	2		290,903	309,056	429,355	100,862	1,130,175
Overnight Adjustment	35%						
Casino Visitors			**189,087**	**200,887**	**279,081**	**65,560**	**734,614**
ERNIGHT TRAVEL MARKETS							
Current Adult Visitors			2,861,000	1,167,000	2,157,000	631,000	6,816,000
Capture Rate	25%						
Casino Visitors			**715,250**	**291,750**	**539,250**	**157,750**	**1,704,000**
New Casino Travelers							
Capture Rate	100%						
Frequency	2						
Casino Visitors			**481,329**	**533,701**	**2,872,368**	**368,942**	**4,256,341**
Total Casino Visits by Overnight Visitors			**1,196,579**	**825,451**	**3,411,618**	**526,692**	**5,960,341**
TAL CASINO VISITORS			**6,423,871**	**2,837,950**	**11,743,225**	**3,170,542**	**24,175,588**
Win Per Visitor		$55					
Total Win			$353,312,917	$156,087,249	$645,877,381	$174,379,818	$1,329,657,365
Tables	30%		$105,993,875	$46,826,175	$193,763,214	$52,313,945	$398,897,209
Slots	70%		$247,319,042	$109,261,074	$452,114,167	$122,065,872	$930,760,155
People/Table		$111,200	953	421	1,742	470	3,587
People/Slot		$1,145,400	216	95	395	107	813
Other Gaming Employment		26% of Total	411	181	751	203	1,546
Gaming Employment			**1,580**	**698**	**2,888**	**780**	**5,946**
Food/Beverage Revenues		6% of Win	$21,198,775	$9,365,235	$38,752,643	$10,462,789	$79,779,442
Food/Beverage Employment		$38,784	547	241	999	270	2,057
Other (retail) Revenues		1% of Win	$3,533,129	$1,560,872	$6,458,774	$1,743,798	$13,296,574
Other (retail) Employment		$8,264	428	189	782	211	1,609
l Casino Employment			**2,554**	**1,128**	**4,669**	**1,261**	**9,612**
l Casino Revenues			**$378,044,822**	**$167,013,356**	**$691,088,798**	**$186,586,405**	**$1,422,733,380**

CHART 10: POTENTIAL DIRECT CASINO GAMING REVENUES AND EMPLOYMENT IN NEW YORK STATE
RESORT SCENARIO

			Buffalo/ Niagara Falls	Saratoga/ Warren	Catskills	Verona	New York State
AY TRIPS							
	Primary Zone (0 to 25 miles)						
	Adult Gaming Market		850,279	182,484	153,141	346,599	1,532,503
	Participation Rate	33%	280,592	60,220	50,537	114,378	505,726
	Frequency	20					
	Casino Visitors		**5,611,841**	**1,204,394**	**1,010,731**	**2,287,553**	**10,114,520**
	Secondary Zone (26 to 75 miles)						
	Adult Gaming Market		881,580	1,007,498	8,164,506	947,109	11,000,693
	Participation Rate	20%	176,316	201,500	1,632,901	189,422	2,200,139
	Frequency	15	2,644,740	3,022,494	24,493,518	2,841,327	33,002,079
	Overnight Adjustment	15%					
	Casino Visitors		**2,248,029**	**2,569,120**	**20,819,490**	**2,415,128**	28,051,767
	Tertiary Zone (76 to 150 miles)						
	Adult Gaming Market		969,675	1,030,188	1,431,183	336,205	3,767,251
	Participation Rate	20%	193,935	206,038	286,237	67,241	753,450
	Frequency	4	775,740	824,150	1,144,946	268,964	3,013,801
	Overnight Adjustment	35%					
	Casino Visitors		**504,231**	**535,698**	**744,215**	**174,827**	**1,958,971**
VERNIGHT TRAVEL MARKETS							
	Current Adult Visitors		2,861,000	1,167,000	2,157,000	631,000	6,816,000
	Capture Rate	25%					
	Casino Visitors		**715,250**	**291,750**	**539,250**	**157,750**	**1,704,000**
	New Casino Travelers						
	Capture Rate	100%					
	Frequency	2					
	Casino Visitors		**1,336,440**	**1,483,653**	**8,149,518**	**1,040,673**	**12,010,284**
	Total Casino Visits by Overnight Visitors		**2,051,690**	**1,775,403**	**8,688,768**	**1,198,423**	**13,714,284**
OTAL CASINO VISITORS			**10,415,791**	**6,084,616**	**31,263,204**	**6,075,931**	**53,839,542**
	Win Per Visitor	$55					
	Total Win		$572,868,527	$334,653,855	$1,719,476,217	$334,176,197	$2,961,174,795
	Tables	30%	$171,860,558	$100,396,156	$515,842,865	$100,252,859	$888,352,439
	Slots	70%	$401,007,969	$234,257,698	$1,203,633,352	$233,923,338	$2,072,822,357
ming Positions	People/Tables	$111,200	1,546	903	4,639	902	7,989
ming Positions	People/Slots	$1,145,400	350	205	1,051	204	1,810
	Other Gaming Employment	+0.26%	666	389	1,999	389	3,443
tal Gaming Employment			**2,562**	**1,496**	**7,689**	**1,494**	**13,241**
	Hotel Revenues	7% of win	$40,100,797	$23,425,770	$120,363,335	$23,392,334	$207,282,236
	Hotel Employment	$73,839	543	317	1,630	317	2,807
	Food/Beverage Revenues	12% of Win	$68,744,223	$40,158,463	$206,337,146	$40,101,144	$355,340,975
	Food/Beverage Employment	$38,784	1,772	1,035	5,320	1,034	9,162
	Other (retail) Revenues	2.9% of Win	$16,613,187	$9,704,962	$49,864,810	$9,691,110	$85,874,069
	Other (retail) Employment	$8,264	2,010	1,174	6,034	1,173	10,391
tal Casino/Hotel Employment			**6,888**	**4,023**	**20,673**	**4,018**	**35,602**
tal Revenues			**$698,326,734**	**$407,943,049**	**$2,096,041,508**	**$407,360,784**	**$3,609,672,075**

b. Western New York

Two casinos are proposed for Western New York, one in Buffalo and one in Niagara Falls. The market analysis does not differentiate between the two cities because of their proximity. It was also assumed that none of the visitors to either casino would come from Canada because of the proposed casino to be located in Niagara Falls, Ontario. Canadians would most likely not bypass the nearer casino which would also have tax free winnings and a favorable rate of exchange. In fact, the Canadian market analysis done by Coopers & Lybrand assumes that a substantial number of New Yorkers would bypass their local casinos for these very same reasons.

Western New York

	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	4,251,395	5,611,841
(25 to 75 miles)	786,810	2,248,029
(75 to 150 miles)	189,087	504,231
Total Casino Visits by Overnight Visitors	1,196,579	2,051,690
TOTAL CASINO VISITS	**6,423,871**	**10,415,791**
Total Win	**$353,312,917**	**$572,868,527**
Total Gaming Employment	**1,580**	**2,562**
Hotel Revenues		$40,100,797
Hotel Employment		543
Food/Beverage Revenues	$21,198,775	$68,744,223
Food/Beverage Employment	547	1,772
Other (retail) Revenues	$3,533,129	$16,613,187
Other (retail) Employment	428	2,010
Total Casino Employment	**2,554**	**6,888**
Total Casino Revenues	**$378,044,822**	**$698,326,734**

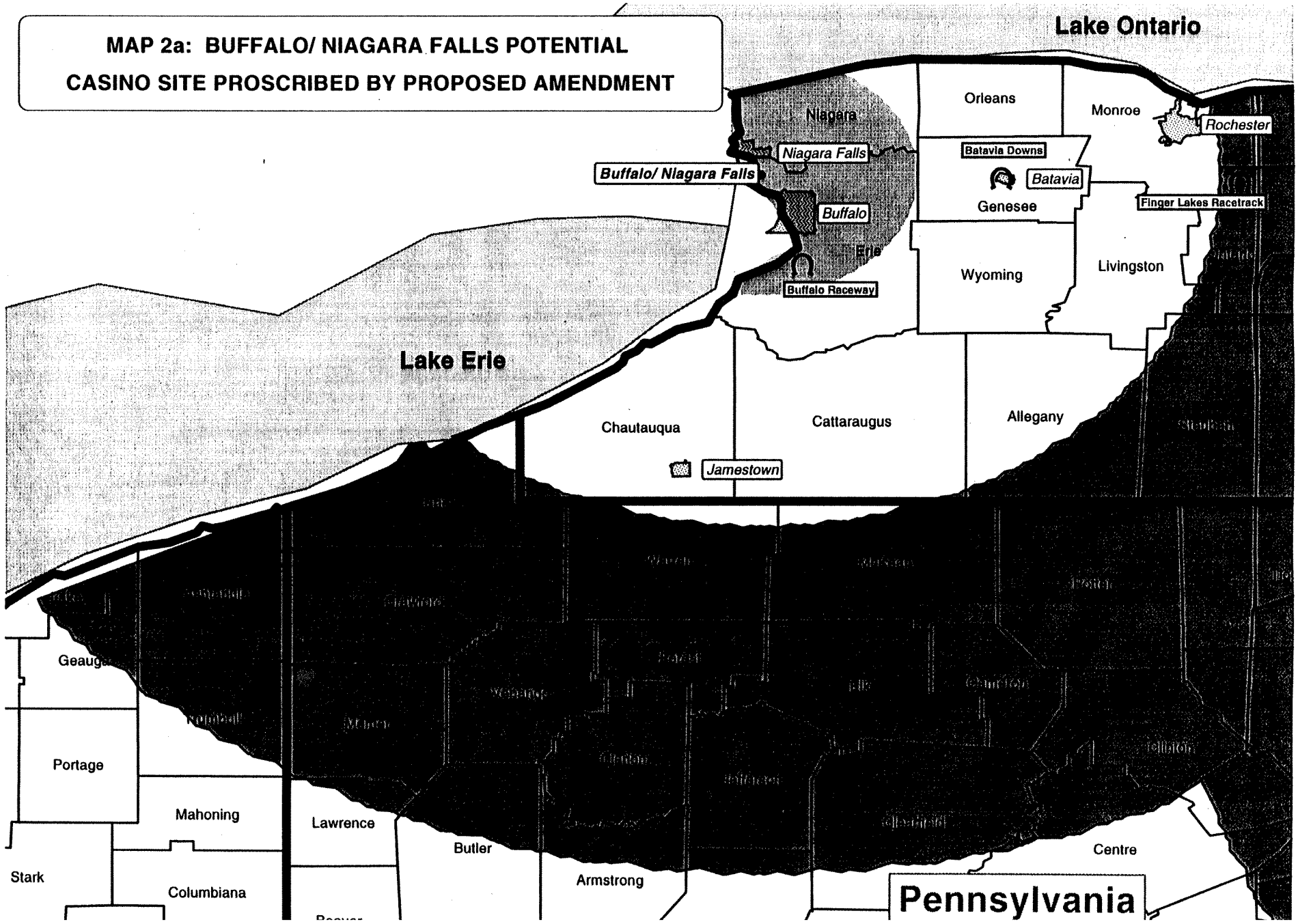
- If a stand alone casino is established in Western New York, it could attract up to 6.4 million visits a year of which almost 250,000 would spend the night. Resort casinos would attract up to 10.5 million visits of which over 650,000 would be overnight guests.

- Stand alone casinos would mean up to 1,580 new gaming jobs to the region; resort casinos would mean up to 2,562 new gaming jobs. Resort casinos could add up to 4,325 resort jobs.

- Outside of gambling monies themselves, up to $35.4 million would be pumped into the regional economy in the stand alone scenario, creating up to an additional 1,418 jobs. Two-thirds of these jobs are projected to be in the casino itself.

- In the resort scenario, up to $156 million is spent away from the slots and tables, 28 percent of which would be on lodging. Total non-gaming job creation would be up to 9,124 of which 53 percent would be outside the casino.

- Because a larger percentage of the casino visitors in Western New York will be from the region and because its out-of-state draw is expected to be limited by the opening of a competitive casino in Niagara Falls, Ontario, the negative effects are expected to be more


MAP 2a: BUFFALO/ NIAGARA FALLS POTENTIAL
CASINO SITE PROSCRIBED BY PROPOSED AMENDMENT
Lake Ontario
Niagara
Orleans
Monroe
Rochester
Niagara Falls
Buffalo/ Niagara Falls
Batavia Downs
Batavia
Genesee
Finger Lakes Racetrack
Buffalo
Erie
Buffalo Raceway
Wyoming
Livingston
Lake Erie
Chautauqua
Cattaraugus
Allegany
Jamestown
Portage
Mahoning
Lawrence
Butler
Armstrong
Centre
Stark
Columbiana
Pennsylvania

pronounced. The stand alone job loss of up to 5,740 is 1,208 *more* than the total job gain. Personal income in the region would increase by as much as $5 million because the casino jobs are higher paying.

- The resort job loss of up to 7,644, a net increase to the region of approximately 4,000 jobs still results, with personal income having a net increase of up to $109 million. Even if no Western New York casino is opened, a significant portion of these negative effects would occur because of the Canadian casino.

c. Saratoga/Warren Counties

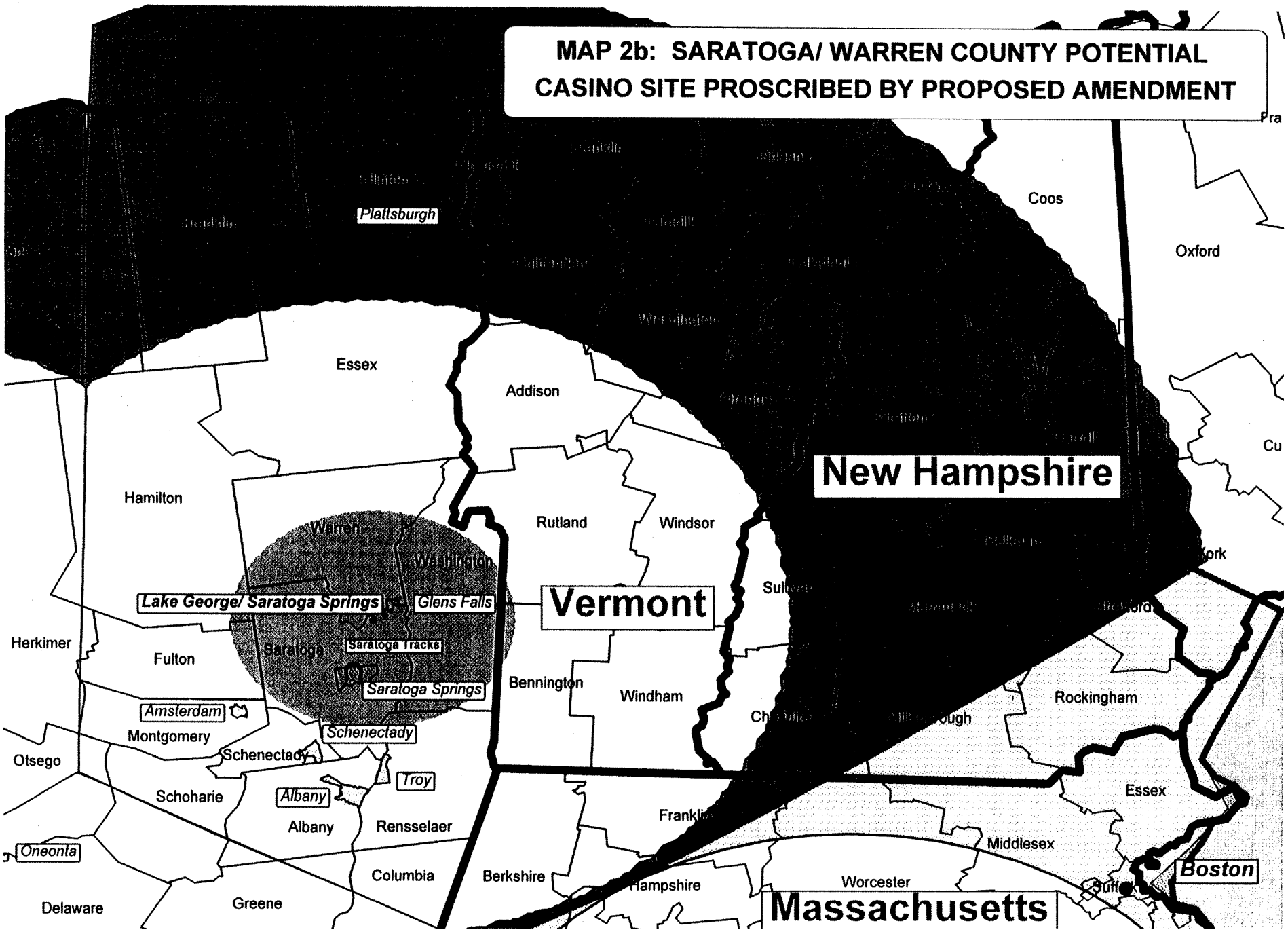
As is the case in Western New York, this report does not examine the specific location of any casino within Saratoga and Warren counties. The focus instead is on the potential regional economic impacts of that casino. Its market area would include not only the Capital Region and the Adirondacks, but substantial parts of Vermont and pieces of New Hampshire and Western Massachusetts.

Saratoga / Warren

	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	912,420	1,204,394
(25 to 75 miles)	899,192	2,569,120
(75 to 150 miles)	200,887	535,698
Total Casino Visits by Overnight Visitors	825,451	1,775,403
TOTAL CASINO VISITS	**2,837,950**	**6,084,616**
Total Win	**$156,087,249**	**$334,653,855**
Total Gaming Employment	**698**	**1,496**
Hotel Revenues		$23,425,770
Hotel Employment		317
Food/Beverage Revenues	$9,365,235	$40,158,463
Food/Beverage Employment	241	1,035
Other (retail) Revenues	$1,560,872	$9,704,962
Other (retail) Employment	189	1,174
Total Casino Employment	**1,128**	**4,023**
Total Casino Revenues	**$167,013,356**	**$407,943,049**

- Up to an estimated 2.8 million casino visits a year, including up to 300,000 new overnight visitors, would be generated if the casino is stand alone. Up to 6 million casino visits a year would be generated, including as many as 700,000 over-night visitors, for a resort casino.

- A stand alone casino in either of these two counties would mean an employment increase of up to 700 gaming jobs with up to an additional 430 jobs within the casino directly related to food, beverage and some retail activities. For a resort casino, gaming jobs number up to 1,500 along with an estimated 2,500 other jobs (including hotel employment). Up to 1,500 additional jobs - from increased demand for lodging, shopping, food and beverage as well as indirect and induced employment - would be created if the casino was a stand alone type; an estimated 5,700 jobs for a resort casino.


MAP 2b: SARATOGA/ WARREN COUNTY POTENTIAL CASINO SITE PROSCRIBED BY PROPOSED AMENDMENT
Plattsburgh
Coos
Oxford
Essex
Addison
New Hampshire
Hamilton
Warren
Washington
Rutland
Windsor
Lake George/ Saratoga Springs
Glens Falls
Vermont
Herkimer
Fulton
Saratoga
Saratoga Tracks
Saratoga Springs
Bennington
Windham
Rockingham
Amsterdam
Montgomery
Schenectady
Otsego
Schenectady
Troy
Schoharie
Albany
Albany
Rensselaer
Essex
Middlesex
Oneonta
Columbia
Berkshire
Hampshire
Worcester
Boston
Delaware
Greene
Massachusetts

- Job losses to existing businesses would be up to 1,189 in the stand alone model and 1,576 in the resort model. This would mean a net gain for the region of up to 1,460 jobs and 7,471, respectively. Personal income loss to the region would be up to $25 million and $33 million, respectively. This means a net increase in stand alone personal income of up to $37.5 million and a net increase in resort personal income of up to $155 million.

- Assuming a 3 percent local sales tax, over $7 million would be the local share for a stand alone casino. A resort casino would generate as much as $17.5 million in local sales taxes.

d. Catskills

While an unlimited number of casinos are allowed in the Catskills region of the State, this analysis looks at the market for casino gambling, not the number of casinos that will be built. While it is possible that several different types of casinos might eventually be built, this analysis only allows for all casinos either being stand alone with a minimum of additional services or resort casinos like Foxwoods with first-class hotels attached.

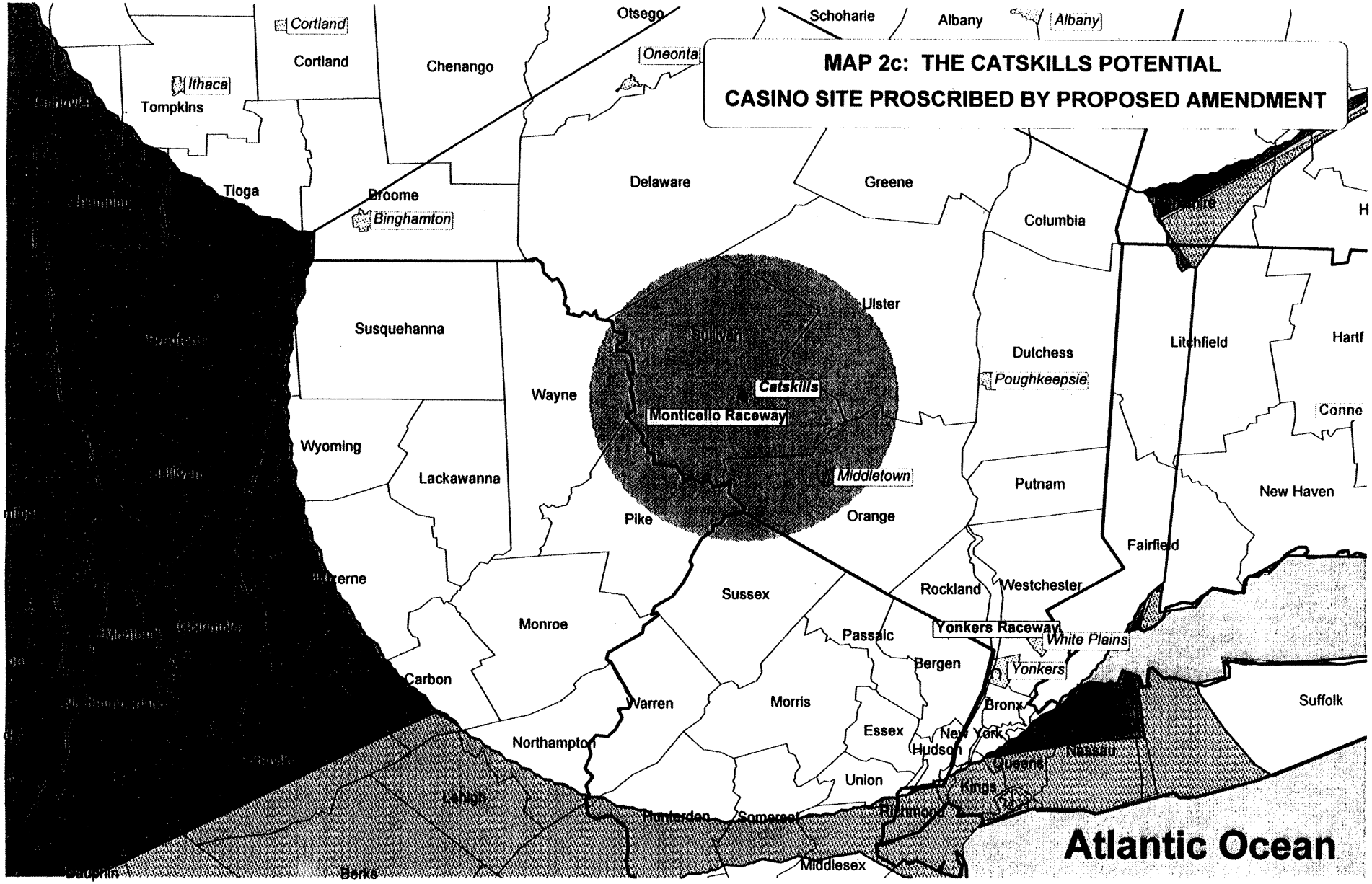
Catskill Counties

	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	765,705	1,010,731
(25 to 75 miles)	7,286,822	20,819,490
(75 to 150 miles)	279,081	744,215
Total Casino Visits by Overnight Visitors	3,411,618	8,688,768
TOTAL CASINO VISITS	**11,743,225**	**31,263,204**
Total Win	**$645,877,381**	**$1,719,476,217**
Total Gaming Employment	**2,888**	**7,689**
Hotel Revenues		$120,363,335
Hotel Employment		1,630
Food/Beverage Revenues	$38,752,643	$206,337,146
Food/Beverage Employment	999	5,320
Other (retail) Revenues	$6,458,774	$49,864,810
Other (retail) Employment	782	6,034
Total Casino Employment	**4,669**	**20,673**
Total Casino Revenues	**$691,088,798**	**$2,096,041,508**

- The Catskills region, with its proximity to the New York City metropolitan area, has the largest market draw of any of the locations included in the current legislation. Establishment of stand alone casinos with the capacity to fully exploit that market's potential would result in almost 12 million casino visits. Resort casinos have the potential of drawing over 31 million gamblers a year.

- As many as 540,000 of the existing visitors to the Catskills might visit the casinos, while up to 1.4 million new overnight travelers would come to gamble in the stand alone casino scenario. Using the resort scenario, it is estimated that over 4.3 million people would come to gamble and stay the night, with full market penetration.

- Up to 3,000 jobs can be directly linked to the gaming floor if the casinos are stand alone;


MAP 2c: THE CATSKILLS POTENTIAL
CASINO SITE PROSCRIBED BY PROPOSED AMENDMENT
Cortland
Cortland
Chenango
Otsego
Oneonta
Schoharie
Albany
Albany
Ithaca
Tompkins
Tioga
Broome
Binghamton
Delaware
Greene
Columbia
Ulster
Sullivan
Catskills
Monticello Raceway
Susquehanna
Wayne
Dutchess
Poughkeepsie
Litchfield
Wyoming
Lackawanna
Middletown
Putnam
Pike
Orange
Fairfield
New Haven
Sussex
Rockland
Westchester
Monroe
Yonkers Raceway
White Plains
Passaic
Bergen
Yonkers
Carbon
Warren
Morris
Bronx
Suffolk
Essex
New York
Hudson
Nassau
Northampton
Queens
Union
Kings
Lehigh
Hunterdon
Somerset
Middlesex
Berks
Atlantic Ocean

7,700 jobs if they are resorts. If the casinos were stand alone types, there would be up to an additional 7,450 jobs created in the local tourism industry (some in the casino itself). Under the resort scenario, that figure jumps to over 32,600 potential jobs created. Potential impact on the region's total personal income ranges from an estimated $281 million (stand alone) to up to $1 billion (resort).

- Casinos in the Catskills have the greatest net economic impacts because the great majority of casino visitors would be coming from outside the region. Negative job losses to existing businesses of up to 1,000 result in a net job gain of over 12,400 for the stand alone model. For resort casinos, a potential job loss of up to 1,320 results in a net potential job gain of approximately 47,300 total jobs.

- Personal income net gain could be as high as $260 million for stand alone casinos and up to $965 million for resort casinos.

- Up to $30 million in local taxes (assuming a 3% rate) could accrue to the region if the casinos were stand alone in type; $89 million if they were resorts.

Verona

	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	1,732,995	2,287,553
(25 to 75 miles)	845,295	2,415,128
(75 to 150 miles)	65,560	174,827
Total Casino Visits by Overnight Visitors	526,692	1,198,423
TOTAL CASINO VISITS	**3,170,542**	**6,075,931**
Total Win	**$174,379,818**	**$334,176,197**
Total Gaming Employment	**780**	**1,494**
Hotel Revenues		$23,392,334
Hotel Employment		317
Food/Beverage Revenues	$10,462,789	$40,101,144
Food/Beverage Employment	270	1,034
Other (retail) Revenues	$1,743,798	$9,691,110
Other (retail) Employment	211	1,173
Total Casino Employment	**1,261**	**4,018**
Total Casino Revenues	**$186,586,405**	**$407,360,784**

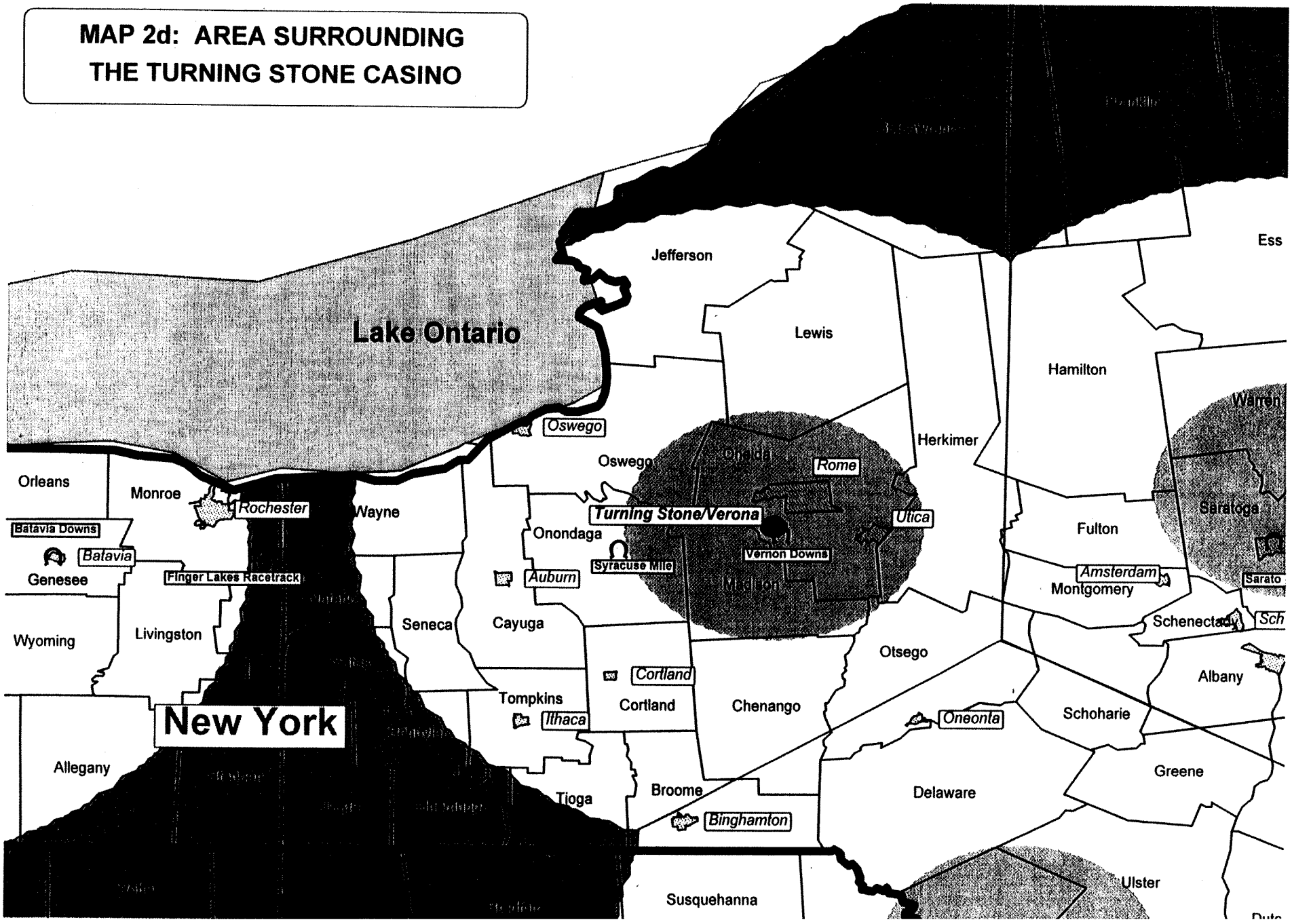
e. Verona

Because there is already a stand alone casino in Verona (Turning Stone) that draws approximately 2 million visits a year, the market analysis here was done only because of the mutual impacts between Turning Stone and the proposed casinos.

