

Proposal to Serve The Florida Legislature

Re: Two-Part Gaming Study

Nationwide Statistical Relationships between Gaming and Economic Variables for Communities and the Potential Impact of Gaming Expansion in the State of Florida

Part II Technical Reply (ITN) #859



Submitted to:

Jeannie Evans
Purchasing Program Administrator
Office of Legislative Services
111 West Madison St., Room 874
Tallahassee, FL 32399-1400

Submitted by:

The Fine Point Group
3960 Howard Hughes Parkway, Suite 500
Las Vegas, NV 89169

March 17, 2013

Ms. Jeannie Evans
Purchasing Program Administrator
Office of Legislative Services
111 West Madison St., Room 874
Tallahassee, FL 32399-1400

Dear Ms. Evans:

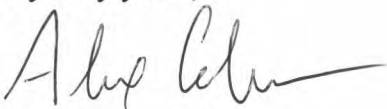
The Fine Point Group ("FPG") is pleased to submit this proposal to provide professional consulting services to the Florida Legislature (the "Legislature") in connection with the preparation of a study that will analyze the nationwide statistical relationships between gaming and economic variables for communities in order to understand the impacts of possible changes to existing gaming laws in the State of Florida. This proposal details our understanding of your needs, the scope of services we will provide, our qualifications to provide such services, and the fee to complete the assignment (Part II Price Reply has been provided under separate cover).

The Fine Point Group's team of professionals combines unmatched analytical tools with a proven record of success in providing professional services to all stakeholders of the hospitality and gaming industry. Since its inception in 2005, The Fine Point Group has had the privilege to serve commercial and tribal gaming operators and their creditor constituencies, as well as municipal, state, and provincial governments. Our depth of experience, reputation for independence, and commitment to integrity uniquely positions us to provide the services required by the Legislature.

We sincerely appreciate the opportunity to present this proposal and look forward to the prospect of working with the Legislature. Should you have any questions or wish to discuss specific portions of this document, please do not hesitate to contact me at (702) 965-2017.

As an authorized representative of The Fine Point Group who has the authority to bind our firm relative to the matters contained in this reply, I have read, and understand, (ITN) #859 and our firm agrees to comply with all of its provisions and requirements. In addition, to the best of my knowledge, we are authorized to conduct business in Florida; in the unlikely event that we are not, such authorization will be secured prior to the award of the contract.

Very truly yours,



Alexander A. Calderone
Senior Vice President
Casino Finance / Business Development
The Fine Point Group
TIN 61-1290173

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Executive Summary

The State of Florida currently authorizes legalized gaming in the form of cruise ship, race track and Native American land-based casinos, card rooms, horse racing, dog racing, jai alai, lottery, and charitable bingo gaming. There are approximately 137 card room, casino and pari-mutuel facilities located throughout the state ranking Florida 4th of the 46 states that offer some form of casino gaming. In 2012, it is estimated that the state's 6,400 slot machines generated approximately \$130.8 million in tax proceeds for the treasury. However, in spite of this robust market presence, further expansion of casino gaming in the state has been hotly debated. On three previous occasions, state voters have rejected the development of resort casinos and a measure to place the question on the ballot in the November, 2012 elections failed to pass the Legislature last year.

It is our understanding that after the most recent failure of the gaming initiative in the last legislative session, the Legislature decided to commission a two-part independent study of the economic, fiscal and social impacts of gaming on the state in order to determine how further gaming expansion might affect the state and its residents. We further understand that the Legislature is seeking the assistance of an experienced consultant to prepare this study to help educate its members and aid in crafting legislation that will maximize the net positive impact of the gaming industry on the state.

Why The Fine Point Group?

Our team is uniquely qualified to provide the services required given:

- ♣ the depth of expertise we have in conducting analyses of gaming markets and new development projects;
- ♣ the degree of accuracy we have repeatedly demonstrated in predicting gaming market performance;
- ♣ the value provided to our clients through the quality of our work and the cost of our services; and
- ♣ the fact that we have worked for both government and private interests in the gaming industry, and have developed a strong reputation for objectivity and independence.

Using a combination of proprietary gaming market assessment models, nationally recognized economic impact models, independent clinical research studies, and our first hand knowledge and experience working in the hospitality and gaming industry across North America, we will provide the Legislature with a comprehensive understanding of the current state of the Florida gaming industry and the likely economic, fiscal and social impacts of alternative industry structures.

Based on our understanding of the services required, we are very pleased to submit this proposal to serve the Legislature as its consultant in the required capacity.

Organizational Background, Experience and Capabilities

Qualifications and Abilities

The Fine Point Group's commitment to superior, value-added client service combined with its reputation for independence and objectivity, positions us well to serve all stakeholders of the gaming industry. In addition to casino management and consulting, we offer a wide variety of analytical services to both public and private sector clients. In this regard, FPG specializes in creating advanced strategic and financial impact models, including those which employ econometric and algorithm-based data segmentation techniques.

Combined, our professionals possess more than 90 years of expertise at both Fortune 500 and start-up companies. We have been pioneers and thought leaders in hospitality, retail, health care, and entertainment. Our team members have also spent years as operating executives for some of the gaming industry's largest casino companies. As a result, we are able to utilize an appropriate mixture of practical and academic knowledge in our consulting approach.

We have advised many of the gaming industry's largest investors, institutions, and hospitality and gaming companies on tourism related issues, reorganizations, operations, and business strategy. In addition, our team members also have extensive experience in advising both public and private sector clients on the impacts of gaming expansion and/or new project feasibility studies.

Record of Success

Led by Mr. Patrick S. Bero, Senior Vice President, with oversight and direction from Mr. Randall A. Fine, Managing Director, the project team that FPG proposes to deploy on this assignment has demonstrated an impressive record of success in projecting the performance of gaming markets throughout North America. Time and again, in markets where the revenue estimates were verifiable, we have accurately predicted the captured gaming revenues. The following list provides some examples.

Market	Date	Estimate	Actual	% Difference
City of Detroit	CY 2003	\$1,480,000,000	\$1,511,000,000	(2.05)%
Washington State Tribal Casinos	CY 2002	\$ 628,000,000	\$ 626,400,000	0.26%
Calgary Charitable Casinos	CY 2002	\$ 244,000,000	\$ 242,000,000	0.83%
Edmonton Charitable Casinos	CY 2002	\$ 350,709,000	\$ 345,827,000	1.41%
Kansas City	CY 1997	\$ 436,496,000	\$ 434,870,000	0.37%

Project Experience

The relevant experience highlighted below is unique to the project team that FPG proposes to utilize on this engagement:

City of Detroit***Detroit Gaming Market Assessment***

Our team member(s) provided an assessment of the potential size of the casino gaming market in the Detroit area upon completion of the three permanent Detroit casinos. Specific tasks completed during this assignment included:

- ♣ providing an overview of current Detroit market resident and visitor gaming expenditures;
- ♣ developing an assessment of the potential revenue that could be derived from casino gaming by the three permanent Detroit casinos assuming varying levels of existing and new competition; and
- ♣ presenting estimates of tax revenues earned by the City of Detroit under each market scenario.

City of Chicago***Land-based Casino Feasibility Study***

Our team member(s) provided an assessment of the potential size of the casino gaming market in the greater Chicago area, along with information that would help the City determine the feasibility of a 4,000 gaming position, city-owned, land-based casino in downtown Chicago under various market scenarios. Specific tasks completed during this assignment included:

- ♣ providing an overview of current Chicago market resident and visitor gaming expenditures;
- ♣ developing an assessment of the potential revenue that can be derived from casino gaming at a downtown Chicago casino assuming varying levels of existing and new competition; and
- ♣ providing estimates of financial returns for the City of Chicago under each market scenario.

Greater Cleveland Partnership***Ohio Gaming Market Assessment, Economic and Fiscal Impact Study***

Our team member(s) provided an assessment of the potential size of the casino gaming market in the State of Ohio and determined the economic and fiscal impact of casino gaming. Specific tasks completed during this assignment included:

- ♣ providing an overview of current Ohio resident gaming expenditures in neighboring states;
- ♣ creating a detailed comparison of the characteristics of the potential Ohio gaming market with other regional, national and international jurisdictions;
- ♣ developing an assessment of the potential revenue that could be derived from casino gaming at selected locations throughout the state; and
- ♣ assessing the economic and fiscal impact of casino gaming in Ohio.

Calgary Exhibition & Stampede (“CE&S”) *Feasibility Study and Negotiation Support*

Our team member(s) evaluated the strategic alternatives for the redevelopment of the Stampede Casino. Alternatives that were considered included: making capital and operating improvements to the existing casino facility; hiring outside management to operate the existing casino facility; constructing a new, multi-purpose entertainment complex and retaining management responsibility for the proposed facility; constructing a new, multi-purpose entertainment complex and hiring outside management to operate the proposed facility; leasing the casino operator’s license to a third party for a fee and selling the license to a third party; and discontinuing gaming operations by the CE&S.

Once a strategic direction was determined, additional assistance was provided to CE&S vis a vis analytical support during their discussions with potential developers and management companies.

Entertainment Industry Coalition of Washington State *Legislative Impact Assessment*

Our team member(s) evaluated the impact on the state biennial budget of proposed legislation that would allow electronic gaming devices in the state’s card rooms, bingo halls and pull-tab establishments. Specific tasks completed during this assignment included:

- ♣ providing an overview of the existing gaming market in Washington State;
- ♣ creating a detailed comparison of the characteristics of the Washington State gaming market with other regional, national and international jurisdictions;
- ♣ developing an assessment of the potential revenue that could be derived from the placement of electronic gaming devices in entertainment facilities throughout Washington State; and
- ♣ assessing the impact on other forms of gaming in Washington State that would result from placing electronic gaming devices in entertainment facilities.

Great Canadian Gaming Corporation *Feasibility Study*

Our team member(s) assisted in various consulting activities concerning the proposed development of a multipurpose entertainment complex to be located in Edmonton, Alberta, Canada. Activities relative to this engagement included: a determination of the market’s potential gaming revenue; a breakdown of competitive positioning for the aggregate market; an evaluation of potential sites for the proposed development; an analysis of the fair share and market penetration of the proposed facility; an assessment of the feasibility of a hotel development; the preparation of facility recommendations and proposed amenity offerings; the preparation of pro-forma financial statements for the first ten years of operations; a study of the economic impacts anticipated from the proposed development; and assisting with the preparation of a business plan and application package for submission to the Alberta Gaming and Liquor Commission.

Rocky Mountain Casino Group/Great Canadian Gaming Corporation

Feasibility Study

Our team member(s) assisted in various consulting activities regarding the proposed development of a multipurpose entertainment complex to be located in Calgary, Alberta, Canada. Activities in this engagement included: a determination of the market's potential gaming revenue; a breakdown of competitive positioning for the aggregate market; an evaluation of potential sites for the proposed development; an analysis of the fair share and market penetration of the proposed facility; an assessment of the feasibility of a hotel development; the preparation of facility recommendations and proposed amenity offerings; the preparation of pro-forma financial statements for the first ten years of operations; a study of the economic impacts anticipated from the proposed development; and assisting with the preparation of a business plan and application package for submission to the Alberta Gaming and Liquor Commission.

Nisku Inn and Conference Center

Feasibility Study and Business Planning

Our team member(s) assisted in various consulting activities regarding the proposed development of a multipurpose entertainment complex to be located in Nisku, Alberta. Activities in this engagement included: a determination of the market's potential gaming revenue; a breakdown of competitive positioning for the aggregate market; an analysis of the fair share and market penetration of the proposed facility; an assessment of the feasibility of expansion of the existing hotel development; the preparation of facility recommendations and proposed amenity offerings; the preparation of pro-forma financial statements for the first ten years of operations; a study of the economic impacts anticipated from the proposed development; and assisting with the preparation of a business plan and application package for submission to the Alberta Gaming and Liquor Commission.

Oneida Nation of Wisconsin

Feasibility Study, Development Planning and Negotiations

Our team member(s) provided various consulting activities regarding the proposed development of a multipurpose entertainment complex to be located in New York State. Activities in this engagement included: a determination of the market's potential gaming revenue; a breakdown of competitive positioning for the aggregate market; an evaluation of potential sites for the proposed development; an analysis of the fair share and market penetration of the proposed facility; an assessment of the feasibility of a hotel development; the preparation of facility recommendations and proposed amenity offerings; the preparation of pro-forma financial statements for the first fifteen years of operations; and participating in the negotiations with prospective developers of the proposed project.

Alberta Association of Casino Operators***Estimated Future Contribution of Casino Gaming for the Province of Alberta***

Our team member(s) assisted with the preparation of an industry report outlining the historical, current and future contribution of the casino gaming industry to the Alberta economy. This report provided the government with specific recommendations designed to favorably position the industry for long-term sustainable growth that would be mutually beneficial for the provincial government, Alberta charitable organizations, casino operators and the residents of Alberta. Activities included market and competitive positioning analysis, business planning, and cost/benefit analysis.

Louis Bull First Nation***Feasibility Study***

Our team member(s) assisted with the preparation of a feasibility study and formal business plan for the development of a casino complex in central Alberta, Canada. Responsibilities in this assignment involved:

- ♣ The determination of gaming market potential for the selected facility location;
- ♣ An analysis of fair market share and anticipated market penetration of the subject facility based on proposed development plans;
- ♣ Providing an assessment of the proposed facilities and recommendations for modifications where appropriate;
- ♣ Formulation of a payroll compendium for the recommended facilities based on potential market capture;
- ♣ Development of a five year cash flow estimate based on the recommended facilities and potential market capture;
- ♣ Preparation of an economic impact assessment for the Province of Alberta incorporating benefits from the project development as well as potential losses incurred by existing casino operators; and
- ♣ The creation of a long-term business plan.

All of this information was ultimately submitted to the Alberta Gaming and Liquor Commission as part of the band's application for a gaming license.

South Dakota Legislative Research Council***Market Analysis and Economic Impact Study***

Our team member(s) conducted a study to estimate the economic and social impact that had occurred in the state as a result of the various forms of gaming that had been offered. In addition, this engagement also called for quantification of the potential economic impact that the elimination of video lottery terminals would have on the state's economy. The analysis included a review of Deadwood limited stakes gaming, video lottery terminals, pari-mutuel, Native American gaming and charitable gaming. Economic impacts considered in the analysis included effects on direct, indirect and induced impacts on the State's economy resulting from the gaming industry. Issues addressed included gaming revenue, gaming industry employment, operational expenditures, direct

spending at area establishments other than gaming venues, local product substitution, employment changes in other sectors assuming differing gaming operational configurations, effect on gross regional product, and changes in tax revenues.

An additional component of the analysis included the identification of social issues associated with the gaming industry. This module sought to identify social problems associated with gaming, identified games most likely to result in gambling addictions, measured the estimated impact of legalized gaming on crime and incarceration costs incurred by the State, and examined the potential social impacts if VLTs were repealed. This module of the analysis was primarily conducted through review of publicly available research on such social matters, as well as primary market research with appropriate state agencies. The deliverable included presentations before representatives of both Houses of the state legislature.

City of Detroit Mayor's Casino Advisory Committee ***Market Analysis and Economic Impact Study***

Our team member(s) analyzed a number of potential economic impacts relating to casino gaming on the City of Detroit. Specifically, the scope of work involved: assisting City officials and the Mayor's Casino Advisory Committee in establishing casino location criteria; evaluating potential sites that met the casino location criteria; performing a market and financial analysis that resulted in an estimate of the amount of visitation and revenue that would be generated by the proposed casino facilities; estimating the economic impact of gaming on other related industries, including employment, spending, and taxes; and estimating the economic impact of City residents' substitution of spending on gaming services for spending on existing City goods and services. Following completion of the study, the City selected three development groups to construct large-scale casino complexes in downtown Detroit. Development agreements with the three development groups were approved by the City Council, and the casinos were originally expected to be operational by 2001.

City of Kansas City, Missouri ***Market Analysis and Fiscal Impact Study***

Our team member(s) valued the potential market for riverboat gaming in Kansas City. The study included an analysis of the competitive market environment; the prospective market position of the casinos within that competitive market; an estimation of future market share capture for casinos within the market; an economic impact analysis (employment, spending, and tax impacts on the gaming and other sectors); and an estimate of tax revenues that may be generated for the city by casinos located within the city limits. The study was utilized to assist the city in their budgeting process for tax collections in future years.

Colorado Casino Operators Association Impact Study

Our team member(s) quantified the effect that a tax rate change would have on the Colorado gaming industry. Responsibilities relative to this assignment included:

- ♣ reviewing a state commissioned report assessing the impact of a tax rate change on the Colorado gaming industry, responding to potential disagreements with the report methodology and assumptions, and offering alternative conclusions where appropriate; and
- ♣ examining the approaches taken historically by the CCOA to respond to tax rate increase proposals, and recommending additional and/or alternative approaches for the CCOA's response in this instance.

Sample Work Product

Please refer to **Appendix A** for The State of Ohio Gaming Market Assessment, which was prepared for The Greater Cleveland Partnership. Additional sample work product can be provided upon request by the Legislature, but has not been included within this proposal due to the size of the reports (i.e., most are in excess of 150 or more pages).

References

Client: City of Chicago
Contact: Mr. Marty Johnson, Sr. Financial Analyst
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Project Plan

The analyses proposed to support the Legislature's efforts are anticipated to be conducted in four primary tasks with accompanying estimated completion dates assuming an April 15, 2013 start date:

- I. Compilation of National County Demographic, Economic and Social Data – July 15, 2013
- II. Compilation of National Gaming Market Data – August 15, 2013
- III. Multiple Regression Modeling and Report Preparation – October 1, 2013
- IV. Geospatial Analysis (Data Permitting) and Report Preparation – October 1, 2013

Although the four tasks will be integrated in practice, they are presented separately for ease of understanding. As an initial task in the project, it is recommended that a “kick-off” meeting of the project team be held that would include designated representatives of the Legislature or their appointed administrators as well as any other vendors providing support to the Legislature as appropriate to:

- ♣ review the Legislature's goals;
- ♣ agree on study objectives;
- ♣ discuss and delineate roles and responsibilities; and
- ♣ agree to final timelines and deliverables.

At this meeting (and over the course of the study) we will share the insights and experience gained from our work for other jurisdictions and gaming companies regarding expectations, perceptions, procedure, and use of the ultimate work product.

Task One – Compilation of National County Demographic, Economic and Social Data

Utilizing sources such as the U.S. Bureau of Economic Analysis, the U.S. Census Bureau, the U.S. Department of Labor, the U.S. Department of Health and Human Services, the U.S. Department of Agriculture as well as state and local agencies we will compile a comprehensive database of statistical information for all counties in the United States. This information will include but is by no means limited to: gross domestic product, per-capita personal income, household income, business income, bankruptcy rates, divorce rates, workforce participation rates, unemployment rates, crime and incarceration rates, and the usage rates of social programs such as food stamps, welfare, energy assistance and Medicaid.

Task Two – Compilation of National Gaming Market Data

Utilizing information from national, state and local regulatory bodies, third party research and our own internal databases, we will gather market information at the county level from across the country including: the number of card room and card room positions; card room drop and win; the number of casinos and casino positions; casino handle, drop and win; the number of jai alai frontons and the corresponding handle and win; the number of horse racing tracks and the corresponding handle and win; the number of dog racing tracks and the corresponding handle and win; the number of facilities selling lottery services; the annual revenue generated by all forms of lottery; the volume of charitable gaming activity; and the proceeds generated for State and local governments from all forms of gaming.

Task Three – Multiple Regression Modeling

Using the information obtained from tasks one and two, we will employ multiple regression modeling and time series data to compare gaming and non-gaming counties across the U.S. in order to identify the impact of casino gaming on local and state economies over time and to predict the potential impacts of changes to the gaming regulatory environment in the State of Florida.

Task Four (Data Permitting) – Geospatial Analysis

If sufficient data is available, we will also employ geospatial analysis to compare the business composition in gaming vs. non-gaming counties across the country in order to measure the impacts on employment and wages resulting from the introduction or expansion of gaming in a marketplace.

Deliverable and Presentation

Upon completion of the above tasks, we will provide a draft of our final report to you for your review followed by a formal presentation of our report. The report will incorporate the results and findings of tasks one through four with detail on primary assumptions and data utilized in our analyses. Shortly after submitting the draft report, we will meet again with the project team to obtain its feedback. We will then submit a final report to the Legislature on or before October 1, 2013.

Other Services

It is expected that additional presentations to interested parties and legislative bodies may be required of the project team leaders as the review of the impact of potential casino expansion advances. We will be available to make such presentations and provide additional assistance where necessary. These presentations are considered to be outside the scope of services, and would be provided on a time and materials basis.

Proposed Engagement Team Members

FPG's proposed engagement team for this assignment is comprised of the below individuals:

Randal A. Fine, Managing Director

Mr. Fine, a Florida resident, is the founder and managing director of The Fine Point Group, one of the casino industry's largest independent management and consulting firms. Named one of Global Gaming Magazine's 2010 People to Watch and In Business Las Vegas's 2009 "40 Under 40," Fine has served as the Chief Executive Officer of two \$100M+ casino / hotel properties. In addition, his firm has provided consulting services to over 60 gaming industry clients, spanning twenty U.S. states, five Canadian provinces, and six countries. Randy also co-developed, along with his Fine Point colleagues, LaserPointCRM, an award-winning automated CRM solution that is designed to drive database revenue growth while improving marketing efficiencies. Launched mid-2012, LaserPointCRM is currently being utilized by a number of casinos operating across North America.

Prior to founding FPG, Randy served as the Chief Marketing Officer for Carl Icahn's gaming company, and as the corporate Vice President of Slot Operations and Loyalty Marketing for Harrah's Entertainment, where he was the sole inventor of a patent that is the foundation of the Total Rewards customer loyalty program.

