



# *Welcome*

## **Ball State Business Roundtable**

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# ***U.S. Economic Outlook***

**Michael J. Hicks, PhD**

Ball State University



# U.S. Economy in 2010

## TIME SERIES FORECAST 2009 (%)

## CONSENSUS (%)

Variable	2009 Avg. (%)	TIME SERIES FORECAST 2009 (%)				2010 Avg.	CONSENSUS (%)	
		Q 1	Q 2	Q 3	Q 4		Round Table	Blue Chip
Real GDP Growth	0.1	4.7	2.8	3.9	5.0	4.1	3.0	2.9
Inflation	0.7	1.4	1.1	2.0	0.7	1.3	2.0	1.5
Unempl. Rate	9.2	10.7	11.1	11.4	11.4	11.2	9.6	9.9
10-yr T-Bond	3.3	3.5	3.5	3.5	3.6	3.5	3.9	3.9



# U.S. Economy in 2010

## TIME SERIES FORECAST 2009 (%)

## CONSENSUS (%)

Variable	2009 Avg. (%)	Q 1	Q 2	Q 3	Q 4	2010 Avg.	Round Table	Blue Chip
Real GDP Growth	0.1	4.7 3.2	2.8 2.4	3.9 (3.6)	5.0 (4.3)	4.1 (4.0)	3.0	2.9
Inflation	0.7	1.4 0.9	1.1 1.8	2.0 (1.5)	0.7 (1.0)	1.3 (0.8)	2.0	1.5
Unempl. Rate	9.2	10.7 9.7	11.1 9.7	11.4 (9.8)	11.4 (8.1)	11.2 (8.9)	9.6	9.9
10-yr T-Bond	3.3	3.5 3.7	3.5 3.5	3.5 (4.0)	3.6 (3.9)	3.5 (3.8)	3.9	3.9



# Producer Price Index

Corn, cottonseed, soybean cake & meal (seasonally adjusted)





# ***Indiana Gaming Tax Revenue: Sources and Uses***

**Jim Landers, PhD**

Indiana Legislative Services Agency



# Indiana Gaming Tax Revenue Sources and Uses



Prepared by the Indiana Legislative Services Agency  
August 11, 2010



# Gaming Time Line

**1988**

- Repeal of Constitutional Prohibition

**1989**

- Lottery legalized
- Pari-mutuel Wagering legalized
- Hoosier Lottery begins

**1990**

- Charity Gaming legalized

**1992**

- Pari-mutuel Wagering at OTBs legalized

**1993**

- Riverboat casinos legalized

**1997**

- Casinos open: E. Chicago, Michigan City

**1996**

- Casinos open: Gary, Hammond, Rising Sun, Lawrenceburg

**1995**

- Casino opens: Evansville
- OTBs open: Merrillville, Ft. Wayne, Indianapolis

**1994**

- Racetrack opens: Anderson

**1998**

- Casino opens: Harrison County

**2000**

- Casino opens: Switzerland County

**2002**

- Dockside Gaming
- Racetrack opens: Shelbyville

**2003**

- French Lick Casino legalized
- OTB opens: Evansville

**2008**

- Racinos open: Anderson, Shelbyville
- Pull tabs at taverns legalized

**2007**

- Racinos legalized

**2006**

- Casino opens: French Lick

**2004**

- OTB opens: Clarksville



# **Gaming Taxes and Revenue Yield**



# Taxes on Gaming Established Before 2007

## Hoosier Lottery

- \$0.39 per \$1.00 ticket sale gross margin
- \$0.27 per \$1.00 ticket sale to state funds

## Pari-mutuel Wagering Tax

- 2%-2.5% of wagers on live or simulcast races

## Charity Gaming

- 10% Excise Tax on price of gaming cards
- License fee on organizations and game suppliers

## Riverboat Gaming

- Admissions - \$3 per admission to casino\*
- Wagering - 15%-40% of casino AGR

\*The French Lick Casino Admissions Tax was \$4 per admission until July 1, 2010.