- Our market analysis indicates that the market draw for the Turning Stone Casino (3.2 million visits) is greater than the total amount of visits at present. Presumably this is partially related to the lack of slot machines and alcohol on the premises.

- Turning Stone now employs approximately 1,475 people. If it became a fully functional resort casino with a first-class hotel and live entertainment included, employment could be as high as 4,000 jobs in the resort and up to another 2,500 in travel and tourism in the region.

MAP 2d: AREA SURROUNDING THE TURNING STONE CASINO



Indirect and induced employment growth could be as high as 1,600 jobs.

- The negative impacts of a full-service resort casino in Verona would be a job loss of as much as 3,000 and a loss of personal income of up to $61 million. The potential net employment gain, therefore, is estimated at over 4,800 and total personal income could rise by as much as $98 million.

f. Other Possible Economically Viable Casino Sites

In reviewing the rapid proliferation of casino gambling in the United States during the 1990s, two distinct phases of development have become evident. The first phase was characterized by the construction of casinos wherever it was legalized. This was based on the belief that there was a broad acceptance of gambling as a form of entertainment, but its limited availability outside of Nevada and Atlantic City had created a tremendous potential to capitalize on unsatisfied consumer demand.

There is a growing awareness, however, that gambling operations and casinos are not a suitable economic development strategy for all locations. Locations which lack large local markets or accessibility to them, physical attributes, existing cultural or recreational attractions, and climatic assets are not best suited for major casino developments. Equally unsuited are locations where casino operations would have a negative economic or social impact on the local population.

More recently, it has become apparent that as local casino markets became saturated, the industry would need to offer more than just slot machines, dice and card games to remain competitive in a rapidly growing marketplace. This is most apparent in Las Vegas, where major casinos have invested billions of dollars in non-gaming entertainment services, offering their customers artificial volcanos, major theme park rides, and staged pirate battles and jousting knights.

The common findings of all recent casino market studies conducted in the United States and Canada is the correlation between casino participation rates and frequency to the distance between a casino and consumer markets. In order to be successful, casinos must be located in relatively close proximity to large consumer markets, and in an area that consumers want and are able to visit. In situations where there are competitive gambling locations which overlap the same regional markets, total gaming potential is adjusted to reflect the relative draw of each casino location.

While recognizing the site limitations contained within Senate 5557 / Assembly 8356, Executive Order Number 36 requested examination of other economically viable sites for casino gambling. **THE MENTION OF THE FOLLOWING ADDITIONAL SITES IN NO WAY SHOULD BE INTERPRETED AS AN ENDORSEMENT OF CASINO GAMBLING AT THESE LOCATIONS BY THE TASK FORCE.** The first issue was which consumer markets of the State were not fully serviced by the above combination of casinos.

Two other factors were considered based on the experiences of casinos elsewhere (see Map 3). First is the proximity to major highways. It is assumed that the majority of gamblers in New

York casinos will make their travel decisions based on locational conveniences. Travel time is crucial. Turning Stone's easy access to the Thruway is a major factor in its success. The second factor is that the necessary tourism infrastructure should already be in place. Infrastructure was defined in terms of the existence of hotels for people to stay and other recreational activities for them to do. Turning Stone is a case in point concerning the implications of opening up a casino in an area not geared to high tourism activity. Few hotel rooms exist for people to stay the night and there are few other local amusements for people to do, if they chose, when not gambling. The economic benefits to the region are therefore greatly reduced.

Four locations across New York appear to meet these criterium. One is New York City, which is already a major tourist destination. In this case, however, it was assumed that most of the casino patrons would be people who live in or have easy access to the City. At the moment, the major gambling location of these people is Atlantic City, which draws 4.5 million visitors from New York City every year. Our market area analysis concluded that a casino in either Saratoga or Warren counties was too distant to be an adequate counter-draw from the New York City market.

Joseph B. Rose, Chairman of the New York City Planning Commission, who spoke on behalf of the Giuliani Administration, urged an amendment to the proposed concurrent resolution to allow New York City's inclusion in the resolution. Chairman Rose stated "In all, restricting the amendment to the State Constitution so as to allow the potential for gaming only in the Catskills and Western New York gives short shrift to the State as a whole and provides substantial benefits to New Jersey and Connecticut by restricting their competition. Therefore, we urge this Task Force to recommend that the proposed legislation to allow a public referendum on this issue be amended to allow New York City to decide whether casino gambling would be desirable as well. Failure to do so would injure all New York State residents and provide benefits only to our neighboring states."[21]

A smaller, but also significant market was Long Island, which at present is served both by Foxwoods and Atlantic City. The market area was sufficient enough to support its own casino location, especially considering travel time into the City.

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[21]Testimony of Joseph B. Rose, Chairman, New York City Planning Commission, Public Hearing of the New York State Task Force on Casino Gambling, New York City, June 6, 1996, p. 46.

Our analysis shows that the Adirondacks, a tourist destination in its own right, could complement its already wide range of winter and summer activities with casino gambling. The same is true for the Finger Lakes, which has enough of a regional market for a casino to be viable at that location.

The inclusion of these four new market areas means that a majority of adults over 18 are within 25 miles of a casino and almost all are within 75 miles. While this inclusion reduces the total casino draw and revenues of the initial casino markets (in the case of the Catskills, by over 50%), the total revenue potential for New York State as a whole increases by over 50 percent.

Charts 11 and 12 show the potential casino revenues and employment based on the eight regional locations.

Total, Including Additional Sites

	Stand Alone	Resort
Day Trips		
(0 to 25 miles)	60,130,900	79,372,788
(25 to 75 miles)	5,830,514	16,658,612
(75 to 150 miles)	365,740	975,307
Total Casino Visits by Overnight Visitors	7,972,702	16,658,612
TOTAL CASINO VISITS	**74,299,857**	**109,457,547**
Total Win	**$4,086,492,117**	**$6,020,165,099**
Total Gaming Employment	**18,273**	**26,920**
Hotel Revenues		$421,411,557
Hotel Employment		5,707
Food/Beverage Revenues	$245,189,527	$722,419,812
Food/Beverage Employment	6,322	18,627
Other (retail) Revenues	$40,864,921	$174,584,788
Other (retail) Employment	4,945	21,126
Total Casino Employment	**29,540**	**72,380**
Total Casino Revenues	**$4,372,546,565**	**$7,338,581,255**

- Direct gaming employment increases by as much as three-fold using the stand alone scenario; by over 50 percent for resorts.

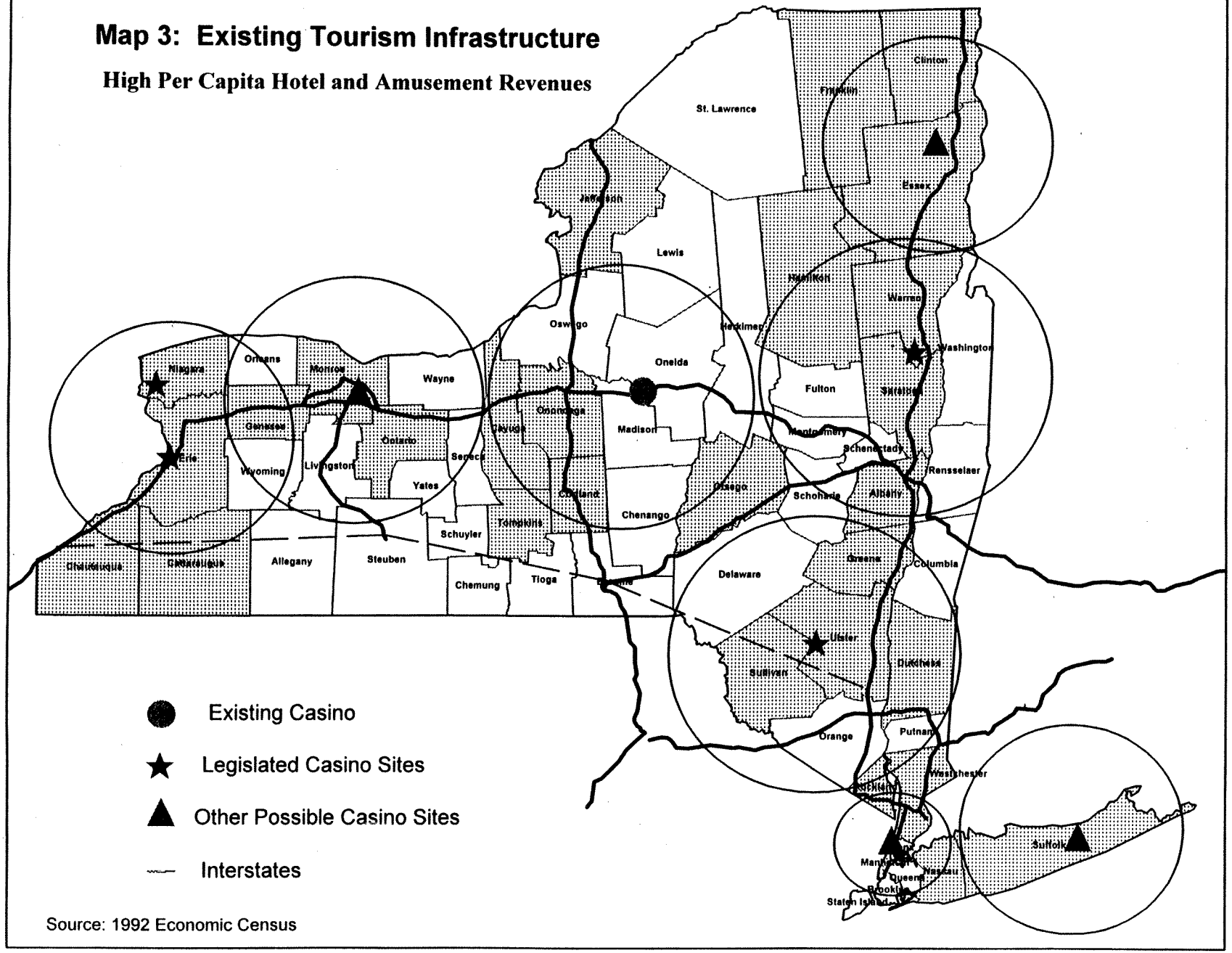
- Total casino employment was up to 29,540 for stand alone, 72,380 for resort.

- The largest impact area is New York City, which would have 61 percent of the potential casino visitations and total revenues. A significant portion of this would be gamblers who previously went to Atlantic City.

- The market draw of the Catskills would shrink up to 70 percent and the Saratoga/Warren Counties market draw would be reduced by 17 percent, depending on the casino type. The effect on the other regions would be marginal.

Map 3: Existing Tourism Infrastructure

High Per Capita Hotel and Amusement Revenues



Source: 1992 Economic Census

ESTIMATED DIRECT CASINO GAMING REVENUES AND EMPLOYMENT IN NEW YORK STATE
STAND ALONE SCENARIO

			Buffalo/ Niagara Falls	Saratoga/ Warren	Catskills	Verona	Adirondacks	Finger Lakes	New York City	Long Island	New York State
DAY TRIPS											
Primary Zone (0 to 25 miles)											
Adult Gaming Market			850,279	182,484	153,141	346,599	43,348	660,436	9,652,164	137,729	12,026,180
Participation Rate	50%		425,140	91,242	76,571	173,300	21,674	330,218	4,826,082	68,865	6,013,090
Frequency	10										
Casino Visitors			**4,251,395**	**912,420**	**765,705**	**1,732,995**	**216,740**	**3,302,180**	**48,260,820**	**688,645**	**60,130,900**
Secondary Zone (26 to 75 miles)											
Adult Gaming Market			309,121	938,321	2,095,206	738,103	344,857	460,213	868,975	777,993	6,532,789
Participation Rate	15%		46,368	140,748	314,281	110,715	51,729	69,032	130,346	116,699	979,918
Frequency	7		324,577	985,237	2,199,966	775,008	362,100	483,224	912,424	816,893	6,859,428
Overnight Adjustment	15%										
Casino Visitors			**275,890**	**837,451**	**1,869,971**	**658,757**	**307,785**	**410,740**	**775,560**	**694,359**	**5,830,514**
Tertiary Zone (76 to 150 miles)											
Adult Gaming Market			806,320	315,670	487,496	79,785	75,892	110,427	0	0	1,875,590
Participation Rate	15%		120,948	47,351	73,124	11,968	11,384	16,564	0	0	281,339
Frequency	2		241,896	94,701	146,249	23,936	22,768	33,128	0	0	562,677
Overnight Adjustment	35%										
Casino Visitors			**157,232**	**61,556**	**95,062**	**15,558**	**14,799**	**21,533**	**0**	**0**	**365,740**
OVERNIGHT TRAVEL MARKETS											
Current Adult Visitors			2,861,000	1,167,000	2,157,000	631,000	569,000	1,992,000	7,800,000	4,907,000	22,084,000
Capture Rate	25%										
Casino Visitors			**715,250**	**291,750**	**539,250**	**157,750**	**142,250**	**498,000**	**1,950,000**	**1,226,750**	**5,521,000**
New Casino Travelers											
Capture Rate	100%										
Frequency	2										
Casino Visitors			**266,700**	**361,862**	**762,364**	**249,257**	**124,567**	**168,157**	**273,727**	**245,068**	**2,451,702**
Total Casino Visits by Overnight Visitors			**981,950**	**653,612**	**1,301,614**	**407,007**	**266,817**	**666,157**	**2,223,727**	**1,471,818**	**7,972,702**
TOTAL CASINO VISITORS			**5,666,468**	**2,465,039**	**4,032,352**	**2,814,317**	**806,141**	**4,400,610**	**51,260,107**	**2,854,822**	**74,299,857**
Win Per Visitor		$55									
Total Win			$311,655,751	$135,577,143	$221,779,367	$154,787,451	$44,337,760	$242,033,557	$2,819,305,902	$157,015,185	$4,086,492,117
Tables	30%		$93,496,725	$40,673,143	$66,533,810	$46,436,235	$13,301,328	$72,610,067	$845,791,771	$47,104,556	$1,225,947,635
Slots	70%		$218,159,026	$94,904,000	$155,245,557	$108,351,216	$31,036,432	$169,423,490	$1,973,514,132	$109,910,630	$2,860,544,482
People/Table		$111,200	841	366	598	418	120	653	7,606	424	11,025
People/Slot		$1,145,400	190	83	136	95	27	148	1,723	96	2,497
Other Gaming Employment		26% of Total	362	158	258	180	52	281	3,278	183	4,751
Total Gaming Employment			**1,394**	**606**	**992**	**692**	**198**	**1,082**	**12,607**	**702**	**18,273**
Food/Beverage Revenues		6% of Win	$18,699,345	$8,134,629	$13,306,762	$9,287,247	$2,660,266	$14,522,013	$169,158,354	$9,420,911	$245,189,527
Food/Beverage Employment		$38,784	482	210	343	239	69	374	4,362	243	6,322
Other (retail) Revenues		1% of Win	$3,116,558	$1,355,771	$2,217,794	$1,547,875	$443,378	$2,420,336	$28,193,059	$1,570,152	$40,864,921
Other (retail) Employment		$8,264	377	164	268	187	54	293	3,412	190	4,945
Total Casino Employment			**2,253**	**980**	**1,603**	**1,119**	**321**	**1,750**	**20,380**	**1,135**	**29,540**
Total Casino Revenues			**$333,471,654**	**$145,067,543**	**$237,303,923**	**$165,622,573**	**$47,441,403**	**$258,975,906**	**$3,016,657,315**	**$168,006,248**	**$4,372,546,565**

CHART 12: POTENTIAL DIRECT CASINO GAMING REVENUES AND EMPLOYMENT IN NEW YORK STATE
RESORT SCENARIO

		Buffalo/ Niagara Falls	Saratoga/ Warren	Catskills	Verona	Adirondacks	Finger Lakes	New York City	Long Island	New York State
DAY TRIPS										
Primary Zone (0 to 25 miles)										
Adult Gaming Market		850,279	182,484	153,141	346,599	43,348	660,436	9,652,164	137,729	12,026,180
Participation Rate	33%	280,592	60,220	50,537	114,378	14,305	217,944	3,185,214	45,451	3,968,639
Frequency	20									
Casino Visitors		**5,611,841**	**1,204,394**	**1,010,731**	**2,287,553**	**286,097**	**4,358,878**	**63,704,282**	**909,011**	**79,372,788**
Secondary Zone (26 to 75 miles)										
Adult Gaming Market		309,121	938,321	2,095,206	738,103	344,857	460,213	868,975	777,993	6,532,789
Participation Rate	20%	61,824	187,664	419,041	147,621	68,971	92,043	130,346	155,599	1,306,558
Frequency	15	927,363	2,814,963	6,285,618	2,214,309	1,034,571	1,380,639	912,424	2,333,979	19,598,367
Overnight Adjustment	15%									
Casino Visitors		**788,259**	**2,392,719**	**5,342,775**	**1,882,163**	**879,385**	**1,173,543**	**775,560**	**1,983,882**	**16,658,612**
Tertiary Zone (76 to 150 miles)										
Adult Gaming Market		806,320	315,670	487,496	79,785	75,892	110,427	0	0	1,875,590
Participation Rate	20%	161,264	63,134	97,499	15,957	15,178	22,085	0	0	375,118
Frequency	4	645,056	252,536	389,997	63,828	60,714	88,342	0	0	1,500,472
Overnight Adjustment	35%									
Casino Visitors		**419,286**	**164,148**	**253,498**	**41,488**	**39,464**	**57,422**	**0**	**0**	**975,307**
OVERNIGHT TRAVEL MARKETS										
Current Adult Visitors		2,861,000	1,167,000	2,157,000	631,000	569,000	1,992,000	7,800,000	4,907,000	22,084,000
Capture Rate	25%									
Casino Visitors		**715,250**	**291,750**	**539,250**	**157,750**	**142,250**	**498,000**	**1,950,000**	**1,226,750**	**5,521,000**
New Casino Travelers										
Capture Rate	100%									
Frequency	2									
Casino Visitors		**729,748**	**1,021,264**	**2,158,683**	**708,972**	**352,871**	**476,031**	**273,727**	**700,194**	**6,929,841**
Total Casino Visits by Overnight Visitors		**1,444,998**	**1,313,014**	**2,697,933**	**866,722**	**495,121**	**974,031**	**2,223,727**	**1,926,944**	**12,450,841**
TOTAL CASINO VISITORS		**8,264,384**	**5,074,275**	**9,304,937**	**5,077,927**	**1,700,067**	**6,563,874**	**66,703,570**	**4,819,837**	**109,457,547**
Win Per Visitor	$55									
Total Win		$454,541,145	$279,085,150	$511,771,534	$279,285,960	$93,503,675	$361,013,049	$3,668,696,334	$265,091,049	$6,020,165,099
Tables	30%	$136,362,343	$83,725,545	$153,531,460	$83,785,788	$28,051,102	$108,303,915	$1,100,608,900	$79,527,315	$1,806,049,530
Slots	70%	$318,178,801	$195,359,605	$358,240,074	$195,500,172	$65,452,572	$252,709,134	$2,568,087,434	$185,563,734	$4,214,115,569
Gaming P People/Tables	$111,200	1,226	753	1,381	753	252	974	9,898	715	16,241
Gaming P People/Slots	$1,145,400	278	171	313	171	57	221	2,242	162	3,679
Other Gaming Employment	+0.26%	528	324	595	325	109	420	4,265	308	6,999
Total Gaming Employment		**2,033**	**1,248**	**2,288**	**1,249**	**418**	**1,614**	**16,405**	**1,185**	**26,920**
Hotel Revenues	7% of win	$31,817,880	$19,535,960	$35,824,007	$19,550,017	$6,545,257	$25,270,913	$256,808,743	$18,556,373	$421,411,557
Hotel Employment	$73,839	431	265	485	265	89	342	3,478	251	5,707
Food/Beverage Revenues	12% of Win	$54,544,937	$33,490,218	$61,412,584	$33,514,315	$11,220,441	$43,321,566	$440,243,560	$31,810,926	$722,419,812
Food/Beverage Employment	$38,784	1,406	864	1,583	864	289	1,117	11,351	820	18,627
Other (retail) Revenues	2.9% of Win	$13,181,693	$8,093,469	$14,841,374	$8,099,293	$2,711,607	$10,469,378	$106,392,194	$7,687,640	$174,584,788
Other (retail) Employment	$8,264	1,595	979	1,796	980	328	1,267	12,874	930	21,126
Total Casino/Hotel Employment		**5,465**	**3,355**	**6,153**	**3,358**	**1,124**	**4,340**	**44,108**	**3,187**	**72,380**
Total Revenues		**$554,085,655**	**$340,204,798**	**$623,849,500**	**$340,449,586**	**$113,980,979**	**$440,074,906**	**$4,472,140,831**	**$323,145,988**	**$7,338,581,255**

C. TAXATION STRUCTURES AND REVENUE POTENTIAL

1. Taxation Structures Utilized in Other States

a. Description of Taxation Structures

Native American Nations (tribes) operate the majority of the casinos in the country, subject to negotiated compacts between the Nations and the states. Unless a State negotiates a point of exclusivity with a tribe, States derive no direct revenue from Native American casino proceeds. Most notably, a Memorandum of Understanding negotiated between the State of Connecticut and the Mashantucket Pequot and the Mohegan Tribe contain provisions whereby the Nation agrees to pay a portion of slot machine revenue to the State so long as the Tribes are the only entities within the State to be allowed to operate slot machines. Additionally, Native American casinos are not subject to revenue reporting requirements.

Nevada and New Jersey are the only states that have large-scale land-based casinos. Land-based casinos have been authorized in Indiana, but have not yet been implemented. Louisiana has authorized one large-scale land based casino in New Orleans, but this casino is no longer in operation (it may, however, reopen at a later date). Smaller scale land-based casino operations are conducted in Deadwood, South Dakota, three cities in Colorado and in the State of Montana.

Riverboat casinos are found on the waters of Illinois, Indiana, Iowa, Louisiana, Mississippi, and Missouri. Most of these jurisdictions impose requirements for the boats to cruise, although there is a trend to allow dockside riverboat casino operations.

A number of jurisdictions allow casino style games (e.g., card rooms) or devices (slot machines or video gaming devices), although casinos are not permitted. Several states (Delaware, Oregon, Rhode Island and West Virginia) operate these gaming devices as part of an existing state lottery structure and usually restrict their location (such as racetracks), while others (South Carolina and Louisiana) permit these devices throughout the state.

States generally derive revenue from casino operations through license and registration fees, admission taxes, wagering taxes, and other fee mechanisms/arrangements.

The following is a summary of casino activity (restrictions, revenue, and regulation) by state. All categories of information were not available/applicable for each state.

(1) Land Based Casinos

Colorado

There is a sliding scale tax on adjusted gross proceeds; 2 percent on the first $2 million, 8 percent on $2 million to $4 million, 15 percent on $4 million to $5 million, and 18 percent over $5

million. Also, the State levies a $75 fee per gaming device, and local fees of $750 to $1,265 per device apply. Withholding of State income tax applies for winnings of at least 300 times the amount bet. Also, information reporting is required for slot machine payoffs of $1,200 or higher.

Connecticut

There is no statutory fixed casino revenue tax in Connecticut where only an Indian casino exists. However, Connecticut has a revenue arrangement with the Mashantucket Pequot Tribe's Foxwoods Casino in Ledyard. However, the Tribe entered into a Memorandum of Understanding with the State. Under this arrangement, the Tribe remits 25 percent of slot machine winnings to the State in exchange for the prohibition of slot machines elsewhere in Connecticut. Currently, the State expects to receive about $150 million in the 1996 State fiscal year.

In addition, the Tribe must withhold income tax for employees of the casino, other than a qualified Tribal member living on the reservation. The Tribe provides an annual list of qualified tribal members to the State. Additionally, the casino withholds income tax on gambling winnings only for residents and only if the winnings meet the federal thresholds for withholding. The Tribe also collects and remits sales and cigarette taxes on sales to individuals who are not qualified Tribal members.

Louisiana

Louisiana imposes a minimum levy of 18.5 percent of the adjusted gross revenue or $100 million, whichever is greater. Through an agreement with the facility operator, the following levies also apply as long as no other gaming facilities are approved: 19 percent of the annual gross revenue up to $600 million; 20 percent of the next $100 million; 24 percent of the next $100 million and 25 percent of annual gross revenue over $900 million. The one casino, located in New Orleans, closed in November 1995. The main causes were a combination of lower-than-expected wagering, and high debt expense[22]. Therefore, no tax applies at this time.

New Jersey

New Jersey, which has no Indian casinos, imposes a casino control tax upon its Atlantic City casinos. The owners and lessees of approved hotels are eligible to apply for a casino license. The license is imposed at the rate of 8 percent of the gross gaming revenues of casinos. An investment alternative tax also applies. This is equal to 2.5 percent of gross revenues. As an alternative to this 2.5 percent tax, casinos have the option of allocating 1.25 percent of gross revenues to either purchase development bonds or invest directly in approved development projects. The casino control commission issues licenses. The minimum initial fee equals $200,000. The minimum renewal fee equals $100,000 for a one year casino license, and $200,000 for a two year license. Slot

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[22]For an account of the casino's travails, see "Broken Promise," *New Orleans Times-Picayune*, December 3, 1995.

machine licenses are also issued for an annual fee of $500 upon every slot machine maintained for use in any licensed casino in the State. The license period is up to one year for each of the first two renewal periods succeeding the initial issuance. Thereafter, a casino license may be renewed for a period of up to two years.

Withholding of the State tax is required when federal tax is withheld. This occurs when proceeds exceed 300 times the amount bet. Slot machine winnings are not subject to withholding, but casinos must file an information return for payoffs of $1,200 or more.

Nevada

Nevada imposes several licenses and fees on gaming activities and devices. A county fee is also imposed. State business licenses are based on a percentage of gross gaming revenue per month as follows:

$50,000 or less	3.00 percent
$50,001 to $134,000	4.00 percent
over $134,000	6.25 percent

Other county license fees include:

Card games	$25 per table
Slot machines	$10 each
Combination units	$10 each
Other game devices	$50 each

Establishments operating 16 or more slot machines or a combination of slot machines and games must remit an additional $20 for each slot machine quarterly. Establishments with no more than 15 slot machines and no other gaming devices must pay a quarterly tax of $61 for each slot machine up to 5 machines. Establishments with 6 to 15 machines must pay $305 quarterly plus $106 per slot machine. Finally, an additional annual excise tax of $250 is imposed on slot machines operated in the State. The tax is remitted annually. An annual State license, based on the number of games that are operated, also applies. Fees range from $100 to $3,000 per year. Establishments operating 10 games or less must pay a fee ranging from $50 to $3000 depending on the number of games. Establishments with more than 10 games must pay an annual fee from $500 to $2800 for each game.

Nevada also imposes a casino entertainment tax. The tax is levied on all licensed gaming establishments where dancing or other entertainment, except instrumental or broadcasted music is provided to patrons in connections with the serving or selling of food, refreshments or merchandise. The rate of tax is 10 percent of all amounts paid for admission, merchandise, refreshment or food. This is in addition to the retail sales tax.

South Dakota

South Dakota imposes an 8 percent tax on gaming revenues. There is also a $2,000 local fee per gaming device.

(2) Riverboat Casinos

Illinois

Illinois allows only riverboat gaming. Only 10 licenses can be granted with 2 boats allowed per license. The wagering tax equals 20 percent of the adjusted gross receipts. Adjusted gross receipts equal gross revenues less winnings. There are only 1,200 gaming positions allowed per boat. Illinois also imposes a $2 per person admission tax which is divided between the State and localities. Other fees include a $50,000 application fee, $25,000 license fee for three years, and $5,000 a year thereafter. Withholding and information returns apply based on the federal requirements.

Indiana

Indiana imposes a 20 percent tax on adjusted gross receipts from the riverboat. There is also a $3 per person admission fee to the riverboat. Withholding and information returns apply based on the federal requirements.

Iowa

Iowa also follows the Illinois and Indiana models of taxing adjusted gross receipts. The rate schedule equals 5 percent on the first million dollars, 10 percent on the second million dollars, and 20 percent on amounts over $2 million. Withholding and information returns apply based on the federal requirements.

Louisiana

Louisiana levies a gaming tax on gaming activity at 18.5 percent of adjusted gross revenue. Each boat pays a flat fee of $50,000 for the first year of operation and $100,000 for each year thereafter. In addition, the State Police receives $100 per casino employee. Each applicant pays a fee of $35,000 to the Commission, and a $50,000 initial fee was paid to the State Police by each applicant. Fees, ranging from $250 to $5000, are levied on suppliers and device manufacturers. Local governments may also levy an admission fee where the boat is berthed up to $2.50 per passenger. Withholding of State income tax applies for winnings of at least 300 times the amount bet. Also, information reporting is required for slot machine payoffs of $1,200 or higher.

Mississippi

Mississippi imposes a monthly license fee on gross revenue at the following rates: 4 percent

for $50,000 or less per month; 6 percent for $50,001 to $134,00 per month; and 8 percent for gross revenue over $134,000 per month. An annual license fee is also imposed per number of gaming devices. These fees range from $50 to $4,800 depending on the number of devices.

Fees are also imposed on the manufacturers of gaming devices at $1,000 per year. Other annual fees imposed include: seller and distributors fee at $500; and a fee to conduct gaming on a cruise vessel of $5,000.

A gaming license fee credit is allowed against income taxes of the license for the same taxable year in which the fees are paid.