He holds both his undergraduate and his MBA degree from Harvard University.

Patrick S. Bero, Senior Vice President

Mr. Bero has over 22 years of experience working in and for clients in the real estate, hospitality and gaming industries, having previously worked for Mirage Resorts, Inc. and Deloitte in addition to serving as the proprietor of *Strategic Partner Management Consulting* ("SPMC") where he developed the market analysis model and study methodology that will be used to conduct the study for the State of Florida. During Patrick's career, he has had the privilege of serving over 40 clients ranging from small proprietors and middle market companies to large, complex multinational organizations including municipal, state and provincial governments. The value of the services he provides is demonstrated by the fact that his clients have repeatedly called upon his expertise to assist them with their most challenging issues.

Mr. Bero is two-time graduate of the University of Notre Dame. In 1990, he received his Bachelor of Business Administration degree with a concentration in corporate finance and in 1996, he received a Master of Business Administration degree from Notre Dame's Mendoza College of Business with a concentration in operations and finance.

Robert D. Swedinovich, Vice President

Mr. Swedinovich has more than ten years of casino gaming experience, having previously worked for Las Vegas Sands, MGM MIRAGE, and MTR Gaming, where he left as head of database marketing and analytics to join FPG in 2010. Robert brings a wealth of world-class decision science experience to the firm, having led the international casino analytics practice for Management Science Associates, an 800-person data mining and analysis company. Robert has pioneered the use of multi-variable regression analytics and clustering using casino operations data and is one of the co-developers of FPG's LaserPointCRM software. He holds both an MBA and a Master's degree in Information Systems from the Katz Graduate School of Business at the University of Pittsburgh.

APPENDIX A: Sample Work Product

State of Ohio Gaming Market Assessment

State of Ohio Gaming Market Assessment

Prepared for:

The Greater Cleveland Partnership and Cincinnati Business Leaders

Prepared:

August 8, 2005

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Executive Summary

Executive Summary

Casino Customer Profile

- Harrah's Entertainment, Inc., a recognized leader in market research within the gaming industry, conducts an annual survey of casino customers nationwide.
- According to the Harrah's 2004 Survey – Profile of the American Gambler:
 - The median age of casino gamblers is 48 compared to 46 for the U.S. population (21+).
 - Casino gamblers live in smaller households than non-gamblers.
 - 53% of casino gamblers live in household of two or less compared with 46% for non-casino gamblers.
 - The higher a person's income, the more likely he or she is to play casino games.
 - The median household income of U.S. casino gamblers (\$53,204) is 16% higher than that of non-gamblers (\$45,781).
 - When compared with the U.S. population as a whole, casino players are more likely to hold white-collar jobs.
 - Among adults 25 years old or older, gamblers are more likely than the average American to have attended college.
 - Ohio generated more than 2-million casino visits in 2002 and 2003.
 - Cleveland and Cincinnati are two of the top feeder markets in the country for casino customers over 2002 and 2003.

Executive Summary

Competitive Environment

- ❑ The states that border Ohio offer a wide variety of gaming alternatives to both local residents and visitors.
- ❑ Patrons can chose from:
 - numerous Las Vegas style casinos (land-based, riverboat, and Native American) which provide both table games and slot machines;
 - live and pari-mutuel racing (horse and greyhound);
 - state lotteries;
 - charitable bingo, raffles and pull-tabs; and,
 - video lottery.

	Casino Gaming		Tribal		Racing		Lottery		Bingo	Charitable Pull-tab	Raffle
	Land-based	Riverboat			Horse	Greyhound	Ticket	VLT			
OH					X (7)		X		X	X	
IN		X (10)			X (1)		X		X	X	X
KY					X (6)		X		X	X	X
MI	X (3)		X (17)		X (7)		X		X	X	X
PA	X (14)				X (4)		X				
WV	X (4)				X (2)	X (2)	X	X	X		X

Executive Summary

Gaming Revenue in Neighboring Market Areas

Calendar Year 2004							
Adult Population	Gaming Positions	Gaming Patrons	Casino	VLTs	Total Revenue	Total Gaming Taxes	Effective Tax Rate
Area Summary							
Indiana	45,797	6,390	7,471,693	\$734,485,305	\$0	\$734,485,305	\$234,717,631 32.0 %
Michigan	1,449,022	18,511	0	\$1,885,672,737	\$0	\$1,885,672,737	\$339,423,465 18.0 %
West Virginia	500,717	10,287	0	\$513,946,263	\$137,323,774	\$651,270,037	\$371,223,921 57.0 %
Total	1,995,536	35,188	7,471,693	\$3,134,104,305	\$137,323,774	\$3,271,428,079	\$945,365,017 28.9 %

- Indiana figures represent only the revenues for the three casinos in Dearborn, Ohio and Switzerland counties near the Ohio border
- Michigan figures include:
 - the \$1.189 billion in revenue for the three Detroit casinos;
 - the estimated \$270 million in U.S. resident spending at Casino Windsor in Ontario; and,
 - the estimated \$426 million in revenue captured by the Soaring Eagle Casino in Mount Pleasant, MI.
- West Virginia figures are for the three racinos and the limited video lottery in the counties that are on or near the Ohio border.

Executive Summary

Ohio Resident Share of Neighboring State Gaming Revenue

- It is estimated that Ohio residents produce over \$925 million or approximately 28.3% of the total revenue for these markets.
- Furthermore, because Ohio resident spending is more heavily concentrated in Indiana and West Virginia, both of which have relatively high gaming tax rates, Ohio residents contribute nearly 39% of the total gaming tax revenue or \$367 million for neighboring state and local governments.
- **Ohio is charged with many of the costs associated with casino gaming and receives none of the benefits.**

Ohio Gaming Market Assessment Historical Gaming Revenues by County for 2004

Calendar Year 2004					
Adult Population	Gaming Positions	Gaming Patrons	Total Revenue	Total Gaming Taxes	Effective Tax Rate
<u>Area Summary</u>					
Indiana	45,797	6,390	7,471,693	\$734,485,305	\$234,717,631 32.0 %
Michigan	1,449,022	18,511	NR	\$1,885,672,737	\$339,423,465 18.0 %
West Virginia ¹	500,717	10,287	NR	\$651,270,037	\$371,223,921 57.0 %
Total	1,995,536	35,188	7,471,693	\$3,271,428,079	\$945,365,017 28.9 %
<u>Ohio Residents</u>					
Indiana	3,333,323		4,668,532	\$409,652,411	\$132,415,388 32.3 %
Michigan	2,382,817		2,608,465	\$236,239,644	\$75,494,512 32.0 %
West Virginia ¹	2,436,440		3,654,916	\$279,600,448	\$159,372,256 57.0 %
Total	8,152,580	0	10,931,913	\$925,492,503	\$367,282,155 39.7 %
<u>Ohio Resident Share of Total</u>					
Indiana			62.5 %	55.8 %	56.4 %
Michigan				12.5 %	22.2 %
West Virginia ¹				42.9 %	42.9 %
Total				28.3 %	38.9 %

(1) Represents Ohio resident gaming revenue for both Racinos and limited VLT establishments.



Executive Summary

Criteria for Selecting Surrogate Casino Locations

- In order to estimate the potential casino revenue for the State of Ohio it is necessary to identify surrogate casino locations throughout the State that satisfy the following criteria:
 - Retain Ohio resident spending within the state (seal the borders)
 - Attract new visitors to Ohio and increase the level of spending of existing visitors
 - Minimize cannibalization of demand between Ohio gaming markets
 - Minimize the redirection of existing spending within Ohio (local product substitution)
 - Maximize tax revenues and employment in Ohio
 - Maintain the competitive position and viability of Ohio casinos
 - Access, visibility and proximity to major arteries and ports of entry
 - Existing supporting infrastructure, amenities and attractions to augment the casino
 - Adequate labor pool



Executive Summary

Surrogate Casino Locations

The following areas were selected as surrogate casino locations based on the criteria identified. In the selection of these communities, no consideration has been given to the political environment in each area.

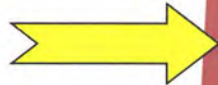
- ❑ Cincinnati – Hamilton County
- ❑ Cleveland – Cuyahoga County
- ❑ Columbus – Franklin County
- ❑ Dayton – Montgomery County
- ❑ South Point – Lawrence County
- ❑ Steubenville – Jefferson County
- ❑ Toledo – Lucas County

Executive Summary

After identifying the surrogate casino locations, three methods were used to estimate the potential casino revenue for Ohio.

Casino revenue estimate derived from benchmarking all forms of gaming vs. Other States =

\$3.8 billion



Casino revenue estimate derived from the application of G.I.S. modeling and radial ring analysis =

\$3.806 billion

Casino revenue estimate derived from benchmarking casino market performance vs. Other regional market areas =

\$3.66 billion



Executive Summary

Estimated 2008 Potential Casino Revenue as Determined by G.I.S. Modeling

Estimate of Gaming Market Capture in Calendar Year 2008

Market Total	Daytrip Visitors				Baseline Destination	Incremental Destination	Total
	0 - 25 Miles	26 - 50 Miles	51 - 100 Miles	101 - 150 Miles			
Adult Population	5,559,531	5,325,338	8,484,500	3,207,010			22,576,379
Adult Pop. Capture	85.8 %	53.0 %	24.9 %	13.1 %			44.8 %
Visitor Base	4,768,355	2,820,510	2,109,707	420,794	15,817,830	1,259,099	27,196,294
Propensity for Gaming	45.0 %	33.0 %	25.0 %	10.0 %	22.5 %	67.8 %	29.6 %
Potential Annual Trips	12.0	8.0	6.0	3.0	1.0	1.0	5.1
Potential Gaming Patrons	25,749,113	7,446,145	3,164,562	126,239	3,559,012	853,372	40,898,443
Average Hold per Patron	\$87.30	\$97.00	\$117.64	\$121.25	\$99.33	\$111.52	\$93.07
Estimated Gaming Revenue	\$2,247,897,565	\$722,276,065	\$372,268,430	\$15,306,479	\$353,509,509	\$95,166,785	\$3,806,424,832

- It is estimated that the casino market potential for the State of Ohio during 2008 is approximately \$3.806 billion with over 41,800 gaming positions in place over seven cities throughout the state.
 - This estimate compares favorably with the benchmarking estimate of \$3.8 billion based on the 2004 average gaming revenue as a percent of total personal income for 15 competing states
- Assuming a 15% state gaming tax rate provides tax revenues in excess of \$570 million
- Approximately 88.2% of the total gaming revenue is from day-trip customers from Ohio and neighboring states, which is consistent with local gaming markets across North America.
 - It is estimated that approximately \$2.694 billion of the potential revenue would come from Ohio residents
 - An addition \$664 million would be derived through day-trip from residents of neighboring states
- The remaining \$448 million is estimated to come from current and new visitors to the state.

Executive Summary

Estimated 2008 Potential Casino Revenue by Market Area

The estimated breakdown of casino gaming revenue for each market area is as follows:

City	Daytrip Estimate of Gam. Revenue	Baseline Visitor Estimate of Gam. Revenue	Incremental Vis. Estimate of Gam. Revenue	Total Casino Revenue
Cincinnati	\$548,021,936	\$95,425,559	\$25,689,107	\$669,136,602
Cleveland	\$964,893,049	\$90,110,504	\$24,258,264	\$1,079,261,817
Columbus	\$669,345,957	\$88,517,194	\$23,829,336	\$781,692,487
Dayton	\$453,261,920	\$32,614,563	\$8,780,027	\$494,656,510
South Point	\$128,747,872	\$5,741,547	\$1,545,657	\$136,035,076
Steubenville	\$122,135,247	\$8,047,018	\$2,166,303	\$132,348,568
Toledo	\$471,342,557	\$33,053,125	\$8,898,091	\$513,293,772
Total	\$3,357,748,538	\$353,509,509	\$95,166,785	\$3,806,424,832

Executive Summary

Estimated 2008 Potential Casino Performance by Market Area

- In addition to the captured gaming revenue, the state's casinos will likely generate:
 - \$3.2 billion in development costs;
 - \$595 million in non-gaming revenues (hotel, F&B, retail, entertainment, etc.)
 - \$570 million in gaming taxes;
 - \$1.08 billion in non-payroll related annual expenditures on goods and services;
 - \$1.05 billion in annual salaries and wages; and,
 - 40,392 jobs
- The breakdown by market area is as follows:

City	Development Cost	Non-Gaming Revenue	Gaming Tax	Non-Payroll Related Exp.	Salaries & Wages	Operating F.T.E.s
Cincinnati	\$613,725,000	\$125,995,500	\$100,370,490	\$198,531,832	\$191,898,424	7,361
Cleveland	\$895,950,000	\$192,699,000	\$161,889,273	\$310,126,634	\$309,516,235	11,872
Columbus	\$571,800,000	\$123,525,000	\$117,253,873	\$211,703,888	\$224,177,778	8,599
Dayton	\$303,725,000	\$41,175,000	\$74,198,476	\$120,749,150	\$128,963,754	4,947
South Point	\$106,000,000	\$12,912,480	\$20,405,261	\$40,233,198	\$31,919,593	1,224
Steubenville	\$102,875,000	\$16,140,600	\$19,852,285	\$39,723,210	\$32,779,837	1,257
Toldeo	\$630,025,000	\$82,350,000	\$76,994,066	\$160,880,668	\$133,822,744	5,133
State Total	\$3,224,100,000	\$594,797,580	\$570,963,725	\$1,081,948,580	\$1,053,078,365	40,392

Executive Summary

Estimated 2008 Potential Patron Spending Outside of the Casino by Market Area

- In addition to the spending captured by the State's casinos, patrons are anticipated to generate an additional \$384 million at businesses in the local community including:
 - \$93 million for overnight accommodations;
 - \$106 million at eating and drinking places
 - \$101 million in retail sales (including gasoline);
 - \$17 million for entertainment (concerts, sporting events, theater, etc.); and,
 - \$66 million for local transportation.
- The breakdown by market area is as follows:

						Total Patron Spending Outside Casino
City	Hotel Revenue	Food & Beverage Revenue	Retail Revenue	Entertainment Revenue	Local Transportation	
Cincinnati	\$36,718,950	9,096,516	\$19,645,364	\$2,891,808	\$14,689,958	\$83,042,596
Cleveland	\$13,502,371	13,969,115	\$22,135,711	\$2,433,271	\$17,293,104	\$69,333,572
Columbus	\$29,249,088	21,013,128	\$21,042,174	\$3,582,452	\$15,016,465	\$89,903,308
Dayton	\$12,078,464	32,118,492	\$15,987,763	\$3,707,163	\$7,289,110	\$71,180,992
South Point	\$324,881	11,830,120	\$5,916,555	\$1,437,656	\$2,179,501	\$21,688,713
Steubenville	\$1,014,414	4,734,222	\$3,012,719	\$776,354	\$1,952,447	\$11,490,156
Toldeo	\$54,483	13,641,423	\$14,012,917	\$2,125,410	\$8,004,449	\$37,838,681
State Total	\$92,942,649	\$106,403,017	\$101,753,202	\$16,954,114	\$66,425,035	\$384,478,017

Executive Summary

Impact on Other Forms of Gaming

- An analysis of **lottery** performance across the country shows little to no correlation between the lottery and the growth of casino gaming.
 - The size of lottery jackpots and the frequency of winning in Ohio, as well as other jurisdictions, impact lottery sales from year to year far more than the growth of casino gaming.
 - The lottery has a different customer base, purchase points and purchase patterns.
 - The lottery just “chugs” along the track regardless of the changes in the casino market that surround it.
- It is estimated that the implementation of casino gaming in Ohio will have little to no impact on the Ohio lottery.
- Absent the creation of programs designed to bolster the attractiveness of race wagering, racing will continue to experience gradual but decreasing rates of revenue growth as their patron base ages and they fail to attract new customers because of the continued erosion of their competitive position relative to other forms of gaming.
- However, the practice of linking racing and casinos, as evidenced in neighboring West Virginia, has increased revenues for race track operators that have been re-invested toward winner’s purses, facility enhancements, and breeders funds that could attract a higher quality field and spur wagering among the patron base in the long term.

Executive Summary

Economic Impact Analysis - Impact Definitions

□ **Direct Impacts**

- The original revenues, expenditures, and employment generated by the economic activity in question.

□ **Indirect Impacts**

- The “2nd” level economic activity produced by industries buying from industries stemming from the initial level of economic activity (direct impacts).

□ **Induced Impacts**

- The “3rd” level economic activity produced by household expenditures created as a result of the direct and indirect impacts.

□ **Output**

- The value of an industry’s total production

□ **Employment**

- A single number of full-time and part-time workers in each sector of the industry/economy.

□ **Total Value Added**

- The sum total of employee compensation (including benefits), proprietary income, other property type income (rents, royalties, and dividends), and indirect business taxes (excise taxes, property taxes, fees, licenses, and sales taxes) paid by businesses.

Executive Summary

Economic Impact Analysis - Statewide Results

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$1,934,460,336	\$564,497,125	\$678,538,779	\$3,177,496,240
Employment	21,989.6	5,800.6	7,079.0	34,869.2
Total Value Added	\$926,854,594	\$352,604,111	\$415,157,394	\$1,694,616,099

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$4,785,640,532	\$1,559,921,981	\$1,267,348,515	\$7,612,911,028
Employment	52,989.6	13,839.2	12,621.3	79,450.1
Total Value Added	\$2,627,963,616	\$939,573,091	\$774,351,829	\$4,341,888,537

- Of all the direct operating impacts, the assumed 12 casinos across the state would generate \$4.4 billion in output (revenue), employ 40,392 workers, and generate \$1.537 billion in salaries, wages, benefits and payroll taxes.
- The remaining \$384 million in direct output, 12,597.6 in direct employment and \$1.09 billion in direct value added emanates from casino patron spending at businesses outside of the casino.

Executive Summary

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

- Previous impact studies have demonstrated that Local Product Substitution from casino gaming does not have a long-term, permanent impact on the local economy.
- However, there are likely to be some short-term (one-two years) substitution effects on local business as consumer behavior changes due to the presence of a new industry in the local economy.
- Estimates of the short-term impact of Local Product Substitution incorporate the impacts of:
 - The recapture of Ohio resident spending in neighboring states;
 - The amount of neighboring state resident spending in Ohio;
 - The amount of new destination and incremental visitor spending in Ohio;
 - The amount of existing illegal gaming spending that is potentially transferred to the legitimate economy;
 - Sports betting
 - Internet gambling
 - The potential increase in recreational spending as a percent of total spending.

In the initial one to two years of full scale casino operations between 70-88 percent of the \$4.785 billion in direct output generated by casino patrons will represent new spending in the State Economy.

Executive Summary

Economic Impact Analysis - Impact on Small Business

- There are several potential impacts of casino gaming on small business. These include:
 - Development agreements between cities and casino developers typically incorporate requirements that stipulate:
 - small businesses receive a proportional share of the purchases of goods and services demanded by the casinos;
 - Minority and Women Owned Business Enterprises receive a minimum percentage of the purchases demanded by the casinos (percentages vary)
 - It has been shown that if casinos are developed as part of an entertainment district, small businesses such as bars, restaurants and retail stores benefit from increased patron traffic generated by the casinos and the casino employees (see estimates of patron spending outside of the casino presented earlier in this section).
 - Employers in the hospitality sector (hotels, eating and drinking places) and some retail shops will likely see an increase in employee turnover immediately after the casinos open
 - Casinos typically pay salaries and wages that are 10-15% above similar positions in the hospitality sector.
 - Casino line employees typically earn higher tip income due to the high volume of casino patrons.
 - Casino line employees are typically offered full benefits

Executive Summary

Fiscal Impact Analysis - Statewide Results

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal	\$0	\$125,938,526	\$9,445,558	\$2,027,216	\$7,486,687	\$10,746,589	\$155,644,575
State/Local	\$0	\$5,933,825	\$0	\$33,712,526	\$8,245,498	\$61,258,693	\$109,150,542
Total	\$0	\$131,872,350	\$9,445,558	\$35,739,742	\$15,732,185	\$72,005,282	\$264,795,117

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal	\$0	\$259,945,228	\$5,780,072	\$3,633,551	\$48,000,552	\$53,563,465	\$370,922,868
State/Local	\$570,963,725	\$12,307,399	\$0	\$60,433,104	\$52,865,636	\$303,726,615	\$1,000,296,478
Total	\$570,963,725	\$272,252,627	\$5,780,072	\$64,066,655	\$100,866,188	\$357,290,080	\$1,371,219,347

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 12 casinos across the state, approximately \$1.032 billion would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

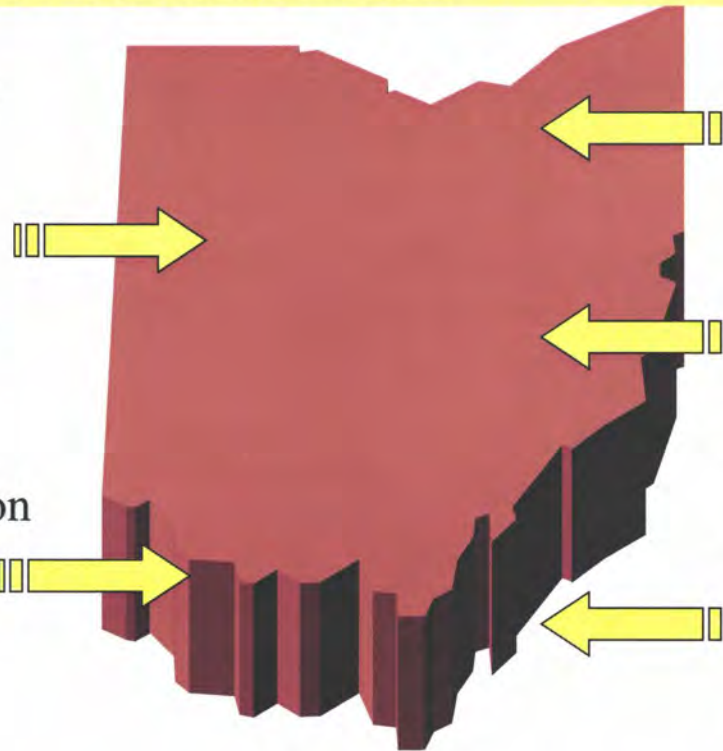
Executive Summary

Conclusions

It is estimated that casino gaming in the State of Ohio would produce the following impacts in the State between 2006 and 2008:

\$3.806 billion in gaming revenue including the recapture of most of the current \$925 million in resident casino spending that is leaving the state.