# Taxes on Gaming Established Since 2007

## Slot Machine Wagering Tax

- State - 25%-35% of racino AGR
- Counties - 3% of racino AGR up to \$8 M annually
- Supplemental - 1% of racino AGR until July 1, 2012

## Gaming in Bars and Taverns

- 10% Excise Tax on price of gaming cards
- License fee on taverns and game suppliers



# Gaming Revenue by Source

## FY 2010 Total = \$1,088.3 M

### Hoosier Lottery

Surplus Revenue  
\$183.9 M

### Horse Racing

Pari-mutuel Wagering Tax  
\$3.2 M

Other Horse Racing Taxes  
\$0.5 M

### Charity Gaming

Charity Gaming Excise Tax  
\$1.3 M

Charity Gaming License Fees  
\$4.2 M

### Riverboat Casinos

Riverboat Admissions Tax  
\$80.9 M

Riverboat Wagering Tax  
\$672.8 M

### Racinos

Slot Machine Wagering Taxes  
\$137.9 M

Other Slot Machine Revenue  
\$3.0 M

### Type II Gaming

Type II Gaming Excise Tax  
\$0.3 M

Type II Gaming Fees  
\$0.3 M



# State and Local Shares

## Total FY 2010 = \$1,088.3

Revenue Source	State Share	Direct Local Share
Hoosier Lottery*	\$183.9 M	\$0
Horse Racing	\$3.7 M	\$0
Charity Gaming	\$5.5 M	\$0
Riverboat Casinos	\$565.0 M	\$188.7 M
Racinos	\$128.1 M	\$12.8 M
Type II Gaming	\$0.6 M	\$0
<b>Total</b>	<b>\$886.8 M</b>	<b>\$201.5 M</b>

\*A portion of the state share is redistributed to local units.