Withholding of State income tax applies for winnings of at least 300 times the amount bet. Also, information reporting is required for slot machine payoffs of $1,200 or higher.

Missouri

Missouri also imposes a riverboat gaming tax of 20 percent of adjusted gross receipts. An admission fee of $2 per person on weekdays and $5 on weekends also applies. Each admission is limited to two hours, and bettors may not lose more than $500 per individual admission. Missouri also imposes a $25,000 annual license fee for the boat and $5,000 for riverboat suppliers. The original application costs $50,000 per boat or $15,000 per "key" corporate person, and $10,000 for each supplier.

No mandatory withholding or information reporting is required. Pursuant to an agreement with the Internal Revenue Service, Missouri receives information on such winnings for residents. However, it does not receive this information for nonresidents.

b. Options for Taxation

(1) Gaming Revenue

While different states use different terminology to define "revenues," the typical tax base is gross wagers minus gross payouts. New York could impose a tax on income to the casino. Either a single rate or graduated rate, which effectively tax high-activity casinos more than smaller ones, could apply.

(2) Casino Licenses

A second tax base is the casino entity itself. New York may choose to impose an annual license fee on each casino. The fee could vary by size of casino.

(3) Device Fees

Another approach is to impose annual fees on particular gaming devices. New York can follow New Jersey and limit this fee to slot machines, or it could impose fees on, for example, card tables, craps tables, etc.

(4) Admission Fees

Finally, admission fees for individual entries into casinos can apply. While this is an option for New York, these fees are generally limited to admissions to riverboat casinos, because physical accessibility is obviously more limited.

2. Revenue Potential from Taxation

a. Potential Direct Tax Revenue

(1) Gross Revenue Tax

The Task Force estimates that the total annual win (i.e., gross revenues) of New York casinos could amount to slightly over $1.15 billion if all casinos in the three designated regions were "stand alone" (i.e., limited lodging and entertainment, like Turning Stone). The win figure is slightly over $2 .627 billion if all casinos were resort casino facilities. The related tax revenue would depend upon the selected tax rate. Most states impose double digit tax rate. The basic rates in Nevada and New Jersey, however, are 6.25 percent and 8 percent, respectively. Therefore, using Nevada's tax rate would generate between $70 million and $160 million per year. Using New Jersey's tax rate would generate between $90 million and $210 million per year, once all casinos become fully operational.

(2) Gaming Device Fees

The table below illustrates the potential fee revenue from table games and slot machines, based upon the Task Force's estimate of table and slot winnings, and per table and per machine winning estimates reported in "International Gaming and Wagering Business." The estimates assume an annual fee of $500 per table and machine. New Jersey imposes such a fee on slot machines, and Nevada has a similar fee on gaming tables.

CHART 13: Gaming Device Revenue Potential From Stand Alone Casinos

	Annual Win in $ Million	Per Device (avg. of NV and NJ)	# Devices	Annual Revenue at $500 each
Tables	347	$680,000	510	$255,000
Slots	809	$56,000	14,446	$7,220,000

CHART 14: Gaming Device Revenue Potential From Resort Casinos

	Annual Win in $ Million	Per Device (avg. of NV and NJ)	# Devices	Annual Revenue at $500 each
Tables	788	$680,000	1,159	$579,000
Slots	1,839	$56,000	32,839	$16,420,000

(3) License Revenues

New York could also impose annual license fees on each casino. Both New Jersey and Louisiana (for the now defunct land-based New Orleans casino) levied such a fee at $100,000 per establishment. Revenues would be minimal unless a number of casinos operate in each region.

(4) Total Revenue Scenarios

For a fully operational system of stand alone casinos, annual tax, fee and license revenues could total between $80 million and $110 million per year, based upon gross revenue tax rates in New Jersey and Nevada. For a system of resort casinos, the corresponding range would be $180 - 230 million. Of course, for a mixed system of casinos, the total revenues would fall somewhere within these ranges.

Alternatively, a 15 percent rate on gross revenues, roughly between the New Jersey/Nevada and riverboat state rates, could apply. This would be in conjunction with a $500 fee on slot machines only and a $100,000 annual license fee (as in New Jersey). For stand alone casinos, such a tax and fee structure could generate about $180 million per year. For resort casinos in the three regions, it could generate about $410 million per year.

b. Impact on other Taxation Revenues

(1) Personal Income Tax

Residents would claim gambling winnings as a component of income. Gambling losses could only be taken as an itemized deduction, but they could not exceed gambling winnings. This is the same as federal law although New York's standard deduction is much higher. New York limits *all* itemized deductions for high income taxpayers (Adjusted Gross Income over $100,000 for single taxpayers, over $200,000 for married couples). The federal itemized deduction limitation for high income taxpayers does not apply to gambling losses. Therefore, New York may consider modifying its itemized deduction limitation so that it, likewise, does not apply to gambling losses. At current levels of gambling losses, this would cost less than $5 million per year.

(2) Withholding Tax

Casino employees would include their wages in the income tax base. Currently, only Lottery winnings in excess of $5,000 payable to a resident of New York are subject to mandatory withholding. Mandatory pari-mutuel withholding was repealed in 1993. Formerly, it applied to wagers with odds exceeding 300 to 1 with winnings in excess of $1,000. Federal law requires withholding at 28 percent for gambling winnings from wagers where the odds are at least 300 to 1. Mandatory withholding does not apply to winnings from slot machines. However, payors must file an information report with the IRS when they pay $1,200 or more in winnings.

(3) Sales Tax

Casino construction materials would be subject to sales tax unless the construction was arranged through an Industrial Development Authority (IDA). In addition, room charges, meals and drinks would be taxable. Live entertainment charges (dramatic or musical arts performances) are exempt from sales tax, but admissions to other live events, such as magic shows or circuses, are taxable.

(4) Business Taxes

For incorporated casinos, the Article 9-A corporate franchise tax would apply. The tax is computed as the highest of four bases, with allocated net income the most common. This would follow the approach in New Jersey, which imposes its corporate franchise tax on incorporated casinos. Unincorporated casinos would not pay an entity-level tax. However, individual members of partnerships, limited liability companies, and subchapter S corporations would pay tax on their distributive share of the casino's net income.

In both cases, casino revenue taxes (as opposed to franchise and income taxes) are deductible for federal purposes, and this deduction would flow through to New York law.

(5) Miscellaneous Taxes

Finally, increased collections from alcoholic beverage, cigarette and motor fuel taxes would occur, to the extent that casino gaming results in increased consumption of these products.

c. Indirect Tax Revenues

The empirical evidence on the casino industry's generation of indirect State taxes suggests that the effect can be quite sizable. For example, New Jersey casinos are estimated to pay nearly $40 million per year in State unemployment and corporate income taxes[23]. This does not account for

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[23]Ranjana Madhusudhan, "Betting on Casino Revenues: Lessons From State Experiences," draft paper prepared for National Tax Association Spring Symposium, Arlington, Virginia, May 1996.

either the personal income taxes paid by the approximately 40,000 full-time casino employees, or the sales and excise taxes paid by bettors.

A study done in Florida estimates that adoption of casino gaming would generate as much as $600 million per year in additional State sales and excise taxes[24]. However, another study reached a far different conclusion. It found that the net effect on sales tax revenues would be negative, because bettors would shift consumption from purchases of taxable goods and services to wagering, which is not subject to sales tax[25].

An interesting indicator of New York's potential "gaming tax base" is the amount of wagering New Yorkers currently bring to other States each year.[26] Clearly, retaining even some of this wagering activity in New York would indirectly increase tax revenues, in addition to direct taxes imposed on the casinos. Moreover, the potential "leakage" outside New York will likely increase in the future, due to new casinos in Montreal and Niagara Falls Canada, and a second tribal casino scheduled to open in Connecticut.

3. Gaming Taxation Revenue Distribution

a. Distribution in Other States

State and local governments levy a variety of taxes, fees, and licenses on land and riverboat casino gaming. The two major taxes include an admission tax and a tax on adjusted gross revenue (AGR). While the precise terminology varies from State to State, AGR equals total wagers minus total payouts, i.e., the casinos' winnings.

With the exception of Iowa, States with an admission tax use a head tax based on the number of excursions. Significant variation exists in admission taxes across the States. It ranges from a high of $3.50 in Louisiana to no tax in Nevada, South Dakota, Mississippi and Colorado. Casinos in New Jersey are subject to Atlantic City Casino Parking fees of at least $2 a day for use of a casino parking space. This fee accounts for only a small fraction of state gaming revenue. Except for Iowa and Indiana, the admission fees are distributed between the State and/or local governments.

The rate of tax applied to AGR is either flat or graduated. The flat rate ranges from a 20 percent of AGR in Colorado, Illinois, Indiana and Missouri, to 8 percent in New Jersey and South Dakota. Nevada imposes a graduated rate structure with a top rate of 6.25 percent.

New Jersey's tax structure is different from other States. New Jersey imposes an 8 percent

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[24]Jack Praschnik, *The Economic Impact of Casino Gaming in Florida*, The WEFA Group, May 1994.

[25]*Casinos in Florida: An Analysis of the Economic and Social Impacts*, Governor's Office of Planning and Budgeting, Tallahassee, 1994.

[26] See Chart 7 earlier in this chapter.

tax on gross gaming revenue, which is deposited into the Casino Revenue Fund (CRF). This fund is dedicated for use in supporting programs for the elderly and the disabled. The investment alternative tax equals 2.5 percent of gross gaming revenue to the CRF. Alternatively, casinos have the option of allocating 1.25 percent of gross revenues to purchase Casino Reinvestment Development Authority (CRDA) bonds, or they may invest directly in CRDA approved projects earning tax credits. The proceeds of the investment alternative tax are used to revitalize the Atlantic City and Atlantic County regions. The proceeds from fees are deposited into the Casino Control Fund to pay for the operating expenses of the Casino Control Commission and the Division of Gaming Enforcement. However, any excess over $600,000 in fees goes to the CRF.

In Nevada, all State gaming license fees, after deduction of costs of administration and collection, are divided equally among the various counties' general funds. In addition to license fees, Nevada imposes an annual excise tax of $250 on each slot machine. The proceeds are deposited to the State general fund, for subsequent distribution to school accounts and the capital construction fund for higher education. In addition to any other license fees and taxes, a casino entertainment tax, equal to 10 percent of all amounts paid for admission, food, refreshments and merchandise, also applies. Proceeds from this tax are deposited into the State's general fund.

South Dakota does not have any admission fees. However, there is an annual per device fee of $2,000 that goes to the City of Deadwood Historical Society.

b. Revenue Distribution and Trends

The revenue generated from taxing AGRs is distributed among different categories. The distribution varies from State to State. The State share in Illinois and Missouri is dedicated to education. Colorado distributes its revenue among several categories. Fifty percent of AGR goes to the general fund, of which 2 percent is reserved for municipalities and 9 percent for the counties.

Iowa has a Gamblers Assistance Fund, equal to 0.3 percent of AGR. This fund is dedicated to counseling services for gamblers, residential services for patient treatment, and advertising.

Since July 1995, Mississippi has maintained a "bond sinking fund," which constitutes 25 percent of its general fund gaming revenue. New Jersey dedicates a major part of its casino tax collections to supporting programs for the elderly and the disabled.

In South Dakota, 50 percent of the AGR is earmarked for the Commission Fund and after meeting its expenses the balance goes to the City of Deadwood. The South Dakota Tourism has a 40 percent share of the 8 percent AGR tax. Prior to 1995 this revenue source was designated to the State general fund. The State Historical Preservation has appropriated a lump sum of $100,000 per year since 1995.The revenues show a steady growth since 1990. In addition, 10 percent of the tax on AGR goes to Lawrence County (where Deadwood is located). Local governments have appropriated an increasing share of the total Commission Fund revenue (e.g., 92 percent in 1995 compared to 73 percent in 1990).

c. Potential Tax Revenue and Distribution

The Task Force estimates of the total win (i.e., gross revenues) for New York casinos amounts to slightly over $1.15 billion if all casinos were "stand alone."[27] The projections for win figures are slightly over $2.6 billion for resort casino facilities.

The relative revenue yield will depend on the selected tax rate. Nevada imposes 6.25 percent tax on adjusted gross revenue. In New York, this rate would have the potential to generate $160 million for a resort casino scenario and $80 million for a stand alone casino scenario. The revenue potential from using New Jersey's 8 percent tax rate would range between $210 million and $ 90 million.

CHART 15: CASINO GAMBLING REVENUES AND DISTRIBUTIONS AT 15 PERCENT

Collection and Distribution of a 15 percent tax on AGR			
Resort		**Stand Alone**	
State	14 % = 364 million	*State*	14 % = 159 million
Local	1 % = 26 million	*Local*	1 % = 11 million
Total	15 % = 390 million	**Total**	15 % = 170 million
State	10 % = 260 million	*State*	10 % = 113 million
Local	5 % = 130 million	*Local*	5 % = 57 million
Total	15 % = 390 million	**Total**	15 % = 170 million

Most states, however impose a double digit tax rate. A fifteen percent tax rate on gross revenues, approximately between the New Jersey/Nevada and riverboat State rates, could apply in New York. This rate would generate approximately $170 million from stand alone casinos, and $390 million from resort casinos. Chart 15 shows a potential State and local revenue distribution under two revenue sharing scenarios.

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[27] "Stand alone" casinos are characterized by limited lodging and entertainment, like Turning Stone.

The Chart below summarizes the potential revenue and its distribution between local and State governments in New York applying the tax rate prevailing in Nevada.

CHART 16: Potential Revenues Based at 6.25 Percent Rate

Potential Revenues based on Nevada's 6.25 percent tax on AGR			
Resort		**Stand Alone**	
State	5.25 % = $138 million	*State*	5.25 % = $ 60 million
Local	1.00 % = $ 26 million	*Local*	1.00 % = $ 12 million
Total	6.25 % = $164 million	**Total**	6.25 % = $ 72 million

The State and local share of the revenue is arbitrarily split as 5.25 percent and 1 percent respectively. The last row of the table shows the column total of the revenue collected by State and local government from the stand alone and resort casinos.

Using the New Jersey tax rate of 8 percent, would enable a larger distribution. For example, the 7 percent tax rate on gaming revenue could be retained by the State, with locals receiving the remaining 1 percent. The revenue potentials are summarized below in the following table.

CHART 17: Potential Revenues Based at 8.00 Percent Rate

Revenue Potential based on New Jersey's 8 percent tax on AGR			
Resort		**Stand Alone**	
State	7 % = $ 184 million	*State*	7 % = $ 81 million
Local	1 % = $ 26 million	*Local*	1 % = $ 11 million
Total	8 % = $ 210 million	**Total**	8 % = $ 92 million

D. IMPLICATIONS FOR REAL PROPERTY TAXATION

1. The Property Tax in New York

The property tax has historically been the single largest revenue source for New York's local governments and also their most stable and predictable tax. Property tax levies totaled approximately $23.6 billion in fiscal 1995, or one-third more revenue than the State personal income tax (Chart 18), with revenues growing by 86 percent over the 1985-95 period.

CHART 18: the Property Tax in Relation To Other Major Taxes, Fiscal Year 1995

Type of Tax	In Billions
Property Tax Levies	$ 23.6
State Personal Income Tax Collections	$ 17.6
State & Local Sales Tax Collections	$ 13.2
State Business Tax Collections	$ 5.7

School districts are the biggest users of the property tax, levying over half of the total property taxes paid annually in the State and deriving over half of their revenues from this single source (Chart 19). Because they levy more property taxes than other units of local government, they would receive the largest single share of the new property taxes generated from casino development. Towns also raise more than half of their revenues from the property tax, but their levies are small in comparison to school levies. Counties, cities (other than New York City), and villages levy about half as much as school districts, but while counties and cities on average receive about one-quarter of their revenues from property taxes, villages receive nearly one-half.

Whereas many States tax both real and personal property, only real property is taxed in New York. Assessments and tax rates are determined by local governments, the assessments primarily by towns, cities and villages, and the tax rates by individual taxing units (county, city, town, school, and special district).

CHART 19: Distribution of Real Property Tax Levies among New York State Local Governments Outside New York City, Fiscal Year 1995

Total Levy Outside NYC = $15,728,084,000	
Cities and Villages	8.30 %
Special Districts	7.00 %
Towns	8.20 %
Counties	20.20 %
Schools	56.30 %

Assessing units are both more numerous and more autonomous in New York than in most other States. In much of the country, assessing is done at the county level rather than the municipal level, which greatly reduces the number of assessing units. Most States provide strict standards according to which properties must be assessed, such as 100 percent of market value, updated at regular intervals. New York only requires that assessments be determined at a "uniform percentage of value[28]", with no mandated periodic updating. As a result, assessments are generally far more variable in New York than elsewhere, with some communities' rolls being many decades old and representing as little as one percent of market value while those of neighboring municipalities are accurate and up-to-date. For new businesses such as the casinos that are the focus of this report, inaccurate assessments and outdated tax rolls can create uncertainty regarding potential tax liability.

New York's two largest assessing units -- New York City and Nassau County -- are permitted by law to levy different tax rates on four classes of property: (1) one-to-three family residential; (2) apartment; (3) utility; and (4) commercial/industrial/vacant land. In recent years, New York City's tax rates on commercial property have been about five times as high as those applied to one- to three-family residential property, and Nassau County's rates have been about twice as high. Thirty-five additional communities -- **including proposed casino locations Buffalo and Niagara Falls** -- have adopted differential tax rate systems (under Article 19 of the Real Property Tax Law) which allow them to tax commercial properties at higher rates than residential properties. Any municipality may adopt an Article 19 tax system if it undertakes a revaluation, so it is possible that additional communities will levy differential tax rates in future years.

In analysis of proposed economic development projects such as gambling casinos, it is important to understand the range of potential effects that expansion of the property tax base can have on revenues generated by the tax. Unlike other taxes, the property tax uses a variable tax rate. Levies are determined by the various local government units and then divided by the total value of taxable real property to determine the tax rate. After the rate has been determined, it is then applied to each parcel's assessment to produce a tax bill. **When the tax base expands due to construction of a new facility such as a casino, the local government units will not necessarily collect more revenues; they must raise their tax levies in order to do so. If they do not raise their levies, the tax base expansion will result in a lower tax rate, effectively lowering the taxes paid by other taxpayers.**

2. Property Tax Treatment of Commercial Property in Selected Casino States

The casino gaming facilities in all States currently having casinos are subject to property taxation by local taxing units, on real property, on personal property, or on both. There are presently no State-level property taxes imposed in any of these States; as in New York, their property taxes are local taxes. Outlined below is some basic information on the tax systems of eight of the casino states for which relevant data was available. Their casino facilities and commercial property taxation

[28]New York Real Property Tax Law Section 305.

practices are described briefly, followed by a comparison to New York's system. This tax system information is also summarized in Chart 20.

a. Other States

Colorado

Colorado has land-based casinos in small mining towns, such as in Central City and Cripple Creek. The casino sizes are relatively small, and gaming stakes are limited. (There are at least two casinos on Indian reservation lands in the southwest part of the State). Both realty and personalty (equipment and fixtures) are subject to local taxation. Both property types are currently taxed at 2.38 percent of full value. Casino property, as with all non-residential property, is assessed at 29 percent of full value for both real and personal purposes (residential property is assessed at varying percentages of full value, between 10 and 15 percent). Colorado requires that assessing units (counties) reassess all realty every two years, in odd-numbered years.

Illinois

At the present time, Illinois permits localities to have casino gaming on moving riverboats or barges (except on Lake Michigan). Casino realty is subject to local taxation, but personalty is not taxable. Only casino docks and casino-owned property on land (e.g., parking lots) are taxable, as riverboats are not considered realty. Casino realty is currently taxed at 2.89 percent of full value. All realty in Illinois is statutorily assessed at 33 percent of market value, except in Cook County (Chicago), where commercial class property can not be assessed at a level more than 2.5 times that of the lowest class (currently residential). However, there are presently no casinos operating within that county. Illinois requires all assessing units (generally counties) to reassess real property every four years, and the State measures compliance with statutory assessment levels annually.

Iowa

Iowa permits casino gaming operations on riverboats, all of which are located along the Mississippi River. Riverboats are not permanently affixed to the docks, and as such are regarded as personalty (not taxable in Iowa). Casino realty consists of parking lots, wharves, and other structures, and is subject to local real property taxation. As of fiscal year 1991, realty was taxed at an effective rate of 2.58 percent of full value. All realty is assessed at 100 percent of true value in all assessing units (counties and large cities). The State does not require assessing units to periodically reassess property. However, it may require them to do so if it finds that local assessments do not display a consistent relationship to full value.

CHART 20. COMMERCIAL PROPERTY TAXATION PRACTICES IN SELECTED STATES HAVING CASINO GAMBLING COMPARED TO NEW YORK STATE PRACTICES

State	Real Property Taxed	Personal Property Taxed	Overall Effective Real Property Tax Rate (%)	Overall Effective Personal Property Tax Rate (%)	Differential Taxation of Commercial Property	Land Based or Riverboat Casinos
Colorado	Yes	Yes	2.38	2.38	No	Land Based
Illinois	Yes	No	2.89		No[a]	Riverboat
Iowa	Yes	No	2.58[b]		No	Riverboat
Louisiana	Yes	Yes	1.47	1.58		Both
Mississippi	Yes	Yes	1.10[c]	1.10		Riverboat
Nevada	Yes	No	1.00	1.00	No	Land Based
New Jersey	Yes	No	2.35		No	Land Based
South Dakota	Yes	No	2.89		No	Land Based
New York	Yes	No	2.66		No[d]	

(a) Except for Cook County (Chicago)
(b) 1991 rates.
(c) Average tax rate of counties hosting riverboat gambling.
(d) Except in New York City, Nassau County and 35 municipalities using differential tax rates

Louisiana

Louisiana has both riverboats and a land-based casino operations. Both casino realty and personalty are subject to local taxation. At present, commercial realty is taxed at an average of 1.47 percent of true value, whereas personalty is taxed at 1.58 percent. Commercial class property improvements are assessed at 15 percent of full value (10 percent for residential improvements). Land is assessed at 10 percent, and personalty is assessed at 15 percent of true and declared value. Louisiana requires its assessing units (parishes and districts within New Orleans) to reassess properties every four years.

Mississippi

Mississippi permits casino operations on riverboats operating on the Mississippi River and on the Gulf Coast (there is also one land-based casino on an Indian reservation). Riverboats are subject to local taxation as personal property, whereas docks and other land-based casino facilities are taxable as realty. Both real and personal property are presently taxed at 1.10 percent of full value in the assessing units (counties) where operations are located. Commercial realty and personalty are statutorily assessed at 15 percent of full value, in contrast to the 10 percent assessment level used for residential property. Although the State has no mandatory reassessment cycle for realty or personalty, it conducts annual sales ratio studies of real property assessments. Reassessments can be ordered by the State if it finds that assessment practices are beyond an acceptable threshold of deviation from statutory assessment levels.

Nevada

Nevada has land-based casino operations throughout the State, although the greatest concentrations are found in Las Vegas, Laughlin, and Reno. Both real and personal casino property are subject to local taxation, and presently both tax rates are 1.0 percent of taxable value. Assessing units (counties) are statutorily required to assess both realty and personalty at 35 percent of taxable value. Counties must reassess at least every five years, and the State conducts an assessment ratio study each year in order to measure assessment equity in each property class, with half of the assessing units studied every other year.

New Jersey

New Jersey permits land-based casino gambling. All casinos are located in Atlantic City Casino realty is subject to local taxation; personal property is not. The current tax rate is 2.3 percent of full value, and it applies to all property classes. The State requires assessing units (cities boroughs, and townships) within a county to assess at the same percentage of value. There is n mandatory cycle of reassessing, nor does the State measure compliance with the declared assessme standard.

South Dakota

Outside of Indian reservations that have casino gaming licenses, land-based casino gambling operations in South Dakota are all located within the small city of Deadwood. Gaming stakes are low, and, similar to Colorado, most of the gaming consists of slot machines rather than tables. Casinos are subject to local real property taxation, but personalty is not taxable in South Dakota. All property, regardless of type, is statutorily assessed at 100 percent of "true and full value in money." At present the overall real property tax rate is 2.89 percent. The State does not require assessing units (counties) to periodically reassess properties. Annual sales ratio studies are conducted, and if an assessing unit noncomplies, it will be subject to loss of certain State monies.

b. Comparison To New York's Property Tax System

If New York allows privately owned land-based casinos, the real property of any casino operation will be subject to local property taxes. The exceptions to the general rule are casinos constructed under local Industrial Development Authority auspices or those located on Indian-owned land.

New York's overall property tax rate of 2.66 percent (average over all property types) is higher than the tax rates of most of the States with casinos, but it is lower than the rates of at least two casino States, Illinois and South Dakota. Although relatively few of New York's local governments have adopted tax systems that apply discriminatory tax rates to commercial property, two of these -- the cities of Buffalo and Niagara Falls -- are proposed casino locations. In both of these cities, commercial tax rates are more than twice as high as residential tax rates. It is possible that other casino communities would adopt Real Property Tax Law (RPTL) Article 19 style dual tax rate systems sometime in the future, although only those where commercial property is currently over-assessed would have an incentive to do so. Certainly, the presence of a casino that comprised a very large share of a municipal tax base and generated virtually all of its revenues from non-local citizens might provide an incentive to apply a differential tax rate to commercial property.

3. Effects of Casino Development on Tax Bases of New York Local Governments

Casino development would impact local tax bases both directly and indirectly. The direct effect would be addition of the value of the new casino facilities to the tax base. Indirect effects would include any new real estate development that is not part of the casino facilities but results from the increases in business activity, income, and employment arising from casino development.

The latter category could consist of both new residential development and new non-casino commercial property development. Finally, local real property values could rise if sufficient market pressure were created by casino development. These conceptually separate effects were accounted for using the assumptions and techniques outlined below.

a. Casino Facilities

Assumptions concerning the number, location, and size of new casino facilities were made based on the language contained in the proposed constitutional amendment, business activity and employment projections made by the Task Force, and data on actual casino facilities supplied by assessors from New Jersey and Nevada (Chart 23).

As stated earlier, the geographic areas assumed to be relevant are those listed in the proposed constitutional amendment: the Catskill-area Counties of Greene, Sullivan, and Ulster; the Adirondack-area Counties of Saratoga and Warren; and the Cities of Buffalo and Niagara Falls. The proposed amendment places no upper limit on the number of casinos that could be located in the Catskill-area Counties, but limits the Adirondack counties to one casino and the two cities to one each. The assumptions regarding the number of casinos were made by reference to these constraints, the economic output and employment projections of The Task Force, and employment levels in New Jersey and Nevada casinos. A total of five casinos was assumed for the Catskill counties, one each in Buffalo and Niagara Falls, and one in the Saratoga/Warren County area.[29]

Casinos were assumed to be newly-constructed facilities, not built under local industrial development authority auspices (which would have made them fully exempt from property taxes), not built in economic development zones, nor built on Indian owned lands. Two different scenarios are presented in relation to the partial property tax exemption for construction of business property available under RPTL Section 485-b (50 percent of the value of the improvement initially, phased out over a ten-year period). In the first scenario, it is assumed that local governments opt to deny such exemptions to businesses of the casino type; in the second, they opt to grant the exemption, and the early phase of the program allows 50 percent of the improvement value to be removed from the tax rolls. Tax rates were assumed to equal those currently imposed on commercial property in the proposed casino areas.

Both resort and non-resort casinos were analyzed. Unlike the existing statutory provisions governing casino gambling in States such as New Jersey and Nevada, New York's proposed constitutional amendment does not require that casinos include hotel facilities. Since the mix of resort and non-resort casinos that would actually result were the amendment passed is unknown, both resort and non-resort scenarios are presented for all casino regions.

The assumed scale of a New York resort casino, as expressed in terms of gaming area, hotel rooms, and taxable value, was based primarily on actual Atlantic City examples. Attributes of a non-resort casino could not be obtained for Atlantic City due to the prohibition of non-resort casino facilities in New Jersey (the smallest Atlantic City casino has 501 hotel rooms). The non-resort

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[29]The number of casinos in the Catskills used in this context is based on the level of total gaming revenue projected in the region, as well as the assumption that each county in the three-county region with authorize gambling casinos. Although the actual number of casinos built and operated in the area will be determined by the relative size of the facilities, it is estimated that five casinos could be support by the region's volume of casino gaming revenues, using the average reported in Atlantic City as a benchmark standard.

figures cited thus reflect casinos built in Nevada before the hotel room requirement was instituted and current construction costs for such facilities. The structures are more similar to retail or convention center space, both in physical layout and in terms of construction costs, than to resort casinos. The assessed values assumed to apply to the non-resort casinos are thus dramatically lower than the resort casino assessment.

Because of the high level of real estate investment in the New Jersey casinos, and the fact that New York casinos would compete with these facilities, the resort casinos envisioned for New York are similarly elaborate (Chart 22). At the same time, the issue of converting older Catskill-area hotels for casino use is also a possibility and the values of these hotels were reviewed (Chart 21). They range from $5.4 million to $28.3 million, indicating that the facilities in question are smaller and far less elaborate structures than the Atlantic City hotels. Modifying one of them to the same standard as the Atlantic City casinos could require a significant investment and it was beyond the scope of this analysis to examine exactly the level or nature of that investment. For this reason, the property tax implications of converted hotel facilities were not investigated further.

As indicated earlier, riverboat casinos are to be found in several States, and the taxable status of such vessels in New York would essentially depend on their degree of fixedness or mobility, with only those permanently situated in one location being subject to property tax. Because of their questionable taxable status, and the fact that the proposed constitutional amendment does not require water-based casinos, no riverboat analyses were undertaken.

CHART 21. TAXABLE VALUES OF EXISTING CATSKILL-AREA RESORT HOTELS (1995 ASSESSMENT ROLLS)

County	Municipality	Taxable Value of Major Hotel(s)
Sullivan	Thompson	Hotel A $ 28.3 million Hotel B $ 8 million
Ulster	Wawarsing	$ 8.8 million
Sullivan	Liberty	$ 5.4 million

b. New Residential Real Estate Development

To project the number of new homes likely to result either directly or indirectly from a casino, data on estimated new employment were combined with data on existing housing units, vacancy rates, and regional unemployment levels (Chart 23). Housing units were assigned an average value in each region based on the current median selling price of residential property, adjusted to account for multi-family structures.