\$3.2 billion in construction (temporary) Output and **\$7.6 billion** in operating (annual) Output.



35,000 construction jobs and **79,000** operating jobs.

\$1.7 billion in construction Value Added and **\$4.3 billion** in operating Value Added.

\$109 million in construction and **\$1.0 billion** in operating taxes to State and Local government.



Introduction

- Background
- Scope of Work
- Market Analysis Methodology

Introduction

Background

- The State of Ohio currently authorizes legalized gaming in the form of horse racing, lottery, bingo and charitable gaming.
- Efforts have been made to legalize casino gaming in the State of Ohio in the past without success.
- In the meantime, several of the states surrounding Ohio have adopted casino gaming or embarked upon casino gaming initiatives.
- In 1996, Deloitte prepared an independent assessment of the casino gaming market potential for the State of Ohio including the corresponding economic impact.
- Patrick Bero was retained by the Greater Cleveland Partnership (the “GCP”) for the purpose of:
 - Updating the 1996 Deloitte study in order to quantify a number of economic impact issues facing the State including:
 - Identifying the current amount of Ohio resident gaming expenditures in neighboring states.
 - Estimating the potential gaming revenues that could be captured by proposed land-based casinos in Ohio
 - Determining the economic and fiscal impact of land-based casino gaming on the State of Ohio
- The result of this study will be used to formulate a firm GCP policy position with regard to the adoption of casino gaming in the State of Ohio.

Introduction

Scope of Work


The main objective of conducting the study will be to update the 1996 Deloitte market assessment and to provide on-going support to the GCP effort. The major components of the study include:

- Module I: Market and Financial Analysis (As-Is and Proposed)
 - an assessment of the current gaming environment in the State of Ohio and an estimate of the volume of resident expenditure in competing gaming jurisdictions;
 - a comparison of the potential gaming market for the State of Ohio with other local and state jurisdictions;
 - the identification of potential locations for land-based casinos in the State of Ohio;
 - an evaluation of the potential casino gaming visitation and win in the State of Ohio if casino gaming were authorized;
 - an estimate of the total number of supportable casino positions in the State of Ohio;
 - an evaluation of the impact of casino gaming on other forms of gaming in the State of Ohio; and,
 - an evaluation of the feasibility of proposed business models based on projections of revenue, operating cost, capital costs, debt service, and the value of cash flows from operations;
- Module II: Economic Impact Analysis
- Module III: Fiscal Impact Analysis

Introduction

Market Assessment Methodology

- The market assessment model estimates potential and captured casino gaming revenue (tables and slots) and does not factor in lottery, bingo, pull-tab/punchboard, horse racing, raffles, or fund raiser activity.
- Estimating Potential Gaming Revenue
 - Estimate the potential number of annual gaming patrons
 - Estimate the average win per patron per visitor segment
- Estimate the Annual Number of Gaming Patrons
 - The potential patrons available to the State of Ohio have been classified into three major categories: *Daytrip*, *Baseline Destination* and *Incremental Destination* visitors.
 - **Daytrip Visitors** are those local residents residing within 150 miles of their respective gaming destination that have made a conscious decision to gamble prior to entering the casino. Daytrip visitors are generally people who enjoy and practice gaming on a regular basis. This is the profile of visitor that currently constitutes the greatest demand for the casino and generates the majority of its revenues.
 - **Destination Visitors** are defined as travelers currently visiting the gaming market that stay in area hotels, with friends and relatives, campgrounds or other types of accommodation. Many of these individuals have not pre-planned a visit to the casino. Therefore destination visitor demand is more spontaneous in nature. Visitors who fall into this category rely more on opportunities being created for them to gamble. *The primary motivation of this market is not gambling, but rather entertainment.*
 - **Incremental Destination Visitors** are defined as new travelers who are induced to visit the market area specifically because of the presence of gaming. These visitors, like their baseline counterparts, stay in area hotels, with friends and relatives, campgrounds or other types of accommodation. However, these customers have a much greater propensity to gamble than the comparable baseline visitor segments and have a larger gaming budget per visit. Many of these individuals have pre-planned a visit to the casino. Therefore incremental destination visitor demand is more purposeful in nature. *The primary motivation of this market segment is gambling.*



Introduction

Market Assessment Methodology

□ Identifying Daytrip Demand

■ Geographic Information Systems (GIS) Analysis

- Powerful computer based tools which allow for detailed analysis of a community's resident population based on defined characteristics.
- The concentric radial ring analysis begins by analyzing demographic and economic data, including population and income characteristics for each individual county located in the circumscribed radial area.
 - For the purposes of this analysis, a 150-mile market area has been utilized.
 - Subsequent to the demographic analysis, three key factors are applied to the adult population base that resides in each concentric radii to develop a more refined estimate for visitation. These key estimation factors are described as follows:

Introduction

Market Assessment Methodology

□ Identifying Daytrip Demand continued

- **Capture**: Takes into consideration factors such as competition and access to the gaming venue within each concentric radii. It essentially represents the percentage of available potential gaming participants located within the counties in each of the concentric radii surrounding the gaming venue.
- **Propensity**: Is represented as a percentage of the population identified in the capture analysis that will actually play at a gaming venue if it were made available. Propensity is analyzed by concentric radial ring in order to account for travel times and changes in income characteristics.
- **Frequency**: The average number of times the potential gaming participants identified in the capture and propensity analyses will visit a gaming venue on an annual basis.
- **Gaming Incidence**: The resultant product of the capture, propensity and frequency assumptions. The gaming incidence is a multiple of the adult population and provides an estimated per-capita indication of visitation from each radial ring surrounding a gaming venue.
 - $\text{Capture} \times \text{Propensity} \times \text{Frequency} = \text{Gaming Incidence}$
- Applying the gaming incidence to the adult populations in each county in the market area enables the estimation of the Daytrip patron base.

Introduction

Market Assessment Methodology

□ Identifying Destination Visitor Demand

■ Baseline Destination Visitors

- Determine the number of adult hotel guests by county based on estimates of:
 - Available hotel rooms
 - Occupancy
 - Double occupancy
 - Average Length of Stay
 - Percent of hotel guests of gaming age
- Estimate percentage of total visitors staying in hotels
- Estimate market segmentation of the visitor base
 - Hotel guests (commercial/group/pleasure), visiting friends and relatives, miscellaneous

■ Incremental Destination Visitor Demand

- Estimate the additional percentage of visitors by segment who will visit the market area due to the presence of gaming.
- For the purposes of this analysis baseline destination visitors and incremental destination visitors are assumed to gamble in the county in which they are visiting.

Introduction

Market Assessment Methodology

- Estimating the Average Win per Patron
 - Using a regression model along with demographic data and gaming information from other jurisdictions we are able to establish a baseline win per patron for all patron segments.
 - The baseline win per patron is then adjusted to account for differentials in the per-capita personal income of the resident population by radial ring.
 - Those persons with higher per-capita personal income possess more disposable income and will thus be more likely to spend more per-visit.
 - The baseline win per patron is also adjusted to account for the proximity of the resident population to a gaming venue.
 - Those persons traveling greater distances to a gaming venue display more dedication to the gaming activity and, hence, will spend more per-visit.
 - Finally, the baseline hold per patron is adjusted to account for the estimated duration of play.
 - The industry benchmark for the length of stay per-visit is four hours.
 - The length of stay is impacted by the game mix, amenity offering and service level.
 - Baseline and incremental destination visitor segments win per patron figures are based on the win per patron estimates for the daytrip segment adjusted to account for travel budgets and propensity to gamble differentials.
- The estimated patron base in each segment is multiplied by its corresponding estimated win per patron to derive the estimated annual potential gaming revenue.



State of Ohio

Module I – Market and Financial Analysis



State of Ohio

Casino Customer Profile

State of Ohio

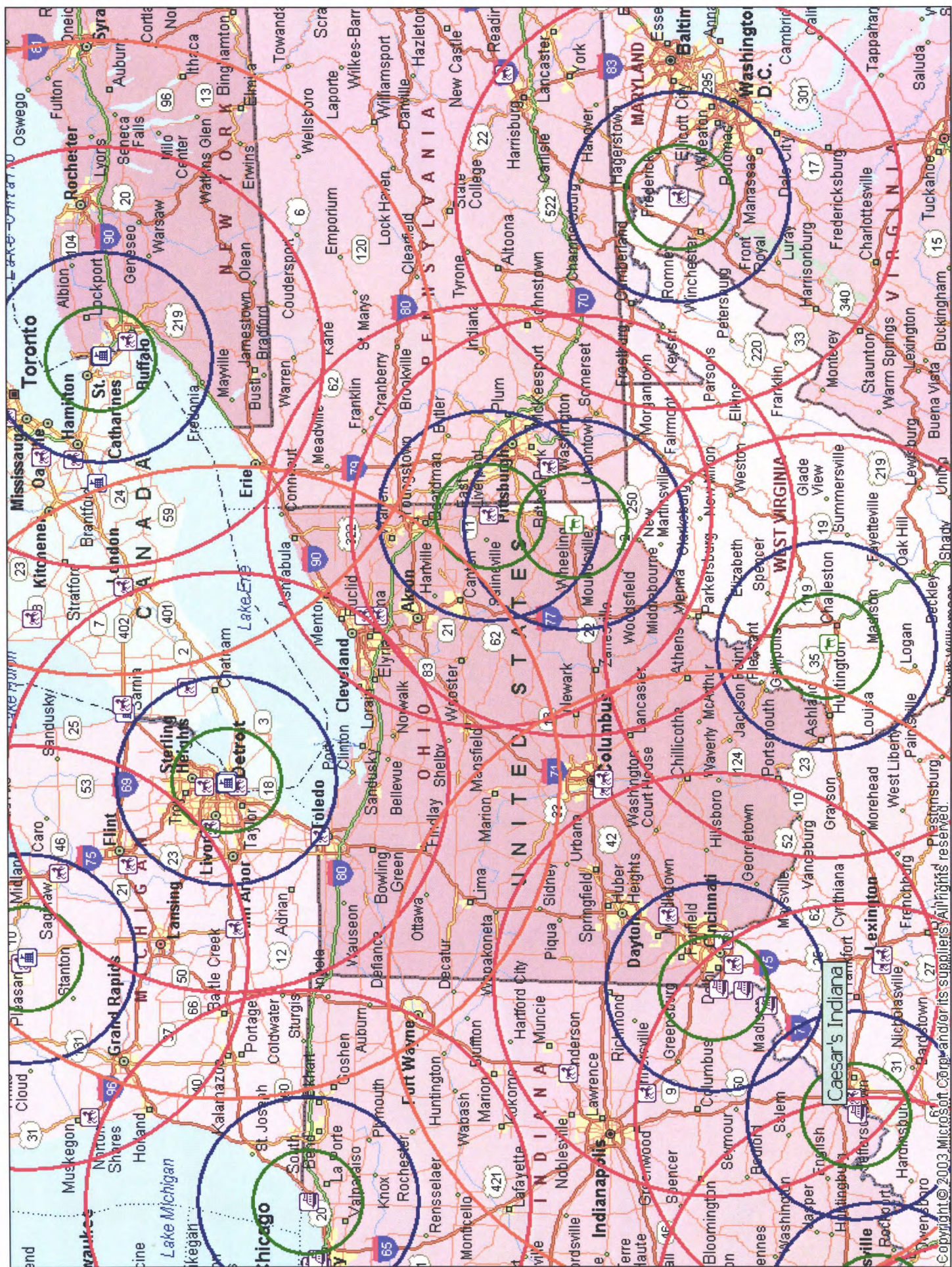
Casino Customer Profile

- Harrah's Entertainment, Inc., a recognized leader in market research within the gaming industry, conducts an annual survey of casino customers nationwide.
- According to the Harrah's 2004 Survey – Profile of the American Gambler:
 - The median age of casino gamblers is 48 compared to 46 for the U.S. population (21+).
 - Casino gamblers live in smaller households than non-gamblers.
 - 53% of casino gamblers live in household of two or less compared with 46% for non-casino gamblers.
 - The higher a person's income, the more likely he or she is to play casino games.
 - The median household income of U.S. casino gamblers (\$53,204) is 16% higher than that of non-gamblers (\$45,781).
 - When compared with the U.S. population as a whole, casino players are more likely to hold white-collar jobs.
 - Among adults 25 years old or older, gamblers are more likely than the average American to have attended college.
 - Ohio generated more than 2-million casino visits in 2002 and 2003.
 - Cleveland and Cincinnati are two of the top feeder markets in the country for casino customers over 2002 and 2003.
- Harrah's Surveys for 2003 and 2004 can be found in Appendix A to this report.

State of Ohio

Market Overview

- ❑ Current (As-Is) Market Map
- ❑ Competitive Environment
- ❑ Competitive Assessment
- ❑ Gaming Revenue in Neighboring Market Areas
- ❑ Ohio Resident Share of Neighboring State Revenue



State of Ohio Market Overview

Competitive Environment

- The states that border Ohio offer a wide variety of gaming alternatives to both local residents and visitors.
- Patrons can chose from:
 - numerous Las Vegas style casinos (land-based, riverboat, and Native American) which provide both table games and slot machines;
 - live and pari-mutuel racing (horse and greyhound);
 - state lotteries;
 - charitable bingo, raffles and pull-tabs; and,
 - video lottery.

	Casino Gaming				Racing		Lottery				Charitable	
	Land-based	Riverboat	Tribal		Horse	Greyhound	Ticket	VLT	Bingo		Pull-tab	Raffle
OH					X (7)			X			X	X
IN		X (10)			X (1)			X			X	X
KY					X (6)			X			X	X
MI	X (3)			X (17)	X (7)			X			X	X
PA	X (14)				X (4)			X				
WV	X (4)				X (2)	X (2)		X	X		X	



Michigan

Competitive Environment

State of Ohio Market Overview

Competitive Environment - Michigan

□ *Current Landscape*

- The State of Michigan offers a wide variety of gaming alternatives to the public including:
 - 3 land-based commercial casinos operated by corporate entities;
 - 17 tribal casinos spread throughout the state;
 - 7 horse race tracks;
 - ticket based lottery games; and,
 - a substantial charitable gaming industry.
- In addition to opportunities offered within the state, Michigan residents have:
 - riverboat (Indiana);
 - tribal (Wisconsin);
 - commercial land-based (Ontario); and,
 - charity (Ontario) gaming opportunities available in neighboring jurisdictions
- In several instances (Blue Chip Casino in Michigan City, IN and Casino Windsor in Windsor, ON), the volume of activity captured from Michigan residents by out of state casinos exceeds hundreds of millions of dollars annually.

State of Ohio Market Overview

Competitive Environment - Michigan

- *Current Landscape - Land-based Commercial Casinos*
 - City of Detroit has 3 land-based temporary commercial casinos
 - Generated approximately \$1.189 billion in gaming revenue for calendar year 2004.
 - Combined, these three facilities provide 225,000 square feet of gaming space containing over 9,400 gaming positions.
 - These facilities are deemed temporary because under the terms of the legislation that permitted the operation of three casinos in Detroit was a stipulation that the license holders would develop properties that would include significant non-gaming amenities not the least of which were 400-room hotels. As a result of judicial challenges to the original gaming legislation, the development of these more extensive gaming venues has not yet commenced.
 - In addition to the revenue earned by the three downtown Detroit casinos, it is estimated that Casino Windsor across the Detroit River in Ontario will capture an additional \$337.5 million US, of which approximately \$270 million or 80 percent comes from U.S. residents.

State of Ohio Market Overview

Competitive Environment - Michigan

□ *Current Landscape - Native American Casinos*

- Michigan is home to one of the largest Native American gaming markets in North America
- 17 tribal casinos spread throughout the State
- Combined, they are estimated to have captured approximately \$868.5 million in 2004
- Eleven of these casinos are located in the upper peninsula of Michigan with the remaining facilities being concentrated primarily along the state's western border.
- The largest and most influential of Michigan's Native American casinos is the Soaring Eagle Casino in Mount Pleasant.
 - Located approximately 120 miles northwest of Detroit, 65 miles northeast of Grand Rapids, and 60 miles north of Lansing along interstate 69, Soaring Eagle Casino is the fourth largest casino floor in North America at over 225,000 square feet.
 - Over 500 hotel rooms support the casino's 4,704 slot machines, 79 table games, poker room, bingo parlor and entertainment venue.
 - The resort style amenities combined with its proximity to major population centers and access to major thoroughfares has made it a popular destination for both in-state as well as out-of-state residents.

State of Ohio Market Overview

Competitive Environment - Michigan

□ *Current Landscape - Racing*

- Michigan has seven horse racing facilities which provide both live and simulcast pari-mutuel racing.
- In 2003, Michigan race tracks attracted over 1.3 million visitors who wagered approximately \$346.6 million, generating over \$115 million in win for the state and racing operators.
- This represented a five percent decline compared with the 2002 performance, which is not inconsistent with the performance of the racing industry across North America.
- In spite of this decline in activity, the state racing commission reported that during 2004 it received and was reviewing five racetrack applications and fielding several inquiries for the construction of new racing facilities.
- Much of this prospective development is in anticipation of the adoption of race track casino legislation sometime in the near future.

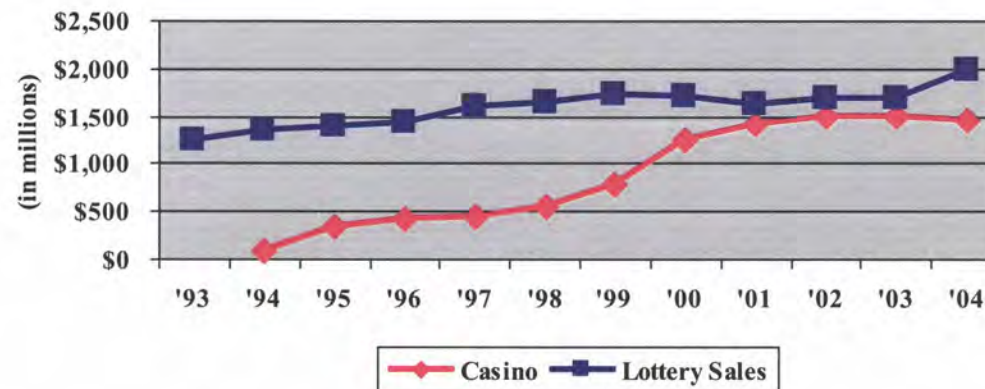
State of Ohio Market Overview

Competitive Environment - Michigan

□ *Current Landscape - Lottery*

- The Michigan Lottery generated \$1.97 billion in sales during 2004 producing over \$644.5 million in revenue for education funding.
- In spite of the dramatic growth in gaming revenue captured through new casino gaming facilities that have opened throughout the state during the 1990's, the lottery continues to experience gains that are consistent with historical sales trends.

Michigan Casinos vs. Lottery



Note: Does not include tribal casino revenues.

State of Ohio Market Overview

Competitive Environment - Michigan

□ *Current Landscape - Charitable Gaming*

- During 2004, bingo, raffles, and millionaire parties generated nearly \$134 million in revenue and over \$79 million in profits for thousands of charitable organizations.
- This represents increases of 4.36 percent and 1.3 percent for revenue and profits respectively.
- In spite of these gains, bingo, which operates daily at locations across the state, experienced a 3.5 percent decline in revenue from the previous year.

□ *Recent Developments*

- Over the course of both the 2003 and the 2004 legislative sessions several gaming bills went through legislative committees for consideration. The most prominent of which were measures to permit slot devices at race tracks and to double the gaming tax for the three Detroit commercial casinos.
- In 2003, legislation was drafted that would permit slot devices at Michigan racing facilities. The proposal provided that race tracks would be permitted to operate between 500-2,000 positions. Detroit area casinos vigorously opposed the legislation and actively campaigned against its passage. The legislation was not approved.
- In 2004, the legislation for race track casinos was drafted again and once again the Detroit area casinos were vocal opponents. They formed grass roots organizations and initiated a public relations campaign highlighting the negative impact that the proposal would have on their business, their employees and their ability to finance the development of permanent casinos.

State of Ohio Market Overview

Competitive Environment - Michigan

□ *Recent Developments*

- As a result of the casino's opposition to the legislation, race track casino (or "racino") proponents drafted legislation that would have doubled the gaming tax applied to gross gaming revenue for the three Detroit casinos from 18 to 36 percent. This would have made Michigan the second highest gaming tax jurisdiction in the United States behind only Illinois and the highest taxed jurisdiction among all land-based jurisdictions by more than 15 percent. After lengthy debate, a compromise was reached that would raise the tax rate from 18 to 24 percent. This new tax rate went into effect in September 2004.
- Shortly after the debate was concluded for the gaming tax increase bill, the Detroit casinos along with many of the state's Native American casinos initiated a grass roots campaign that culminated in the placing of Proposal 1 on the November ballot. Proposal 1 stipulated that before any new forms of gaming could be authorized by the state, plans would need to be submitted to the voters on a statewide referendum. In order to be approved, the prospective proposal would be required to pass by a majority of both state **and** local residents. It was marked as a measure that would give both local and state residents controls over any further expansion of gaming in their neighborhoods. The measure was opposed by the state government – including the governor, race track operators and even teacher unions who were told that the measure would potentially harm education funding.
- Proposal 1 was approved by the state's voters in all but two counties and garnered over 58 percent of the vote among over 4.6 million votes cast.