# **Gaming Revenue Uses**



# Distribution of State Share

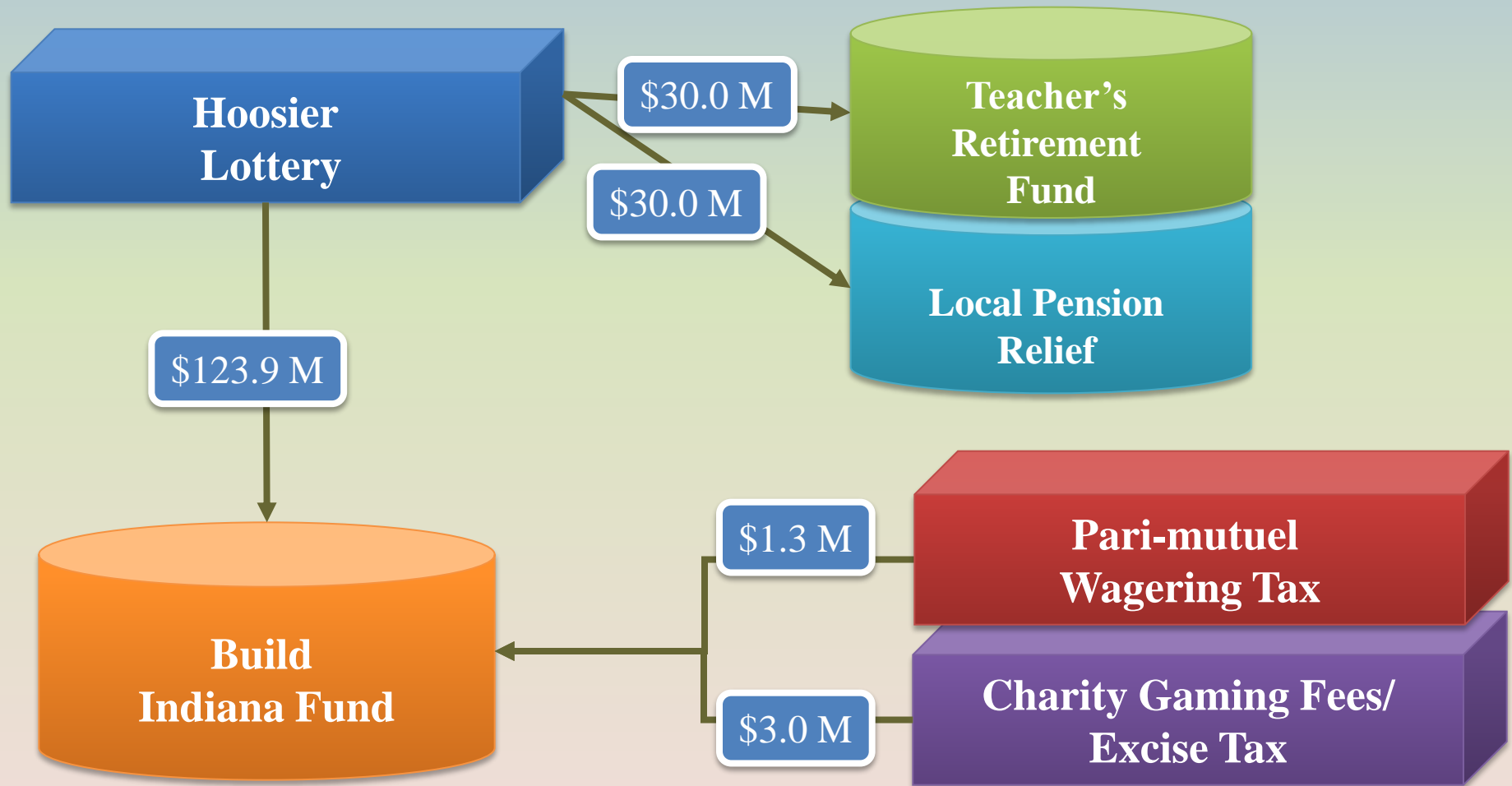
## Total FY 2010 = \$886.8 M

Revenue Source	General Fund	Build Indiana Fund	Other Dedicated
Hoosier Lottery	\$0 M	\$123.9 M	\$60.0M
Horse Racing	\$0	\$1.3 M	\$2.4 M
Charity Gaming	\$0	\$3.0 M	\$2.5 M
Riverboat Casinos	\$430.1 M	\$121.8 M	\$13.1 M
Racinos	\$123.8 M	\$0	\$4.3 M
Type II Gaming	\$0.3 M	\$0	\$0.3 M
<b>Total</b>	<b>\$554.2 M</b>	<b>\$250.0 M</b>	<b>\$82.6 M</b>