CHART 22. KEY ASSUMPTIONS ON NEW YORK STATE CASINO CHARACTERISTICS

		RESORT CASINOS			NON-RESORT CASINO	
REGION	**Number of Casinos[a]**	**Average Footage Gaming Area per Casino[b]**	**Average Number of Hotel Rooms per Casino[c]**	**Average Assessed Value per Casino [d]**	**Average Footage Gaming Area per Casino[e]**	**Average Assessed Value per Casino[e]**
Catskill	5	80,000	850	$ 450 million	30,000	$ 18 million
Buffalo / Niagara	2	70,000	750	$ 390 million	25,000	$ 15 million
Saratoga / Warren	1	75,000	800	$ 420 million	25,000	$ 15 million

(a) Based on revenue and employment projections contained in this report and revenue and employment data for Atlantic City casinos

(b) Based on Atlantic City casino averages, and revenue and employment projections contained in this report.

(c) Based upon projections contained in this report of overnight visitors and Atlantic City hotel averages.

(d) Based on Atlantic City assessments, casino fixed investments, and projected casino revenues and sizes.

(e) Based on information supplied by Nevada assessors on sizes and values of non-resort casinos, projected casino revenues and current construction costs.

For counties with large unemployment numbers relative to new jobs, little new housing construction may be expected. However, in the Catskill area counties, the number of new jobs created by the resort casino scenario is almost eight times as large as the number of currently-unemployed persons. Although one proposed casino county in this region has a relatively high percentage of vacant housing units, the other two are more typical of statewide conditions. Under such circumstances, significant new housing construction may be expected in the Catskill area because of the excess of new jobs over unemployed persons.

c. New Non-Casino Commercial Real Estate Development

Development of new commercial property would surely be significant, as Task Force projections indicate that non-casino economic output is expected to be an additional 25 to 50 percent above the revenues of the casinos in the Catskill and Adirondack areas and 10 to 20 percent in western New York. However, unlike residential property which is relatively homogeneous and for which extensive unit-value data are available, commercial property takes many forms. Thus, an analogous approach to the housing unit-value technique described above was not available. In the absence of better data, the value of additional commercial development was estimated based on the value of current commercial property per employee in each potential casino county. The existing commercial property value per employee was then applied to projections of new non-casino employment (Chart 24) to determine the added value of commercial improvements indirectly attributable to casinos. Current commercial property tax rates were assumed to apply to this increased tax base.

d. General Value Appreciation of Existing Property

This potential effect does not reflect additional economic output but is a pecuniary effect of new income and employment, the benefits of which have already been counted elsewhere. Further, appreciating real property values, though they add to wealth and local tax bases, do not necessarily imply increased ability to pay taxes or the generation of additional property tax revenues. For these reasons, the potential effects of general value appreciation were not included in this analysis.

CHART 23. PROJECTED INCREASE IN RESIDENTIAL TAX BASE DUE TO CASINO DEVELOPMENT

	Labor Force [a]		New Jobs [b]		New Housing Units[c]		Projected Increase in Assessed Value [d]	
COUNTIES	**Employed**	**Unemployed**	**Resort Casinos**	**Non-Resort Casinos**	**Resort Casinos**	**Non-Resort Casinos**	**Resort Casinos**	**Non-Resort Casinos**
Greene, Sullivan and Ulster	120,000	6,800	48,593	13,403	10,448	1,650	$ 544 million	$ 86 million
Erie and Niagara	535,000	30,600	11,686	4,532	1,168	453	$ 61 million	$ 23 million
Saratoga and Warren	125,100	7,000	9,067	2,649	907	265	$ 62 million	$ 18 million

(a) April 1996 figures, supplied by the New York State Department of Labor.
(b) As reflected in this report, includes employment that is created in businesses other than casinos.
(c) Projected based on relationship of number of new jobs to current unemployment levels and housing vacancy rates.
(d) Based on median sale price of one to three family homes in region, adjusted for apartments.

CHART 24. PROJECTED INCREASE IN NON-CASINO COMMERCIAL PROPERTY DUE TO CASINO DEVELOPMENT

				Resort Casinos		Non-Resort Casinos	
COUNTIES	**Value of Taxable Commercial Property [a]**	**Employment[b]**	**Commercial Property Value per Employee**	**Number of New Non-Casino Employees[c]**	**Projected Increase in Assessed Value**	**Number of New Non-Casino Employees[c]**	**Projected Increase in Assessed Value**
Greene, Sullivan and Ulster	$ 2,865 million	120,800	$ 23,717	32,630	$ 744 million	7,453	$ 177 million
Erie and Niagara	$ 7,805 million	535,300	14,581	6,169	$ 90 million	1,418	$ 21 million
Saratoga and Warren	$ 2,300 million	125,100	18,385	6,100	$ 112 million	1,409	$ 26 million

(a) From 1992 Market Value Survey estimates, New York State Office of Real Property Services.
(b) April 1996 figures, supplied by New York State Department of Labor.
(c) As projected by the New York State Department of Economic Development.

4. Projected Property Tax Revenues

Because significant property tax incentives are available for development of commercial facilities in New York, and the granting of these partial exemptions is optional to all the local governments levying taxes on a given property, it is necessary to estimate the property taxes resulting from casino development under two different assumptions: (1) that exempt status is not granted; and (2) that exempt status is granted to the maximum extent allowed by law.

a. Without Commercial Property Tax Exemptions

Chart 25 presents estimates of property tax yield for resort casinos and non-resort casinos in each of the three regions, based on the data and assumptions described above and in Charts 22 through Chart 24. For the Chart 25 analysis, the casino facilities and associated commercial development are assumed to receive no partial property tax exemptions from municipal, school or county local governments under RPTL Section 485-b. Further, it is also assumed that no property tax benefits are secured through Industrial Development Authority ownership of the casinos themselves or any other new commercial facilities indirectly resulting from casino development. The figures presented reflect current tax rates and property values; no attempt has been made to project the data forward in time to a year in which the development might actually occur.

As is evident from the estimates, the casino hotels result in dramatically higher tax yield than the non-resort casinos. This is especially true in the Catskill region, where five resort casinos were assumed to be built. Local tax bases would expand by nearly $3.6 billion, producing an additional annual tax yield of over $96 million. The magnitude of this increase can be appreciated when it is compared to the approximately $400 million in property taxes currently collected by local governments in the three Catskill counties proposed for casino development. This large impact is attributable to the number of casinos assumed, their high-value resort character, the substantial additional residential and non-residential construction that would be required to support such facilities in this predominantly rural area, and the modest size of most municipal tax bases in the three-county area at the present time.

Resort casinos also produce substantial increments to tax bases in the other two regions, proportionately more in the Buffalo/Niagara Falls area where two were assumed to be built. However, in these areas, the additional tax revenues, while substantial, amount to only three to five percent of the total property taxes now collected. In particular, local governments in Buffalo and Erie counties collect about $1.2 billion in taxes annually, so the additional taxes generated by the casino sector and other construction indirectly attributable to it would be modest by comparison. Due to the differential tax rate systems used in both Buffalo and Niagara Falls, the revenues from casino-related commercial development are nearly twice as great as they would be if these cities applied a single tax rate to all property.

CHART 25. Projected Property Tax Revenues, Casino Facilities and Other New Real Estate Development (No Property Tax Exemptions)

REGION	RESORT CASINOS		NON-RESORT CASINOS	
	TOTAL INCREASE IN TAX BASE	ESTIMATED PROPERTY TAX YIELD (1)	TOTAL INCREASE IN TAX BASE	ESTIMATED PROPERTY TAX YIELD (1)
Catskill	$ 3,568 million	$ 96.3 million	$ 353 million	$ 9.8 million
Buffalo/Niagara	$ 931 million	$ 44.6 million	$ 74 million	$ 3.0 million
Saratoga / Warren	$ 596 million	$ 13.1 million	$ 59 million	$ 1.3 million

(1) Based on overall tax rate in each region, with differential rates on commercial property in Buffalo and Niagara Falls.

Property tax revenues from the non-resort casinos would be much smaller, one-tenth as much or less in all cases, than the resort casino taxes. This is due primarily to the considerably lower value of the casino facilities themselves, but it is also partly attributable to less construction of new housing and non-casino commercial improvements under the non-resort scenario. These latter effects are, in turn, due to the considerably lower revenues and employment levels associated with non-resort casino development in Task Force economic projections. The dollar gap in property taxes is largest in the Catskill region (over $86 million), because there are five casinos involved. However, it is also quite large for the two casinos in the Buffalo/Niagara Falls area (over $41 million) because, with dramatically lower casino assessments and less non-casino commercial construction, the revenue effects of the higher commercial tax rates used in these two cities are minimized.

b. With Commercial Property Tax Exemptions

Chart 26 provides estimates of the tax base and revenue changes that would result in the years immediately following casino development if the casinos themselves and newly developed non-casino commercial facilities received partial exemptions under RPTL Section 485-b. This program allows an exemption of up to 50 percent of the increase in assessment due to the new construction (or renovation) in the initial years, and the benefit is then phased out over a ten-year period. The phase-out schedule depends on whether the county has established an industrial and commercial incentive board and, pursuant to the recommendations of such board, the county restricts exemptions to certain types of business activity and/or locations.

CHART 26. Projected Property Tax Revenues, Casino Facilities And Other New Real Estate Development (With RPTL Section 485-b Exemption, Early Phase)

	RESORT CASINO		NON-RESORT CASINO	
REGION	**Total Increase in Tax Base**	**Estimated Property Tax Yield (1)**	**Total Increase in Tax Base**	**Estimated Property Tax Yield(1)**
Catskill	$ 2,333 million	$ 63.0 million	$ 250 million	$ 6.8 million
Buffalo/Niagara	$ 565 million	$ 26.4 million	$ 54 million	$ 2.0 million
Saratoga/Warren	$ 373 million	$ 8.2 million	$ 42 million	$ 1.0 million

(1) Based on overall tax rate in each region, with differential rates on commercial property in Buffalo and Niagara Falls.

The revenue pattern in Chart 26 is similar to the no-exemption scenario in Chart 25 except that new property taxes are reduced by one-half due to the RPTL Section 485-b exemptions. The reductions are actually somewhat less than one-half because the new residential development resulting from the casinos is not eligible for this exemption. Once again, the significantly higher tax revenues resulting from resort-type casino development are evident, as is the large share of the revenue going to the Catskill region due to the five casinos assumed to be developed there.

5. Summary of Findings and Conclusions

Land-based casinos would be subject to real property taxes in New York, unless built under the auspices of local industrial development authorities. Riverboat casinos would be taxable if permanently anchored and attached to public utilities, but otherwise exempt. Resort casinos of the scale found in major casino States would result in major expansion in local tax bases, as these facilities are generally valued at several hundred million dollars each for tax purposes.

The effective property tax rates applied to commercial property in New York are higher than those applied in most casino States. The largest tax yield per dollar of tax base expansion would be in Buffalo and Niagara Falls, where commercial property is taxed at rates more than twice as high as those applied to residential property.

Property tax revenues from resort casinos in each of the three proposed casino regions would be substantial, with projections indicating from about $13 to over $96 million annually, depending on region, number of casinos, and other factors. Non-resort casinos would result in substantially smaller tax increments, in the range of $1.3 million to about $10 million, depending on region, number of casinos, and other factors.

The largest property tax gains would be in the Catskill area, due to the larger number of casinos assumed and large increases in new residential construction and non-casino commercial construction. The revenues resulting from development of five resort casinos in the three Catskill counties could be as much as one-quarter of the total property taxes now levied in those counties. Existing resort hotels in the Catskill region are far less elaborate facilities in terms of real estate investment that the casinos of Atlantic City. Setting up a nationally or regionally competitive casino in one of these older resorts could require virtually the same level of investment as an entirely new facility.

Unless the Legislature amends applicable statutes, approximately half of the potential property tax yield would be forfeited by local governments in the early years of casino activity if they granted property tax exemptions for commercial development under RPTL Section 485-b. However, these exemptions would be phased out over a ten-year period.

Almost half of the casino-related property tax revenues would be received by school districts, with the remainder shared among other types of local government units, including counties, towns, cities and villages and other special taxing districts. The existence of less rigorous assessment standards in New York than in most casino States creates the possibility that any estimate of the property tax revenues to be obtained from casino properties may be imprecise.

E. IMPACTS ON OTHER FORMS OF GAMBLING

The introduction of casino gambling in a State or community cannot help but to have an impact on other already existing forms of gambling. Complementary goods, such as casinos, lotteries and race tracks, are related in such a way that an increase in the consumption of one affects the consumption of others. Families and individuals usually have a fixed amount of disposable income after food, shelter, transportation, etc., are paid for. Money spent on casino gambling is money that would have otherwise been spent on other leisure time activities (travel, movies, etc.).

A major qualifier to what would seem to be a direct negative economic impact on other New York gaming activities is, as mentioned above, the availability of casino gambling within close geographic proximity. The major monetary shift, therefore, would not be among New York gaming activities, but back to New York from neighboring States. Impacts on other forms of State-wide gambling would be comparatively minor.

1. Pari-Mutuel Wagering

A. History[30]

New York State has held a prominent position in thoroughbred racing from the earliest days of colonization. One of New York's first governors, Richard Nicolls, established the country's first racetrack, Newmarket, on Long Island. Scores of other tracks followed, especially on Long Island and in the boroughs of New York City.

(1) Early New York Racetracks

In colonial America, races were informal affairs, generally match races between two horses occurred over fields or dirt streets of the first settlements. However, racing on a track was already a well-established tradition in England when the colonists first came to America. The first race course in the State was established in 1665 by Governor Richard Nicolls. In fact, historians of the period have noted that one of Governor Nicolls first official acts upon assuming office in 1664 was to lay out a mile race course on Long Island at Hempstead Plain (present site of Garden City). He named it Newmarket after the British course. Fortuitously, Long Island contained a long, broad, grass plain, which was ideally suited to racing. The establishment of many others followed: Newmarket II, Washington, Ascot Heath (where the British raced during the Revolution), and Beaver Pond. Manhattan was home to several early tracks, among them Harlem (near Murray Hill), Church Farm (west of Broadway near Besse), Greenwich (north of Church Farm near Greenwich Lane), and Maidenhead (near Delancey Street). Staten Island had the Vanderbilt track. Union Course on Long Island, which opened in 1821, was one of the country's most famous tracks because of its first "skinned" (dirt) track. It was the model for tracks of the future. Also during this period, Gravesend on Long Island began operations and later, in the 1870s and 1880s, Brighton Beach and Sheepshead Bay on Coney Island were established. Tracks were also running in Albany, Poughkeepsie, Centerville (Long Island), Saratoga, and Buffalo.

Saratoga was built as a one-mile track in 1864 by John Hunter and W.R. Travers, founder of the Travers Stakes, which was first run in that year and won by the legendary horse, Kentucky. According to racing historian John Hervey, the Saratoga track was the scene of some of the country's best racing during the remainder of the century. It was where the best horses of the West met the best horses of the East. Jerome Park in Westchester County, scene of the early Belmont Stakes, was built in 1866. Morris Park, site of the original Metropolitan Handicap, was established in the 1880s.

In 1894 the Queens County Jockey Club developed Aqueduct Race Track, a premier track of the day. It was a favorite of the horsemen of the period because of its light, loamy well-drained soil and half mile home-stretch. Belmont Park, which opened in 1905, initially ran in reverse (clockwise) and the 1.5 mile oval had a 7-furlong straightaway (a furlong is 1/8 mile).

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[30]Senate Research Service, *Thoroughbred Racing and Breeding in New York State, Issue Number 94-42*, New York State Senate, Albany, New York (1994).

(2) New York Racing Today

Today, the New York Racing Association (NYRA) operates the State's three major thoroughbred tracks: Saratoga (established in 1864), Aqueduct (1894), and Belmont Park (1905). A fourth thoroughbred track, Finger Lakes Race Track, located in Ontario County, is operated by the Finger Lakes Racing Association. NYRA, a nonprofit corporation which conducts racing at Aqueduct, Belmont Park, and Saratoga racetracks, is charged statutorily with improving the racing facilities, increasing the conveniences available to patrons, improving the breed of horses, and serving the best interests of racing generally. NYRA conducts race meetings and pari-mutuel betting under a franchise originally granted in 1955, and extended until December 31, 2000.[31]

The State Racing and Wagering Board also authorizes the operation of six major harness tracks: Yonkers, located near the New York metropolitan area, and five tracks that are usually referred to as the upstate harness tracks (Monticello, Saratoga, Vernon Downs, Batavia, and Buffalo raceways). In addition to these tracks, limited harness racing is held at the Syracuse Mile at the New York State Fair Grounds and at Goshen's Historic Track.

B. New York State Racing and Casino Gambling[32]

In order to determine the effects of casino gambling on the horse racing industry in New York State, a study has been made which compares race track handle and attendance before and after the opening of the Turning Stone Casino by the Oneida Nation in Verona, New York, on July 20, 1993. 1991 statistics have been compared against 1995 statistics in terms of total facility handle, total handle on live racing programs, total attendance on live racing programs, average attendance for each program of live racing and average handle for each program of live racing.

(1) In-State Racetracks Affected by Turning Stone Casino

(a) Vernon Downs

Vernon Downs is a night harness track owned and operated by Mid-State Raceway, Inc. Situated in Vernon, the Raceway is located approximately six miles from the Oneida Indian Nation of New York's Turning Stone Casino. The stand-alone casino, which opened on July 20, 1993, offers approximately one-hundred and twenty (120) table games, eight-hundred (800) Instant Multi-Games, and high stakes Class II bingo.

Since 1991, Vernon Downs has experienced downturns in several indicators: total facility

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[31] Laws of 1983, Chapters 1006 and 1007.

[32] See Appendix G for New York State racing statistics.

handle has declined by 2.9 percent; total attendance on live racing has decreased by 29.3 percent, and total handle on live racing at Vernon Downs has decreased by 49.5 percent. Vernon Downs, which has reduced the number of live racing programs by nearly 11 percent since 1991, has seen incremental declines in average attendance and handle for live racing in excess of their self-imposed reductions. Average daily handle has fallen by 43.3 percent, and average daily attendance has fallen by 20.6 percent.

There are, however, some positive trends at Vernon Downs. Vernon Downs has been helped significantly by legislation which increased the ability of a race track to simulcast races from out-of-state. Wagering on simulcasts from other tracks at Vernon Downs increased by 328.6 percent from 1991 to 1995. Vernon Downs is also aided by the fact that the Turning Stone Casino does not have a race book operation. If the Turning Stone Casino is later authorized to have a race wagering operations, it will have a serious negative impact on Vernon Downs' simulcast handle.

Vernon Downs has also increased its off-track handle during the period from 1991 to 1995. Prior to 1993, Vernon Downs did not send out its own simulcast signal for simulcast wagering. Beginning in 1993, Vernon Downs up linked its simulcast signal, making the signal available to more OTB branches and racetracks throughout the State. Due to this change, off-track wagering on Vernon Downs racing increased by 111.3 percent from 1991 to 1995.

(b) Finger Lakes Race Track

Finger Lakes Race Track, which conducts daytime thoroughbred racing, is owned and operated by Canandaigua Enterprises Corporation, a wholly-owned subsidiary of the Delaware North Company. The racetrack, located in the town of Farmington is approximately ninety miles from the Turning Stone Casino.

Finger Lakes has also experienced a number of downturns since 1991. Total facility handle at Finger Lakes has declined by 18.8 percent, total wagering on Finger Lakes' own racing has declined by 23.1 percent, and total attendance for live racing has decreased by 20.6 percent. Average daily handle on Finger Lakes' live racing product has fallen by 25.3 percent, and average daily attendance has decreased by 22.9 percent.

While experiencing declines, Finger Lakes has been aided by legislation which permitted additional OTB regions in the State to take bets on its races. As a result, off-track betting on Finger Lakes racing has increased by 7.7 percent since 1991. Total betting on non-Finger Lakes racing at Finger Lakes Racetrack has also increased, by 5.1 percent since 1991.

It appears, however, that Finger Lakes's simulcast figures have room for improvement, as year-round simulcasting has never taken place. Non-Finger Lakes simulcasting revenues are further reduced due to an agreement with horsemen at Finger Lakes which precludes the track from simulcasting non-graded stakes races from the New York Racing Association during the Finger Lakes live meet. The rationale for this preclusion is the fear that simulcasting a superior product

against its races will further erode on-track handle.

(c) Saratoga Raceway

Saratoga Harness, a night harness racetrack owned and operated by Saratoga Harness Racing, Inc., is located in the City of Saratoga Springs, located 120 miles from Turning Stone Casino.

Like Vernon Downs and Finger Lakes, Saratoga Raceway's total facility handle decreased by 26.8 percent from 1991 to 1995. Total attendance for live racing and total handle on live racing decreased, respectively by 49.1 percent and 57.5 percent over that subject time frame. Saratoga Raceway, however, has decreased the number of programs it ran by 23 percent from 1991 to 1995. This did not stem a significant reduction in average handle and attendance for live racing. Average handle on Saratoga's live racing decreased by 44.8 percent, and average attendance for live racing decreased by 33.9 percent.

Saratoga Raceway was also hurt severely by a horsemen's boycott that took place in 1994. The Raceway, which canceled more than half of its races in 1994, has not totally recovered from the effects of the boycott.

Saratoga Raceway's decline in handle and attendance may also be due in part to the activities of Capital District Regional Off-Track Betting Corporation (Capital). Capital, which is Saratoga Raceway's regional OTB, conducts more simulcasting than any of the other regional OTBs in the State. Numerous races are made available by Capital to its patrons during the course of a day both prior and during the conduct of a Saratoga Raceway card.

(d) Saratoga Race Course

Saratoga Race Course, also situated in the City of Saratoga Springs is a daytime thoroughbred race track enfranchised by New York State and operated by the New York Racing Association (NYRA). Saratoga Race Course runs, by consensus, the premier thoroughbred meeting in the United States. While Saratoga's attendance and handle held up well between 1991 and 1995, especially in comparison to the other upstate tracks, there are now some signs of slippage in attendance and handle.

From 1991 to 1995, Saratoga increased its racing season from 30 to 34 days, an increase of 13.3 percent. While total handle at Saratoga Race Course over the subject time frame has decreased by 1.1 percent, total attendance has risen by nearly 3 percent. However, there are clear decreases in per diem handle and attendance which have decreased by 12.7 percent and 9.1 percent, respectively.

Additionally, races from Saratoga are simulcast to NYRA's Aqueduct Racetrack in Queens County. The Saratoga product has not fared well, as average daily handle at Aqueduct on Saratoga races has decreased 21.6 percent since 1991, and average daily attendance has decreased 18.5 percent.

(2) In-State Racetracks and Foxwoods Casino / Atlantic City

(a) New York Racing Association (Aqueduct & Belmont)

Aqueduct Racetrack, located in South Ozone Park in Queens County, is the winter headquarters of thoroughbred racing. Aqueduct's season begins in October and runs until the end of April. Belmont Park is located in Elmont in Nassau County. This daytime thoroughbred racetrack, enfranchised by New York State, is also operated by NYRA. Belmont has two meets, a spring meeting starting in early May and running until mid-July, and a Fall championship season which runs in September and October. Both tracks are located approximately 110 miles from Foxwoods Casino and the Atlantic City casinos.

Aqueduct has seen precipitous declines over the past five years, with handle on its live racing decreasing by 49.4 percent from 1991 to 1995 and attendance decreasing by 39.4 percent. During this time period, Aqueduct's average daily handle on its own races fell by 33.8 percent, and average daily attendance dropped by 20.8 percent. Attendance at Aqueduct has been declining for the past three decades. In 1965, average daily attendance at Aqueduct was 30,688; now it is 7,106.

Belmont Park has also suffered significant declines. Belmont's handle on its own live racing decreased by 25.7 percent from 1991 to 1995, and total attendance at its own racing has decreased by 30.4 percent. Average daily handle on Belmont races fell by 20.9 percent, and average daily attendance dropped by 25.8 percent during the studied time frame.

In 1991, wagers on NYRA races, both on and off-track, accounted for 71 percent of the total pari-mutuel handle in New York State. That figure declined to 54.4 percent in 1995.

(b) Yonkers Raceway

Yonkers Raceway, a night harness track owned and operated by Yonkers Racing Corporation, is located in the City of Yonkers.

Since 1991, Yonkers Raceway's total facility handle has dropped by nearly 32 percent. Additionally, total handle for Yonkers' live racing program has dropped by 55.6 percent and total attendance for live racing has dropped by 45.6 percent during those years.

Due to these falling attendance and handle figures and a scarcity of horses, Yonkers Raceway has cut back on its number of live racing programs. In 1991, Yonkers ran 364 programs. In 1995, programs were cut to 275, a reduction of 24.4 percent. During the subject time frame, Yonkers' average handle on its own live racing fell by 41.2 percent, and its average daily attendance on its own racing fell by 27.9 percent. Attendance has been declining since the 1960s. Thirty years ago, the average attendance at Yonkers Raceway was approximately 25,000. By 1995 the average attendance for a live racing program at Yonkers was 1,617, less than 7 percent of what it was approximately 30 years ago.

Besides casino gambling at Atlantic City and at Foxwoods, Yonkers Raceway has been affected by competition from The Meadowlands in New Jersey, a diminishing number of local OTB parlors remaining open at night, and an increase in simulcasting opportunities from outside New York State. These factors have turned Yonkers Raceway from a giant of harness racing into a track that differs little in attendance and handle from the other harness tracks in New York State.

C. Out-of-State Tracks Located Near a Casino

(1) Canterbury Downs

Canterbury Downs where thoroughbred and mixed-breed racing are conducted and which is located in Shakopee, Minnesota, about 15 miles southwest of Minneapolis, opened in 1985. The racetrack initially faced competition only from charitable gaming. The situation, however, quickly changed. A State lottery was introduced in 1990. In 1991, dog racing began at St. Croix Meadows, nearby in Wisconsin. Also in 1991 an Indian casino opened three miles from Canterbury Downs. Originally, Canterbury Downs faced competition from the Little Six casino largely in the form of bingo, and then, in 1989, from video type slot machines. However, in 1991 a blackjack compact was signed between the tribe operating the Little Six casino and the State of Minnesota. In May of 1992, Mystic Lake casino replaced the Little Six, offering blackjack, coin-operated slot machines, and other forms of gaming.

CHART 27. CANTERBURY DOWNS, HANDLES 1989 to 1995

Year	Number of Programs	Live & Simulcast Attendance	On-Track Handle	Simulcast Handle	Total Handle
1995	55	353,141	$14,768,884	$51,766,052	$66,534,936
1994	0	0	$0	$36,277,037	$36,277,037
1993	Closed				
1992	93	394,594	$18,881,385	$38,460,037	$57,341,422
1991	124	639,774	$44,966,370	$42,044,234	$87,010,604
1990	122	804,538	$82,792,600	$18,957,979	$101,754,579
1989	121	875,899	$102,187,562	$0	$102,187,562

Source: Annual Reports, Minnesota Racing Commission

Canterbury Downs did not open in 1993.[33] In 1994 Canterbury reopened, offering only simulcast wagering. In 1995 the track returned to live racing, offering a 55 day meeting while offering full-card simulcasting for other tracks.

(2) Atlantic City Race Course

Atlantic City Race Course is a thoroughbred racetrack located in Atlantic City and situated 15 miles away from the casinos. The track faces a variety of gambling related competition, including a State lottery, which was introduced in 1971. To analyze the impact the casinos have had on Atlantic City Racecourse, the following handle chart depicts on-track, inter-track and out-of-state statistics from 1987 to 1995:

CHART 28. ATLANTIC CITY RACE COURSE, HANDLES 1987 to 1995

Year	Number of Programs	On-Track Attendance	On-Track Handle	Inter-track Simulcast Handle	Out of State Simulcasting	Total Handle
1995	57	160632	$9.772.123	$2.642.415	$4.211.142	$16.625.680
1994	62	186494	$12.490.066	$3.144.996	$2.709.122	$18,344.184
1993	71	227209	$16.021.611	$13.689.788	$15.961.701	$45.673.100
1992	69	243,592	$19.613.467	$31.910.585	$7.476.393	$59.000.445
1991	52	219.900	$20.262.802	$27.570.944		$47.833.746
1990	64	267.364	$22.854.237	$36.779.147		$59.633.384
1989	64	255.591	$24.189.585	$38.094.502		$60.284.087
1988	62	268.911	$24.380.246	$39.789.970		$64.170.216
1987	55	219.726	$21.096.504	$33.834.336		$54.930.840

Daily on-track handle has significantly decreased from $383,572 in 1987 to $171,400 in 1995, a decrease of $212,172 or 55 percent. Inter-track wagering fluctuated but remained steady between 1987 and 1992, in May of 1993 inter-track and out-of-state simulcasts were limited to during the Atlantic City Racecourse live meet. Intra and inter-state simulcasting tailed-off substantially due to legislation which provided Atlantic City Racecourse with a capped contingency fund of $2 million per year from the casinos (which expired at the end of 1995) for limiting those simulcasts to its live meet.

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[33]Robert Lawrence and Richard Thalheimer, *An Economic Analysis of the Effects of Casino Gambling on the Kentucky Race Horse Industry*, University of Louisville, January 1994.

(3) Detroit Race Course

Detroit Race Course is a thoroughbred track located in Livonia, Michigan, a suburb of Detroit. The track faces competition from a State lottery and numerous Indian casinos. Additionally, in May of 1992, Casino Windsor opened in Windsor, Ontario. This casino provides a full menu of gambling alternatives except for games involving dice and a race book operation. Casino Windsor is located approximately 25 miles from Detroit Race Course across the Detroit River.

CHART 29. DETROIT RACE COURSE, HANDLES 1991 to 1995

Year	Number of Programs	On-Track Attendance	Cumulative On-Track Handle	Average Attendance per Program	Average Handle per Program
1995	161	532404	$100,790,668	$3,307	$626,028
1994	159	587283	$111,007,533	$3,694	$698,160
1993	180	732390	$132,714,386	$4,069	$737,302
1992	188	833,136	$149,456,274	$4,431	$794,980
1991	182	797,659	$142,664,633	$4,382	$783,871

As evidenced above, on-track daily average handle declined significantly from $783,871 in 1991 to $626,028 in 1995, a decrease of $157,843 or 20 percent. Although, it appears the Casino Windsor has had a significant negative impact on Detroit Race Course, its overall effect cannot be separated from existing competition of the lottery and existing Michigan based Indian casinos.

(4) Arlington International Racecourse

Arlington International Racecourse is a thoroughbred racetrack located in Arlington Heights, Illinois. Illinois' current forms of legalized gambling include lottery, horse racing and riverboat gambling, which was introduced in September 1991.

In the fall of 1994, the Grand Victoria, a riverboat casino, opened on the Fox River in Elgin, Illinois approximately 12 miles from Arlington. This riverboat casino is replete with slot machines, blackjack tables, roulette wheels and craps tables. In 1995, Arlington reduced the number of dates it requested from the Illinois Racing Board from 131 to 55, ostensibly to cut its operating losses. In the interim, Arlington has been lobbying the Illinois Legislature for a casino on the premises of Arlington, which has been unsuccessful to date.