Indiana

Competitive Environment

State of Ohio Market Overview

Competitive Environment - Indiana

□ *Current Landscape*

- The State of Indiana has many gaming options available for residents and visitors including:
 - 10 riverboat casinos;
 - 2 horse race tracks;
 - ticket based lottery games; and,
 - a vibrant charitable gaming industry.
- Unlike Michigan, Indiana faces only limited competition for gaming along its borders and is most likely a net exporter of gaming services with casino facilities that are strategically located to capture residents from neighboring population centers in:
 - Illinois (Chicago);
 - Ohio (Cincinnati and Dayton);
 - Michigan (Grand Rapids and Kalamazoo); and,
 - Kentucky (Louisville and Lexington).

State of Ohio Market Overview

Competitive Environment - Indiana

□ *Current Landscape - Riverboat Casinos*

- Indiana's riverboat casinos are located in two areas:
 - in the north along the shores of Lake Michigan (5) and
 - along the Ohio River (5) on the state's southern border.
 - Combined, these ten casinos generated over \$2.369 billion in gaming revenue during 2004
 - Taken together, the three casino facilities near Cincinnati provide over 496,000 square feet of gaming space containing over 21,800 gaming positions.
 - It should be noted that, contrary to the popular belief that the Lake Michigan casinos generate the lion's share of casino revenues for the state, the Ohio River casinos produce over 48 percent of the total casino revenues with 46 percent of the casino visitor base.
 - This is due to the fact that the Lake Michigan casinos face significant competition from riverboat casinos in Illinois (Chicago area) and land-based tribal casinos in Michigan.
- It is estimated that between 60 to 80 percent of the \$2.3 billion in statewide casino revenue comes from residents and visitors who live outside the State of Indiana. Applying this estimate to the revenue generated by the three riverboat casinos that are near the Ohio border would result in an estimate ranging from \$429 to \$572 million in Indiana casino revenue that comes from Ohio residents.

State of Ohio Market Overview

Competitive Environment - Indiana

□ *Current Landscape - Racing*

- Indiana has two horse racing facilities which provide both live and simulcast pari-mutuel racing.
- Both of these facilities are located along major interstate highways and are between 25 and 30 miles from Indianapolis.
- Together these two facilities generated nearly \$166 million in wagers during the 2003 calendar year.
- This represented a 12 percent increase over 2002 and can be attributed to both tracks running a full schedule of races for all breeds during 2003.
- It is anticipated that the opening of a satellite betting parlor in Clarksville will result in further increases during 2004.

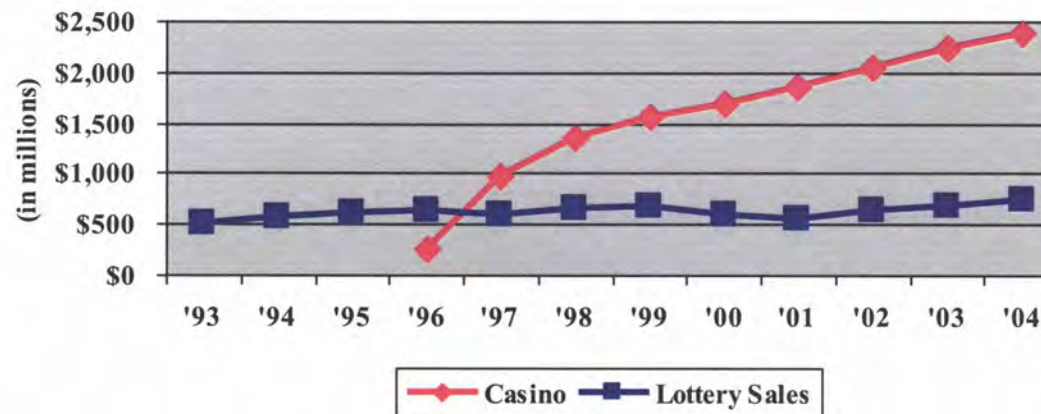
State of Ohio Market Overview

Competitive Environment - Indiana

□ *Current Landscape - Lottery*

- The Hoosier Lottery generated \$725 million in sales during 2004 producing over \$294 million in net revenue.
- In spite of the dramatic growth in gaming revenue captured through new casino gaming facilities that opened throughout the state during the 1990's, the lottery continues to experience gains that are consistent with historical sales trends.

Indiana Casinos vs. Lottery



State of Ohio Market Overview

Competitive Environment - Indiana

□ *Current Landscape - Charitable Gaming*

- In June 1992, the Indiana Department of Revenue was given the responsibility of enforcing charity gaming laws in Indiana.
- It was determined that only qualified nonprofit organizations can legally conduct charity gaming events in Indiana.
- These gaming events are limited to bingo, charity game nights, door prizes, festival events, raffles, and the sale of pull tabs, punchboards, and tip boards.
- Organizations must be licensed and registered for each type of charity gaming event they want to conduct.
- An organization may conduct legal charity gaming events if it is a bona fide educational, religious, senior citizen, veteran, or civic/fraternal/charitable organization operating in Indiana, and is exempt from taxation under Section 501 of the Internal Revenue Code (IRC).
- For the fiscal year ended June 30, 2004, charitable events held in Indiana generated nearly \$539 million in gaming revenue and provided approximately \$76 million in net proceeds for non-profit organizations.
- The most popular charitable event is bingo, which generated over \$444 million in gross revenue and provided nearly \$51 million in net proceeds.



State of Ohio Market Overview

Competitive Environment - Indiana

□ *Recent Developments*

- In 2004, the Indiana gaming commission issued a request for proposals for the development of an 11th casino facility to be located in Orange County (near French Lick).
- After accepting and reviewing three proposals, Trump Indiana Casino Management LLC was selected to be the casino operator for the proposed facility.
- The new casino is schedule to open sometime in early 2006.



Kentucky

Competitive Environment

State of Ohio Market Overview

Competitive Environment - Kentucky

□ *Current Landscape*

- Aside from the State of Ohio, the Commonwealth of Kentucky provides the most limited gaming environment among the six states being evaluated in the regional marketplace.
- Six horse racing facilities operate in the commonwealth including Churchill Downs, home of the Kentucky Derby.
- Kentucky also offers both ticket and on-line lottery which generated a combined \$699 million in sales and \$276 million in net receipts during 2004.
- Kentucky also has a vibrant charitable gaming industry that includes:
 - bingo;
 - pull-tabs;
 - raffles; and,
 - other forms of charitable games.
- Together these games attracted an estimated 5.3 million visitors and generated over \$588 million in handle with a corresponding win after prize payouts of \$51 million during fiscal year 2003.

State of Ohio Market Overview

Competitive Environment - Kentucky

□ *Recent Developments*

- For the second consecutive session the Kentucky legislature will be considering bills that would permit five of the state's six racetracks to operate casino games and would also permit four additional land-based casino facilities to open at undetermined locations across the state.
- Preliminary estimates prepared by the state suggest that the proposed configuration of the new casino facilities would generate \$431 million annually for the state within five years.
- Some influential members of the legislature believe that there is not much support for passage of the bills but unlike last year there is some degree of support from a state administration which has emphasized tax reform and passing a budget as its top priorities.
- The legislation's chief sponsor feels that fiscal pressures at the state level combined with the proliferation of gaming in neighboring Indiana, Illinois and West Virginia will make the passage of the bills much more likely.



West Virginia

Competitive Environment

State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Current Landscape*

- The State of West Virginia provides several gaming options for both residents and visitors including:
 - 4 racetrack casinos
 - live and simulcast racing at two horse tracks and two greyhound tracks
 - ticket based lottery games;
 - Limited video lottery; and,
 - charitable gaming.
- Similar to Indiana, West Virginia faces only limited competition for gaming along its borders.
- Furthermore, by strategically placing its casino facilities and video lottery outlets along the borders close to neighboring state's population centers in Ohio (Steubenville, Akron, Canton and Youngstown), Pennsylvania (Pittsburgh), Virginia, and Maryland (Washington D.C. metro area), West Virginia is most certainly a net exporter of gaming services.

State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Current Landscape - Racetrack Casinos*

- West Virginia's racetrack casinos are located in three areas:
 - two are in the northern panhandle between Ohio and Pennsylvania;
 - one lies in the eastern panhandle near the Washington D.C. metro area; and,
 - the fourth facility is in the southern part of the state between Charleston and Huntington along interstate 64.
- Combined, these four casinos offer over 10,500 video lottery games and generated over \$879 million in video lottery revenue during 2004.

Results for Calendar Year 2004					
Track	Handle	Prizes Paid	Win	# of VLTs	Win/Pos. per Day
Mountaineer	\$2,887,567,827	\$2,631,835,573	\$255,732,254	3,153	\$221.61
Wheeling Downs	\$2,116,548,143	\$1,924,430,756	\$192,117,387	2,196	\$239.08
Tri-State	\$797,261,722	\$731,165,101	\$66,096,622	1,576	\$114.57
Charles Town	\$3,954,967,999	\$3,589,707,999	\$365,260,001	3,615	\$276.03
Total	\$9,756,345,692	\$8,877,139,428	\$879,206,263	10,540	\$227.91

State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Current Landscape - Racing*

- In addition to the video lottery receipts generated at the four racetrack casinos, these facilities also host live and simulcast pari-mutuel racing throughout the year.
- West Virginia has two horse racing facilities and two greyhound racing tracks which provide both live and simulcast pari-mutuel racing.
- Together these four facilities generated nearly \$749 million in wagers during the 2003 calendar year and produced over \$169 million in revenue.
- This represented a 12 percent increase over 2002 but the growth was not consistent for horse and greyhound racing.
- Horse race tracks experienced a 15 percent increase in wagering during the year while greyhound racing experienced a seven percent decline.

State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Current Landscape – Limited Video Lottery*

- In addition to Video Lottery terminals that are provided at the race track casinos, the state permits a small number of machines to be placed in bars, restaurants, fraternal organizations, and hotels with specific types of West Virginia Alcohol Beverage Control Commission licenses.
- The legislation which authorized the video lottery was enacted in April 2001 and provides up to 9,000 video lottery terminals to be placed in retailer locations throughout the state.
- These machines are designated as the “Limited video lottery”.
- As of December 31, 2004 there were 7,634 Limited video lottery machines in place. These machines generated over \$277 million in gaming revenues during the 2004 calendar year. This is a 60 percent increase over Fiscal year 2003 and can be attributed to an 43 percent increase in the number of machines from 5,329 to 7,634.

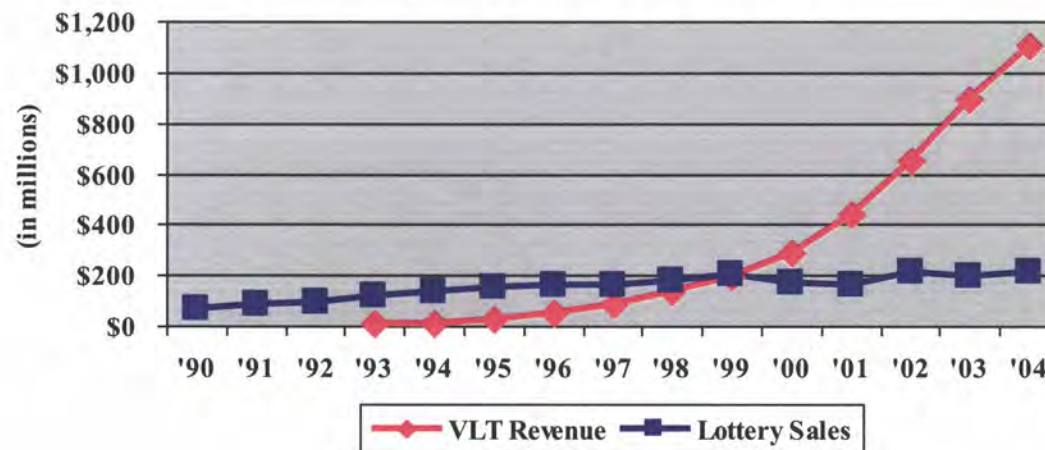
State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Current Landscape - Lottery*

- The West Virginia Lottery instant, multi-state and on-line ticket games generated \$200 million in sales during 2004 producing over \$80 million in revenue for the state.
- This represented a three percent decrease in sales compared with the previous year. This decline can be attributed to the inclusion of Pennsylvania into the POWERBALL® group, which reduced sales in those areas of West Virginia bordering that state and local floods which also curtailed sales in various areas throughout the state.
- In spite of the dramatic growth in gaming revenue captured through new casino gaming facilities that have opened throughout the state during the 1990's, the lottery continues to experience gains that are consistent with historical sales trends.

West Virginia VLTs vs. Lottery





State of Ohio Market Overview

Competitive Environment – West Virginia

- *Current Landscape - Charitable Gaming*
 - West Virginia is also home to numerous charitable gaming events which include:
 - Bingo;
 - Raffles;
 - punch boards; and,
 - pull-tabs.
 - It is estimated that charitable gaming entities captured over \$150 million in gross revenue during 2003.

State of Ohio Market Overview

Competitive Environment – West Virginia

□ *Recent Developments*

- During the current legislative session a bill is being considered that would permit the state's four racetrack casinos to offer table games to the patrons.
 - Initial prospects for passages of the bill were promising; however, as late as April 7, agreements between key legislators were breaking down making passage of the legislation less likely.
- As indicated previously, the Limited Video Lottery Act provides that up to 9,000 video lottery terminals may be placed in retailer locations with specific types of West Virginia Alcohol Beverage Control Commission licenses. The West Virginia Lottery has clearly stated that it is their intention to continue to implement the Act, gradually moving towards the maximum number of machines permitted under the Act.



Pennsylvania

Competitive Environment



State of Ohio Market Overview

Competitive Environment - Pennsylvania

□ *Current Landscape*

- Up until July 2004, the Commonwealth of Pennsylvania provided a relatively limited number of gaming options for its residents.
- The horse racing industry operated four tracks which generated approximately \$1.1 billion in wagers from over 2.0 million visitors during the 2003 fiscal year.
- The only other gaming offering legally available to residents is the Pennsylvania lottery which generated over \$2.53 billion in gross sales and \$1.1 billion in net revenue (after prize payouts) for 2004.

State of Ohio Market Overview

Competitive Environment - Pennsylvania

□ *Recent Developments*

- In July of 2004, the legislature passed and Governor Rendell signed a law that will permit up to 61,000 slot machines spread among 14 sites across the Commonwealth of Pennsylvania.
- If development occurs that utilizes the maximum capacity permitted by the new law, this would make Pennsylvania second only to Nevada in the number of slot devices operating within its borders.
- The law allows for up to:
 - 7 race-track casinos (4 at existing tracks, 2 at future tracks in Erie and the Philadelphia area and 1 at an unnamed harness track);
 - 5 land-based casinos (2 in Philadelphia, 1 in Pittsburgh and 2 at undetermined locations); and,
 - 2 hotel casinos, (the hotels must have at least 275 rooms).
- Each race track and land-based casino can have up to 5,000 slot machines. The hotel casinos are allowed no more than 500 machines.
- The legislation is intended to provide property tax relief and increase state funds for education.
- It has been estimated that the new casino industry will enable the commonwealth to provide up to \$1 billion in property and wage tax relief, claiming an average reduction of \$333 per homeowner.
- Casino owners will get 48 percent of the revenue from the slots. Thirty-four percent goes to the state for property-tax reductions, about 9 percent goes to the state's equine industry, 5 percent will go to public projects and 4 percent will be split between counties and local governments that are home to each casino facility.

State of Ohio

Market Overview

- ❑ Competitive Assessment
- ❑ Gaming Revenue in Neighboring Market Areas
- ❑ Ohio Resident Share of Neighboring State Revenue

Competitive Assessment Strengths and Weaknesses

State	Strengths	Weaknesses
Michigan	<ul style="list-style-type: none"> • Established casinos in 1999 • Large resident population • Offer Land-based casinos with both tables and slot machines • Good access and visibility off of major interstate highways • Near high-volume demand generators in urban core • Market includes ownership that operate multiple properties throughout the U.S. allowing for cross-promotional efforts. • Strong name recognition 	<ul style="list-style-type: none"> • Negative image associated with Detroit • Highest land-based casino tax rate in the country • Heavy competition from Windsor, Soaring Eagle and Blue-chip casino each of which enjoys first-mover advantage. • Temporary facilities are not optimally configured and do not offer hotel accommodations or other substantial supporting amenities. • Parking constraints
Indiana	<ul style="list-style-type: none"> • Established in 1996 • Facilities located in areas where they can maximize the capture of residents from neighboring states. • No competition from Ohio and Kentucky • Tax and regulatory policies provide competitive advantages relative to Illinois (Indiana's main competitor) • Game mix includes both table games and slot machines • Market includes ownership/management that operates multiple properties throughout the U.S. allowing for cross-promotions. 	<ul style="list-style-type: none"> • Facilities are riverboats instead of land-based casinos • Limited ancillary amenities and supporting businesses in immediate area to attract customers • Adoption of gaming in Ohio and/or Kentucky feeder markets would have a substantial negative impact on performance • Changes to tax and regulatory policy in Illinois that would be favorable to the casino industry damage markets in western part of the state.
West Virginia	<ul style="list-style-type: none"> • Established in 1994 • Facilities located in areas where they can maximize the capture of residents from neighboring states • No competition from any neighboring state (until Pennsylvania authorized slot machines in 2004) 	<ul style="list-style-type: none"> • Facilities do not offer table games • Small resident population • Limited ancillary amenities and supporting business in immediate area to attract customers • Visibility and access are limited • Adoption of gaming in surrounding states will have a significant negative impact on the market • High lottery tax rate places operators at a financial disadvantage relative to potential competitors
Pennsylvania	<ul style="list-style-type: none"> • Largest state population in the market area • Legislation would allow the most positions of any state except for Nevada and California • Legislation provides for the establishment of large casinos with as many as 5,000 positions • Opportunity to recapture lost resident spending • No competition from Ohio • Potential tax advantages relative to West Virginia 	<ul style="list-style-type: none"> • Late entrant into the casino gaming market • Facilities will not offer table games • Artificial constraints on the number of positions permitted at casino hotels

State of Ohio Market Overview

Gaming Revenue in Neighboring Market Areas

	Calendar Year 2004							
	Adult Population	Gaming Positions	Gaming Patrons	Casino	VLTs	Total Revenue	Total Gaming Taxes	Effective Tax Rate
Area Summary								
Indiana	45,797	6,390	7,471,693	\$734,485,305	\$0	\$734,485,305	\$234,717,631	32.0 %
Michigan	1,449,022	18,511	0	\$1,885,672,737	\$0	\$1,885,672,737	\$339,423,465	18.0 %
West Virginia	500,717	10,287	0	\$513,946,263	\$137,323,774	\$651,270,037	\$371,223,921	57.0 %
Total	1,995,536	35,188	7,471,693	\$3,134,104,305	\$137,323,774	\$3,271,428,079	\$945,365,017	28.9 %

- Indiana figures represent only the revenues for the three casinos in Dearborn, Ohio and Switzerland counties near the Ohio border
- Michigan figures include:
 - the \$1.189 billion in revenue for the three Detroit casinos;
 - the estimated \$270 million in U.S. resident spending at Casino Windsor in Ontario; and,
 - the estimated \$426 million in revenue captured by the Soaring Eagle Casino in Mount Pleasant, MI.
- West Virginia figures are for the three racinos and the limited video lottery in the counties that are on or near the Ohio border.

State of Ohio Market Overview

Ohio Resident Share of Neighboring State Gaming Revenue

- Applying the market assessment methodology to the existing casino gaming markets in adjacent states reveals that Ohio residents produce over \$925 million or approximately 28.3% of the total revenue for these markets.
- Furthermore, because Ohio resident spending is more heavily concentrated in Indiana and West Virginia, both of which have relatively high gaming tax rates, Ohio residents contribute nearly 39% of the total gaming tax revenue or \$367 million for neighboring state and local governments.
- Ohio is charged with many of the cost associated with casino gaming and receives none of the benefits.

Ohio Gaming Market Assessment Historical Gaming Revenues by County for 2004

Area Summary

Indiana
Michigan
West Virginia¹
Total

Ohio Residents

Indiana
Michigan
West Virginia¹
Total

Ohio Resident Share of Total

Indiana
Michigan
West Virginia¹
Total

Calendar Year 2004					
Adult Population	Gaming Positions	Gaming Patrons	Total Revenue	Total Gaming Taxes	Effective Tax Rate
45,797	6,390	7,471,693	\$734,485,305	\$234,717,631	32.0 %
1,449,022	18,511	NR	\$1,885,672,737	\$339,423,465	18.0 %
500,717	10,287	NR	\$651,270,037	\$371,223,921	57.0 %
1,995,536	35,188	7,471,693	\$3,271,428,079	\$945,365,017	28.9 %
3,333,323		4,668,532	\$409,652,411	\$132,415,388	32.3 %
2,382,817		2,608,465	\$236,239,644	\$75,494,512	32.0 %
2,436,440		3,654,916	\$279,600,448	\$159,372,256	57.0 %
8,152,580	0	10,931,913	\$925,492,503	\$367,282,155	39.7 %
		62.5 %	55.8 %	56.4 %	
			12.5 %	22.2 %	
			42.9 %	42.9 %	
			28.3 %	38.9 %	

(1) Represents Ohio resident gaming revenue for both Racinos and limited VLT establishments.