# Lottery, Pari-mutuel, and Charity Gaming Distributions

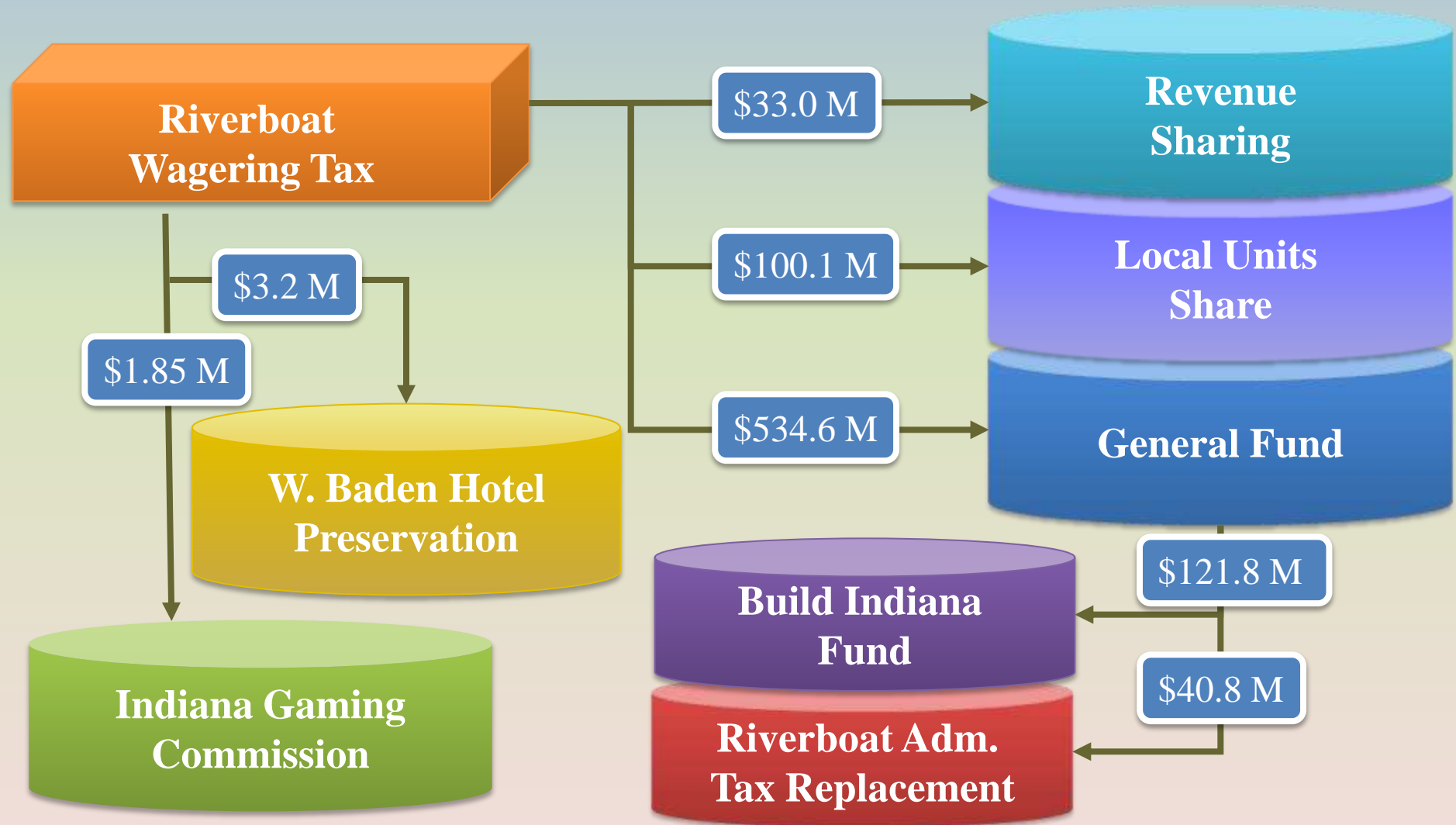
## FY 2010 Total = \$188.2 M





# Riverboat Wagering Tax Distributions

## FY 2010 Total = \$672.8 M





# Riverboat Admission Tax

## FY 2010 Collections and Replacement

<u>Receiver</u>	<u>Collections</u>	<u>Replacement</u>	<u>Total</u>
State General Fund	\$17.3 M	N/A	\$17.3 M
State Fair Comm.	\$3.8 M	\$2.6 M	\$6.4 M
Div. of Mental Health	\$2.5 M	\$1.7 M	\$4.2 M
IN Econ. Dev. Corp.	\$1.1 M	N/A	\$1.1 M
W. Baden Hotel Preservation (DNR)	\$0.6 M	N/A	\$0.6 M
Local Units Share	<u>\$55.6 M</u>	<u>\$36.5 M</u>	<u>\$92.1M</u>
<b>Total</b>	<b>\$80.9 M</b>	<b>\$40.8 M</b>	<b>\$121.7 M</b>



# Racino License Fee

## Initial License Fee

- **\$250 M Per Racino**
- **\$300 M paid in October 2007**
- **\$200 M paid in October 2008**
- **Distributed to the Property Tax Reduction Trust Fund**

## Continuing Annual License Fee

- **Begins in 2013 (5 years after initial licensure)**
- **\$100 per slot machine**
- **Distributed to the State General Fund**



# Racino Tax Revenue

## Slot Machine Wagering Tax Distributions FY 2010 Total = \$137.9 M

- |                                |           |
|--------------------------------|-----------|
| • State General Fund           | \$120.8 M |
| • Madison County/Shelby County | 12.8 M    |
| • French Lick Casino           | 4.3 M     |

## Racino AGR Distribution FY 2010 Total = \$3.0 M

- Revenue from Horsemen's Distribution exceeding inflationary growth
- Distributed to the State General Fund



# Type II Gaming in Bars & Taverns

## Type II Gaming Excise Tax

- State General Fund
- FY 2010 = \$0.3 M

## Type II Gaming Fees

- Alcohol & Tobacco Commission  
Enforcement and Administrative Fund
- FY 2010 = \$0.3 M



# Other Revenue Uses

Spending from the Build Indiana Fund

County revenue sharing from Riverboat Wagering Tax

Riverboat local development agreements

Distributions to horse racing interests from Racino AGR



# Distributions to the Build Indiana Fund (BIF)

Annual Funding: Effectively Limited to \$250 M

- Curbs annual expenditures from the BIF
- Restricts the types of expenditures made from the BIF