Average daily handle was $1,218,726 (75 days) in 1990, compared to $1,328,418 (55 days) in 1995. Inter-track wagering, which peaked in 1991, has waned since. However, off-track handle grew dramatically in 1991 and fluctuated until 1994. It has now significantly declined concomitantly with the reduction in racing dates.

CHART 30. ARLINGTON INTERNATIONAL RACECOURSE, HANDLES 1990 to 1995

Year	Live Programs	On-Track Attendance	On-Track Handle	Inter-Track Handle	Off-Track Handle	Total Handle
1995	55	565,180	$73,062,996	$34,395,835	$67,491,712	$174,950,543
1994	131	1,150,178	$146,312,605	$67,929,489	$112,580,420	$366,822,514
1993	131	1,236,383	$150,471,076	$69,860,173	$107,930,176	$328,261,425
1992	132	1,340,453	$158,072,757	$75,479,630	$97,140,236	$330,692,623
1991	132	1,343,958	$163,934,365	$89,172,610	$82,069,315	$335,176,290
1990	75	762,974	$91,404,490	$51,826,020	$34,913,460	$178,143,975

D. Out-of-State Tracks with Slot Machines

(a) Louisiana Downs

Louisiana Downs is a thoroughbred track located in Bossier City, Louisiana. Full card interstate simulcasting and video poker machines were simultaneously introduced at Louisiana Downs on July 1, 1992 on a six day a week basis (day and night). Prior to 1995, Louisiana Downs did not conduct full-card simulcasts against its own races, and if any in-state simulcast signal was available, then only one out-of-state signal could be accepted. In 1996, full card simulcasting of multiple signals began.

Daily average on-track handle has dropped significantly from $1,111,043 in 1991 to $451,246 in 1995, a decline of $659,797 or 59 percent. Simulcast handle has fluctuated during this period, while total handle at Louisiana Downs has declined.

Three riverboat casinos (dockside) began operating in Shreveport and Bossier, Louisiana in 1994, approximately 10 miles from Louisiana Downs. These casinos offer the full gamut of wagering opportunities with the exception of a race book operation. Nearby riverboat casinos have negatively impacted on-track handle. The infusion of video poker machines and a multiple full-card simulcast has failed to offset the continuing on-track handle decline. Declining on-track attendance and betting handle can be attributed to wagering dollars being siphoned off by the riverboat casinos.

CHART 31. LOUISIANA DOWNS, HANDLES 1991 to 1995

Year	Live Programs	On-Track Handle	Simulcast Handle	Total Handle
1995	110	$49,637,082.00	$47,613,506.00	$97,250,588.00
1994	132	$70,727,578.00	$51,053,413.00	$121,780,991.00
1993	140	$105,888,058.00	$44,952,312.00	$150,840,370.00
1992	136	$114,569,173.00	$50,021,088.00	$164,590,261.00
1991	140	$155,546,060.00	$32,241,786.00	$187,787,846.00

Revenue generated from video poker has supplemented purses from a high $1.8 million in 1993 to $500,000 in 1995[34]. The Louisiana Horsemen Benevolent Protection Association, however, has initiated a lawsuit against Louisiana Downs in connection with the distribution of video poker revenue.

(b) Dover Downs

CHART 32. DOVER DOWNS, HANDLES 1992 to 1996

Year	Programs Raced	Attendance	On-Track Handle	Simulcast Handle	Total Handle
1996	67	61,738	$2,889,786	$4,031,848	$6,921,634
1995	39	29,163	$1,437,577	$1,120,062	$2,557,639
1994	36	31,702	$1,729,102	$863,367	$2,592,469
1993	40	40,120	$2,465,029	$4,195,000	$6,660,029
1992	46	95,003	$4,007,268	$5,259,652	$9,266,920

Source: Data supplied by Harness Tracks of America

Dover Downs is a direct beneficiary of the introduction of 500 slot machines to a racetrack setting, the operation of which began on December 29, 1995.[35] With the distribution of slot revenue

[34]Data supplied by Louisiana Downs.

[35]The number of slot machines increased to 555 in May of 1996.

toward purses, Dover Downs, a harness track that offered less than $10,000 per day in overnights last year, is now paying $40,000 and has plans to reach $75,000.[36]

Dover Downs raced a mere 39 days in 1995, basically operating only on weekends, simulcasting from the track provided on Friday through Sunday. Live racing now takes place on Friday, Saturday and Sunday, with simulcasting offered seven days a week in conjunction with slot operation as well.

The success of Dover Downs in Delaware has greatly impacted the future of the racing at Rosecraft Raceway in Maryland. In 1995, the Governor of Maryland formed a commission which recommended against casinos and slot machines, preferring to see the impact slot machines would have on Delaware Park and Dover Downs.[37]

(c) Delaware Park

Delaware Park is a thoroughbred track located in Wilmington, Delaware. Delaware competes with year-round racing in Pennsylvania and Maryland, both of which have large off-track betting networks, including facilities near their respective borders with Delaware. Additionally, Delaware has been affected by both casino gambling in nearby Atlantic City and a state lottery.

Delaware Park once was a premier track. With a genteel clientele lured by the Du Pont family, the track's owner, Delaware Park was considered the Saratoga of the mid-Atlantic region. Through most of the 1950s Delaware Park had an average daily handle of more than $1 million.

The legislation permitting slot machines in Delaware was entitled the "Horse Racing Preservation Act." Approved in June 1994, the statute specifies that only Delaware Park and the State's two harness racing tracks, Dover Downs and Harrington Raceway, may operate slot machines. Delaware Park's slot machines are open from 8 a.m. to 2 a.m. every day but Sunday, when the first lever cannot be pulled until 1 p.m. "When we drop the tape, there's a stampede," said David Lermond, Delaware Park's simulcast coordinator.[38]

In concert with the slot machines, Delaware Park also expanded its menu of simulcasting races. Delaware Park offers betting on as many as sixteen tracks per day and, because the quality of its own racing has improved, more out-of-state race tracks are willing to purchase Delaware's simulcast signal and offer their patrons wagering on Delaware Park's races.

The handle on Delaware's races at out-of-state facilities has risen a staggering 115 percent

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[36]Rick Snider, *Delaware's Deliverance*, The Blood Horse, February 17, 1996.

[37]Tydings, *Final Report of the Joint Executive-Legislative Task Force to Study Commercial Gaming Activities in Maryland*, Joint Executive-Legislative Task Force to Study Commercial Gaming Activities in Maryland, December 1995.

[38]Id.

this calendar year alone. Overall, betting at Delaware Park on races from out-of-state is up 7.6 percent, but wagering at Delaware Park on its own races is down 6.2 percent. Cumulatively, total betting handle at Delaware Park since slot machine commencement has risen.

CHART 33. DELAWARE PARK, HANDLES 1993 to 1995

Year	Number of Days	On-Track Attendance	On-Track Handle	Simulcast Handle	Total Handle
1995	128	386,248	$27,251,269	$150,828,705	$178,079,474
1994	135	398,979	$35,616,617	$84,205,386	$119,822,003
1993	142	463,499	$45,947,508	$39,817,710	$85,765,218

Source: Delaware Lottery

For the period of December 27, 1995 through June 30, 1996, more than $617 million has been put through the 715 slot machines at Delaware Park. Of that amount, more than $5.4 million has been allotted towards racing purse distribution.

(d) Prairie Meadows

Prairie Meadows, a racetrack located in Altoona, Iowa, outside Des Moines, was opened in 1989. During that year the racetrack conducted a mixed thoroughbred and quarter horse meet and a standardbred meet. The racetrack faced pari-mutuel competition from three existing greyhound racetracks, Bluff's Run in Council Bluffs, Dubuque Greyhound Park in Dubuque and Waterloo Greyhound Park in Waterloo. Riverboat gaming was introduced in Iowa in April of 1991 when three riverboats commenced operation. The closest riverboats to Prairie Meadows were located in Davenport and Bettendorf, more than 150 miles away from the racetrack.

In 1991 live standardbred racing was discontinued, but simulcasting of in-state greyhound racing was permitted following the conclusion of the live race meet, which was conducted from March 1 through September 2. In addition to the greyhound racing, there was also more extensive simulcasting of horse racing. Full-card simulcast wagering was authorized on dark days, those days on which the track does not conduct live racing, during the live racing season. By 1992, simulcasting of full-card pari-mutuel racing was permitted year-round. Interstate simulcast handle for horse racing that year amounted to $16,721,800, intra-state simulcast handle for greyhound racing was $21,683,832. Following the 1992 meeting, Prairie Meadows ceased live racing operations due to financial difficulties. Simulcasting of interstate horse racing and intra-state greyhound racing, however, was authorized at the racetrack year-round.

CHART 34. PRAIRIE MEADOWS, HANDLES 1989 to 1995

Year	Racing Dates	On-Track Handle	Simulcast Handle	Total Handle
1995	62	$4,946,271	$25,805,859	$30,752,130
1994	60	$4,662,076	$32,385,946	$37,048,022
1993	60	$5,362,700	$34,029,649	$39,392,349
1992	0	$0	$38,405,632	$38,405,632
1991	105	$17,541,241	$18,348,217	$35,889,458
1990	95	$23,340,890	$2,932,957	$26,273,847
1989	136	$33,397,995	$342,355	$33,740,350

Source: Iowa Racing and Gaming Commission Annual Reports

In 1993, full-card simulcasts on inter-state horse racing and live horse racing was again conducted at Prairie Meadows after reorganization of the racetrack. A land-based Native American casino, however, opened in Tama during the interim, only about 50 miles from the racetrack.[39]

Prairie Meadows, which is near Des Moines, was acquired by Polk County after the previous owners declared bankruptcy in 1994. Polk spent $27 million to renovate the facility and buy new equipment, namely, slot machines. Overall, Prairie Meadows was cumulatively $89 million in debt. Key to Prairie Meadows success are the 1,110 slot machines which were added to the race track on April 1, 1995. To save the racetrack and stem losses, Polk County lobbied the Iowa Legislature to allow the track to invest $24 million to renovate the facility and install 1,110 slot machines. With the help of slot machine revenue, Polk County will retire the entire debt[40] by the end of 1996.

The legislation which permitted Prairie Meadows to add slot machines required an allocation of a percentage of the slot profits to be used to bulk purses to benefit the racing industry. "The rejuvenation of the horse industry in Iowa is good news for the entire state," Iowa Secretary of Agriculture Dale Cochran stated."[41] The growth of the horse breeding industry and the investments that are being made to care for horses are stimulating millions of dollars of economic activity

[39]Lawrence and Thalheimer, 1994.

[40]Privman, 1996.

[41]Weekly Track Topics, Harness Tracks of America, Week of May 6, 1996.

throughout Iowa[42]. Harness racing, part of the original menu of racing at Prairie Meadows when the track opened in 1989 and last conducted there in 1990, may return to the race track and casino in 1997.

The following chart illustrates the success the track had after the first eight months, April - December 1995, of slot machine operation.

CHART 35. DISTRIBUTION OF SLOT MACHINE REVENUE, PRAIRIE MEADOWS, APRIL to DECEMBER 1995

Admissions	2,443,768
Slot Drop	$ 226,944,089
Coin In	$ 1,094,698,834
Slot Win / Loss	$ 91,090,793
Tax to City / County	$ 910,908
Tax to Gambler's Assistance	$ 273,272
Tax to General Fund	$ 16,298,730
Admission Tax	$ 1,221,884
Debt Retirement	$ 43,460,884

E. Conclusions

Statistics show an industry in decline. Without factoring in changes in the cost of living, total facility handle at New York State's harness tracks has decreased by nearly 25 percent over the past five years, with total betting on live harness races falling 49.4 percent and total attendance on live racing decreasing by 40.3 percent over that time frame.

Harness tracks reduced the number of programs they ran over this four year period by more than 15 percent, with the expectation that the reduced number of race days would have a positive effect on average daily attendance and average daily handle for live programs. This did not happen. Average per diem handle on live harness racing fell 40.4 percent and average daily attendance 29.7 percent. Some of the dramatic decline in harness racing is due to the industry product itself. Negative publicity regarding the conduct of the racing, coupled with a declining fan base has contributed to this decline.

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[42]"*Slot Machines Boost Iowa*", The Blood Horse, March 16, 1996.

Although the State's thoroughbred tracks have fared somewhat better than the harness tracks, the trend is still downward. Total thoroughbred facility handle decreased by 22.9 percent, and on-track handle on live races decreased by 33.7 percent. Additionally, total attendance for live racing has decreased by 26.7 percent, with average daily handle on live racing decreasing 28.2 percent. Average daily attendance is down 15.9 percent.

Out-of-state case studies of casino gambling's impact on horse racing tend to support the conventional wisdom on the relationship between casino gambling and racing[43]. Where a track has no casino-style gambling, but there is casino gambling in the track's neighborhood, the track is hurt severely. In addition, to the tracks reviewed above, there are other tracks such as Aksarben in Nebraska, Quad City Downs and Fairmount Park in Illinois, Ruidoso Downs in New Mexico, and the Woodlands in Kansas which have been damaged by competition from casinos.[44]

Where a track has casino-style gambling, but there is limited casino gambling in the track's area, then the track is likely to prosper. The evidence from Delaware and Iowa illustrate that slot machines can generate substantial revenues for racing and purses, and perhaps permit racing to compete with other forms of gambling. The key appears to be utilization of revenues from slot machines to benefit all of racing and not merely the owners of the racetracks. The actual design of the integration of the slot machines with the racing product in the tracks physical plant is primary.

It would appear that Turning Stone Casino may have negatively impacted on-track wagering

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[43]Thalheimer Research Associates analysis examined one econometric study and a number of before-and-after casino handle comparisons. The latter included the results for six racetracks from a 1994 University of Louisville study, three other horse tracks in North America (in Montreal, Louisiana, and New York), and the impact that Indian casinos and the Windsor casino have had on Michigan tracks. Thalheimer Research Associates concluded an impact range of from around 30 percent to 35 percent decline in average live handle for casinos introduced within close proximity of a horse track, with the impact likely to be less as distance from the casino increases. Such a decline is likely to fully take place over a few year period, with track handle then likely to stabilize at the lower level.

[44]A 1996 yet unreleased study prepared for the New York Racing Association by Christiansen / Cummings Associates found impacts ranging from a 67 percent decrease in the live racing handle at a track located one mile from a casino, to a 14 percent decline at a track located 85 miles away. Simulcast and OTB were less impacted, with decreases ranging from 26 percent, at sites 8 miles from a casino, to 6 percent at sites 85 miles away. The one current example of the introduction of a casino in New York on a nearby track involves the impact of Turning Stone on Vernon Downs. The introduction of casino gambling there has steepened, albeit not dramatically, the pre-existing decline in attendance and daily handle.

The study examined the impact of the proposed constitutional amendment on NYRA tracks. Its findings were: the New York City area tracks were projected to experience a 16 percent decline in handle; the Saratoga track was predicted to see a 16 percent decline in handle; and race track slot machines, allowed for in the amendment would offset the reductions in handle at tracks near casinos to some degree. The NYRA study determined that if casinos are introduced in the New York City area, impacts on their tracks would be significantly greater - a decrease of as much as 24 percent in the handle at metropolitan area tracks was forecast. NYRA estimates that most of this decrease could be offset by the introduction of slot machines at its tracks. See: Christiansen/Cummings Associates, Preliminary Draft, *The Impact of Casinos and Gaming Devices on the New York Racing Association* (1996).

at Vernon Downs. As the casino does not have a hotel, some of the casino's customers stay at the hotel located on the grounds of Vernon Downs. The hotel, which offers wagering on live racing and simulcasting in its rooms, may have some residual, beneficial impact on handle at Vernon Downs, but it certainly has not been enough to stem the handle decline at Vernon Downs. Also, the Oneida Indian Nation's casino has worked with the track, through joint promotions, which has helped stem any decline at the racetrack.

Turning Stone Casino also may have had a possible minor negative effect on live racing at Finger Lakes, reflected in a total facility handle decline of 18.8 percent since 1991. Although Turning Stone Casino may have been a contributing factor to the on-track declines at Saratoga Raceway, broader simulcasting within the Capital OTB region along with a protracted horsemen's boycott are more likely the cause of severe declines at Saratoga Raceway.

It is unlikely that the Turning Stone Casino has had a significant impact on Saratoga Race Course. The decrease in average daily handle and attendance can be attributed to the increase in the racing season and the fact that NYRA now makes the Saratoga signal available to many areas, such as New England and Quebec, from which it drew some of its customers. The decrease in handle and attendance at Aqueduct Racetrack on Saratoga races may be due to the advent of in-home simulcasting. Prior to 1995, downstate fans who wished to see and wager on Saratoga races had to go either to Aqueduct or a local OTB parlor. Now they can see and bet these same races at home.

NYRA has probably not been helped by the increases in out-of-state simulcasting authorized by the Legislature as some racing fans are likely wagering on out-of-state thoroughbred races instead of wagering on NYRA's product. In-home simulcasts of NYRA have also tended to reduce the handle and attendance at Belmont Park and Aqueduct.

It is difficult to accurately determine the impact of the Foxwoods Casino and the Atlantic City casinos on Belmont and Aqueduct. These two tracks have been competing against the Atlantic City casinos for more than a decade and a half, and it is difficult to attribute NYRA's losses over the past four years to increased casino competition. Nonetheless, a NYRA commissioned study estimates that the handle at Aqueduct and Belmont is now more than 20 percent less than it would have been without casinos.[45]

Many factors have combined to negatively influenced pari-mutuel wagering on the New York racing product: multiplying off-track wagering parlors, in-home wagering, increased out-of-state simulcasting, the state lottery and, casino gambling in neighboring states.

F. Recommendations

The State Legislature has shown a sensitivity to the danger that casino gambling will negatively impact horse racing and the breeding industry by both dedicating a percentage of revenues

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[45]Christiansen/Cummings, pp. 19, 21.

derived from casino gambling to the benefit and aid of the racing and the breeding industries and by allowing all racetracks, except Belmont and Aqueduct, to operate slot machines and electronic gaming devices. While the measures taken by the Legislature are a proper step toward preserving the industry, the current concurrent resolution to amend the State Constitution does not go far enough to protect the industry. There is no logical explanation for the differentiation of treatment afforded Belmont and Aqueduct racetracks and those elsewhere throughout the State. Presumably, if slot machines were given as a concession to the assist the racing industry to cope with new forms of gaming competition, then excluding those two racetracks unnecessarily places them in jeopardy. A more sensible solution would have been to grant each racetrack the same opportunity.

On a similar note, restricting each racetrack's operation of slot machines and electronic gambling devices only for a period not to exceed eight hours per day, nor to operate such in excess of the days raced in 1989, unfairly restricts business decisions and potential competitiveness of each racetrack. While it is important to require live racing as a condition of a slot machine operation license, both the determination of hours of operation and the days allowed should have been left to market forces. It is important to note that Saratoga Race Course is unduly prejudiced by the 1989 race date limitation. The New York Racing Association expanded the Saratoga meet after 1989, but under terms of the concurrent resolution, Saratoga cannot avail itself of slot machines for those "new" dates.

It should also be noted that the actual integration of the slot machines and racing is extremely important. The new gambling should not be relegated to a separate building, but formally combined so as to best allow the easy transfer between both types of gambling. Early indications are that slot machines at racetracks will result in more money to purses, which leads to a better quality horse, to better on-track handle, and better ability to sell the simulcast product out-of-state, increasing the out-of-state handle.

Finally, the percentage of the revenues derived from casino gambling to be dedicated in aid or support of the racing and breeding industry should be structured in such a manner as to ensure that any deleterious effects of casino gambling will not harm the distributions currently made to those operating in the racing and breeding industry. Distribution of revenue currently derived from pari-mutuel wagering is made to a wide variety of interests, including but not limited to horsemen for purses, capital investment funds and thoroughbred or standardbred breeding funds. Failure to provide for stability of these distribution could be overwhelmingly harmful to New York's racing industry.

2. Off-Track Wagering

A. Introduction

(1) History

Off-track wagering on horse races was legalized by amendments to the pari-mutuel law on April 22, 1970[46] to generate revenue for local governments and combat illegal bookmaking. The statutes, which created the New York State Off-Track Pari-Mutuel Betting Commission to regulate off-track wagering, gave preference to New York City by allowing operation there in advance of all other areas of the State. The New York City Off-Track Betting Corporation Law, which created a New York City public benefit off-track betting corporation, established the operation of the off-track betting system as a New York City governmental function.[47]

Any other city having a population of more than 125,000 was allowed to apply to the Commission after the municipality passed a local law subject to a referendum on petition pursuant to the municipal home rule law requesting to conduct off-track pari-mutuel betting within the city. Cities with a population less than 125,000 could also apply to conduct off-course pari-mutuel wagering only after the municipality had passed a local law subject to a referendum on petition pursuant to the municipal home rule law requesting to conduct off-track pari-mutuel betting within the city. However, unlike cities with populations in excess of 125,000, applications by those with the lesser populations could not be granted by the Commission until after January 1, 1971.[48] Unlike New York City, the governing structure of systems outside New York City did not need to be a public benefit corporation; each city could operate the structure itself.

New York City was the first city to commence off-track betting operations, beginning in 1971. The City of Schenectady sought to be the second municipality in operation, when the State Legislature, bowing to opposition to expanding off-track wagering operations by existing thoroughbred and harness racing industries, ordered a moratorium on the approval of any further expansion of operations.[49] In order to properly evaluate the effect of OTB on racing, Governor Nelson A. Rockefeller created the Commission on the Future of Horse Racing in New York State.

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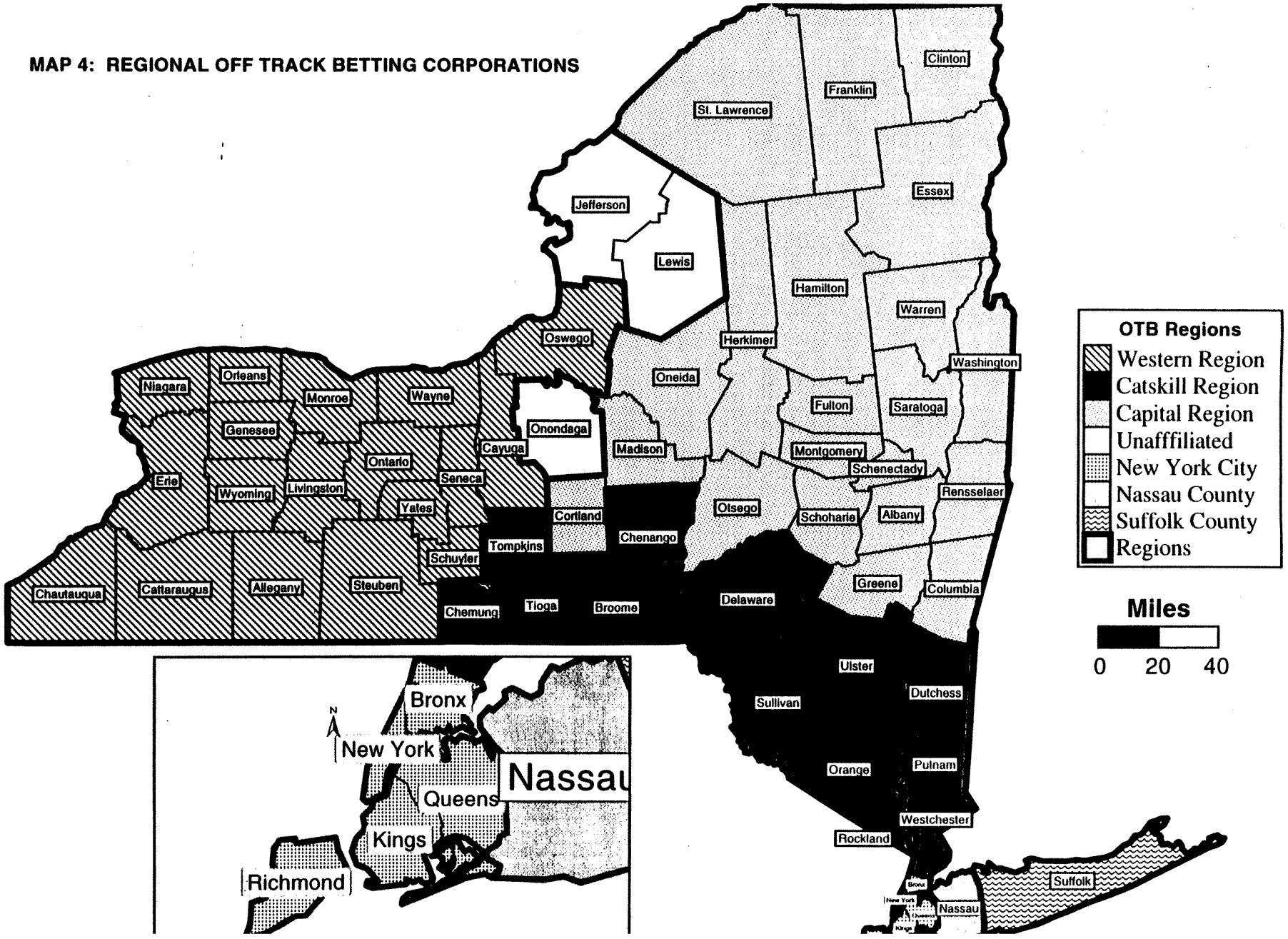
[46]Laws of 1970, Chapter s 143, 144. See also: Samuels, *The Off-Track Betting Experiment in New York*, 17 How. L.J. 731 (1973).

[47]Christiansen and Shagen, *The New York Off-Track Betting Law: An Exercise in Selective Decriminalization*, 12 Conn. L. Rev. 854 (1980).

[48]Laws of 1970, Chapter 143, Section 68.

[49]Laws of 1973, Chapter 346. This moratorium also repealed the existing New York State Off-Track Pari-Mutuel Betting Law and replaced it with a new statute of the same name. It also established a new Regional Off-Track Betting Corporation. Schenectady's application was allowed to proceed during this moratorium. The application was granted and Schenectady commenced off-track wagering in 1972.

MAP 4: REGIONAL OFF TRACK BETTING CORPORATIONS



Usually referred to as the "Delafield Commission", after its Chairman Charles R. Delafield, the Commission concluded that off-track betting could have an adverse effect on racing unless properly controlled and regulated. It suggested that a single, state-operated system be implemented which would ensure effective control of off-track betting operations and their compatibility with the racing industry.[50]

Chapter 346 of the Laws of 1973 was the compromise by-product of this study. While this legislation followed the Delafield recommendation to combine the independent commissions which had regulated the various segments of the industry into one State Racing and Wagering Board, it also established the regionalization of off-track betting rather than the recommended single, state-operated system.[51]

The 1973 legislation divided the State into seven geographic regions.[52] Each was authorized, under local option provision, to establish a regional off-track betting public benefit corporation, subject to Racing and Wagering Board approval. These divisions were initially made so that each region would have at least one racetrack within its boundaries. By prohibiting each off-track betting corporation from accepting wagers on other tracks while its own in-region track was in operation, the regional tracks were afforded protection from losing their markets.

Prior to 1974, Off-Track Betting Corporations' takeout was the same as the takeout permitted for on-track pools. In 1974, the State Legislature authorized New York City to implement a 5 percent surcharge on off-track winnings, and requiring, other regional off-track betting corporations to follow suit if New York City, implemented the surcharge.[53] New York City Off-Track Betting Corporation did implement, on July 1, 1974, the surcharge. The proceeds of this surcharge, which has remained in effect since, are distributed entirely to local governments.

(2) Simulcasting

Simulcasting, the display of live televised horse races on which pari-mutuel betting is

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[50]"*An Examination of the Regional Off-Track Betting System in New York State: An Analysis prepared by the Staff of the Joint Legislative Task Force to Study and Evaluate the Pari-Mutuel Racing and Breeding Industry in New York State*", Joint Legislative Task Force to Study and Evaluate the Pari-Mutuel Racing and Breeding Industry in New York State, September 1, 1979, pp. 1-6. See also: "Report of the Commission on the Future of Horse Racing in New York State," Albany, 1973.

[51]Id.

[52]Nassau and Suffolk counties were authorized to establish separate corporations in 1974. The Mid-Hudson Region was abolished by legislation in 1978. The two counties which had previously encompassed the Mid-Hudson region, Putnam and Westchester, were transferred to the Catskill region.

[53]Laws of 1974, Chapter 439. The surcharge attempted to balance what the Delafield Commission reported as an unfair competitive advantage the Off-Track Betting corporations had over live racing, the lack of admissions and parking charges.

permitted at a site other than the track where the race is held, was authorized by Governor Mario M. Cuomo in July 1984 for a one year experimental basis.[54] The purpose of the experiment was to determine if simulcasting would promote the overall growth of the racing, pari-mutuel wagering and breeding industries, resulting in additional revenues for the support of racing associations and corporations, purses, breeders, off-track-betting corporations, labor, and State and local governments. The one-year experimental scheme for simulcasting was extended for five years in 1985. Amendments to the five-year extension occurred in the 1986, 1988 and 1989 legislative sessions before simulcasting was finally authorized on a permanent basis in 1990.

(3) Telephone Wagering

Off-track betting corporations were authorized to accept wagers via telephonic transmission since the inception of off-track wagering. Telephone wagering, however, was subject to strict restrictions, including but not limited to, account balance minimums and surcharge application. While these restrictions were lessened over time, it was not until 1985, when the State Legislature altered the applicability of the surcharge on certain telephone wagering accounts, that the popularity of this form of off-track wagering improved dramatically.

b. Casino Gambling and Off-Track Wagering

(1) The Impact of Turning Stone Casino

To ascertain the impact of the Oneida Indian Nation of New York's Turning Stone Casino on off-track wagering in regions surrounding the casino, an analysis was conducted on the handles of all off-track betting corporation branches within a fifty-mile radius of the Verona casino. Handles from both 1991 and 1995 were used for comparison, the former being two years prior to commencement of Turning Stone's operation, the latter being two years after. A control zone, centered around the town of Batavia, was selected to compare with the Verona radius. Batavia was selected because of similarities to the Verona area. The two towns both host a harness racetrack, have a location within a proximate distance to the New York State Thruway, and are in rural areas between metropolitan centers.

It is important to note that the Turning Stone Casino does not provide opportunities for their patrons to legally wager on horse racing. As there is no direct, in-kind competition between the Indian casino and regional off-track wagering, the casino's impact is significantly lessened.

Of the fifteen branches located in Zone A, twelve are from the Capital District Regional Off-Track Betting Corporation (Capital), two are from Western Regional Off-Track Betting Corporation (Western), and the remaining branch is from Catskill Regional Off-Track Betting Corporation

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[54]The one year experimental scheme for simulcasting ran from July 1, 1984 through June 30, 1985, pursuant to Laws of 1984, Chapter 363.