State of Ohio Market Overview

Conclusions

- In spite of the fact that the State of Ohio does not currently permit casino gaming within its borders, Ohio residents are provided with numerous options to satisfy their demand for gaming by traveling across the border to neighboring states.
 - 30% of Ohio residents live within 50 miles of a casino
 - 83% of Ohio residents live within 100 miles of a casino
 - Every resident of Ohio lives within 150 miles of a casino.
- The placement of gaming facilities in Indiana and West Virginia are classic examples of effective cross-border market strategies that have significantly benefited each state.
 - West Virginia generates gaming revenue per adult resident at levels commensurate with regional gaming destinations such as Louisiana, Mississippi, and New Jersey.
- The limited gaming offering in Ohio has produced a substantial import market that has sent substantial tax dollars and jobs to neighboring states.
- Opportunities exist that would allow for the recapture of Ohio resident gaming expenditures
- As competition in the market increases, tax and regulatory regimes in each state will play a significant role in determining the market winners and losers.

Benchmarking

- ❑ Aggregate Gaming Markets
- ❑ State Tax Structures
- ❑ Non-Native American Casino Gaming Markets
- ❑ Native American Casino Gaming Markets
- ❑ Individual Casino Markets
- ❑ Video Lottery Markets

Benchmarking

Aggregate Gaming Markets

Ohio Gaming Market Assessment 2004 Competitive Jurisdiction Benchmarking

	2004	2004	2004	Non-Tribal Casinos								Gaming Revenue		
Name	Total Population ¹	Age 21 & Over Population ¹	Per-Capita Income ¹	Total Revenue ²	Tribal Revenue ³	VLT Revenue ³	Lottery Sales ⁴	Bingo Revenue ⁵	Pull-tab Revenue ⁵	Racing Revenue ⁵	Other Revenue ⁵	Total Revenue	Revenue per Adult	as a % of Income
Nevada	2,366,908	1,676,676	\$26,208	\$10,562,247,000	\$51,600,000							\$10,613,847,000	\$6,330.29	17.11 %
New Jersey	8,705,645	6,241,862	\$31,614	\$4,806,698,174			\$2,250,100,000	\$14,417,715		\$193,521,673	\$55,875,867	\$7,320,613,429	\$1,172.83	2.66 %
Michigan	10,203,863	7,183,621	\$25,281	\$1,189,264,437	\$971,000,000		\$2,025,150,000	\$35,386,891		\$115,432,612	\$98,482,277	\$4,434,716,217	\$617.34	1.72 %
Louisiana	4,594,531	3,179,847	\$19,601	\$2,163,040,645	\$372,700,000	\$568,832,777	\$319,040,000	\$114,846,800	\$70,930,800	\$353,647,202	\$2,028,800	\$3,965,067,024	\$1,246.94	4.40 %
Illinois	12,802,243	8,963,802	\$27,033	\$1,717,990,000			\$1,774,410,000	\$88,907,880	\$147,824,840	\$242,545,845	\$6,276,533	\$3,977,955,098	\$443.78	1.15 %
Indiana	6,286,453	4,414,201	\$23,565	\$2,369,691,552			\$725,060,000	\$52,654,277	\$9,702,039	\$29,290,400	\$13,397,353	\$3,199,795,621	\$724.89	2.16 %
Mississippi ⁶	2,918,131	2,013,544	\$18,480	\$2,776,865,589				\$19,749,647	\$9,091,782		\$25,931,473	\$2,831,638,491	\$1,406.30	5.25 %
Missouri ⁶	5,778,759	4,104,086	\$23,864	\$1,473,388,362			\$782,250,000				\$28,501,079	\$2,284,139,441	\$556.55	1.66 %
Washington	6,185,300	4,385,338	\$26,555	\$283,421,451	\$987,500,000		\$481,440,000	\$26,462,263	\$129,610,543	\$30,051,721	\$4,652,485	\$1,943,138,463	\$443.10	1.18 %
West Virginia	1,823,000	1,361,751	\$19,262			\$1,148,890,000	\$200,210,000	\$26,184,489		\$169,341,702	\$124,585,645	\$1,669,211,836	\$1,225.78	4.75 %
Oregon	3,581,202	2,576,566	\$24,176		\$460,100,000	\$550,300,000	\$361,360,000	\$59,917,585		\$66,409,647	\$5,415,901	\$1,503,503,133	\$583.53	1.74 %
Iowa ⁶	2,984,964	2,123,445	\$23,554	\$1,064,399,727			\$208,535,000			\$49,310,295		\$1,322,245,022	\$622.69	1.88 %
Colorado	4,758,713	3,356,449	\$28,803	\$725,903,556	\$57,400,000		\$408,650,000	\$16,821,248	\$19,370,240	\$47,134,000	\$5,229,835	\$1,280,508,879	\$381.51	0.93 %
South Dakota	784,601	545,443	\$22,046	\$78,019,320	\$53,000,000	\$216,700,000	\$33,120,000			\$18,999,932		\$399,839,252	\$733.05	2.31 %
Montana	917,958	656,801	\$19,326		\$16,300,000	\$332,800,000	\$34,170,000					\$383,270,000	\$583.54	2.16 %
Weighted Average (excluding Nevada)			\$25,408										\$714.50	2.08 %
Ohio	11,473,289	8,152,580	\$25,510				\$2,183,600,000			\$93,355,489		\$2,276,955,489	\$279.29	0.78 %
Ohio Rank	2	2	6				2			6		9	16	16
Ohio Adjusted ⁷												\$6,077,158,052	\$745.43	2.08 %
Estimated Incremental Tax ⁸												\$570,030,385		
Estimated Win/Unit/Day ⁹												\$273.99		

Benchmarking

Aggregate Gaming Markets

- The preceding schedule provides a comparison of Ohio's total gaming market with fifteen other states. The members of the comparative set were selected based on the types of gaming offered, demographic profiles, and the quality of information available for each market.
- Among the sixteen members of the comparative set, Ohio ranks second in population and sixth in per-capita income but places 16th in both gaming revenue per adult and gaming revenue as a percent of total income.
 - This 16th place ranking is direct evidence that the availability of gaming opportunities for Ohio residents is limited relative to the other states.
- Ohio's position in terms of gaming revenue per adult is even more pronounced given the fact that gaming revenue for the states of Mississippi, Iowa, and Missouri are understated because there is insufficient information available regarding those state's tribal gaming facilities.
- The State of Mississippi's ranking reflects the fact that the Mississippi Gulf Coast casinos are destinations, similar to those in Nevada and New Jersey in that they attract a large number of visitors from other states. The ability of these casinos to attract and retain customers from a wide geographical area significantly inflates the State's win per adult figures.

Benchmarking

Aggregate Gaming Markets

- Regulatory restrictions in the casino gaming markets in Illinois, Indiana, Iowa, and Missouri limit the capture of these State's full gaming demand. These restrictions include:
 - limits on the number of gaming facilities, positions, and wagers;
 - simulated cruising requirements; and,
 - placement of casinos along waterways.
 - Each of these restrictions result in reductions in the capture of gaming patrons and the frequency of visitation.
- The five states included in the comparative set that offer Video Lottery Terminals (VLTs) at retail locations such as restaurants, bars, convenience stores, and mini-casinos have had much greater success at capturing gaming demand among their residents than has Ohio.
- Of the five VLT jurisdictions presented for comparison; Louisiana, South Dakota, West Virginia and Montana, each generate gaming revenue as a percent of total income at rates nearly three to six times that of Ohio.
- The fifth state, Oregon, which generates aggregate gaming revenue of 1.74 % of total income, compared with a rate of 0.78 % for Ohio, significantly limits the number of gaming devices offered at each of its over 2,012 retail locations and has not replaced machines in a manner consistent with industry standards, thereby, limiting the frequency of visitation and the duration of play at those locations.

Benchmarking

Aggregate Gaming Markets

- If it is assumed that the State of Ohio were to adopt legislation permitting land-based casino gaming in markets throughout the state and that these new casinos would enable Ohio to generate aggregate gaming revenues as a percent of total income equal to the weighted average of the competitive set (excluding Nevada), or 2.08 percent of total income, then the state would capture an additional **\$3.8 billion** in gaming revenue annually.
- If it is further assumed that this incremental revenue is isolated to the new casinos with no impacts on other forms of gaming in the state, it is estimated that Ohio state and local governments would generate an incremental **\$570 million** in tax revenue based on an assumed 15 percent tax rate on gaming revenue.
 - A 15 percent tax rate would place Ohio near the median effective tax rate for land-based casino jurisdictions.
 - This incremental revenue would support nearly 38,000 gaming positions statewide with an average win-per-unit-per-day of \$275 over a 365 day operating year.
 - This estimate does not consider the shifting of gaming revenues from other types of gaming such as the lottery or racing nor does it factor in the normal rates of growth for each gaming sector.

Benchmarking

State Tax Structures

Land-based Casinos

	Nevada	New Jersey	Connecticut	Michigan	Colorado	So. Dakota	Louisiana ¹
AGR Tax Structure	3.50% - \$0 - \$600,000 4.50% - \$600,000 - \$1,608,000 6.75% - >\$1,608,000	8.00% State 1.25% City	25% slot AGR	12.1% state 11.9% City	Graduated: 0.25% - \$0- \$2M 2.00% - \$2- \$4M 4.00% - \$4- \$5M 11.00% - \$5 - \$10M 16.00% - \$10 - \$15M 20.00% - > \$15M	8%	21.5% or \$60M
Other Taxes & Fees	Annual and Quarterly game fees	7.25% Net 4.25% Comp		\$9 million GCB fee 1.25% development fee		\$2,000 per game	

Riverboat Casinos

	Illinois	Iowa	Missouri	Indiana	Louisiana ²	Mississippi
AGR Tax Structure	Graduated: \$ 0.0 - 25.0 Million - 15.0% \$ 25.0 - 37.5 Million - 27.5% \$ 37.5 - 50.0 Million - 32.5% \$ 50.0 - 75.0 Million - 37.5% \$ 75.0 - 100.0 Million - 45.0% \$100.0 - 250.0 Million - 50.0% > \$250.0 Million - 70.0%	Graduated: \$0-1 Million - 5% \$1-3 Million - 10% > \$3 Million - 20%	Flat 20%	Graduated: \$ 0 - 25 Million - 15% \$25 - 50 Million - 20% \$50 - 75 Million - 25% \$75-150 Million - 30% > \$150 Million - 35%	21.5 % for all boats except facility near New Orleans. That boat pays 18.5% for AGR less than \$6M per month; 20.5% for AGR between \$6M and \$8M per month; and 21.5% for AGR over \$8M per month.	4.4% - \$0 - \$600,000 6.6% - \$600,000 - \$1,608,000 8.8% - >\$1,608,000
Other Taxes & Fees	0-1.0 Million - \$3 per patron 1-2.3 Million - \$4 per patron > 2.3 Million - \$5 per patron	\$0.50 per patron	\$2 per patron	\$3 per patron		Other annual and monthly state, county and local fees

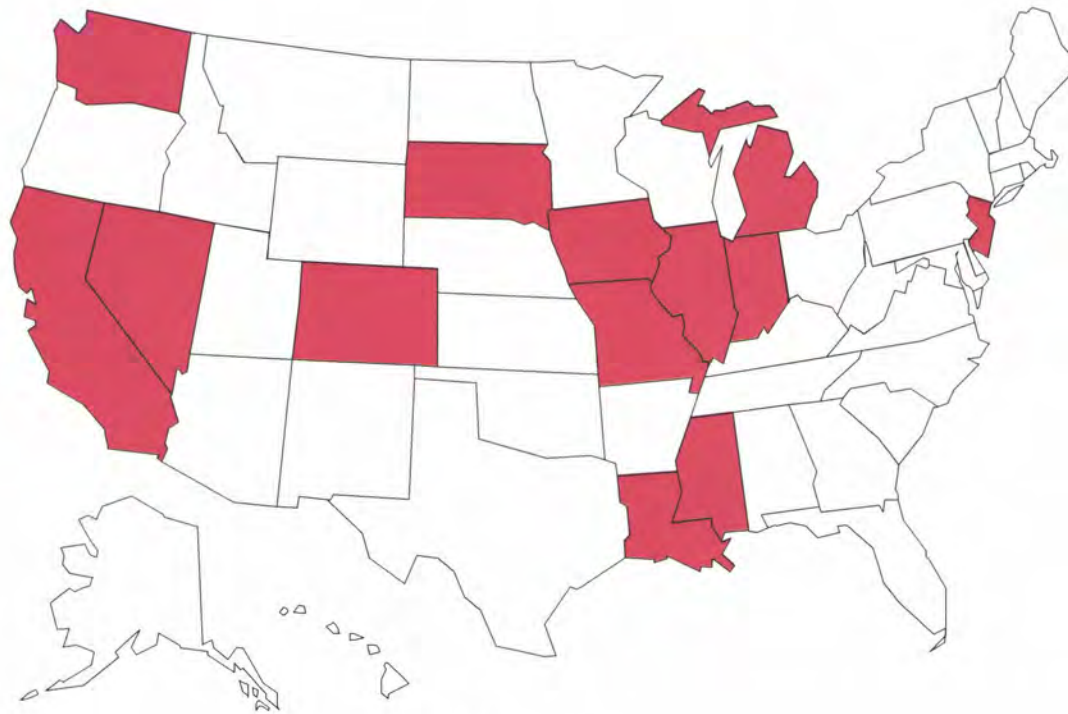
1) Land-based tax schedule

2) Riverboat tax schedule

Benchmarking

Non-Native American Casino Gaming Markets

- There are currently 13 states with approved Non-Native American land-based and riverboat casinos.



Benchmarking

Non-Native American Casino Gaming Markets

Jurisdiction	2004 (in 000's)								
	Revenue	% of Tot.	% Chg.	# of Slots	# of Tables	# of Positions	Adults per Pos.	Win/Pos. Per Day	Win/Adult
Nevada	\$10,562,247	36.2 %	11.6 %	178,980	5,682	218,754	8	\$131.92	\$6,299.52
New Jersey	\$4,806,698	16.5 %	7.1 %	42,378	1,370	50,598	123	\$259.56	\$770.07
Mississippi	\$2,776,866	9.5 %	2.7 %	39,376	1,021	45,502	44	\$166.74	\$1,379.09
Indiana	\$2,369,692	8.1 %	6.3 %	18,072	627	21,832	202	\$296.57	\$536.83
Louisiana	\$2,163,041	7.4 %	7.2 %	21,808	685	25,918	123	\$228.02	\$680.23
Illinois	\$1,717,990	5.9 %	0.5 %	9,901	224	11,244	797	\$417.45	\$191.66
Missouri	\$1,473,388	5.0 %	10.7 %	17,788	504	20,813	197	\$193.42	\$359.01
Michigan	\$1,189,264	4.1 %	5.2 %	11,612	440	14,252	504	\$227.99	\$165.55
Iowa	\$1,064,400	3.6 %	3.9 %	12,510	234	13,917	153	\$208.97	\$501.26
Colorado	\$725,904	2.5 %	4.0 %	15,111	168	16,119	208	\$123.04	\$216.27
Washington	\$283,421	1.0 %	10.0 %		1,135	6,810	644	\$113.71	\$64.63
South Dakota	\$78,019	0.3 %	10.9 %	2,979	89	3,513	155	\$60.68	\$143.04
Total U.S.A. Non-Native American Casino Gaming	\$29,210,930	100.0 %	7.7 %	370,516	12,179	449,272	367	\$177.65	\$606.18
Land-based	\$17,965,563	61.5 %	9.7 %	254,876	8,985	317,771		\$154.47	
Riverboat	\$11,245,367	38.5 %	4.6 %	115,640	3,194	137,998		\$222.65	
Total	\$29,210,930	100.0 %	7.7 %	370,516	12,179	991,709		\$80.48	

- Non-native American land-based and riverboat casinos generated approximately \$29.2 billion in gaming revenue during 2004.
- Land-based casinos in NV, NJ, MI, LA, WA, SD and CO generated approximately \$17.9 billion in gaming revenue with a win per position per day of \$154.
- Riverboat casinos in MS, IN, IL, LA, MO, and IA produced \$11.2 billion in gaming revenue with a win per position per day of \$223.
- **Capacity constraints; exhibited by the riverboat jurisdictions, New Jersey, and Michigan, greatly increase the win per position per day results.**

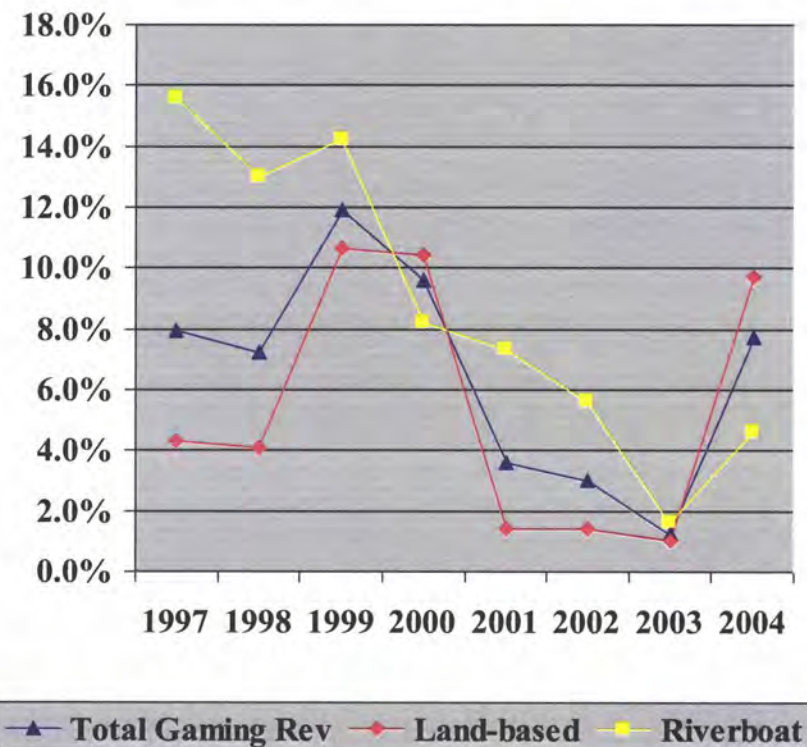
Benchmarking

Non-Native American Casino Gaming Markets

- Aggregate growth in gaming revenues for non-native American casinos ranged from 1.2% to 12.4% between 1997 and 2004 with a CAGR¹ of 6.4%
- Strong growth in Nevada and the opening of land-based casinos in Detroit, Michigan in 1999, drove both the land-based and national gaming markets during the past several years.
- Facility expansion, position increases, and favorable regulatory changes all contributed to a 7.7% CAGR growth in the riverboat sector between 1997 and 2004.
- Growth slowed between 2001 and 2003 as a result of the downturn in the national/world economy and the spread of Native American Gaming to California.

1) Compound Annual Growth Rate

Growth in Gaming Revenue



Native American Casino Gaming Markets

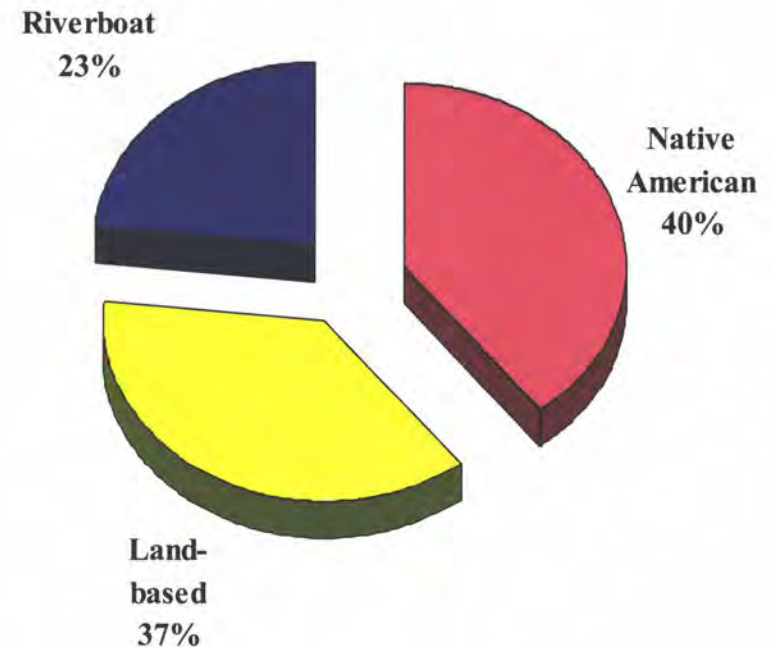
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Benchmarking

Native American Casino Gaming Markets

- According to the National Indian Gaming Association (“NIGA”), of the 567 federally recognized Indian Tribes throughout the U.S., 228 operate some form of casino gaming facility whether it is Class II (bingo) or Class III (casino).
- The 405 Native American casinos nationwide are believed to have generated approximately \$19 billion in gaming revenue during 2004.
 - 11.84% above 2003
 - C.A.G.R. of 13.3% since 2001.
- Native American casino revenue has increased from 33% of total casino revenue to 40% in three years.

U.S. Casino Revenue for 2004

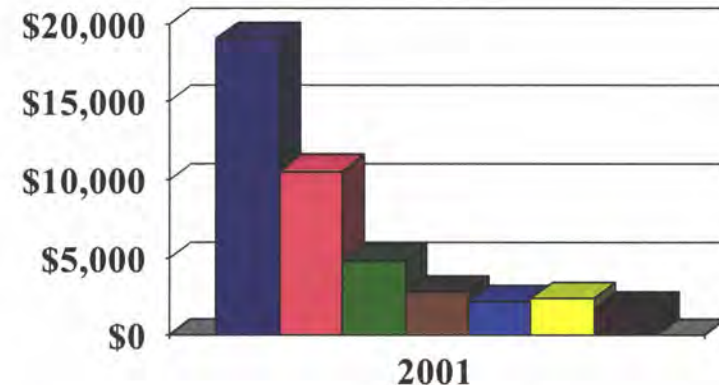


Benchmarking

Native American Casino Gaming Markets

- The estimate of \$19 billion in gaming revenue during 2004 places Native American casinos first among all casino gaming jurisdictions.
 - \$8.5 billion more than Nevada
 - Almost \$7.75 billion more than all of the riverboat casino jurisdictions combined.
- Conservative estimates indicate that the 405 Native American casinos contained nearly 287,000 casino gaming positions in 2004.
 - The corresponding win per position per day is approximately \$181 compared with \$177 for Non-Native America casinos.