(Catskill).[55]

(a) Comparisons within Regions

Capital region branches within Zone A reflect a 7.03 percent decline in cumulative handles between 1991 and 1995. All other Capital branches, outside Zone A, experienced a 4.78 percent handle decline during that same period. Thus, Capital branches within Zone A experienced an effective incremental decrease of 2.25 percent of handle beyond that of other Capital branches. Western branches within Zone A (Central Square and Phoenix) experienced a 1.51 percent cumulative handle decline between 1991 and 1995, while Western branches outside Zone A showed a decline of 0.78 percent. Thus, Western branches within Zone A experienced a 0.73 percent incremental decline beyond branches outside Zone A.

Many of the dramatic handle changes at certain Off-Track Betting facilities may be easily explained. In Zone A, the South George Street (Rome) branch was closed after 1991 and before 1995. Much of this defunct branch's previous handle likely migrated to the nearby Black River Blvd. (Rome) branch. The closing of the South George Street branch also likely had a positive impact on the Whitesboro (Utica) branch, which experienced a 69.34 percent handle increase over the subject time period. The Whitesboro branch, located six miles from the now-defunct South George branch, was upgraded to an enhanced branch, serving food and alcoholic beverages. The upgrades at Whitesboro may help explain declines experienced at the Columbia/Washington and Plaza East branches. The Genesee Street branch was relocated and upgraded to an enhanced branch, likely accounting for the increased handle. The Norwich branch, which experienced a 25.52 percent handle increase, was also relocated between 1991 and 1995. The new location provides twice the room as the former branch. Additionally, Norwich customers are now able to wager on harness racing, a practice not previously available as this branch did not remain open at night.

(b) Comparison by Zones

Data from Zone A illustrates that branches within fifty miles of the Oneida casino experienced a cumulative handle decline between 1991 and 1995 of 5.63 percent. When Preble branch totals are factored out from the data, as that branch opened in 1995, the decline becomes one of 9.22 percent. The location of the Preble branch, in Cortland County, is sufficiently far enough from all other branches as to prompt discounting its having cannibalized existing wagering.

Zone B, branches within a fifty-mile radius of Batavia, show less of a cumulative handle decline. Overall, the 34 branches in Zone B actually experienced a 1.08 percent increase between 1991 and 1995. Adjustments, however, must also be made to this data. The four branches located within the City of Niagara Falls, located at Military Road, Pine Avenue, Main Street and the

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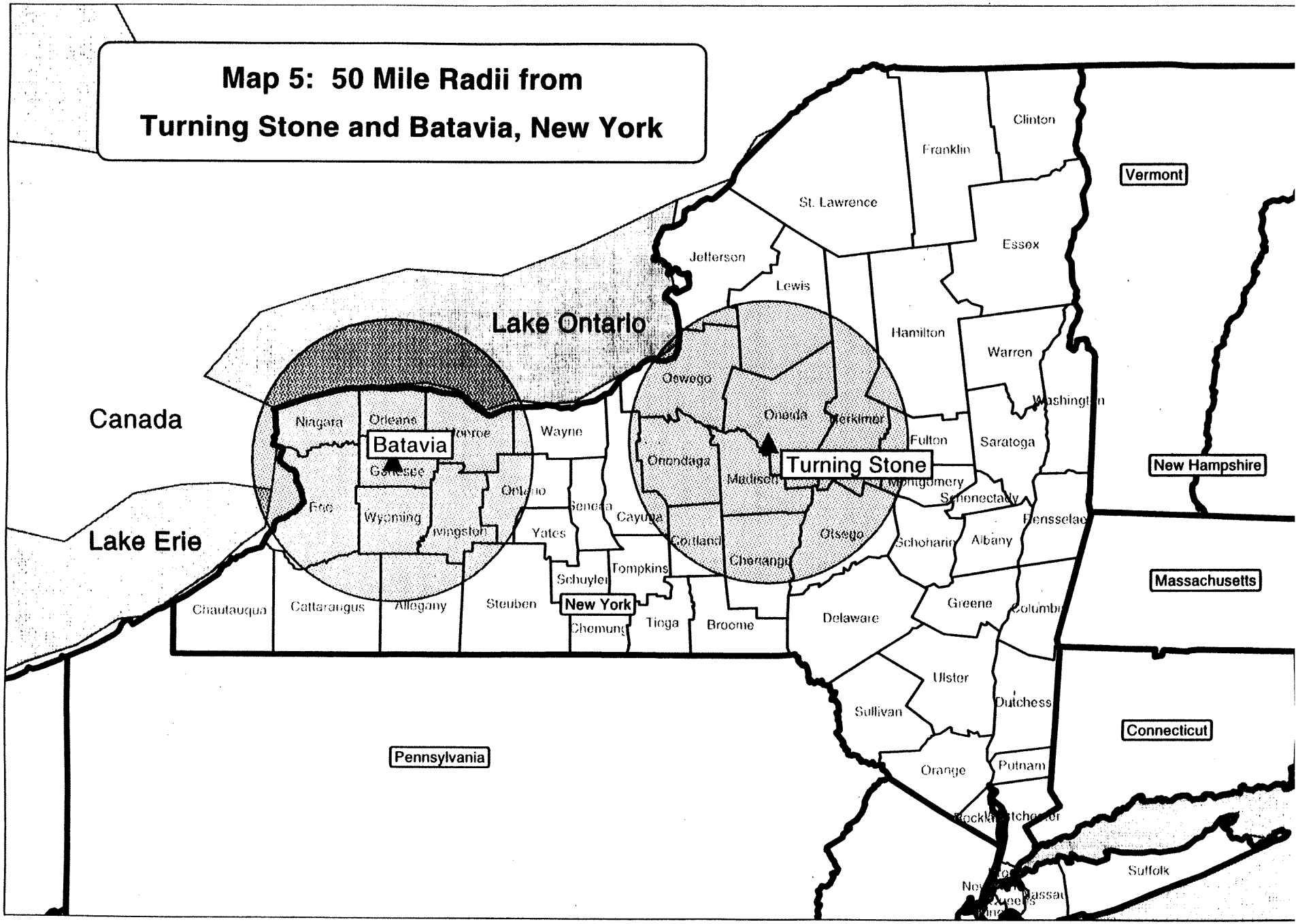
[55]Appendix H contains charts of handles at all off-track betting facilities discussed. Discussion of the Catskill branch has been eliminated as fluctuations within a single branch in comparison to all other Catskill branches would be statistically irrelevant.


Map 5: 50 Mile Radii from
Turning Stone and Batavia, New York
Lake Ontario
Canada
Lake Erie
Pennsylvania
Batavia
Turning Stone
New York
Vermont
New Hampshire
Massachusetts
Connecticut
Niagara
Orleans
Genesee
Wyoming
Erie
Chautauqua
Cattaraugus
Allegany
Steuben
Livingston
Ontario
Wayne
Yates
Schuyler
Chemung
Seneca
Cayuga
Tompkins
Tioga
Broome
Cortland
Onondaga
Oswego
Jefferson
Lewis
St. Lawrence
Franklin
Clinton
Essex
Hamilton
Warren
Washington
Saratoga
Fulton
Montgomery
Schenectady
Schoharie
Albany
Rensselaer
Otsego
Chenango
Madison
Oneida
Herkimer
Delaware
Greene
Columbia
Ulster
Sullivan
Dutchess
Orange
Putnam
Rockland
Westchester
Suffolk
Nassau

Rainbow Center teletheater, were expunged. The Rainbow Center teletheater opened May 1, 1993, severely cannibalizing handle from the other three Niagara Falls branches. The effect of the teletheater on the surrounding Niagara Falls branches has been a combined 39.70 percent decrease in handle: Military Road, 24.56 percent, Pine Avenue, 33.75 percent, Main Street, 62.06 percent. The combined handles from these three branches and the teletheater, however, showed a cumulative increase of 53.52 percent. When these four branches were removed from the data, the "control" branches in Zone B portrayed a 4.89 percent cumulative handle decline.

CHART 36. HANDLE COMPARISON BETWEEN REGION, BY CASINO PROXIMITY

Region	1991 Handle	1995 Handle	Differential
Capital			
Within Fifty Miles	35,902,343	33,379,297	(7.03)
All Other Branches	190,500,280	181,398,211	(4.78)
Regional Total	226,402,623	214,777,508	(5.13)
Western			
Within Fifty Miles	6,798,806	6,695,868	(1.51)
All Other Branches	178,701,748	177,356,148	(0.75)
Regional Total	185,500,554	184,052,016	(0.78)

A comparison of the adjusted Zone A totals to the adjusted Zone B totals indicates that branches within fifty miles of the Turning Stone Casino (Zone A) experienced a 4.33 percent greater decrease than the control zone. Whether this greater decline is wholly attributable to the presence of the casino alone cannot be determined solely from this data.

B. Anecdotal Evidence of Impact

To better analyze and interpret the data, interviews with branch managers of off-track betting facilities within Zone A were conducted. The managers were queried on such issues as branch handle history, attendance trends and perceived impacts of the Oneida Indian casino. In all, interviews were conducted with managers of eleven of the fourteen branches within Zone A. Of these eleven, only three managers indicated that the Oneida Indian Turning Stone Casino

significantly affected their branch.[56] The greatest impact the casino had, according to most managers, is its attraction to the younger crowd and the big bettors. Surprisingly, the managers of two branches that experienced large handle declines, Columbia / Washington (25.69 percent) and Black River Boulevard (27.74 percent), did not attribute the decline to the Oneida casino. Rather, one assigned the decline to the overall shape of the local economy, the other to the impact of Vernon Downs offering more simulcasting and paying track odds. Very few of the managers interviewed expect a large decline should a commercial casino commence operations. Several, however, expect large to dramatic decreases in handle should the Oneida Indian casino begin to offer pari-mutuel wagering on horse racing.

C. Other Indicia of Potential Impact

Rarely in any academic report on casinos' effect on horseracing is off-track wagering considered as a separate subject. Generally studies lump off-track wagering handle together with on-track handle when analyzing potential impacts. One recent study, by Richard Thalheimer of the University of Louisville, did attempt to estimate the impact on off-track wagering. Thalheimer, in his report entitled *Preliminary Estimate of the Economic Impact of Video Lottery Gaming at Delaware Racetracks on the Maryland Race Horse Industry* included examination of the five satellite simulcast betting facilities in operation within the Delaware market area, a zone he defined as 150 miles. The five privately-owned facilities are provided a simulcast signal by Maryland's racetracks in exchange for revenues which are split between the racetrack, horsemen and the government.

Thalheimer does not purport to statistically assign any change in impact on pari-mutuel wagering activities as to distance from casino gambling sites, assigning numeric devaluations arbitrarily. The five off-track betting facilities in Maryland were assigned handle declinations by distance from a Delaware-based racetrack offering slot machines. The Maryland branch within 24 miles was assigned a 20 percent declination value, a branch 62 miles away was assigned a 15 percent declination value, branches 116 miles and 118 miles away were assigned 10 percent and the branch 147 miles from a Delaware racetrack with slot machines was assigned a 5 percent reduction. As the handle reductions were not scientifically determined, any handle reduction statistics derived from the report are functionally useless.

While there has been little time between the opening of the Delaware racetrack slot machine facility and today, it does not appear that the impacts postulated by Thalheimer will be seen. The off-track wagering facility in closest proximity to any Delaware racetrack has seen a drop in cumulative handle in the first six months of operation this year, as compared to the same period last year, of less than 3 percent percent. This deterioration, according to a Maryland Racing Commission staff member, is due to the inclement weather at the beginning of this year, not Delaware slot

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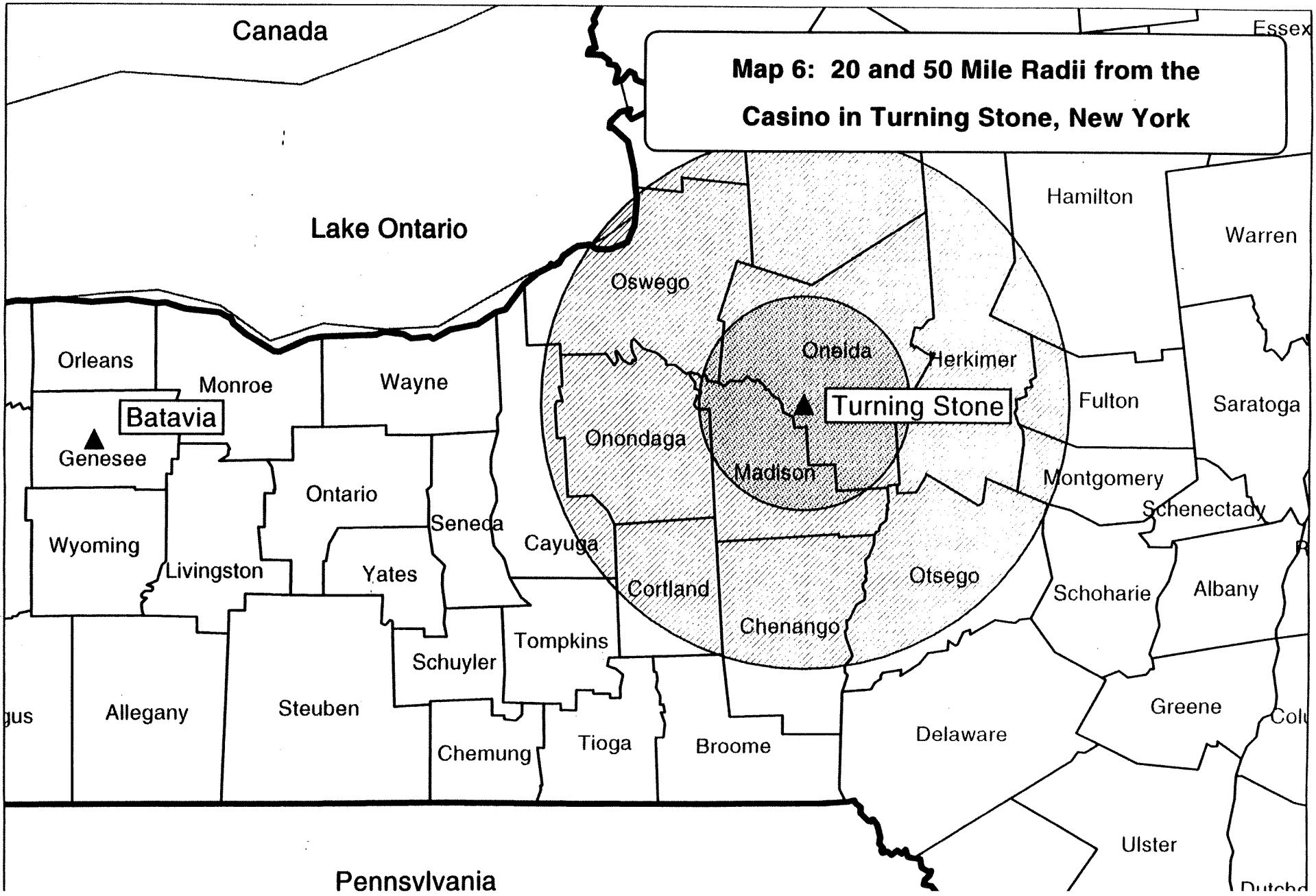
[56]One of these three managers who observed an adverse impact from the Oneida casino did actually have her branch's handle increase between 1991 and 1995.


Map 6: 20 and 50 Mile Radii from the Casino in Turning Stone, New York
Canada
Lake Ontario
Pennsylvania
Essex
Hamilton
Warren
Oswego
Oneida
Herkimer
Turning Stone
Fulton
Saratoga
Onondaga
Madison
Montgomery
Schenectady
Orleans
Monroe
Wayne
Batavia
Genesee
Ontario
Seneca
Cayuga
Wyoming
Livingston
Yates
Cortland
Otsego
Schoharie
Albany
Chenango
Tompkins
Schuyler
Allegany
Steuben
Chemung
Tioga
Broome
Delaware
Greene
Ulster

machines.[57] While it currently appears that the Delaware racetrack slot machines have had little impact on Maryland off-track wagering, clearly not enough time has passed for an accurate measure to be calculated.

D. Conclusions

Casino gambling in the close proximity of off-track wagering can have a potential deleterious effect on cumulative handle. The Oneida Indian Nation's Turning Stone Casino has little impact because the casino does not offer any wagering on horse racing. Still, off-track betting branches within a fifty mile radius of the casino have experienced a 4.33 percent incremental decline than those off-track betting branches in the studied control group.

It must also be noted that a straight comparison between 1991 handles and 1995 handles is not an accurate measure of change as many innovations with respect to off-track wagering have occurred in the four years of the subject time period. Legislative changes allow off-track betting facilities to offer more out-of-state wagering opportunities and simulcasting than in previous years. Additional betting opportunities, whether pick-three, triples or just more wagering opportunities has helped stem the amelioration of off-track handle.

Additionally, off-track betting within the region surrounding the Turning Stone Casino might also have been affected by the closure of the Griffiss Air Force Base in Rome, which cost the area approximately 4,000 jobs. The "trickle-down" effect of that closure might have limited the amount wagered at off-track betting facilities during the subject time frame.

E. Recommendations

Serious declination of off-track handle in the face of casino competition could be alleviated if the commercial casinos were either mandated to incorporate a horse race facility to be operated by the resident off-track betting regional corporation or allow the casino to operate an off-track betting facility itself, so long as it is required to pay all current distributions from handle made by regional off-track betting corporations. Either strategy, placing a regional off-track wagering facility within each casino or through maintaining the current distributions, returns benefits of the off-track wagering to the locality. A location inside a casino, presumably within one of the largest patron draws in each respective off-track betting region, could bring new incremental revenues to the locality. In the alternative, commercial casinos could be prohibited from offering any wagering on horse racing. This would force those seeking to wager on horse racing to travel to an existing off-track betting facility location.

While not allowing off-track wagering facilities to be established in casinos may be beneficial to the resident regional off-track betting corporation, those who benefit from the distribution of off-

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[57]Telephone interview of Joe Mango, Maryland Racing Commission, by James Gallagher, New York State Racing and Wagering Board, July 7, 1996.

track handle could be prejudiced. While an incremental decrease of 4.33 percent does not on its face appear significant, revenues from off-track betting takeout are distributed to a wide variety of interests including to horsemen for purses, thoroughbred or standardbred breeding funds, and the host racetrack. Failure to provide for off-track wagering within a casino would necessarily forego all potential incremental handle increase, as well as the resulting distributions, that would be provided by casino patrons.

3. The Effect of Casino Gambling on the Ability of Benevolent and Religious Organizations to Fundraise through Gaming Activities

A. Introduction

New York State Constitution Article IX, Section 1, which contains a general prohibition on all forms of gambling, but also provides four exceptions to the prohibition. It is under two of these four exceptions that qualified charitable, religious and non-profit organizations may employ the use of gambling as a mechanism for fundraising. Bingo, authorized in 1957, and games of chance, authorized in 1975, are played extensively throughout the State for these purposes. Today, there are approximately 5,000 organizations authorized to conduct games of chance and 8,000 organizations authorized to conduct bingo.

B. Bingo

Following the 1957 ratification of the concurrent resolution to amend the State Constitution to allow for the conduct of bingo, the New York State Legislature passed enabling legislation declaring that the raising of funds for the promotion of bona fide charitable, educational, scientific, health, religious, civic and patriotic causes and undertakings was in the public interest. The Legislature, in supporting documentation, acknowledged that, prior to the constitutional amendment bingo was the subject of exploitation by professional gamblers, promoters and commercial interests. The Legislature declared that all phases of the supervision, licensing and regulation of bingo and the conduct of bingo games should be closely controlled and the laws, rules and regulations pertaining thereto should be strictly construed and rigidly enforced.

Prior to legalization, many highly respectable organizations conducted bingo games in open violation of the laws prohibiting such gambling, which frustrated the efforts of law enforcement agencies. According to the New York State Commission of Investigation's 1962 report, "[s]poradic crackdowns and enforcement attempts were wholly ineffective and without true purpose" resulting in "half-hearted, intermittent law enforcement." Taking full advantage of law enforcement's unofficial "hands-off" policy, and under the guise of respectability, professional promoters, professional gamblers and racketeers derived substantial revenue from the conduct of bingo, protected by religious, civic and veterans organizations posing as fronts. The organizations, in return for their favors, were offered a small percentage of the profits or a meager fixed rate.

Unfortunately, as the Commission of Investigation later proved, the same techniques

employed by the illegal promoters would extend into the operation of legalized bingo, with only minor adjustments. In 1961, the Commission revealed that legalized bingo games were rife with abuses, corruption and violations of law. Unscrupulous operators perverted the well-intentioned bingo operations by bribing employees of the State Lottery Control Commission and municipalities to ignore the fact that normally law-abiding citizens had been induced to commit forgery and perjury by providing the racketeers with a legalized cover-up.

Despite the responsibilities assigned to it and despite the powers furnished it, the State Lottery Control Commission grasped neither the history nor the facts surrounding illegal bingo operations necessary to effectively formulate a system of control. "Without intending to reflect in the slightest degree upon the integrity and background of the Chairman and the majority of the members...who served conscientiously and with impartiality," the Moreland Commission recommended that the Lottery Control Commission be replaced by the Bingo Control Commission, which was effected legislatively in 1962.

The Bingo Control Commission was empowered to promulgate and amend rules and regulations governing the issuance of licenses and amendments and the conducting of bingo games under such licenses, which rules and regulations have the force and effect of law, binding upon all municipalities issuing licenses. The Commission's primary mandates were to ensure that licenses are issued only to qualified organizations, to ensure that bingo games are operated fairly, to prevent commercialization of bingo, to prevent the infiltration of undesirables or criminal elements and to prevent the funds derived bingo from being diverted from lawful purposes.

To enable the Commission to effectively carry out its responsibilities, it was also empowered to conduct, anywhere in the State, investigations of the administration, enforcement and violations of the bingo licensing law. The Commission was required to carry on a continuous study of the operation of bingo, to ascertain defects therein, and to recommend changes necessary to ensure compliance. This continuous study was also to include the administration and operation of bingo in other States in America. The law required that the Commission issue an identification number to every applicant organization satisfying the requirements of the Bingo Licensing Law and to supervise the disposition of funds derived from the conduct of bingo by organizations not currently licensed to conduct such games.

In 1977, all functions, powers, duties, rights and obligations of the Bingo Control Commission were transferred to the New York State Racing and Wagering Board (Board). Bingo games, which drew four hundred or more players per occasion during the 1960s and early 1970s, suffered declines in attendance which resulted in a decline of profits throughout the 1980s. Such lack of interest in bingo was attributed to the opening of casinos in Atlantic City and the advent of legalized State lotteries and off-track wagering. Additionally, bingo prizes of two-hundred and fifty dollars for a single game and one-thousand dollars per bingo occasion, which had been in effect since 1958, could not compete with the prizes offered by other forms of gambling or at bingo games operated by Indian tribes or in neighboring states. The two-hundred and fifty dollar jackpot, considered sizeable in 1960, was little inducement in the inflationary 1980s' economy. Bingo,

widely recognized as fund-raising's backbone, was in serious trouble. The very existence of religious schools and volunteer fire companies was in jeopardy. The Legislature, acknowledging the pleas of the leaders of the religious, charitable, fraternal and patriotic organizations statewide, amended the bingo law to increase the single prize per game to one thousand dollars and the series of prizes per occasion to three thousand dollars in 1994.

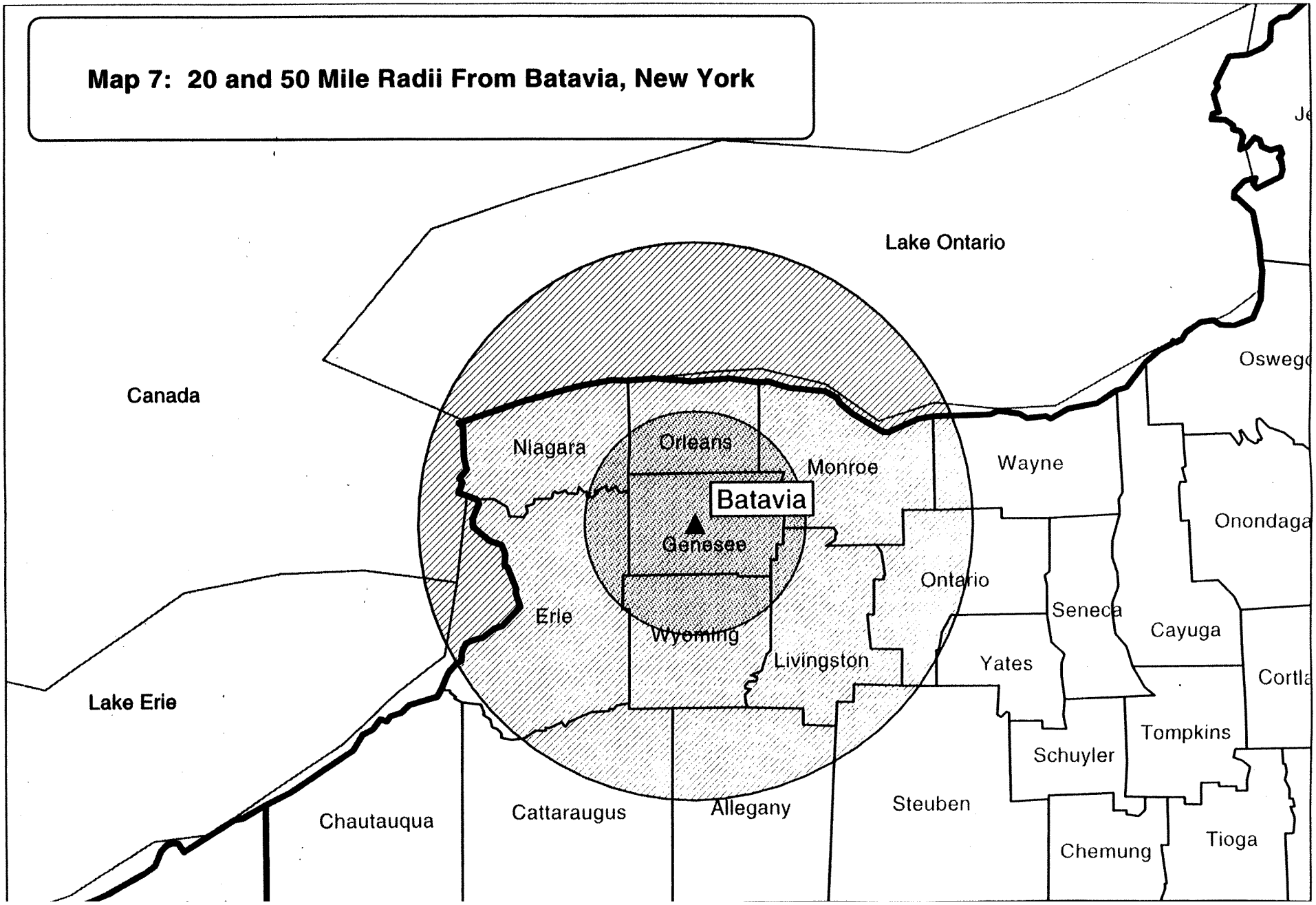
The increase in prizes, coupled with breakthroughs in bingo paper manufacturing, enabled the authorized organizations to offer the higher prizes, the types of games and the state-of-the-art packages of bingo opportunities which had lured the local bingo players to out-of-state games and onto Indian reservations. The new bingo opportunities occupy less space on the tables than the traditional "hard cards," which thereby increase the seating capacity at the games. In many areas of the State, particularly in urban areas, the new bingo paper packages were eagerly accepted by the players, who are widely acknowledged throughout the industry as being extremely reluctant to accept any types of change. Unfortunately, in many rural areas of the State which were suffering from floundering attendance and ever-decreasing profits, the bingo players refused to accept the changes requiring that they "pay more to win more."

C. Games of Chance

After the 1975 statewide referendum authorizing games of chance to be played by religious, charitable and non-profit organizations, the Racing and Wagering Board (Board) was granted regulatory authority over charitable games of chance in accordance with the Games of Chance Licensing Laws. Prior to legalization, games of chance, like the operation of bingo, were exploited. "Las Vegas" nights were openly conducted on the behalf of many respectable organizations by professional gamblers and racketeers, who derived substantial profits from the operations. In exchange for supplying the workers and equipment used in the operation of these games, the charitable organizations were offered a minute percentage of the profits or a meager fixed rate per event.

Legislative policy dictated that the Board have the power to closely control and supervise all phases of licensing and regulating the conduct of games of chance, to ensure that the laws and regulations are strictly construed and rigidly enforced, to discourage commercialized gambling in all of its forms and to ensure a maximum availability of the net profits from such games of chance exclusively for application to worthy causes and undertakings.

The Board was also charged with the responsibility of carrying out the goals of Article IX, Section 1 of the State Constitution, which mandates that rigid regulations prevent commercialized gambling, prevent participation by criminal and other undesirable elements and prevent the diversion of funds from the lawful purposes intended. The Board's rules and regulations, given the force and effect of law, are binding upon all licensing municipalities and licensees of the Board. The Board also was granted the authority to conduct investigations of the administration, enforcement and potential or actual violations of the games of chance licensing law.


Map 7: 20 and 50 Mile Radii From Batavia, New York
Lake Ontario
Canada
Lake Erie
Niagara
Orleans
Monroe
Batavia
Genesee
Wyoming
Erie
Livingston
Wayne
Ontario
Seneca
Yates
Onondaga
Cayuga
Tompkins
Schuyler
Chemung
Tioga
Steuben
Allegany
Cattaraugus
Chautauqua

The infiltration of racketeers with unlicensed equipment and professional dealers continued after legalization. The racketeers recognized that unlike bingo operation, which can be taught to volunteers in the span of a few hours, the operation of complicated casino-type gaming required highly trained individuals. To combat this, the State Legislature sought to eliminate the professional promoter through strictly controlling the sale or lease of gaming equipment. The Board eliminated the necessity of organizations unlawfully relying upon professional dealers by initiating a program of training members of organizations in basic gaming skills. This effort, coupled with inspections of the gaming equipment owned or leased by authorized organizations and licensed games of chance suppliers, helped to greatly reduce the infiltration of professional gamblers.