**Gaming Revenue
(in millions)**



Benchmarking

Individual Casino Markets

- ❑ The following table provides statistics on casino market performance for seven specific markets in four Midwest gaming jurisdictions. These markets were selected based on the types of gaming offered, demographic profiles, and the quality of information available for each market, specifically the tabulation of casino patrons in each of the four states.
- ❑ Casinos in each of the four Midwest states represent “local” markets, like that of Ohio. Local markets typically generate approximately 85 percent of their business from patrons who reside within a 50-mile radius of the market area.
- ❑ Identifying relevant trends and relationships between the gaming and demographic data in these areas provides valuable indicators of performance for other “local” gaming markets throughout the country that do not collect similar market data, including Ohio.

**Summary of Market Area Gaming Performance
for the Calendar Year 2004**

Market Area/Casino	Total Casino Performance				Consumer Visitation Characteristics ¹					Gaming Rev. as a % of PI
	Gaming Positions	Gaming Revenue	Win Per Position Per Day	Win Per Position Per Hour	Patrons	Win Per Patron	Win Per Adult	Adults per Position	Gaming Incidence Patrons	
Kansas City										
Totals/Averages	10,016	\$701,407,498	\$191.34	\$9.11	12,208,546	\$57.45	\$470.91	148.7	8.2	1.20 %
St. Louis										
Totals/Averages	10,763	\$920,972,925	\$233.79	\$10.92	14,928,346	\$61.69	\$474.90	180.2	7.7	1.25 %
Chicago										
Totals/Averages	15,823	\$2,346,997,081	\$405.26	\$20.04	22,257,459	\$105.45	\$367.80	403.3	3.5	0.88 %
Lawrenceburg										
Totals/Averages	6,390	\$734,485,305	\$314.07	\$16.24	7,471,693	\$98.30	\$448.14	256.5	4.6	1.15 %
Quad Cities										
Totals/Averages	3,815	\$247,958,264	\$177.60	\$7.56	4,459,790	\$55.60	\$511.35	127.1	9.2	1.61 %
Dubuque										
Totals/Averages	2,326	\$136,049,655	\$159.82	\$6.66	2,633,721	\$51.66	\$562.09	104.1	10.9	1.86 %
Council Bluffs										
Totals/Averages	4,759	\$418,069,161	\$240.02	\$10.00	8,175,122	\$51.14	\$641.71	136.9	12.5	1.73 %

Sources: Missouri Gaming Commission, Illinois Gaming Board, Iowa Racing and Gaming Commission, Indiana Gaming Control Board and ESRI Business Solutions.

1) The number of adults represent those individuals age 21 and over who reside within a 50-mile radius of the listed market area.

Benchmarking

Individual Casino Markets

□ *Capacity constraints impact market penetration.*

- Two variables that have a significant impact on a market's ability to attract and retain gaming patrons are the number of adults per gaming position and the average per-capita income.
- An examination of the statistics for the seven market areas reveals that there is an inverse relationship between the numbers of adults per position and the gaming incidence².
 - This relationship demonstrates the impact of capacity constraints on market performance.
- In spite of the fact that the Chicago market area has an adult population more than three times that of the second largest market (6.3 million vs. 1.9 million for St. Louis) and per capita income 5% greater than the second place market (\$29,000 vs. \$27,600 for Kansas City), Chicago has a gaming incidence that is less than half of those market areas.
- The result of this failure to effectively penetrate the market, due to a lack of capacity, is that Chicago's gaming revenue as a percent of total income is the lowest among the seven markets presented.

2) Gaming incidence is defined as the number of patrons divided by the number of adults residing within a 50-mile radius of the market area. It represents a combination of market capture, propensity to engage in gaming activities and the frequency of visitation.

Benchmarking

Individual Casino Markets

- *Gaming budgets are similar across jurisdictions.*
 - In spite of the fact that the four states represented in this analysis have very different regulatory environments (Missouri-facility restrictions, cruise restrictions and loss limits; Illinois-facility restrictions, position limits; Indiana-facility restrictions; and Iowa-land-based and riverboat facilities), the amount of gaming revenue generated per adult residing within a 50-mile radius is within a relatively narrow range of \$368-\$642.
 - Furthermore, if market areas with land-based facilities are excluded from the comparison the range narrows to \$382-\$511.
- If we were to apply an estimate of \$450 revenue per adult per year to the State of Ohio adult population this would produce a casino revenue estimate of approximately \$3.66 billion, similar to the \$3.8 billion estimate derived from the aggregate gaming market benchmarking exercise.
- If added to the revenue generated from other forms of gaming in the state, reported as \$2.277 billion, this would suggest aggregate statewide gaming revenue of over \$5.94 billion, which is similar to the estimate of \$6.077 billion derived from the comparison of 15 state jurisdictions presented in the aggregate gaming market summary.

Benchmarking

Video Lottery Markets

Name	2004	2004	2004	FY 2004			Adults per Position	Avg. # of VLTs per Loc.	Win per Unit per Day	Gaming Revenue	
	Total Population ¹	Age 21 & Over Population ¹	Per-Capita Income ¹	VLT Revenue ²	# of VLTs ²	# of Locations ²				Revenue per Adult	as a % of Income
Louisiana	4,594,531	3,179,847	\$19,601	\$568,832,777	14,296	2,869	222	5	\$109	\$178.89	0.63 %
Montana	917,958	656,801	\$19,326	\$332,800,000	20,510	1,727	32	12	\$44	\$506.70	1.88 %
Oregon ³	3,581,202	2,576,566	\$24,176	\$550,300,000	10,194	1,920	253	5	\$148	\$213.58	0.64 %
South Dakota ⁴	784,601	545,443	\$22,046	\$216,700,000	8,325	1,401	66	6	\$71	\$397.29	1.25 %
West Virginia ⁵	1,823,000	1,361,751	\$19,262	\$277,375,452	7,033	1,718	194	4	\$108	\$203.69	0.79 %

1) Source: ESRI Business Information Solutions

2) Fiscal 2004 data. Source: LaFleur's 2005 World Lottery Almanac and state lottery agencies.

3) Maximum VLTs per location = 5

4) Maximum VLTs per location = 20

5) Figures are for the West Virginia limited video lottery.

- An examination of VLT data for these five states reveals that, similar to casinos, the number of adults per position and the concentration of positions per location have a significant impact on the win per position per day.
- In spite of the multiple advantages of limited competition for gaming within the state, a high number of adults per position and relatively high per capita income, Oregon is near the bottom in terms of revenue as a percent of income.
 - This is evidence that Oregon residents are most likely taking their gaming dollars to neighboring states or to tribal casinos within the state.

Benchmarking

Conclusions

- As presently configured, the Ohio gaming market is significantly underperforming other jurisdictions across the country in terms of the gaming revenue per adult and gaming revenue as a percent of total income.
- Regulatory restrictions limiting the location, size and scope of gaming facilities create capacity constraints that inhibit states from maximizing their market potential.
 - However, it is these same capacity constraints that greatly increase the productivity of each gaming position by greatly increasing the win per position per day results.
- Growth in gaming revenue in various state jurisdictions has been curtailed by the downturn in the national/world economy and the expansion of gaming to critical source markets but aggregate casino revenues continue to increase at rates far in excess of the rate of inflation.
- Native American casino gaming has surpassed Nevada as the number one provider of casino gaming in the country and collectively are far more productive than their non-Native American counterparts.

Benchmarking

Conclusions

- Gaming budgets are largely static across jurisdictions and fall within a relatively narrow range despite significant differences in demographics and competing entertainment alternatives in markets across the nation.
 - Distance from a gaming venue, infrastructure, and the supply of gaming positions impact the capture of potential gaming patrons and the frequency of visitation.
 - Gaming budgets, while consistent for adults within the same demographic group, will vary per visit based on the number of visits per year.
 - i.e. Two adults with identical demographic profiles will budget the same amount of money to gamble annually but will spend different amounts per visit if one travels to the gaming venue four times per year while the other visits once a month.
- VLTs offered at retail locations such as restaurants, bars, convenience stores, and mini-casinos throughout a state result in a much greater capture of a state's gaming demand, although these positions are typically far less productive than their casino counterparts.

Market Assessment

Determination of Casino Revenue Potential and Capture during Calendar Year 2008

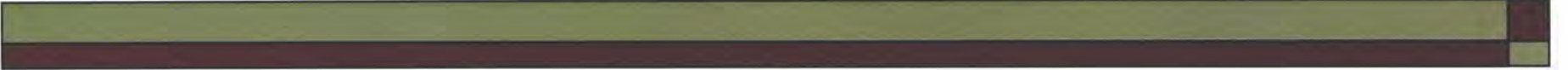
- ❑ Criteria for selecting surrogate casino locations
- ❑ Surrogate casino locations
- ❑ Projected market map
- ❑ Market estimates
- ❑ Casino facility profiles
- ❑ Casino financial projections



Market Assessment

Criteria for Selecting Surrogate Casino Locations

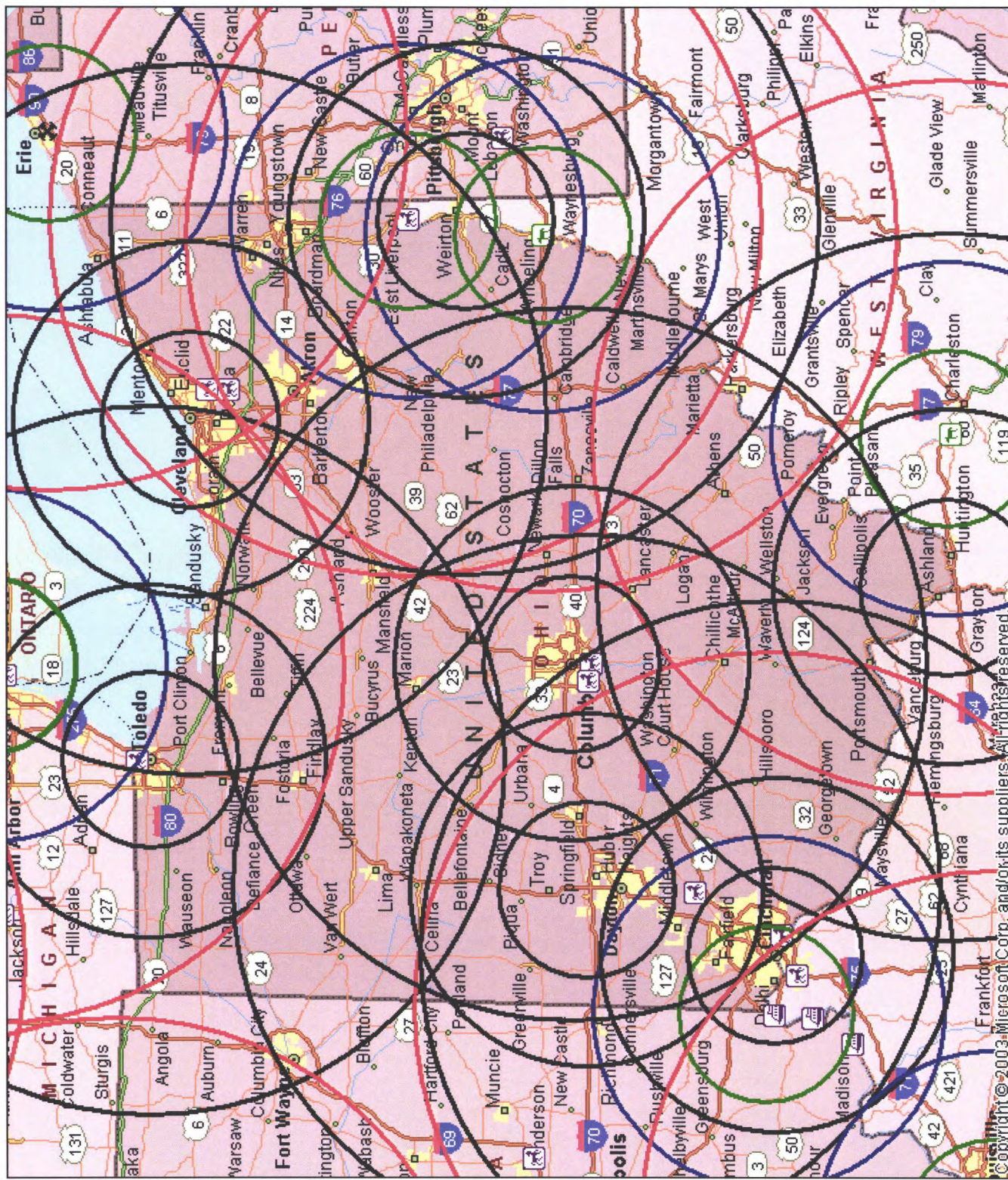
- ❑ Retain Ohio resident spending within the state (seal the borders)
- ❑ Attract new visitors to Ohio and increase the level of spending of existing visitors
- ❑ Minimize cannibalization of demand between Ohio gaming markets
- ❑ Minimize the redirection of existing spending within Ohio (local product substitution)
- ❑ Maximize tax revenues and employment in Ohio
- ❑ Maintain the competitive position and viability of Ohio casinos
- ❑ Access, visibility and proximity to major arteries and ports of entry
- ❑ Existing supporting infrastructure, amenities and attractions to augment the casino
- ❑ Adequate labor pool



Market Assessment

Surrogate Casino Locations

- ❑ Cincinnati – Hamilton County
- ❑ Cleveland – Cuyahoga County
- ❑ Columbus – Franklin County
- ❑ Dayton – Montgomery County
- ❑ South Point – Lawrence County
- ❑ Steubenville – Jefferson County
- ❑ Toledo – Lucas County



Market Assessment

Estimated 2008 Potential Casino Revenue

Estimate of Gaming Market Capture in Calendar Year 2008

Market Total	Daytrip Visitors				Baseline Destination	Incremental Destination	Total
	0 - 25 Miles	26 - 50 Miles	51 - 100 Miles	101 - 150 Miles			
Adult Population	5,559,531	5,325,338	8,484,500	3,207,010			22,576,379
Adult Pop. Capture	85.8 %	53.0 %	24.9 %	13.1 %			44.8 %
Visitor Base	4,768,355	2,820,510	2,109,707	420,794	15,817,830	1,259,099	27,196,294
Propensity for Gaming	45.0 %	33.0 %	25.0 %	10.0 %	22.5 %	67.8 %	29.6 %
Potential Annual Trips	12.0	8.0	6.0	3.0	1.0	1.0	5.1
Potential Gaming Patrons	25,749,113	7,446,145	3,164,562	126,239	3,559,012	853,372	40,898,443
Average Hold per Patron	\$87.30	\$97.00	\$117.64	\$121.25	\$99.33	\$111.52	\$93.07
Estimated Gaming Revenue	\$2,247,897,565	\$722,276,065	\$372,268,430	\$15,306,479	\$353,509,509	\$95,166,785	\$3,806,424,832

- It is estimated that the casino market potential for the State of Ohio during 2008 is approximately \$3.806 billion with over 41,800 gaming positions in place over seven cities throughout the state.
 - This estimate compares favorably with the benchmarking estimate of \$3.8 billion based on the 2004 average gaming revenue as a percent of total personal income for 15 competing states
- Assuming a 15% state gaming tax rate provides tax revenues in excess of \$570 million
- Approximately 88.2% of the total gaming revenue is from day-trip customers from Ohio and neighboring states, which is consistent with local gaming markets across North America.
 - It is estimated that approximately \$2.694 billion of the potential revenue would come from Ohio residents
 - An addition \$664 million would be derived through day-trip from residents of neighboring states
- The remaining \$448 million is estimated to come from current and new visitors to the state.

Market Assessment


Estimated 2008 Potential Casino Revenue

City	Daytrip Estimate of Gam. Revenue	Baseline Visitor Estimate of Gam. Revenue	Incremental Vis. Estimate of Gam. Revenue	Total Casino Revenue
Cincinnati	\$548,021,936	\$95,425,559	\$25,689,107	\$669,136,602
Cleveland	\$964,893,049	\$90,110,504	\$24,258,264	\$1,079,261,817
Columbus	\$669,345,957	\$88,517,194	\$23,829,336	\$781,692,487
Dayton	\$453,261,920	\$32,614,563	\$8,780,027	\$494,656,510
South Point	\$128,747,872	\$5,741,547	\$1,545,657	\$136,035,076
Steubenville	\$122,135,247	\$8,047,018	\$2,166,303	\$132,348,568
Toledo	\$471,342,557	\$33,053,125	\$8,898,091	\$513,293,772
Total	\$3,357,748,538	\$353,509,509	\$95,166,785	\$3,806,424,832

Market Assessment

Casino Facility Profiles

- ❑ All new casino facilities will be highly visible and easily accessible in locations that are consistent with the objective of attracting a high volume of visitors.
- ❑ Facilities will be first class with significant non-gaming amenities that are consistent with the size of the casino floor.
- ❑ Amenities will include hotels, numerous restaurants, bars, full-scale parking garage, gift shops, and other amenities commonly provided in market driven facilities.
- ❑ There are no constraints on the number of positions that can be added to any facility.
- ❑ Tax structure will be competitive with other regional land-based casino jurisdictions so that it will be conducive to operator investments in the market.
- ❑ The tax rate adopted by the State will be stable over time.
- ❑ Appropriate investment in marketing programs, and promotions will be made to attract patrons from internal as well as external jurisdictions.
- ❑ Facilities will be actively supported by local and state tourism agencies in an effort to expand the resident and visitor patron base.
- ❑ Facilities will be supported by appropriate transportation programs that will target and bring patrons to the facilities from outside the immediate market area.
- ❑ Credit limits and complimentary services will be available to patrons and will be at least equal to those services offered in other competing jurisdictions.



Market Assessment

Casino Financial Projections

- ❑ After we have arrived at the estimates of casino revenue and established the criteria for future casino developments, it is necessary to prepare casino financial projections so that we may more accurately estimate the total direct economic impacts of casino development on the State of Ohio.
- ❑ Casino financial performance figures were examined for jurisdictions across North America and industry benchmarks were established that form the foundation of the pro-forma income statements.
- ❑ When appropriate, these benchmarks have been adjusted to account for the unique characteristics of each market area in Ohio.
- ❑ Using this financial data we were also able to identify the corresponding levels of investment that will be necessary to capture the State's potential gaming revenue as well as the level of employment necessary to efficiently operate the facilities in each market.
- ❑ The hotels that are anticipated to be developed along with each casino are sized so as to avoid the erosion of the market for existing hotel properties.
- ❑ The following page contains the aggregate financial projections for each of the seven surrogate casino market areas

	Cincinnati	Cleveland	Columbus	Dayton	South Point	Steubenville	Toldeo	All Ohio Casinos
Number of Casinos	2	3	2	1	1	1	2	12
Casino Sq. Ft	185,490	268,380	168,720	101,490	36,000	33,150	212,010	1,005,240
Investment	\$613,725,000	\$895,950,000	\$571,800,000	\$303,725,000	\$106,000,000	\$102,875,000	\$630,025,000	\$3,224,100,000
Revenue								
Casino	\$669,136,602	\$1,079,261,817	\$781,692,487	\$494,656,510	\$136,035,076	\$132,348,568	\$513,293,772	\$3,806,424,832
Hotel	\$39,528,000	\$62,997,750	\$37,057,500	\$12,352,500	\$3,689,280	\$4,611,600	\$24,705,000	\$184,941,630
Food & Beverage	\$66,703,500	\$100,055,250	\$66,703,500	\$22,234,500	\$7,115,040	\$8,893,800	\$44,469,000	\$316,174,590
Retail	\$9,882,000	\$14,823,000	\$9,882,000	\$3,294,000	\$1,054,080	\$1,317,600	\$6,588,000	\$46,840,680
Entertainment	\$7,411,500	\$11,117,250	\$7,411,500	\$2,470,500	\$790,560	\$988,200	\$4,941,000	\$35,130,510
Other	\$2,470,500	\$3,705,750	\$2,470,500	\$823,500	\$263,520	\$329,400	\$1,647,000	\$11,710,170
Gross Revenue	\$795,132,102	\$1,271,860,817	\$905,217,487	\$535,831,510	\$148,947,556	\$148,489,168	\$595,643,772	\$4,401,222,412
Less: Promo. Allow.	\$100,370,490	\$161,889,273	\$117,253,873	\$74,198,476	\$20,405,261	\$19,852,285	\$76,994,066	\$570,963,725
Net Revenue	\$694,761,612	\$1,110,071,544	\$787,963,614	\$461,633,033	\$128,542,295	\$128,636,883	\$518,649,707	\$3,830,258,688
Department Expenses								
Casino								
Operating Expenses	\$167,284,151	\$269,815,454	\$195,423,122	\$123,664,127	\$34,008,769	\$33,087,142	\$128,323,443	\$951,606,208
AGR Tax	\$100,370,490	\$161,889,273	\$117,253,873	\$74,198,476	\$20,405,261	\$19,852,285	\$76,994,066	\$570,963,725
Total Casino	\$267,654,641	\$431,704,727	\$312,676,995	\$197,862,604	\$54,414,030	\$52,939,427	\$205,317,509	\$1,522,569,933
Hotel	\$19,764,000	\$31,498,875	\$18,528,750	\$6,793,875	\$2,398,032	\$2,766,960	\$13,587,750	\$95,338,242
Food & Beverage	\$56,697,975	\$85,046,963	\$56,697,975	\$18,899,325	\$6,047,784	\$7,559,730	\$37,798,650	\$268,748,402
Retail	\$7,411,500	\$11,117,250	\$7,411,500	\$2,470,500	\$790,560	\$988,200	\$4,941,000	\$35,130,510
Entertainment	\$6,670,350	\$10,005,525	\$6,670,350	\$2,223,450	\$711,504	\$889,380	\$4,446,900	\$31,617,459
Other	\$1,235,250	\$1,852,875	\$1,235,250	\$411,750	\$131,760	\$164,700	\$823,500	\$5,855,085
Total Dept. Expenses	\$359,433,716	\$571,226,214	\$403,220,820	\$228,661,504	\$64,493,670	\$65,308,397	\$266,915,309	\$1,959,259,630
Gross Operating Margin	\$335,327,896	\$538,845,330	\$384,742,794	\$232,971,529	\$64,048,624	\$63,328,485	\$251,734,398	\$1,870,999,057
G&A	\$119,269,815	\$190,794,123	\$135,782,623	\$80,374,726	\$22,342,133	\$22,273,375	\$89,346,566	\$660,183,362
E.B.I.T.D.A	\$216,058,081	\$348,051,208	\$248,960,171	\$152,596,803	\$41,706,491	\$41,055,110	\$162,387,832	\$1,210,815,695
Dep. & Amort.	\$33,754,875	\$49,277,250	\$31,449,000	\$16,704,875	\$5,830,000	\$5,658,125	\$34,651,375	\$177,325,500
E.B.I.T	\$182,303,206	\$298,773,958	\$217,511,171	\$135,891,928	\$35,876,491	\$35,396,985	\$127,736,457	\$1,033,490,195
Interest	\$32,220,563	\$47,037,375	\$30,019,500	\$15,945,563	\$5,565,000	\$5,400,938	\$33,076,313	\$169,265,250
E.B.T.	\$150,082,643	\$251,736,583	\$187,491,671	\$119,946,365	\$30,311,491	\$29,996,048	\$94,660,144	\$864,224,945
Taxes	\$60,033,057	\$100,694,633	\$74,996,668	\$47,978,546	\$12,124,596	\$11,998,419	\$37,864,058	\$345,689,978
Net Income	\$90,049,586	\$151,041,950	\$112,495,003	\$71,967,819	\$18,186,895	\$17,997,629	\$56,796,087	\$518,534,967
FCF	\$123,804,461	\$200,319,200	\$143,944,003	\$88,672,694	\$24,016,895	\$23,655,754	\$91,447,462	\$695,860,467
Margin	15.6 %	15.7 %	15.9 %	16.5 %	16.1 %	15.9 %	15.4 %	15.8 %
ROI	20.2 %	22.4 %	25.2 %	29.2 %	22.7 %	23.0 %	14.5 %	21.6 %
F.T.E.s	7,361	11,872	8,599	4,947	1,224	1,257	5,133	40,392
Salary and Wages	\$191,898,424	\$309,516,235	\$224,177,778	\$128,963,754	\$31,919,593	\$32,779,837	\$133,822,744	\$1,053,078,365
Benefits	\$67,164,448	\$108,330,682	\$78,462,222	\$45,137,314	\$11,171,858	\$11,472,943	\$46,837,960	\$368,577,428
Payroll Taxes	\$21,108,827	\$34,046,786	\$24,659,556	\$14,186,013	\$3,511,155	\$3,605,782	\$14,720,502	\$115,838,620
Total Salary, Wages and Benefits	\$280,171,699	\$451,893,703	\$327,299,555	\$188,287,080	\$46,602,606	\$47,858,562	\$195,381,207	\$1,537,494,413

Market Assessment

Estimated 2008 Potential Patron Spending Outside of the Casino by Market Area

- In addition to the spending captured by the State's casinos, patrons are anticipated to generate an additional \$384 million at business in the local community including:
 - \$93 million for overnight accommodations;
 - \$106 million at eating and drinking places
 - \$101 million in retail sales (including gasoline);
 - \$17 million for entertainment (concerts, sporting events, theater, etc.); and,
 - \$66 million for local transportation.
- The breakdown by market area is as follows:

City	Hotel Revenue	Food & Beverage Revenue	Retail Revenue	Entertainment Revenue	Local Transportation	Total Patron Spending Outside Casino
Cincinnati	\$36,718,950	9,096,516	\$19,645,364	\$2,891,808	\$14,689,958	\$83,042,596
Cleveland	\$13,502,371	13,969,115	\$22,135,711	\$2,433,271	\$17,293,104	\$69,333,572
Columbus	\$29,249,088	21,013,128	\$21,042,174	\$3,582,452	\$15,016,465	\$89,903,308
Dayton	\$12,078,464	32,118,492	\$15,987,763	\$3,707,163	\$7,289,110	\$71,180,992
South Point	\$324,881	11,830,120	\$5,916,555	\$1,437,656	\$2,179,501	\$21,688,713
Steubenville	\$1,014,414	4,734,222	\$3,012,719	\$776,354	\$1,952,447	\$11,490,156
Toldeo	\$54,483	13,641,423	\$14,012,917	\$2,125,410	\$8,004,449	\$37,838,681
State Total	\$92,942,649	\$106,403,017	\$101,753,202	\$16,954,114	\$66,425,035	\$384,478,017

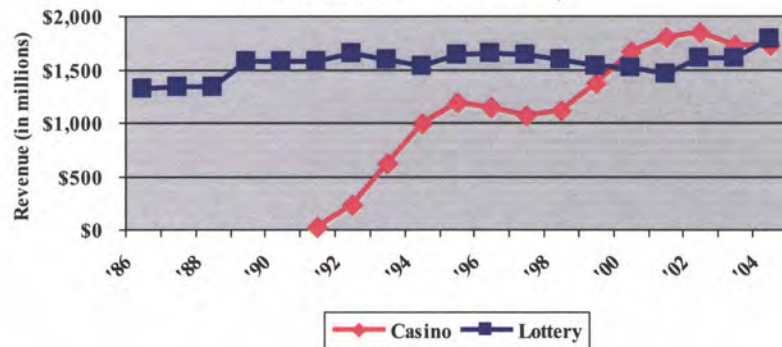
State of Ohio Market Assessment Impact on Other Forms of Gaming

- Lottery
- Racing

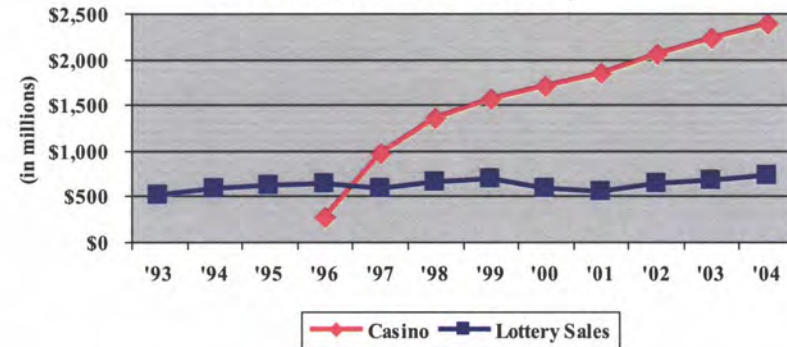
Impact on Other Forms of Gaming

Lottery

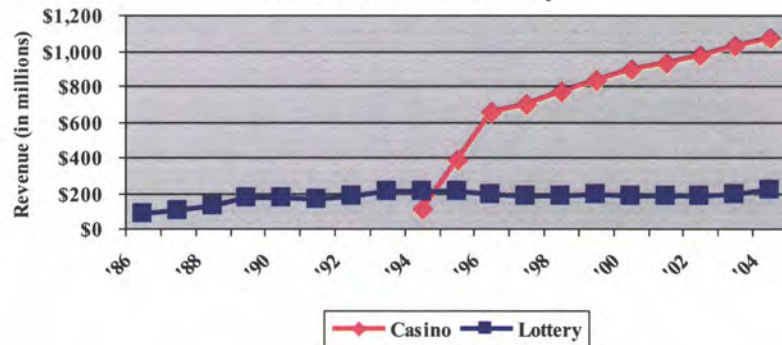
Illinois Casinos vs. Lottery



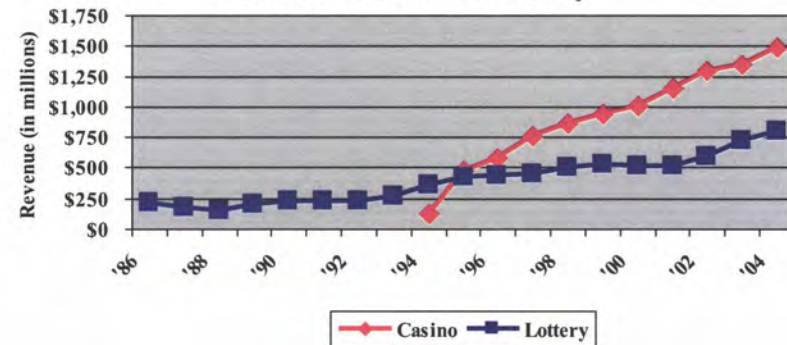
Indiana Casinos vs. Lottery



Iowa Casinos vs. Lottery

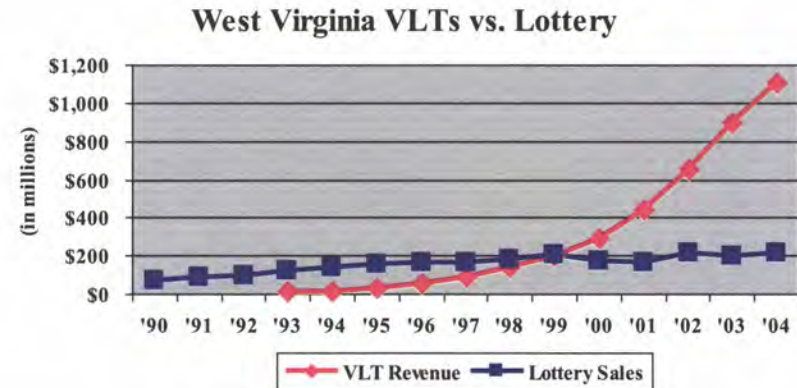


Missouri Casinos vs. Lottery



Impact on Other Forms of Gaming

Lottery



- As the preceding graphs show, lottery performance across the country shows little to no correlation with the growth of casino gaming.
 - The size of lottery jackpots and the frequency of winning in Ohio, as well as other jurisdictions, impact lottery sales from year to year far more than the growth of casino gaming.
 - The lottery has a different customer base, purchase points and purchase patterns.
 - The lottery just “chugs” along the track regardless of the changes in the casino market that surround it.
- It is estimated that the implementation of casino gaming in Ohio will have little to no impact on the Ohio lottery.

Impact on Other Forms of Gaming

Racing

- Across North America, the racing industry has been in the throws of a long and steady decline since the 1970's punctuated by spurts of growth followed by a resumption of losses.
 - These fluctuations are a result of the unique characteristics of racing itself rather than a reflection of competitive position.
 - Racing activity is largely a function of the quality of the racing and the level of interest in races around the country.
- Racing is a sophisticated form of gambling that requires time, study and experience on the part of racing patrons.
 - Across the country, customers have been migrating away from racing to forms of gaming that are faster paced and provide more opportunities to win for the inexperienced patron.
 - As a result, the remaining horse racing patrons are a loyal but shrinking segment of the overall gaming market.
- Absent the creation of programs designed to bolster the attractiveness of race wagering, racing will continue to experience gradual but decreasing rates of revenue growth as their patron base ages and they fail to attract new customers because of the continued erosion of their competitive position relative to other forms of gaming.
- However, the practice of linking racing and casinos, as evidenced in neighboring West Virginia, has increased revenues for race track operators that have been re-invested toward winner's purses, facility enhancements, and breeders funds that could attract a higher quality field and spur wagering among the patron base in the long term.

Module II

Economic Impact Analysis

- IMPLAN Overview
- Impact Definitions
- Statewide Results
- Individual Market Results
- Impact of Diverted Resident Spending (Local Product Substitution)
- Impact on Small Business

Economic Impact Analysis

IMPLAN Overview

- IMPLAN (IMPact Analysis for PLANing) was originally developed by the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management to assist the Forest Service in land and resource management planning.
- The IMPLAN system has been in use since 1979 and has evolved from a main-frame, non-interactive application that ran “batch” mode to a menu-driven microcomputer program that is completely interactive.
- The IMPLAN system can be used to analyze a wide variety of issues including, but not limited to:
 - Industry relocation
 - Stadium development
 - Military base closings
 - Natural resource issues
 - Economic base analysis

Economic Impact Analysis

IMPLAN Overview

- IMPLAN's regional and social accounting system easily allows 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 flows, or database;
 - Create custom impact analysis by entering final demand changes;
 - Obtain any report in the system to examine the model's assumptions and calculations.
- The IMPLAN data and accounts closely follow the accounting conventions used in the “Input-Output Study of the U.S. Economy” by the Bureau of Economic Analysis and the rectangular format recommended by the United Nations.
- Comprehensive and detailed data coverage of the entire U.S. by county, and the ability to incorporate user-supplied data at each stage of the model building process, provides a high-degree of flexibility both in terms of geographic coverage and model formulation.

Economic Impact Analysis

Impact Definitions

□ **Direct Impacts**

- The original revenues, expenditures, and employment generated by the economic activity in question.

□ **Indirect Impacts**

- The “2nd” level economic activity produced by industries buying from industries stemming from the initial level of economic activity (direct impacts).

□ **Induced Impacts**

- The “3rd” level economic activity produced by household expenditures created as a result of the direct and indirect impacts.

□ **Output**

- The value of an industry’s total production

□ **Employment**

- A single number of full-time and part-time workers in each sector of the industry/economy.

□ **Total Value Added**

- The sum total of employee compensation (including benefits), proprietary income, other property type income (rents, royalties, and dividends), and indirect business taxes (excise taxes, property taxes, fees, licenses, and sales taxes) paid by businesses.

Economic Impact Analysis

Statewide Results

- For the purposes of this analysis, all impacts are assumed to accrue in the home county of each surrogate location and represent a stabilized year of operations (no local product substitution).
- There are two activities for which the economic impact of gaming must be determined for the State of Ohio
 - Construction of properties (temporary impacts)
 - It is assumed that legislation is enacted, developers are selected and licenses are awarded so as to permit the development of facilities to commence in all of the surrogate locations in 2006.
 - If a surrogate location is capable of supporting more than one facility then it is assumed that all facilities are developed simultaneously
 - It is assumed that there are no constraints on the capacity of the construction industry in Ohio that would limit or delay the development of facilities in each surrogate location.
 - Although development would likely require more than one calendar year to complete, all development impacts are in 2006 dollars and are assumed to fall within one year.
 - It is assumed that 60% of the total cost of development will occur in the local economy.
 - Operation of properties (on-going annual impacts)
 - Results reflect the initial year of operations (assumed to be 2008) and are presented in 2008 dollars.
- Complete economic impact detail for each surrogate market area can be found in Appendix B to this report.

Economic Impact Analysis

Statewide Results

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$1,934,460,336	\$564,497,125	\$678,538,779	\$3,177,496,240
Employment	21,989.6	5,800.6	7,079.0	34,869.2
Total Value Added	\$926,854,594	\$352,604,111	\$415,157,394	\$1,694,616,099

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$4,785,640,532	\$1,559,921,981	\$1,267,348,515	\$7,612,911,028
Employment	52,989.6	13,839.2	12,621.3	79,450.1
Total Value Added	\$2,627,963,616	\$939,573,091	\$774,351,829	\$4,341,888,537

- ❑ Of all the direct operating impacts, the assumed 12 casinos across the state would generate \$4.4 billion in output (revenue), employ 40,392 workers, and generate \$1.537 billion in salaries, wages, benefits and payroll taxes.
- ❑ The remaining \$384 million in direct output, 12,597.6 in direct employment and \$1.09 billion in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Cincinnati, Hamilton County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$368,235,008	\$111,596,739	\$125,451,848	\$605,283,595
Employment	4,162.5	1,126.7	1,320.9	6,610.1
Total Value Added	\$177,362,064	\$70,268,195	\$75,250,533	\$322,880,793

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$878,174,703	\$310,465,810	\$224,490,745	\$1,413,131,258
Employment	9,601.4	2,674.8	2,252.0	14,528.2
Total Value Added	\$479,367,687	\$188,453,151	\$134,257,958	\$802,078,795

- Of all the direct operating impacts, the assumed 2 casinos in Cincinnati would generate \$795 million in output (revenue), employ 7,361 workers, and generate over \$280 million in salaries, wages, benefits and payroll taxes.
- The remaining \$83 million in direct output, 2,240.4 in direct employment and \$199 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Cleveland, Cuyahoga County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$537,569,984	\$159,036,536	\$191,272,012	\$887,878,532
Employment	5,959.1	1,536.8	1,928.7	9,424.6
Total Value Added	\$263,596,672	\$99,863,555	\$118,598,844	\$482,059,071

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$1,341,294,445	\$399,311,431	\$345,864,702	\$2,086,470,579
Employment	14,600.4	3,424.7	3,335.6	21,360.7
Total Value Added	\$810,800,625	\$241,441,931	\$213,943,059	\$1,266,185,616

- Of all the direct operating impacts, the assumed 3 casinos in Cleveland would generate \$1.272 billion in output (revenue), employ 11,872 workers, and generate nearly \$452 million in salaries, wages, benefits and payroll taxes.
- The remaining \$69 million in direct output, 2,728.4 in direct employment and \$358.9 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Columbus, Franklin County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$343,080,096	\$104,622,650	\$114,271,489	\$561,974,235
Employment	3,888.1	1,055.1	1,137.9	6,081.1
Total Value Added	\$164,847,120	\$65,990,701	\$71,661,975	\$302,499,796

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$995,060,815	\$356,026,122	\$256,702,774	\$1,607,789,711
Employment	10,939.4	3,173.6	2,438.7	16,551.7
Total Value Added	\$530,197,776	\$216,982,415	\$160,482,352	\$907,662,544

- Of all the direct operating impacts, the assumed 2 casinos in Columbus would generate \$905 million in output (revenue), employ 8,599 workers, and generate nearly \$327.3 million in salaries, wages, benefits and payroll taxes.
- The remaining \$89.8 million in direct output, 2,340.4 in direct employment and \$202.9 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Dayton, Montgomery County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$182,235,072	\$55,540,003	\$67,756,281	\$305,531,356
Employment	2,166.5	614.0	726.4	3,506.9
Total Value Added	\$83,533,608	\$34,703,640	\$40,871,296	\$159,108,544

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$607,012,516	\$217,112,500	\$182,646,393	\$1,006,771,409
Employment	6,839.5	1,994.2	1,866.9	10,700.6
Total Value Added	\$306,087,376	\$130,701,524	\$109,779,197	\$546,568,097

- Of all the direct operating impacts, the assumed casino in Dayton would generate \$535.8 million in output (revenue), employ 4,947 workers, and generate nearly \$188.3 million in salaries, wages, benefits and payroll taxes.
- The remaining \$71.2 million in direct output, 1,892.5 in direct employment and \$117.8 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – South Point, Lawrence County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$63,600,020	\$10,789,400	\$11,623,503	\$86,012,922
Employment	838.9	146.9	151.1	1,136.9
Total Value Added	\$25,860,576	\$6,747,009	\$7,533,667	\$40,141,252

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$170,636,268	\$21,450,714	\$25,781,736	\$217,868,717
Employment	2,036.8	241.4	324.2	2,602.4
Total Value Added	\$103,124,167	\$12,449,804	\$16,655,088	\$132,229,059

- Of all the direct operating impacts, the assumed casino in South Point would generate \$148.9 million in output (revenue), employ 1,224 workers, and generate over \$46.6 million in salaries, wages, benefits and payroll taxes.
- The remaining \$21.7 million in direct output, 812.8 in direct employment and \$56.5 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Steubenville, Jefferson County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$61,725,020	\$8,639,083	\$16,817,437	\$87,181,541
Employment	713.7	124.2	217.2	1,055.1
Total Value Added	\$29,095,306	\$5,322,269	\$10,299,569	\$44,717,144

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$159,979,327	\$32,281,493	\$34,417,538	\$226,678,358
Employment	1,797.6	341.2	423.3	2,562.1
Total Value Added	\$81,577,706	\$16,577,219	\$20,998,016	\$119,152,941

- Of all the direct operating impacts, the assumed casino in Steubenville would generate \$148.5 million in output (revenue), employ 1,257 workers, and generate over \$47.8 million in salaries, wages, benefits and payroll taxes.
- The remaining \$11.5 million in direct output, 540.6 in direct employment and \$33.7 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Individual Market Results – Toledo, Lucas County

<i>Construction (2006)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$378,015,136	\$114,272,714	\$151,346,210	\$643,634,060
Employment	4,260.8	1,196.8	1,596.9	7,054.5
Total Value Added	\$182,559,248	\$69,708,740	\$90,941,510	\$343,209,498

<i>Operations (2008)</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$633,482,459	\$223,273,910	\$197,444,628	\$1,054,200,997
Employment	7,174.5	1,989.3	1,980.6	11,144.3
Total Value Added	\$316,808,280	\$132,967,047	\$118,236,159	\$568,011,485

- ❑ Of all the direct operating impacts, the assumed 2 casinos in Toledo would generate \$595.6 million in output (revenue), employ 5,133 workers, and generate nearly \$195.4 million in salaries, wages, benefits and payroll taxes.
- ❑ The remaining \$37.8 million in direct output, 2,041.5 in direct employment and \$121.4 million in direct value added emanates from casino patron spending at businesses outside of the casino.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

- In December 1996, Arthur Andersen prepared a report for the American Gaming Association titled “Economic Impacts of Casino Gaming in the United States – Volume I – Macro Study” (Appendix C).
 - In this report, Arthur Andersen argued strongly against the belief that there is no economic benefit from casino gaming since money that is spent on casino gaming by consumers is necessarily not spent on other goods and services.
 - In economic theory, this concept is referred to as **Local Product Substitution** or the **Substitution Effect**
 - In order for there to be no economic benefit from casino gaming due to a long-term, permanent substitution effect on other sectors of the economy several critical underlying assumptions must hold true.
 - The economy does not grow over time.
 - Personal incomes do not grow over time.
 - Increased consumer spending on recreational activities means less spending on other goods and services in the economy.
 - Consumer spending in the casino industry does not create jobs or produce spending by the casinos on goods and services in the economy.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

- In arguing against the long-term, permanent effects of local product substitution Arthur Andersen demonstrated that:
 - the United States economy and per capita GDP have consistently grown throughout the last 50 years.
 - Between 1948 and 1994, real GDP grew an average rate of 3.1 percent while real per capita GDP grew at almost 2 percent per year.
 - In addition, when growth in real GDP exceeds growth in population, as it has consistently done in the US, the result is a higher standard of living because real per capita wages increase.
 - Between 1929 and 1994 per capita disposable income tripled from approximately \$5,000 to \$15,000.
 - As per capita disposable income increases consumers seek to raise their standard of living by either buying higher quality necessities, changing the definition of a necessity to include items previously thought of as luxuries, or spending more on recreation.
 - Another impact of rising per capita personal incomes is that spending on necessities tends to decrease as a percentage of that income because only so much can be spent on food, shelter, and other necessities.
 - Between 1970 and 1993 spending on food as a percent of total spending declined by 33% (from 24% to 16% of total spending) while spending on recreational activities as a percent of total spending increased by 80%(from 5% to 9% of total spending).