D. Casino Gambling and Charitable Fundraising

1. The Impact of Turning Stone Casino[58]

To ascertain the impact that the Oneida Indian Nation of New York's Turning Stone Casino has had on the ability of licensed, authorized organizations to raise funds through the conduct of games of chance and bingo, an analysis was conducted on the handles of selected religious, charitable and non-profit organizations within a twenty and fifty mile radius of the Verona casino.[59] Net profits from the first two quarters of 1993 and 1995 were used from this comparison, the former being the two quarters immediately preceding the commencement of operations at Turning Stone, the latter being the most recent comparable quarters.[60] Control zones, centered around the town of Batavia, were selected to compare with the Verona radii. Batavia was selected because of its similarities to the Verona area. The two towns are both host to a harness racetrack, are located within a proximite distance to the New York State Thruway and are in rural areas between metropolitan centers.

The charts, contained in Appendix H, illustrate the changes in net profits for organizations based in the four groupings: within twenty miles of the Turning Stone Casino, between twenty and fifty miles of the casino, within twenty miles of Batavia, and between twenty and fifty miles from Batavia. Overall, the total organizational count was sixteen organizations within the zero to twenty mile radius and twenty-eight organizations within the twenty to fifty mile radius.

a. Comparisons by Radius

Organizations within a twenty mile radius of Turning Stone Casino experienced a 5.53

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[58]It is important to note that the Turning Stone Casino hosts a Class II High Stakes Indian Bingo facility, providing intensive, higher stakes bingo gaming than that offered elsewhere in the State.

[59]The ten largest organizations by net profits according to the first two quarters of 1993 were selected for each radii. All other organizations were selected at random from the remainder.

[60]Revenues prior to 1993 could not be used for comparison as most municipalities have purged totals from this time period.

percent increase in net profits for the first two quarters of 1995 when compared with the first two quarters of 1993. By organizational count, nine of the nineteen organizations in the sample, or just under one-half, experienced declines. Proximate distance to the casino did not appear to have any effect as six of the ten organizations within ten miles of the casino, or just over one-half, experienced declines in net profits over the sample time frame. Organizations located within the second radius, between twenty and fifty miles from the Verona casino, experienced a 36.01 percent increase in net profits during subject time frame. Of the twenty-four organizations in the sample, only nine experienced declines in net profits. As with the first radius, there appeared to be no discernable pattern to the declines.

Overall, organizations located within twenty miles of Batavia, the control location, experienced an increase of 14.99 percent in net profits for the first two quarters of 1995 when compared with the first two quarters of 1993. One organization, however, the Junior Wilson Sportsman's Club of Medina, should be factored out of the analysis as it is an anomaly. The club experienced an 800 percent growth, primarily due to increased reported bell jar ticket activity and growth in club membership. If this anomaly is factored out, then the total organizational increase in reported net profits drops to 3.65 percent. By organizational count, of the nineteen organizations sampled, eleven experienced declines.

Within the second radius around Batavia, the sampled organizations experienced a 22.60 percent increase in net profits over the subject time frame. Two organizations, however, should be factored out of the totals. The Little Firemen's Booster Club of Hilton and the Patriot Drum Corps of Cates both experienced gains in excess of 150 percent. If these organizations are factored out, overall gains in the selected organizations are a mere 3.07 percent. By organizational count, ten of the twenty-five organizations experienced declines.

b. Anecdotal Evidence of Impact

To better analyze and interpret the data, interviews with selected town clerks from municipalities and selected members-in-charge of organizations located within those towns were conducted. These individuals were queried on such issues as organizational or regional net profit history, attendance trends and perceived impacts of the Oneida Indian casino. Additionally, two licensed suppliers of games of chance and/or bingo materials were also interviewed.

(1) Verona

The Verona Volunteer Fire Department conducts several "Las Vegas" nights throughout the year, an annual "field days" event at which licensed games of chance are played, and bingo. The "field days", which has been one of the Fire Department's best known and profitable events, has experienced a decline in profits since the casino's opening in 1993. Conducted in June of each year, the Fire Department has seen profits decline from $1869.06 in 1993, just prior to the casino's

casino's opening, to $913.90 this year.[61] At first appearance, the existence of Turning Stone Casino appears to have significantly affected the Department's fundraising efforts; however, Verona Town Clerk Pamela Bedder, Deputy Town Clerk Penny Jones and the Fire Department's member-in-charge Al Johnson believe otherwise.[62] Ms. Bedder and Ms. Jones stated that they do not believe the presence of the casino has had any negative effect on the Department's casino nights, noting that most not-for-profits located in the vicinity have experienced a continuing drop in the profits of games of chance predating the casino's opening. This decline is attributed, in part, to a decline in volunteers willing to donate their time on weekends and holidays to staff the games.

Johnson, when interviewed, stated that casino nights "are more of a fun night than a fundraiser." He attributed recent declines in attendance and profits at the "field days" to poor weather conditions, adding that the Oneida casino had no impact on the Department's games of chance fundraising.[63]

Some organizations, including a few large church-operated carnivals, which had conducted very profitable games of chance for years, have discontinued their games. Town Clerk Bedder attributes these closures to a lack of volunteers willing to give up their holidays. Sylvan Beach Village Clerk Nanetta Jackson added that many organizations previously conducting casino-type events, including the firemen's field days in her village, have discontinued their events because of escalating liability insurance premiums.

Anecdotal information regarding the impact of casino gambling on the ability of fire departments in the area surrounding the Turning Stone Casino utilizing gambling for fundraising was presented by a representative of a volunteer organization. The representative painted a picture, stating organizations "... in the region of the Turning Stone Indian Casino in Oneida County have experienced losses in charity gaming proceeds ranging from 30 percent to figures so high that some have actually had to cease their bingo and games of chance "Las Vegas" nights programs", however, no specifics of the impacts were provided. It was expressed that the areas surrounding a casino are not the only ones affected by casino gambling. The representative stated that "we have now begun to hear complaints about Foxwoods' impact on ... [our fellow organizations'] ... charity gaming and other kinds of charity gaming, church gaming and so forth."

As a follow-up to the aforementioned presentation, the clerks in the municipalities surrounding the Turning Stone Casino were contacted. Several organizations in the vicinity of the

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[61]Profits from "field days": 1993: $1869.06; 1994: $1616.00; 1995: $905.54; and 1996: $913.90. Bedder, Jones and Johnson all attribute the poor profits at the 1995 and 1996 field days directly to inclement weather.

[62]Interview of Pamela Bedder, Town Clerk, and Penny Jones, Deputy Town Clerk, Town of Verona by Bruce Samboy, New York State Racing & Wagering Board, June 11, 1996.

[63]Interview of Al Johnson, Verona Volunteer Fire Department by Bruce Samboy, New York State Racing & Wagering Board, June 13, 1996

allegation that the groups discontinued their fundraisers because of competition from Turning Stone may be misleading.

Research indicates the Sconondoa Firemen's Ladies Auxiliary, which operated profitable games of chance until the third calendar quarter of 1994, was forced to discontinue its operations when the fire department merged with the Verona Volunteer Fire Department. The New London Volunteer Fire Department, which conducted its last licensed games of chance event several weeks after the Turning Stone opened to the public in July, 1993, discontinued its operations after the Department initiated an internal investigation into an alleged misappropriation of games of chance proceeds. Finding qualified volunteers to operate the games became difficult, according to Deputy Verona Clerk Penny Jones, especially in light of the rumors circulating the community concerning alleged embezzlements. St. John's-St. Mary's Church discontinued its annual fund-raisers after its licensed periods held on July 3 and 4, 1992. According to Verona Town Clerk Pamela Bedder, the members of the parish decided to discontinue the games of chance fundraisers prior to the opening of the Turning Stone because of the demands on volunteers to give up their holidays. Ms. Bedder advised that the volunteers "just got tired of it."

Not all organizations operating games of chance in Verona were license holders prior to the commencement of the Turning Stone Casino's operations in 1993. For example, the Verona Veterans of Foreign Wars Post # 6811, which has been licensed to conduct bell jar ticket sales since January, 1995, has derived substantial profits, $48,000, during their first year of operation and experienced a significant increase in profits during each calendar quarter since beginning the sale of bell jar tickets. Other Verona-area entities which have continued operations since the casino opened, namely the Durhamville Volunteer Fire Department and the Durhamville Veteran's Club, have continued to operate profitable games of chance fund-raisers. While the profits derived from the conduct of bell jar ticket sales by the Durhamville Vet's Club in 1995, $35,693.07, are significantly lower than the profits derived in 1993, $45,717.00, they still reflect that bell jar ticket sales remain a viable fund-raising tool.

(2) Games of Chance

Of the village, town and city clerks interviewed,[64] a few stated that in general revenues have declined, however, none identified the Oneida casino as a reason for declination of revenues. City of Sherrill Clerk Michael Holmes stated that the American Legion Post, which "relies on walk-in customers," has not been affected and "seems to be holding its own." Utica City Clerk Philomena Talarico stated that "everyone seemed concerned in the beginning, but the organizations seemed to survive." Kirkland Town Clerk Diane Tuttle has noted no real effects, stating that "bell jar games of chance seem to be steady." New Hartford Account Clerk Christine Simmons stated "no adverse effects" have been reported. Holland Patent Village Clerk Virginia Wardner stated that Las Vegas Nights and games of chance events at carnivals have been "hurt by liability insurance problems"

[64]All interviews were conducted by Bruce Samboy, Darryl Messner or Leonard Connolly of the New York State Racing and Wagering Board during the week of June 17, 1996.

more than anything else. Ilion Village Clerk Pat March reported no real effects and Oriskany Falls Village Clerk James West reported "no significant or adverse effects on charitable gaming."

(c) Bingo

Any comparisons of the net profits derived from licensed bingo conducted in the Verona area before and after the opening of the Turning Stone to a control zone would effectively be inconclusive as the Oneida Indian Nation has conducted high stakes bingo on its territorial lands since 1975. In July 1995, bingo was moved from a small facility on the territory to the Turning Stone Casino complex in Verona, its present site. There is no question that the presence of a high-stakes Indian bingo operation has negatively affected the bingo fund-raising abilities of licensed authorized organizations conducting bingo anywhere within a one-hour drive from the Oneida Nation's game, especially prior to the raising of the prize limits for charitable bingo in 1994. To what degree the games have suffered as a direct result of that competition is, however, difficult to determine. Since the Oneida Nation has been conducting high stakes bingo in the area for more than twenty years, it is logical that the clerks are not noticing significant variances due to the opening of the Turning Stone.

According to Mr. Johnson of the Verona Fire Company, the high stakes bingo offered by the Oneida Nation does not affect his games to any degree, because the players who frequent his games cannot afford the high prices of the bingo opportunities at the Oneidas' games on a regular basis. High stakes games do draw local players away from the licensed games conducted in their areas but, in time, the profits at the smaller games appear to have leveled out, where the bingo operations were kept up-to-date and exciting. Also, the increased bingo prizes may have resulted in a rise in attendance at the local games, which effectively offset any decline attributable to the high stakes games.

Utica City Clerk Philomena Talarico stated recently that the number one problem affecting bingo is the lack of volunteers. The bingo organizations, according to Ms. Talarico, expected the worst when the casino opened, but have managed to survive. Karen Farr, Deputy Clerk for the City of Rome, advised that the bingo games, which had been struggling, appear to be holding their own due to the 1994 prize increases. However, Ms. Farr believes that the lack of volunteers appears to be the biggest problem. This observation was echoed by Village of Lowville Clerk Eleanor Field, who stated that "bingo's problem is a lack of workers." Ms. Field added that Turning Stone has had "no real effect on charities." New Hartford Town Account Clerk Christine Simmons stated that the increase in the bingo prize limits has helped, citing the opening of a new game by the American Legion Post as an example. Village of Oriskany Falls Clerk James West reported "no significant or adverse effects on charitable gaming" by the Turning Stone. When asked to describe the Turning Stone's impact on bingo operations in her area, licensed bingo supplier Diane Shuler of DJ Distributors, Canastota, directly attributed the closing of several bingo accounts to Turning Stone; however, she did not provide names of the defunct organizations. Teri Knight, licensed supplier Babbitt Enterprises, Utica, New York, stated that the Turning Stone's overall effect could be categorized as "positive," adding that there is "more charitable gaming awareness." Ms. Knight cited

the opening of new bingos in New Hartford, New York as an example.

E. Other Indicia of Potential Impact

1. Studies

Although many studies have been issued regarding the impact of casino gambling on horse racing, on lotteries and on the general economy, the Task Force was unable to identify any academic or governmental study on the effects casino gambling legalization might have on charitable, religious and non-profit organizations. Part of the reason why no such studies have been completed is the lack of stringent reporting and documenting of charitable gambling. Additionally, the lack of standards between states or even within the same state, with respect to the play of games makes comparisons and analysis even more problematic.

2. Other Published Accounts of Impacts

A topic of frequent newspaper stories in jurisdictions where casino gambling is present is the effect on charities' ability to fundraise. Most of these stories link decreases in charitable fundraising with the advent of casino gambling; however, these "links" are usually not supported with scientific analysis or objective criterium. Despite these shortcomings, such subjective anecdotal information cannot be dismissed outright.

In Missouri, it was reported that soon after the riverboat casinos opened in 1994, the number of State-licensed bingo games dropped 14 percent. Clifford Pohle, who operates bingo games for an American Legion Post in Blue Springs, flatly blames the riverboats for both the closing of many charitable games and for declines in profits at those games which remain. Pohle's conclusions were supported in great measure by Ron Pleus, Supervisor of the Missouri Gaming Commission's bingo division. Pleus, while agreeing that casinos have played a role in charitable gambling's decline, stated that increased regulation and license revocations since the Gaming Commission took control of bingo regulation the previous year were also to blame. Pleus estimated that of the 140 organizations that have closed operations of bingo, one-half opted to quit when the Gaming Commission, for the first time in State history, then began to require financial data and names of officers and volunteers at each charity.[65]

Pohle's experience was echoed by Art Parkinson, who operated a bingo game for the American Legion in St. Charles. "When the gambling boats came in, our attendance dropped 20 percent - 25 percent," Parkinson said. Some other operators have stated that while casinos were stiff competition, other factors made it difficult for charitable gaming to operate. Among them, the cost of supplies has significantly increased and a change in the State tax system, requiring operators to pay their taxes up front rather than at the end of a reporting period. Still, the decline was seen by some as temporary. "When Illinois first had riverboat gambling, we noticed a 20 percent to 25

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[65] *Bingo Losing to Gambling Casinos*, Kansas City Star, Kansas City, Missouri, November 19, 1995.

percent drop in St. Louis bingo business almost overnight," said Robert B. Elliott III, president of a Columbia-based bingo supply company. "That gradually came back over six to nine months," Elliott stated.[66]

In Louisiana, it has been widely reported that charitable fundraising activities through gambling have taken a significant drop since the commencement of riverboat gambling. While fundraising activities through charitable gambling declined since the advent of riverboat gambling, when the Louisiana legislature passed a riverboat enabling statute it also provided for the introduction of video lottery terminals (VLT's) at "truck stops." The result of the VLT introduction has been a spread for "mini-casinos" throughout virtually every region of the State[67]. Thus, while the statement that revenues derived from charitable gambling have declined since the introduction of riverboat casino gambling may be accurate, it is misleading if reference to the VLT introduction is not also provided.

F. Conclusions

Games of chance and bingo continue to provide many organizations with a profitable fundraising tool. However, the knowledge and skills required of the volunteers to operate such events, and the amount of time devoted by these volunteers to conduct gambling on a regular basis, can lead to the conclusion that any decline in the number of licensed games of chance and bingo has resulted from a lack of volunteers rather than from any impact caused by commercial casinos or Indian gaming.

As evidenced by the interviews of the various town and municipal clerks who license gambling activities in the vicinity of the Turning Stone, the presence of the Turning Stone Casino has had no appreciable effect on the fund-raising abilities of their licensed organizations. While many reported decreases in profits, these declines were occurring prior to the commencement of Turning Stone and may be attributed to such factors as increased insurance liability premiums and the aforementioned lack of dedicated volunteers qualified and willing to give up their time to operate gambling fund-raisers.

G. Recommendations

As a significant amount of the total net profits received by religious, charitable and non-profit organizations are through the operation of bell jar games of chance and bingo games, these forms of gambling should be reserved to those authorized, licensed organizations. By most accounts, commercial casinos have little interest in operation of bingo or bell jar games of chance. If this is

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[66] *Gambling Losses: Riverboat Cutting into Bingo's Take*, St. Louis Post-Dispatch, St. Louis, Missouri, August 16, 1995.

[67] Prior to 1994, there were few limitations as to what qualified as a "truck stop." Since, the Louisiana legislature amended the original law to requiring that truck stops pump 100,000 gallons of fuel monthly to qualify for a maximum of 50 machines. See: *Video Poker Reform Signed*, National Gaming Summary, July 11, 1994.

true, then the argument that failure to allow casinos to operate these games would prejudice their competitiveness in the commercial marketplace has no merit. This reservation of exclusivity to the charitable, religious and non-profit organizations should alleviate any deleterious effect casino gambling might have on this form of fundraising.

The affect that casino operation of bingo has on charitable organizations that conduct bingo is best evidenced through a New Jersey case study. New Jersey law allows only qualified charitable organizations to operate bingo games for profit. However, in an effort to circumvent the law and increase attendance at casinos, some Atlantic City casinos began offering free bingo to attract people to other games. This was legal, according to the State Attorney General, if bingo players were not required to pay for their cards, and are, consequently not risking anything, therefore no gambling is taking place. The immediate effect was a decline in attendance at charitable bingo halls in the vicinity of Atlantic City, to the point of making some unprofitable.[68] While New York State law would likely prohibit a similar strategy attempted by commercial casinos in New York, any enabling legislation should specifically prohibit this activity, therefore averting any attempt to circumvent the law by such casinos.

Many casino executives are, according to published reports, ever-mindful of their industry's perceived negative impact on surrounding communities. Thus, they often seek out opportunities to interact with local organizations in positive ways. This "good neighbor policy" could include the provision of dealing instructions and lessons to volunteer members of the local fire companies, religious, fraternal and veterans' organizations along with the donation of used playing cards and other equipment normally destroyed by casino operators after a few hours of play. Requiring a plan for positive community interaction as a part of the request for proposal process might be prudent.

4. Potential Impact of Casino Gambling on Revenues of the State Lottery

A. History

On November 8, 1966 New Yorkers voted to approve a Constitutional amendment authorizing State lotteries for the support of education. In the 1966 referendum, the proceeds of any lottery to be established in New York State were to be "applied exclusively to, or in aid or support of, education." Thus, lottery revenue has been specifically earmarked for education and is distributed to local school districts statewide. The Lottery's success is attributed to the public's support of the Lottery as well as introduction of new and innovative games that attract interest and participation by a broad player base.

From June 1, 1967 through March 31, 1996 total Lottery sales were $28.7 billion with revenues of $12.4 billion. During fiscal year 1995 - 1996, the New York Lottery achieved national record sales of $3.6 billion and record revenues of $1.4 billion.

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[68] *As Casinos Lure Bingo Players, Charities Cry Foul,* New York Times, March 12, 1993.

The concept of a "state" lottery is not new. The Congress of 1776 authorized a national lottery, warmly supported by Thomas Jefferson. Prior to 1820, Congress passed seventy Acts authorizing lotteries for the building of schools and roads and other public projects. Additionally, lotteries helped establish Harvard, Yale, Brown, Dartmouth, Columbia and many of the nation's other prestigious academic institutions. In New York, lotteries were frequently used. New York City Hall was built in part with lottery proceeds and other lotteries helped develop New York City's many manufacturing industries. Lotteries helped build and repair New York State's canals, roads, ferries and bridges.

When the Lottery first started, the Lottery only offered a raffle drawing, then evolved into a weekly passive preprinted ticket. The current style Lottery games entered the marketplace in September 1976, with the first ever "Instant" Lottery introduced in New York State. Sales of $18 million were recorded during the first week in September 1976, a record that remained unsurpassed for almost seven years.

B. Lottery Today

(1) Games

In November 1978, the Lottery introduced the first successful Lotto game in the United States. Lotto became increasingly popular enjoying almost universal recognition among New Yorkers. The current restructured Lotto game generates a high number of jackpots over the $10 million level, considered critical to occasional player participation. Drawings occur twice weekly on Wednesday and Saturday. Sales currently average approximately $20 million weekly.

The current pick three Numbers game was introduced in September 1980 using on-line technology. In July of the following year, a four-digit adjunct game, Win-4, was added to the game menu. Another daily game, Pick 10, was introduced in the late 1980s offering a top prize of $500,000 in cash. Players choose ten numbers from a field of one through eighty. The Lottery draws twenty numbers nightly.

Take Five, a five of thirty-nine Lotto type game with smaller top prize amounts, was introduced during January 1992 as a complementary game to the big lifestyle changing jackpot driven Lotto game. Take Five offers a top prize of $50,000 and generates over 500,000 winners weekly. Quick Draw, a social type game, was introduced in September 1995. Quick Draw allows the players to choose their own odds and their own prize structure. Seventy percent of the game sales to date have been generated by social businesses including bars, restaurants and bowling centers, the environment to which the game is best suited.

(2) Benefits

In fiscal years 1994 - 1995, the New York State Lottery sales were more than $3 billion, making it the first in North America to eclipse the $3 billion mark. This resulted in a record $1.24

billion provided for education. To maintain this growth, the State Lottery has continually sought improvements in technology, services and products. In 1993 Lottery improvements included a totally new on-line gaming system, including computer mainframes, agent sales terminals, software, ticket stock and distribution. Fast and efficient sales terminal provide more convenient service, quickly producing a multiple game ticket.

In 1994-95, New York Lottery sales for all games totaled $3.029 billion, 27.8 percent more than the previous year. The $1.24 billion earnings for education, were more than 23 percent higher than the previous year's contribution.

Lottery ticket sales proceeds are divided in three fashions: retention for education aid, prizes, and operations. Using fiscal year 1994 - 1995 statistics, approximately 41 percent of all lottery proceeds are provided to aid education. On average, the Lottery earned about $3.4 million each day for the State's aid to local education. Distribution in the form of prizes represents approximately 48 percent of sales. The remainder is retained by the State Lottery for operational expenses.

The New York Lottery is a prime example of public-private partnerships, the Lottery manages retailers who sell its game tickets and contractors who operate the technology used to produce and deliver its products. While State law allows up to 15 percent of yearly sales to be spent for operations, the Lottery spent only 10.7 percent on all operating expenses in 1994 - 1995, including sales agent commissions of 6 percent. The difference of 4.3 percent, or $133 million supported education.

The New York Lottery's revenues, which comprised 12.1 percent of the State's total aid to local schools in fiscal year 1994 -1995, are distributed, along with other education aid funds, to school districts across the State. As required by law, lottery profits are deposited in the State's Lottery for Education Fund. The State Legislature appropriated $1.16 billion from this fund as part of the 1994-95 State aid to local school districts. Lottery revenues are distributed to the more than seven hundred school districts in the sixty-two counties of New York State. The specific amount of aid sent to each district is based on a statutory formula developed by the Legislature. This formula is applied by the State Education Department in allocating funds to local school districts.

As part of the State's guidelines for distribution of Lottery aid, $15 is allocated for each resident enrolled pupil for the purchase and loan of textbooks. A $10 payment for each blind and deaf student in a State-supported school is also included in the disbursement. Once these allocations are made, the remainder of Lottery aid is distributed to local school districts. Each district and its locally elected officials determine how these funds are spent. Examples of the use of New York Lottery aid can include computer hardware, teacher salaries, maintenance, transportation, programs for attendance improvement and dropout prevention and a variety of other school expenses.

C. Experience of Other States

While no consultant study or economic research has been specifically conducted to address

the potential impact of New York based casino gambling on present lottery sales, there have been numerous reports, studies and articles which estimate the impact on casino gambling on other State lottery sales nationally. This information must be evaluated in context:

- Studies can be cited selectively to support certain positions.
- The impact of casinos is tempered by the availability of other forms of gambling.
- The age of a given State's lottery and the mix of lottery games available in a given State.

Due to these variables, it is necessary to consider both the experiences and potential impacts in several States and the work of many researchers before making general conclusions about the impacts of casinos on lotteries and their application to New York. In all cases, the similarities and differences between these States and New York are critical considerations.

The following is a State-by-State review of each state's lottery, the availability and type of casinos and relevant articles and studies on the impact of casino gambling.

(a) Illinois. Illinois lottery sales were generally flat following the introduction (and expansion) of riverboat gambling, while increases of 10-20 percent per year might have been anticipated. The introduction of riverboat gambling in 1991 reduced the growth in annual lottery sales from the 15-20 percent per year experienced elsewhere to 1.5 percent per year. The Illinois lottery is a mature lottery with games similar to New York's (lotto, instant and daily numbers). Illinois' demographics and economics also mirror New York's. The North American Gaming Report noted in July 1995 that both lotteries and parimutuels fell 3 percent from 1993 to 1994 while riverboats posted a 90 percent increase in handle. A 1994 article (Johnson) in Gaming and Wagering Business reported that the introduction of riverboat gambling in Illinois reduced overall lottery sales by 10 percent, with lotto losing 17 percent, instants up 1-2 percent and numbers games flat. However, a private report by the casino company, Promus, reported that Illinois lottery revenues "jumped" $30 million in the year riverboat casinos were introduced (1991), from $580 million in 1991 to $610 million in 1992. This report failed to point out that the Illinois lottery generated revenues of $594 million in 1990 dropped to $580 million in 1991, rebounded to $610 million in 1992 and fell back to $587 million in 1993--a 1.2 percent increase over three years (average of 0.4 percent per year).

(b) Michigan. A study by Deloitte and Touche LLP estimated the potential negative impact of casino gambling on Michigan's lottery

as within the 1 percent-3 percent range. Michigan does not have casinos but there are Indian gaming facilities in rural parts of the State and casino in Windsor, Ontario (outside of Detroit). The Michigan lottery experienced 8 percent sales growth from 1993 to 1994. Michigan's lottery is similar to New York's with lotto, keno, instant and numbers games and Michigan's demographics and economics are also similar to New York's.

(c) Massachusetts. A March 1996 study concluded that the introduction of casinos would reduce Massachusetts lottery sales by 5 percent to 12 percent per year. The Gaming Strategy Group assessed the potential impact of casinos and gaming devices on the Massachusetts lottery. The Massachusetts lottery is also very similar to New York's with a similar mix of games, a long history of operation and wide market availability, similar urban/rural demographics and competition from out-of-state casinos (e.g., Connecticut). This study projects that the addition of a single casino (in New Bedford) would reduce lottery sales by 5 percent per year; a second casino in the Springfield area would increase this annual loss in sales 7 percent; and two casinos plus the introduction of gaming devices at Massachusetts race tracks would erode lottery sales by 12 percent per year. Lottery sales in Massachusetts increased an average of 18 percent per year from 1992 to 1995, driven by the introduction of pull tabs (in 1993) and keno (in 1994). Over the same three-year period, sales for instant games have averaged 26 percent per year growth, numbers sales have declined 2 percent per year, and, all lotto-type games have dropped 8 percent per year.

(d) Wisconsin. An article by Professor James Murray concludes that there was no relationship between lottery sales decreases and the introduction of Indian gaming in Wisconsin. Wisconsin lottery sales grew by 34 percent from 1989 to 1990, 26 percent from 1990 to 1991 and 15 percent from 1991 to 1992. The Wisconsin Lottery is "young" (less than ten years old) and declining rates of revenue growth are typical in the early years of most state lotteries. The Murray article also points out that these declines mirror national trends and that lotteries and casinos appeal to different audiences. He concludes that, the "leveling-off" of lottery sales in Wisconsin was not necessarily related to the introduction of casinos.

(e) Colorado. Colorado lottery sales have continued to grow in the face of competition from casinos. While casino gambling increased from zero to $250 million since October 1989 and several Indian

casinos opened in southwestern Colorado, lottery sales also have increased. Lottery revenue for the State of Colorado jumped 29 percent during the same year that casinos became operational. Although lottery revenue dipped slightly during the second year that casinos were open, lottery revenue in that year still exceeded pre-casino lottery revenue by about 25 percent. The Colorado Lottery is a relatively "young" lottery and has met the casino challenge by offering new products and new delivery methods. Two factors cited as critical to the apparent success in Colorado are product availability (via 2,600 outlets) and the mix of lottery games (lotto, instant and keno).

(f) Iowa. Lottery revenue dropped during the year casinos became operational (1991) in Iowa, but this pattern reversed in 1993. Handle at riverboat casinos has continued to increase while lottery sales were flat from 1993 to 1994 as casino handle doubled. Lottery sales rebounded to former levels. Iowa also has a relatively "young" lottery.

(g) South Dakota. While lottery revenue for the State of South Dakota grew by more than 140 percent during the year that small stakes casinos opened in City of Deadwood and lottery revenue has continued to increase every year since casinos at Deadwood's have opened, it is important to note that the State instituted a video lottery. State lottery sales increased 13 percent from 1993 to 1994, driven by a 13 percent increase in video lottery sales, which comprise over 90 percent of total State lottery sales. Handle at the Deadwood casino also increased 3 percent over the same period.

(h) Connecticut. The opening of Indian gaming in Connecticut has had its greatest impact on parimutuels, not the lottery. But both have been impacted. While casino wagering (handle) grew by $3.5 billion (372 percent) from 1993 to 1994, lottery sales were off only $300,000 (0.1 percent). A 1994 article (Johnson) states that Connecticut lottery sales had averaged a 3 percent per year increase prior to 1992 but that sales have been flat (or declining slightly) ever since due to casino gambling. The Connecticut experience mirrors that prediction made for Michigan and the experience in Illinois (flattening of lottery sales).

(i) New Jersey. Lottery revenue has grown in New Jersey in fourteen out of fifteen years since Atlantic City's casinos commenced business. However, over the first seven years of this period, from

1977 to 1984, lottery sales grew an average of 24 percent per year while over the next eight years, from 1984 to 1992, the average growth fell to 5 percent per year, with the last three years averaging less than 1 percent per year growth. From 1993 to 1994, New Jersey lottery sales were up 5 percent while casino handle grew 7 percent and parimutuels 6 percent. While New Jersey provides a unique perspective on the long-term relationships between casinos and lotteries, and New Jersey is demographically and economically similar to New York, direct comparisons are difficult because casinos and lotteries "grew up" together in New Jersey. There is more similarity to more recent experiences in Iowa and Colorado than in New York where new casinos would compete with an established lottery.

(j) Louisiana. In 1994, when a temporary casino opened in New Orleans, total casino handle of $1.8 billion nearly matched the 1993 handle of all other forms of gambling combined. Lottery sales were off 29 percent, parimutuels 17 percent and charitable gaming 21 percent. The competitive gaming mix in Louisiana includes parimutuel horse racing, off track betting, charitable gaming, video poker, riverboat gaming, and a new casino in New Orleans. Also available are riverboats and casinos in Mississippi (on its northern and eastern borders) and a strong new competitor in the Texas Lottery (to the west). In response to this competition, Louisiana has adjusted their lottery marketing to offer a constantly changing mix of scratch games ordered in small quantities, and have begun a strong push to increase the number of games carried by each of their retailers to make up for lost sales.