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

- Arthur Andersen also showed that:
 - Nationwide expenditures on apparel and at eating and drinking places, as well as at casinos, increased each year between 1980 and 1994. (Eating and drinking place and apparel sales are two sectors of the economy most frequently sighted as being negatively impacted by the presence of casino gaming.)
 - Furthermore, revenue growth rates exceeded the population growth rate every year between 1980 and 1994 in all categories meaning that all of these industries benefited from the rise in personal disposable income over this time period.
 - Casino gaming obtains a much greater share of its capital inputs (labor, goods and services) from the local/domestic economy than do other segments of the recreation/entertainment industries (i.e. movies, sports)
- In a follow-up May 1997 study titled “Economic Impacts of the Casino Gaming Industry-Volume II-Micro Study”, Arthur Andersen also revealed that:
 - The introduction of casinos into a market area leads to growth in almost all other sectors of the economy including: retail sales, commercial and housing construction, restaurants, etc.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

- Even though Local Product Substitution from casino gaming does not have a long-term permanent impact on the local economy, there are likely to be some short-term (one-two years) substitution effects on local business as consumer behavior changes due to the presence of a new industry in the local economy.
- In order to properly assess the value of the short-term local product substitution impacts on the local economy we must first subtract readily identifiable infusions into the local economy from the overall estimate of stabilized direct impacts.
- These identifiable additions to the economy include:
 - The recapture of Ohio resident spending in neighboring states;
 - The amount of neighboring state resident spending in Ohio;
 - The amount of new destination and incremental visitor spending in Ohio;
 - The amount of existing illegal gaming spending that is potentially transferred to the legitimate economy;
 - Sports betting
 - Internet gambling
 - The potential increase in recreational spending as a percent of total spending.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

□ **Sports Betting**

- Despite its popularity, sports wagering in America is illegal in all but two states.
 - Nevada has 142 legal sports books that allow wagering on professional and amateur sports.
 - Oregon runs a game called “Sports Action” that is associated with the Oregon Lottery and allows wagering on the outcome of pro football games.
- According to Russell Guindon, Senior research analyst for Nevada’s Gaming Control Board, sports wagering reached \$2.3 billion in Nevada’s legalized sports books in fiscal 1998.
 - Nevada sports books took in \$77.4 million in revenue on college and professional sports wagering during the same period.
 - According to one major strip resort, betting on amateur events accounted for 33 percent of revenue.
- The report from the National Gambling Impact Study Commission estimates that the scope of illegal sports betting in the United States ranges between \$80 billion to \$380 billion annually, making sports betting the most widespread and popular form of gambling in America.
 - Assuming a proportional distribution of the illegal sports wagering dollars, this would suggest that Ohio residents wager between \$3.1-\$14.9 billion annually on sporting events.
 - In 2004, Nevada sports books retained approximately 5.3% of all sports wagers made in Nevada.
 - If we apply a rate of 5.5% to estimated Ohio sports wagers this translates to between \$170-\$820 million in lost wagers each year.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

□ Internet gambling

- There has been explosive growth in online gambling sites since the introduction of the World Wide Web in the early 1990s. With the increasing presence of these operations — mostly run offshore — the U.S. Congress as early as 1995 began to address this issue through legislation that would ban Internet gambling.
- Background
 - The first online casino launched in August 1995. Five years later, 250 to 300 companies around the world operated more than 1,800 Internet gambling Web sites offering various wagering options, including sports betting, casino games, lotteries and bingo.
 - Internet gambling revenue in 2003 was estimated at \$5.691 billion and is projected to triple by 2009 (\$16.929 billion), according to Christiansen Capital Advisors (CCA).
 - CCA estimates that nearly 12 million people gambled on the Internet in 2003; approximately 4.5 million of those gamblers were from the United States.
 - This would suggest that internet gamblers spend an average of approximately \$475 per year gambling on-line which is similar to the average for casino gamblers nationally.
 - If we assume a proportional distribution of this revenue across the U.S. this would suggest that Ohio residents lost between \$80-90 million on internet gambling in 2003.
 - If we assume the same proportional distribution of revenue across the U.S. for 2008, this would suggest that Ohio residents will spend between \$200-\$400 million on internet gambling by 2008.

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

□ **Potential Increase in Resident Entertainment Spending**

- A comparison of Ohio resident spending on entertainment as a percentage of overall spending with U.S. averages indicates that in total, Ohio residents spent approximately \$124 million less on entertainment than the national average in 2002.
 - This includes spending in the following sectors:
 - Performing arts companies
 - Spectator sports
 - Independent artists, performers and entertainers
 - Promoters of performing arts and sports
 - Museums, historical sites, zoos and parks
 - Fitness and recreational sports centers
 - Bowling centers
 - Other amusement, gambling and recreation
 - Hotels and motels, including casino hotels
 - Other accommodations
 - Food services and drinking places
- If this figure is inflated to 2008 dollars then the estimate of Ohio resident potential increase in spending is approximately \$140 million

Economic Impact Analysis

Impact of Diverted Resident Spending (Local Product Substitution)

	Low	Medium	High
Direct Output	\$4,785,700,430	\$4,785,700,430	\$4,785,700,430
Less:			
Recapture of Current Resident Spending	\$1,110,282,849	\$1,110,282,849	\$1,110,282,849
Out-of-State Resident Spending	\$770,136,546	\$770,136,546	\$770,136,546
Visitor Spending	\$968,560,676	\$968,560,676	\$968,560,676
Recapture of Illegal Sports Wagering	\$819,500,000	\$495,000,000	\$170,500,000
Recapture of Illegal Internet Wagering	\$400,000,000	\$300,000,000	\$200,000,000
Increase in Resident Entertainment Spending	\$160,000,000	\$140,000,000	\$120,000,000
Subtotal	\$4,228,480,071	\$3,783,980,071	\$3,339,480,071
Estimate of Local Product Substitution	\$557,220,359	\$1,001,720,359	\$1,446,220,359

In the initial one to two years of full scale casino operations, it is estimated that between 70-88 percent of the \$4.785 billion in direct output generated by casino patrons will represent new spending in the State Economy.

Economic Impact Analysis

Impact on Small Business

- There are several potential impacts of casino gaming on small business. These include:
 - Development agreements between cities and casino developers typically incorporate requirements that stipulate:
 - small businesses receive a proportional share of the purchases of goods and services demanded by the casinos;
 - Minority and Women Owned Business Enterprises receive a minimum percentage of the purchases demanded by the casinos (percentages vary)
 - It has been shown that if casinos are developed as part of an entertainment district, small businesses such as bars, restaurants and retail stores benefit from increased patron traffic generated by the casinos and the casino employees (see estimates of patron spending outside of the casino presented earlier in this section).
 - Employers in the hospitality sector (hotels, eating and drinking places) and some retail shops will likely see an increase in employee turnover immediately after the casinos open
 - Casinos typically pay salaries and wages that are 10-15% above similar positions in the hospitality sector.
 - Casino line employees typically earn higher tip income due to the high volume of casino patrons.
 - Casino line employees are typically offered full benefits

Module III

Fiscal Impact Analysis

- IMPLAN Tax Analysis Overview
- Statewide Results
- Individual Market Results

Fiscal Impact Analysis

IMPLAN Tax Analysis Overview

- Just as the Financial Analysis results serve as direct inputs for the Economic Impact Analysis so to do the Economic Impact Analysis results serve as direct inputs for the IMPLAN Tax Analysis.
- The impact on taxes from changes in economic activity can be modeled.
 - The difficulty of modeling these flows arises when you try to accurately determine the tax receipts by simply applying tax rates to the economic activity.
 - How is the Output and Total Value Added distributed throughout the economy within industries?
 - How are deductions applied to the cash flow streams that effect the tax proceeds?
 - This problem increases as you progress from Direct to Induced economic activity.
 - IMPLAN resolves these problems by simply comparing actual tax receipts to the economic activity in each sector and applying the appropriate effective tax rates to each new activity.
 - This is a simple ratio estimate but it provides a solid estimate of tax receipts based on historical results in each study area.
- Similar to the Economic Impact Analysis, we must examine the Fiscal Impacts of both construction and operations activity.
- Fiscal impacts are presented for a stabilized year (no Local Product Substitution).
- No estimates have been made regarding the potential impacts of state spending of the identified tax proceeds.
- No estimates have been made of the potential additional costs to State and Local government that may arise as a result of the adoption of casino gaming as those costs are being determined in Module IV – Social Impact Study which is being prepared as a separate study conducted by Cleveland State University.
- Combining the results of Modules II, III and IV will provide a comprehensive assessment of the full potential impact of casino gaming on the State of Ohio.

Fiscal Impact Analysis

Statewide Results

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal	\$0	\$125,938,526	\$9,445,558	\$2,027,216	\$7,486,687	\$10,746,589	\$155,644,575
State/Local	\$0	\$5,933,825	\$0	\$33,712,526	\$8,245,498	\$61,258,693	\$109,150,542
Total	\$0	\$131,872,350	\$9,445,558	\$35,739,742	\$15,732,185	\$72,005,282	\$264,795,117

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal	\$0	\$259,945,228	\$5,780,072	\$3,633,551	\$48,000,552	\$53,563,465	\$370,922,868
State/Local	\$570,963,725	\$12,307,399	\$0	\$60,433,104	\$52,865,636	\$303,726,615	\$1,000,296,478
Total	\$570,963,725	\$272,252,627	\$5,780,072	\$64,066,655	\$100,866,188	\$357,290,080	\$1,371,219,347

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 12 casinos across the state, approximately \$1.032 billion would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Cincinnati, Hamilton County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$24,231,997	\$1,829,501	\$355,854	\$1,370,138	\$2,206,775	\$29,994,265
State/Local		\$761,819	\$0	\$5,787,060	\$1,509,008	\$11,280,458	\$19,338,346
Total	\$0	\$24,993,816	\$1,829,501	\$6,142,915	\$2,879,146	\$13,487,233	\$49,332,611

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$48,999,559	\$911,553	\$608,396	\$8,544,742	\$10,594,300	\$69,658,550
State/Local	\$100,370,490	\$1,540,476	\$0	\$9,886,942	\$9,410,792	\$54,155,291	\$175,363,990
Total	\$100,370,490	\$50,540,035	\$911,553	\$10,495,337	\$17,955,534	\$64,749,591	\$245,022,540

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 2 casinos in Cincinnati, approximately \$181.5 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Cleveland, Cuyahoga County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$35,931,213	\$2,849,080	\$557,876	\$2,069,686	\$2,978,767	\$44,386,622
State/Local		\$1,454,904	\$0	\$9,211,484	\$2,279,458	\$16,733,049	\$29,678,896
Total	\$0	\$37,386,118	\$2,849,080	\$9,769,360	\$4,349,144	\$19,711,816	\$74,065,518

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$72,336,556	\$1,706,006	\$965,478	\$15,144,209	\$17,736,785	\$107,889,034
State/Local	\$161,889,273	\$2,929,007	\$0	\$15,932,185	\$16,679,147	\$99,635,353	\$297,064,965
Total	\$161,889,273	\$75,265,564	\$1,706,006	\$16,897,663	\$31,823,357	\$117,372,137	\$404,953,999

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 3 casinos in Cleveland, approximately \$296.6 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Columbus, Franklin County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$21,474,541	\$1,658,860	\$355,011	\$1,324,454	\$2,306,913	\$27,119,779
State/Local		\$1,404,767	\$0	\$5,862,390	\$1,458,694	\$10,698,943	\$19,424,795
Total	\$0	\$22,879,308	\$1,658,860	\$6,217,401	\$2,783,149	\$13,005,856	\$46,544,574

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$52,662,771	\$1,270,918	\$760,606	\$9,697,897	\$12,663,563	\$77,055,755
State/Local	\$117,253,873	\$3,444,960	\$0	\$12,553,873	\$10,680,825	\$58,730,762	\$202,664,293
Total	\$117,253,873	\$56,107,731	\$1,270,918	\$13,314,479	\$20,378,722	\$71,394,325	\$279,720,047

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 2 casinos in Columbus, approximately \$216.9 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Dayton, Montgomery County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$11,886,610	\$777,007	\$196,697	\$790,564	\$911,415	\$14,562,292
State/Local		\$432,067	\$0	\$3,295,166	\$870,691	\$6,001,654	\$10,599,579
Total	\$0	\$12,318,678	\$777,007	\$3,491,863	\$1,661,255	\$6,913,069	\$25,161,871

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$34,210,253	\$727,759	\$505,261	\$5,928,351	\$5,246,476	\$46,618,101
State/Local	\$74,198,476	\$1,243,512	\$0	\$8,461,083	\$6,529,217	\$34,547,974	\$124,980,263
Total	\$74,198,476	\$35,453,764	\$727,759	\$8,966,345	\$12,457,569	\$39,794,450	\$171,598,363

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed casino in Dayton, approximately \$136.4 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – South Point, Lawrence County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$3,125,043	\$283,747	\$56,777	\$118,148	\$102,228	\$3,685,945
State/Local		\$330,869	\$0	\$1,030,933	\$130,123	\$1,606,355	\$3,098,280
Total	\$0	\$3,455,913	\$283,747	\$1,087,710	\$248,272	\$1,708,583	\$6,784,225

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$8,011,914	\$124,799	\$121,808	\$1,398,784	\$818,393	\$10,475,697
State/Local	\$20,405,261	\$848,275	\$0	\$2,210,946	\$1,540,557	\$12,859,725	\$37,864,765
Total	\$20,405,261	\$8,860,189	\$124,799	\$2,332,754	\$2,939,340	\$13,678,118	\$48,340,462

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed casino in South Point, approximately \$36 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Steubenville, Jefferson County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$4,146,505	\$141,024	\$61,021	\$135,629	\$220,027	\$4,704,206
State/Local		\$200,420	\$0	\$1,096,079	\$149,375	\$1,647,733	\$3,093,608
Total	\$0	\$4,346,925	\$141,024	\$1,157,100	\$285,004	\$1,867,760	\$7,797,813

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$8,416,946	\$151,677	\$119,847	\$1,157,118	\$1,114,259	\$10,959,848
State/Local	\$19,852,285	\$406,830	\$0	\$2,152,483	\$1,274,398	\$8,344,436	\$32,030,432
Total	\$19,852,285	\$8,823,777	\$151,677	\$2,272,331	\$2,431,516	\$9,458,695	\$42,990,280

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed casino in Steubenville, approximately \$35.4 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

Fiscal Impact Analysis

Individual Market Results – Toledo, Lucas County

<i>Construction</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$25,142,617	\$1,906,338	\$443,980	\$1,678,068	\$2,020,464	\$31,191,467
State/Local		\$1,348,977	\$0	\$7,429,413	\$1,848,148	\$13,290,501	\$23,917,039
Total	\$0	\$26,491,594	\$1,906,338	\$7,873,392	\$3,526,216	\$15,310,965	\$55,108,506

<i>Operations</i>	<i>Gaming Tax</i>	<i>Employee Compensation</i>	<i>Proprietary Income</i>	<i>Household Expenditures</i>	<i>Enterprises (Corporations)</i>	<i>Indirect Business Taxes</i>	<i>Total</i>
Federal		\$35,307,229	\$887,361	\$552,156	\$6,129,450	\$5,389,689	\$48,265,884
State/Local	\$76,994,066	\$1,894,339	\$0	\$9,235,591	\$6,750,699	\$35,453,075	\$130,327,770
Total	\$76,994,066	\$37,201,568	\$887,361	\$9,787,747	\$12,880,149	\$40,842,764	\$178,593,655

- It is assumed that the casinos and their employees pay taxes equating to 15% of casino revenue, 40% of earnings before taxes for Federal, State and Local taxes and 11% of salaries and wages for payroll taxes.
- Of all the tax proceeds generated by the economic activity arising from operation of the assumed 2 casinos in Toledo, approximately \$129.6 million would be generated directly by the casinos themselves and their employees in the form of gaming taxes, federal and state taxes on profits, and payroll taxes.

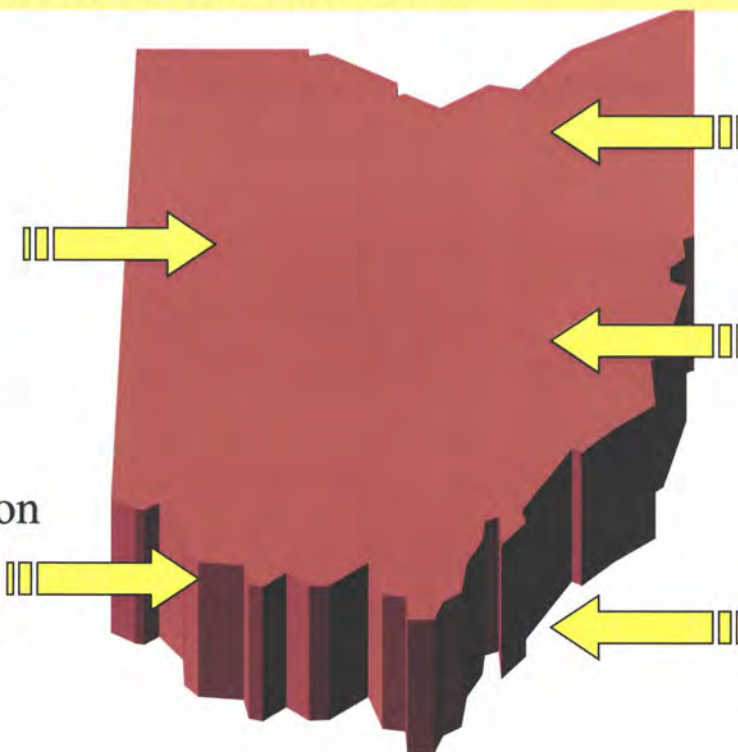
State of Ohio

Report Summary

It is estimated that casino gaming in the State of Ohio would produce the following impacts in the State between 2006 and 2008:

\$3.806 billion in gaming revenue including the recapture of most of the current \$925 million in resident casino spending that is leaving the state.

\$3.2 billion in construction (temporary) Output and **\$7.6 billion** in operating (annual) Output.



35,000 construction jobs and **79,000** operating jobs.

\$1.7 billion in construction Value Added and **\$4.3 billion** in operating Value Added.

\$109 million in construction and **\$1.0 billion** in operating taxes to State and Local government.

Information Sources

- ❑ American Gaming Association
- ❑ Analysis Group
- ❑ Arthur Andersen
- ❑ Cincinnati CVB
- ❑ Cleveland CVB
- ❑ Columbus CVB
- ❑ Dayton Montgomery County CVB
- ❑ Detroit CVB
- ❑ Colorado Division of Gaming
- ❑ ESRI Business Information Solutions
- ❑ Greater Cleveland Partnership
- ❑ Harrah's Entertainment, Inc.
- ❑ Illinois Gaming Board
- ❑ Illinois Lottery
- ❑ Indiana Gaming Commission
- ❑ Indiana Lottery
- ❑ Iowa Racing and Gaming Commission
- ❑ Iowa Lottery
- ❑ LaFleur's 2005 World Lottery Almanac
- ❑ Lawrence County, Ohio CVB
- ❑ Louisiana Gaming Control Board
- ❑ Michigan Gaming Control Board
- ❑ Mississippi Gaming Commission
- ❑ Missouri Gaming Commission
- ❑ Missouri Lottery
- ❑ Montana Department of Justice
- ❑ NAFTM
- ❑ National Indian Gaming Association
- ❑ Nevada Gaming Control Board
- ❑ New Jersey Casino Control Commission
- ❑ Smith Travel Research
- ❑ South Dakota Gaming Commission
- ❑ Steubenville CVB
- ❑ Toledo CVB
- ❑ Washington State Gaming Commission
- ❑ Washington State Lottery Commission
- ❑ West Virginia Lottery
- ❑ Wheeling, WV CVB