(k) California. The California lottery, despite legalized gambling on its eastern border with Nevada and with Indian gaming throughout the state, has not been seriously affected by casinos. The State's size, population and diverse marketplace permit a variety of lottery games, parimutuel horse racing, Indian casinos and card rooms to co-exist successfully. California has a "mature" lottery similar to New York's.

(l) Delaware. Lottery officials believe that competition from nearby Atlantic City casinos have had some effect on lottery sales, but they do not have an accurate measure of its impact. Delaware lottery statistics show that 26 percent of the State's residents have gambled in Atlantic City during the past year. Delaware's response to this competition also has been to change the mix of lottery games on a

regular basis. The impact of slot machines at the Delaware racetracks has not yet been evaluated.

(m) Maryland. The Maryland Lottery Director is quoted by Public Gaming International stating that other forms of gaming available in Maryland have an impact on the lottery, affecting impulse purchasing games like scratch games and keno, more than planned purchase lottery games such as daily numbers.

(n) Rhode Island. The availability of Indian gaming in Eastern Connecticut has not impacted lottery sales in Rhode Island, according to its Executive Director, in a 1994 article in Gaming and Wagering Business magazine.

(o) Kentucky. A Deloitte and Touche LLP study examined the potential impact of casino gambling on both the State lottery and pari-mutuel wagering, concluding that casinos would have a minimal impact on the State's lottery. The availability of a variety of gambling options within the region already was cited as limiting the impact of new in-state casinos.

(p) Minnesota. A 1994 article in LaFleur's Lottery World states that Minnesota lottery sales grew by just 1 percent in spite of powerball and instant bingo games due to increased competition from the State's Indian gaming business.

To summarize, there is no clear consensus regarding the impact casino gambling may have on the State Lottery.

D. Potential Impact of Casino Gambling on Lottery Revenues

At the June 26, 1996 Task Force Public Hearing Lottery Director Jeff Perlee stated that "it almost overstates the obvious" that the legalization of casino gambling would impact Lottery sales. Just as Off-Track Betting impacts pari-mutuel wagering at racetracks and the Lottery impacts wagering on horse racing, the introduction of casinos would affect Lottery sales. Estimating the financial impact on Lottery sales, and income to the State to support education is difficult. However, he did state that the increased competition for the "gambling dollar" would force the Lottery to become more aggressive in its marketing in order to maintain current and anticipated sales levels. This approach would be opposite from the Lottery's current marketing efforts.

Another aspect of the relationship between lotteries and casinos is the nature of the games and the motivation of the players. It is generally understood that lotteries and casinos largely serve different markets and provide different entertainment experiences. Casino customers, typically, go

to casinos for social interaction, excitement, and entertainment as much as for the gambling itself. Lottery players, on the other hand, are more oriented to instant winning than playing the game itself. Casino winnings are more likely to be re-played until a person's limit is reached while lottery players tend to bet a regular amount regardless of what they win.

CHART 37. LOTTERY SALES INCREASES, 1990 to 1996

Fiscal Year	Total Sales	Percentage Increase from Prior Year
1990 - 1991	$ 2,123,400,000	-
1991 - 1992	$ 2,046,200,000	(3.6)
1992 - 1993	$ 2,341,500,000	14.4
1993 - 1994	$ 2,357,800,000	0.7
1994 - 1995	$ 3,072,800,000	30.3
1995 - 1996	$ 3,585,300,000	16.7
Annual Average Growth	**$ 292,400,000**	**13.8 percent**

New York has had a lottery for thirty years. Currently, the State Lottery operates a mix of old and new games. Forms of casino gambling are available in upstate New York at the Oneida Indian Nation casino, in the neighboring Canadian province of Quebec at Casino de Montreal and Casinode Hull, and in the States bordering the New York City Metropolitan area in New Jersey and Connecticut. To date, the impact of these alternative forms of gambling on the lottery has been minimal.

New York has averaged 13.8 percent annual increase in sales over the past five years, consistent with other states. The current average rate of increase in total sales for all state lotteries, from 1993 to 1994 was 11.7 percent. From 1993 to 1994, lottery sales in Michigan grew 8.3 percent and Massachusetts 16.2 percent. The Lottery Division has projected FY 1996-97 total sales of $4.01 billion, an increase of 12 percent over 1995-96.

Charts 37 and 38 summarize New York State lottery sales over the last five (5) years, from FY 1990-91 through FY 1995-96. Gross sales figures alone do not tell the whole story as casinos are expected to impact some lottery games more than others. Impulse purchase games (quick draw and instants) appear to be more impacted than planned purchase games (lotto and numbers). Chart 39 summarizes New York Lottery sales levels by game from 1990-1996.

CHART 38. LOTTERY SALES BY GAMES
FISCAL YEARS 1990 - 1991 through 1995 - 1996
(in thousands)

Fiscal Year	Win Four	Pick 10	Cash 40	Lotto	Instant	Take 5	Daily Numbers	Quick Draw
1990 - 1991	286.7	119.0	79.5	771.8	261.9		615.5	
1991 - 1992	321.5	108.9	58.2	618.0	280.3	41.5	620.4	
1992 - 1993	355.0	91.2		696.2	287.6	274.5	652.2	
1993 - 1994	374.3	84.4		645.7	298.4	307.4	658.1	
1994 - 1995	415.8	83.6		839.0	666.1	334.2	689.3	
1995 - 1996	416.1	71.3		755.8	1,022.3	325.9	676.9	342.0

Source: New York State Lottery

CHART 39. ANNUAL GROWTH TREND BY GAME TYPE, 1990 - 1995

Game	Five Year Trend 1990 - 1995	Three Year Trend 1992 - 1995	One Year Trend 1994 - 1995
Numbers Games (includes Win 4 and Pick 10)	(2.5)	(1.9)	4.2)
Lotto Games (includes Take 5 and Cash 40	23.6	3.6	(9.5)
Instant Games	58.4	84.6	47.8
Quick Draw	n/a	n/a	n/a
All Lottery Games	13.8	17.7	16.7

Source: New York State Lottery

For Fiscal Year 1996-97, the Lottery Division is projecting a decrease in numbers games of 1.2 percent. Lotto-type games are expected to rebound in 1996-97, with projected gross sales for Lotto and Take 5 of $1.26 billion. This represents a 7 percent increase over the two year period from 1994 to 1996 (3.5% per year growth). Instant games are projected to decline 5.8 percent, leveling-off from the phenomenal growth rates experienced over the past five years. Sales are anticipated to be in excess of $1 billion. New York's newest game, Quick Draw, is expected to double sales after its first full year of operation.

These figures indicate that in order to sustain annual growth in the 10-15 percent range, the Lottery must rely on continued strong performance of instant games, rebounding Lotto sales and growth in Quick Draw, anticipating sales of numbers games to remain flat. Instant and Quick Draw are the types of games likely to be most impacted by casino gambling.

5. Recommendation

In anticipation of these effects, the tax and fee structure to be imposed upon new casinos in New York should include a distinct revenue stream dedicated to support state aid to education. This will not only mitigate the impact of eroding lottery sales, but also allow all localities to benefit from casino gambling.

F. Pathological and Problem Gambling in New York State

Pathological gambling, the mental health term for compulsive gambling, was first recognized as a dependency by the American Psychiatric Association in 1980. Pathological gambling, which should not be confused with problem gambling, is defined as a chronic and progressive failure to resist impulses to gamble. These impulses become so intense and powerful that the gambler can no longer control them. Unlike pathological gambling, problem gambling is defined and determined by the researcher or case worker. No nationwide standards or criteria for such have been established.

PATHOLOGICAL GAMBLING

A. Persistent and recurrent maladaptive gambling behavior as indicated by five (or more) of the following:

1) needs to gamble with increasing amounts of money in order to achieve the desired excitement
2) after losing money gambling, often returns another day to get even ("chasing" one's losses)
3) is restless or irritable when attempting to cut down or stop gambling
4) has repeated unsuccessful efforts to control, cut back, or stop gambling
5) gambles as a way of escaping from problems or relieving a dysphoric mood
6) is preoccupied with gambling
7) lies to family members, therapist, or others to conceal the extent of involvement with gambling
8) has committed illegal acts such as forgery, fraud, theft, or embezzlement to finance gambling
9) has jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling
10) relies on others to provide money to relieve a desperate financial situation caused by gambling

B. The gambling behavior is not better accounted for by a Manic Episode.

Source: Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition (1994). Washington, D.C.: American Psychiatric Association.

Until the 1980s, there were few studies of gambling and problem gambling. By 1985, only two screens for identifying problem and pathological gambling existed, the Cumulative Clinical Signs Method and the South Oaks Gambling Screen. The former has never been experimentally validated, the latter, based on the psychiatric criteria for pathological gambling published in the Diagnostic and Statistical Manual of Mental Disorders (DSM-III),[69] has been used for most studies to determine the prevalence of pathological gambling in a subject population.[70]

Commendably, the State Legislature has constitutionally provided for a percentage of revenues derived from casino gambling to be dedicated to "services for and the treatment of persons addicted to gambling." The only issues left for discussion are the amount of the mandatory funding and the manner by which the appropriation should be expended, both of which have been delegated to the State Legislature's discretion. There will be ample opportunity for input to the Legislature as any amendment to the State Constitution cannot occur for at least fifteen months and implementing

[69]The Diagnostic and Statistical Manual of Mental Disorders (DSM-III) was replaced by a fourth edition in 1994.

[70]Volberg, "Prevalence Studies of Problem Gambling in the United States", Journal of Gambling Studies, Vol. 12 (2), Summer 1996, pp. 111-128.

legislation will likely follow the amendment.[71]

1. Methods of Measurement

Since 1980, there has been no national survey of gambling and problem gambling undertaken in the United States. Only fifteen statewide surveys of problem and pathological gambling have been published in the last decade and half. Two of the earliest studies were based on the Cumulative Clinical Signs Method while most later studies have been based on the original or modified versions of the South Oaks Gambling Screen (SOGS).

SOGS was based on the original 1980 DSM-III criteria. In DSM-III, a diagnosis of pathological gambling required an individual to meet four of seven criteria with an exclusion of Anti-Social Personality Disorder. In DSM-III-R, which revised DSM-III in 1987, the same diagnosis required an individual to meet four of nine criteria and the exclusion of Anti-Social Personality Disorder was dropped. In DSM-IV, which replaced DSM-III-R in 1994, a diagnosis of pathological gambling requires an individual to meet five or ten criteria with an exclusion of Manic Personality Disorder.[72]

SOGS is a twenty item scale based on the diagnostic criteria for pathological gambling. Weighted items on SOGS include hiding evidence of gambling, spending more time or money gambling than intended, arguing with family members over gambling, and borrowing money to gamble or to pay gambling debts.[73] In accordance with established criteria, respondents who scored 3 or 4 points on the South Oaks Gambling Screen are classified as "problem gamblers" while respondents who scored 5 or more points are classified as "probable pathological gamblers."[74]

DSM-IV is a ten item scale based on standards for measurement of pathological gambling developed in 1994. In developing DSM-IV criteria, 222 self-identified pathological gamblers and 104 substance abusers who gambled socially tested the items. Discriminant analysis was used to identify the items that best differentiated between pathological and non-pathological gamblers. The American Psychiatric Association established a diagnostic cut-off of five out of ten possible

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[71]The Task Force received presentations from the following gambling treatment experts: Laura Letson, Executive Director, New York Council on Problem Gambling, Inc.; James Stone, Commissioner, New York State Office of Mental Health; Christine Reister, Coordinator, Gambling Information Counseling Services, Oneida - Madison - Herkimer Counties; Steve Block, Counselor and Outreach / Education Specialist, St. Vincent's Gamblers Treatment Center, Staten Island ; Jim Maney, Director, Center for Problem Gambling, Albany; Heiko Ganzer, Program Director, Pederson-Krag Center, Huntington; Marlene Schillinger, Executive Director, Jewish Family Service of Buffalo and Erie County; Ronald Gaudia, Executive Director, Westchester Jewish Community Services, Hartsdale.

[72]Volberg, p. 45.

[73]Id., p. 46.

[74]Id.

positives to be classified as a pathological gambler.[75]

2. Past Prevalence Studies

The last prevalence study for problem and pathological gambling in New York State was conducted in 1986. This pilot was funded in 1988 for a National Institute of Mental Health proposal, to carry out prevalence studies in California, Iowa, Maryland, Massachusetts and New Jersey. The New York study, which had a sample size of 1,000, reflected a gambling participation rate of 85 percent. Overall, the study demonstrated that the rate of probable problem gamblers in New York State ranged from 1.7 percent to 3.7 percent of the adult population, while the rate of probable pathological gamblers ranged between 0.7 percent and 2.1 percent. As reported by Volberg in a 1991 article, the rate of problem gambling in New York State is listed at 2.8 percent and pathological gambling at 1.4 percent.[76]

When results of the South Oaks Gambling Screen surveys from California, Iowa, Maryland, Massachusetts, New Jersey and New York are analyzed, certain demographic trends appear. Statistically, problem and pathological gamblers are significantly more likely than non-problem gamblers to have annual household incomes under $25,000 and less likely to have graduated from high school. Additionally, problem and pathological gamblers were likely to be males, under the age of thirty.[77]

3. The 1996 Prevalence Study[78]

The 1996 prevalence study, funded by the New York Council on Problem Gambling, Inc., was conducted by Gemini Research, Inc.(Gemini), which is headed by Rachel A. Volberg, a noted problem gambling researcher. The study was completed in three stages. In the first stage, Gemini consulted with the staff of the New York Council on Problem Gambling, Inc. and the Research Institute on Addictions (RIA). The latter organization was responsible for data collection on the design of the questionnaire and the stratification of the sample. In the second stage, staff from RIA completed telephone interviews with a sample of 1,829 residents of New York who were eighteen years or older. All interviews were completed between April 12 and April 30, 1996, with an average duration of fourteen minutes. RIA then provided Gemini with data for the third stage of the project

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[75]Id.

[76]Volberg, *Estimating the Prevalence of Pathological Gambling in the United States*, Gambling Behavior and Problem Gambling, eds. William R. Eadington and Judy A. Cornelius. Institute for the Study of Gaming and Commercial Gambling, University of Nevada-Reno (1991).

[77]Volberg, 1996.

[78]Information contained in this section is excerpted from Written Statement of Laura Letson, Executive Director, New York Council on Problem Gambling, Inc., submitted in advance of testimony before a public hearing of the New York State Task Force on Casino Gambling, June 4, 1996.

which included analysis of the data and the preparation of the 1996 prevalence report.[79]

The questionnaire was composed of five major sections. The first section included questions about fourteen[80] different types of gambling available to residents of the State. The second section was composed of the lifetime and current SOGS items. The third section consisted of DSM-IV screen, the most recent diagnostic criteria for pathological gambling. The fourth section included questions about the respondents alcohol and drug use and mental health status. The final section included questions about the demographic characteristics of each respondent.[81]

The results of the study were as follows:

CHART 40. RESULTS OF THE 1996 PREVALENCE STUDY

	Percentage	Margin of Error
Lifetime Problem Gamblers	4.7	0.97
Lifetime Probable Pathological Gamblers	2.6	0.73
Current Problem Gamblers	2.2	0.67
Current Probable Pathological Gamblers	1.4	0.54

The study found that the percentage of lifetime problem gamblers was 7.3 percent and a rate of current prevalence of 3.6 percent. In comparison to the 1986 study, the lifetime prevalence rate for problem and pathological gambling represents a 74 percent increase.

Lifetime problem and probable pathological gamblers in New York are significantly more likely than other respondents in the 1996 sample to be male, under the age of thirty, non-caucasian, never married, divorced or separated. Lifetime problem and probable pathological gamblers are significantly less likely than others respondents in the sample to have finished high school and to have annual household incomes over $25,000.

When examining the application of SOGS and DSM-IV in relation to each other with the 1996 New York sample, it is important to note that both screens were administered to respondents

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[79]Volberg, p. 5.

[80]The types of gambling available are: Office pools, raffles or charitable small-stakes gambling; lottery, including instant scratch tickets, daily numbers and lotto; Quick Draw; casino; bingo; pull tabs; policy, the numbers or Bolita; card games for money not at a casino; horses, dogs or other animals; slot machines, poker machines or other gambling machines not at a casino; stock or commodities market; bowling, golf or other games of skill for money; dice games not at a casino; and sports events.

[81]Volberg, pp. 5-6.

who have ever gambled. The prevalence of the less severe DSM-IV category (3-4 points) appears in 1.81 percent while the prevalence of the more severe DSM-IV category (5 or more points) is 0.97 percent among New York gamblers. These figures compare to 2.48 percent and 1.51 percent for current SOGS scores among respondents who gambled.

The following chart illustrates the number of respondents who scored at different levels on SOGS and DSM-IV:

CHART 41: South Oaks Gaming Screen v. DSM-IV, 1996 Study Comparison

	DSM-IV			Totals
SOGS	0 -2	3 -4	5 +	
0 -2	1563	20	4	1587
3 -4	34	2	5	41
5 +	11	7	7	25
Totals	1608	30	16	1654

DSM-IV operates quite well in relation to SOGS, but not vice-versa. On one hand, respondents who score low on the DSM-IV screen also tend to score low on SOGS. On the other hand, three-quarters of respondents who score high on the DSM-IV screen (5+ points) also score 3 or more on SOGS. However, SOGS does not appear to perform as well in relation to DSM-IV.[82] Only 56 percent of the respondents who score as current probable pathological gamblers on SOGS score 3 or more points on DSM-IV, and only 28 percent of the current probable pathological gamblers on SOGS also score at the highest levels on the DSM-IV screen.[83]

The prevalence of problem and pathological gambling as measured by the DSM-IV screen is much lower than the prevalence rates identified with SOGS. Only 0.87 percent of the total sample and 0.97 percent of lifetime gamblers in New York scored five or more points on the DSM-IV scale. This compares to a prevalence of current probable pathological gambling, as measured by SOGS, of 1.4 percent for the total sample and 1.5 percent of lifetime gamblers in New York.[84]

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[82]Researcher Rachel A. Volberg, who conducted both the 1986 and 1996 New York studies, suggests that the cut-off point for the DSM-IV screen (5= equals pathological) is too severe and should be moved back to include individual with less severe gambling difficulties. This view was also expressed by Lesieur and Rosenthal, 1991.

[83]Volberg, p. 47.

[84]Id., p. 49.

4. Education and Treatment Programs

Historically, New York State has provided some support for problem and pathological gambling education or treatment. For the twelve years prior to 1996, the revenue from the general fund that has been appropriated for gambling treatment and education programs has ranged from a low of $300,000 to a high of $776,000 annually.[85] Governor George E. Pataki led the way by signing into law Chapter 83 of the Laws of 1995, which states "as the state continues to expand and promote gambling, that an education and treatment program be funded to assist those who cannot control the urge to gamble." Accordingly, the State Legislature has begun to take steps to confront and address the issue of problem and pathological gambling.

In this past year, State support for the development of a compulsive gambling education and treatment program was increased from $400,000 in fiscal year 1995 to an all-time high of $1,554,000 in this fiscal year. Also signed into law by Governor Pataki were amendments to the Mental Health Law that define compulsive gambling and authorize the Office of Mental Health to develop plans, programs and services related to compulsive gambling education and treatment and requiring the Commissioner of Mental Health to report to both the Governor and the State Legislature each year plans, programs and recommendations regarding compulsive gambling. Additionally, State funding was appropriated so that a statewide public education effort, including an new 24 hour toll-free help line could be established.[86]

Treatment facilities in New York State have only recently been extended statewide. Prior to 1996, only four component problem and compulsive gambling treatment programs existed. These programs were comprised of three treatment programs: St. Vincent's Hospital Gambling Treatment Center on Staten Island, the Health Association of Rochester, and the Jewish Family Services of Buffalo and Erie County, and one educational and referral center, the National Council on Problem Gambling, Inc., located in Manhattan. While the National Council on Problem Gambling, Inc.'s contract was awarded to the Albany-based New York Council on Problem Gambling, Inc., all of the other centers are still functioning this year. Additional funding has afforded the establishment of new providers: Family and Children's Services of Albany, Human Technologies Corporation of Utica, and the Pederson-Krag Center, Inc. of Long Island. Additionally, the State awarded a grant to one additional organization for education, outreach and referral services to the Northern New York Center for Problem Gambling in Watertown.[87]

The first passage of Senate 5557 / Assembly 8356 illustrates that the State Legislature has recognized the need to provide constitutionally, a permanent funding source for the treatment of

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[85]Staff Report to the Senate Finance Subcommittee on Racing, Gaming and Wagering, June 25, 1994.

[86]Written Statement of James Stone, Commissioner, New York State Department of Mental Health, submitted in advance of testimony before a public hearing of the New York State Task Force on Casino Gambling, June 26, 1996.

[87]See: Letson, supra.

problem gambling. Section one of the resolution states that "A portion, to be determined by the legislature, of the proceeds from ... [casino gambling] ... shall be applied to or in the aid of ... services for and the treatment of persons addicted to gambling ..." The resolution provides that the appropriation of such funds, and the modes and extent of such treatment is a matter left, constitutionally, to the State Legislature.

5. Costs of Problem and Pathological Gambling[88]

Determination of the costs of pathological and problem gambling is elusive. Generally, there are three "costs" of pathological and problem gamblers: one, the costs to individuals and their families who are burdened by the gambler; two, the costs the pathological or problem gambler inflicts on society; and three, the costs of rehabilitation of a pathological and problem gambler. While the first cost, to individuals and their families, does not lend itself to quantitative measurement, compelling testimony at public hearings afforded Task Force members a personal glimpse of the impacts. Below is an excerpt from the dramatic presentation to the Task Force of Dan B., one of four members of Gamblers Anonymous who appeared at the June 26, 1996 Albany hearing:

> " ... American Postal Workers Union, I was the president for ten years, and I was so deep into gambling that I had three bank loans in one day. In them days they couldn't check. I got three different loans in three different banks; and before the day was over, I had lost it all. I remember the time my dad was in the hospital and I went to him. Not only are we compulsive gamblers, we're compulsive liars. I took him in the wheelchair to the bank, and he put through the $5,000. I went directly to the racetrack. I didn't pay anybody with that money, and I was broke before the sixth race. I borrowed money from a credit union, $15,000, and told them I needed it for my kid's tuition. That didn't go to tuition. I lost it all gambling, race tracks, OTB, sports betting. ... Outside of Rochester I got selected as the postmaster. I was postmaster in this small town, and I was still gambling. So here I am a postmaster, and I owe the bookies about $3,800, and I start getting visitors. I would get in my car, look under the car first, drive 20 miles to work, shaking. So I called the man that owned our building, the post office building, and half of the town. ... If I get money orders and you cash them and I put them with my receipts, our revenue would be bigger and then you can get a bigger post office. I wanted him to cash the money orders. So every time the track was open, I would call this guy, and he would give me money, and I would bring him the money orders made out

[88]Section III of the report, "Casino Gambling and Crime," contains a discussion of the relationship of casino gambling and crime.

> in my name. On a Friday, the day before Labor Day 1979, six inspectors came in. So I had to go downtown to the main office where I resigned, and I had $1700 in my pocket at the time. They did not search me. They did not arrest me at that time. So I am on Route 96 in Rochester and I had this $1700 in my pocket. ... I had embezzled -- I had borrowed over $42,000. I got in my car and I drove right down to the track, and I start betting the money like a reckless drunk, trying to get the money back even though it was all exposed. Hey, we don't care what you do to yourself, but your wife is crying. She don't know what's going on. The kids are crying. You better go home or call her up. Let her know what's going on. I promised I would right after the races. So the next day, I lost all the rest of the money. So I went to the hospital. I spent 21 days in the hospital. Best 21 days I spent anywhere for treatment. So I came back home. I was ready to face everything. I got indicted the next year, and then my trial came up. I was a compulsive gambler, a pathological gambler, and that I could not conform. What I did was borrowing money. In my sick head, I was borrowing the money, not stealing it. Anyway, the trial lasted almost two years, I was found guilty, Today, I'm glad that we lost the case. I did get my sentence lowered, providing I would pay all the money back. So I did serve six months, and I was on probation for five years, and I am making full restitution even today. They are taking so much of my pension money every month to pay for that. ... When I got out of prison, I pushed myself into a treatment program because when they had a treatment program in Rochester they had two people and they were treating families of gamblers. They were not treating the gamblers. I got real angry, and I said you need somebody to work with the gambler. Somebody that could relate to them and they could relate to me. So after I got through serving my probation, I did get a job part-time in the Compulsive Gambling Treatment Program in Rochester, New York. I was a counselor. I have been there 12 years. I'm a certified counselor now and I am retiring." (The speaker came to tears).

While a vast amount of assertions regarding pathological and problem gambling exist, minimal scholarly material has been uncovered regarding the "costs" of this affliction. As in any area of social policy where there has been little empirical research, some numbers with respect to gambling acquire mythic status, and though, lacking in any discernable foundations, achieve broad

currency.[89] The Task Force has endeavored to confine ourselves to that which has a factual basis.

Two recent, widely disseminated commentaries regarding the costs of pathological and problem gambling written by Robert Goodman and John W. Kindt, appear to be flawed because the authors rely upon questionable research without a critical review of the methodology. Goodman, a researcher of gambling issues, attempted to quantify the costs associated with problem gamblers by calculating a cost of the behavior of problem gamblers, including bankruptcies, fraud, embezzlement, unpaid debts and increased criminal justice costs. After arriving at a "conservative" estimate of $13,200 per problem gambler in 1993 dollars, he extrapolated that figure, imposing it on various state populations. Utilizing Iowa's population and an incidence of one-half percent of the adult population, Goodman estimated the combined yearly costs to Iowa's private and public sector economies of $73 million. Goodman estimated that in California one-half percent incidence would result in $780 million in yearly costs.[90] Goodman's cost estimate, however, is based on a single sample of pathological gamblers in 1981.[91] Little empirical data was provided to support his $13,000 cost estimate.

John W. Kindt, a professor at the University of Illinois Urbana-Champaign, has likewise attempted to quantify the costs of problem gambling. In his law review article entitled "The Economic Impacts of Legalized Gambling Activities,"[92] Kindt writes that rehabilitation costs for each compulsive gambler, based on a "very conservative cost estimate" would amount to $5,000 to $20,000 per individual.[93] Kindt, who bases this figure on outpatient and inpatient services for pathological gamblers in treatment in Maryland, assumed that every pathological gambler would receive inpatient or outpatient treatment. Most problem gamblers, according to testimony received before the Task Force, obtain treatment from Gamblers Anonymous. GA does not charge for any services and treatment rendered.

At the June 26, 1996 Task Force Public Hearing in Albany, Daniel O'Dell, Adult Field Operations Coordinator, New York State Office of Mental Health, attempted to quantify treatment costs. "[T]he average course of treatment (for compulsive gambling problems lasts) about 12

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[89]Reuter, "The Continued Vitality of Mythical Numbers," The Public Interest (Fall, 1984) as quoted in "Final Report of the Joint Executive - Legislative Task Force to Study Commercial Gaming Activities in Maryland," Joint Executive - Legislative Task Force to Study Commercial Gaming Activities in Maryland, (December, 1995) p. 94.

[90]Robert Goodman, The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion, Free Press: New York, 1995. pp. 47 - 55.

[91]Using a single survey to extrapolate nationwide is suspect. Most advances in prevalence research have occurred in the last decade.

[92]John W. Kindt, The Economic Impacts of Legalized Gambling Activities, 43 Drake Law Review 51, 1995.

[93]Id. at 67.

months. The cost would be comparable to existing mental health out-patient clinic treatment which would fall into a range of about $3,500 to $5,000 per client, per year" said O'Dell.

Clearly, arriving at a generally accepted consensus of the costs of pathological gambling is difficult. There are financial costs associated with those afflicted individuals, but an accurate estimate of those costs is not readily determinable. Personal hardships and suffering evoked the sympathies of each Task Force member.

6. Conclusions and Recommendations

The Task Force is confident that the results of the 1996 prevalence study will receive wide dissemination and that the legislators who may be faced with voting on a second passage of Senate 5557 / Assembly 8356, and the electorate who may ultimately be called upon to decide the fate of the concurrent resolution at referendum, will have ample time to acquaint themselves with the survey's findings and recommendations. It is strongly urged that they do so.

The Task Force is concerned with the problems and impacts that gambling may inflict beyond those who are solely "addicted to gambling." The term "addicted" should be given wide latitude by the State Legislature. It should authorize educational programs related to prevention of gambling related problems, and interventional and treatment programs to assist those who are problem or pathological gamblers. This would allow the funding of problem gambling awareness and treatment organizations to be continuous, rather than experience the year to year uncertainty that the present system of funding affords. Funding should not be limited to the treatment of pathological gamblers, but should be extended to provide for research on what causes people to become pathological gamblers and to what degree the loss of sense of time and twenty-four hour availability of gambling plays in the development of problems. It would be short-sighted to merely discuss treatment programs without also inquiring into whether prevention of the disorder may be attained.

Additionally, the Task Force recommends that any enabling or implementing legislation governing the regulation of legalized casino gambling include a self-exclusion statute in the nature of that proposed in Missouri.[94] This allows individuals to authorize their own removal, based upon trespass, should they enter a casino facility. Thus, those who have compulsive gambling disorders will have a measure of control over their gambling by allowing themselves to be removed from even mere entrance into a casino. While not a definitive measure toward solving the dilemma of problem or pathological gambling, the exclusionary process would provide a method for an individual to limit collateral damage which he or she may inflict on self or family.

Also, the Task Force recommends instituting a casino employee problem gambling recognition program at each casino, to be certified by the Office of Mental Health. Such a

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[94]See: Missouri Title 11, Department of Public Safety, Division 45 - Missouri Gaming Commission, Chapter 17, Voluntary Exclusions: 11 CSR 45-17.010 - Duty to Exclude - Standard of Care.

program would train all floor personnel in the identification of potential or actual problem gamblers. This program would enable the potential problem gambler or pathological gambler to receive information and direction regarding problem gambling without having to seek the information themselves. Additionally, such a program could minimize deleterious effects of problem gambling if the individual is identified before the problem has been exacerbated by gambling activities.

Studies have indicated that young people have a higher rate of compulsive gambling than the general population, but also that adult problem and probable pathological gamblers started gambling at a significantly younger age. Prevention of access of the gaming floor by minors should be a primary objective.

The Task Force recommends, if casino gambling be authorized, that proof of age should be required for entry to a casino and physical layouts should be designed to preclude casual admittance to any area.