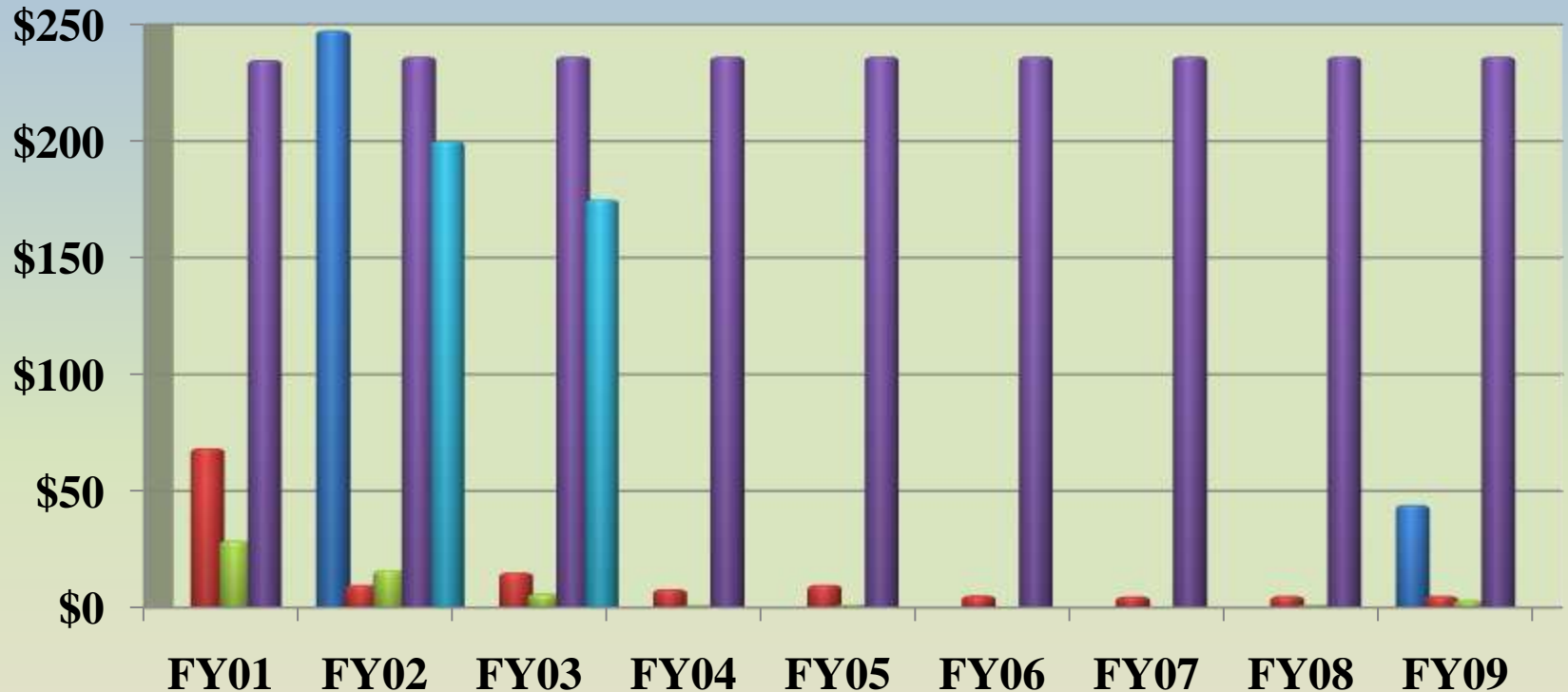


# Distributions to the Build Indiana Fund (BIF)

<u>BIF Funding Formula</u>	<u>FY 2010</u>
Annual Funding Limit	\$250.0 M
Less: Lottery Revenue	(\$123.9 M)
Pari-mutuel Revenue	(\$1.3 M)
Charity Gaming Revenue	<u>(\$3.0 M)</u>
<b>Wagering Tax To BIF</b>	<b>\$121.8 M</b>



# Distributions from the BIF



- State General Fund
- Technology/Other
- Local Capital Projects
- Motor Vehicle Excise Tax Replacement
- Property Tax Replacement Fund



# Wagering Tax Revenue Sharing

\$33 M annually from  
Riverboat Wagering  
Tax

Distributed by August  
15<sup>th</sup> each year

Per capita distribution to counties not containing  
a riverboat casino

- Distributed to the county treasurer
- Distributed to counties and to cities and towns within the counties



# Riverboat Casino

## Local Development Agreements

Financial agreements between casino owners and local units community foundations, etc

State Statute  
—  
No specific requirement;  
No regulations

Usually include temporary lump sum payments

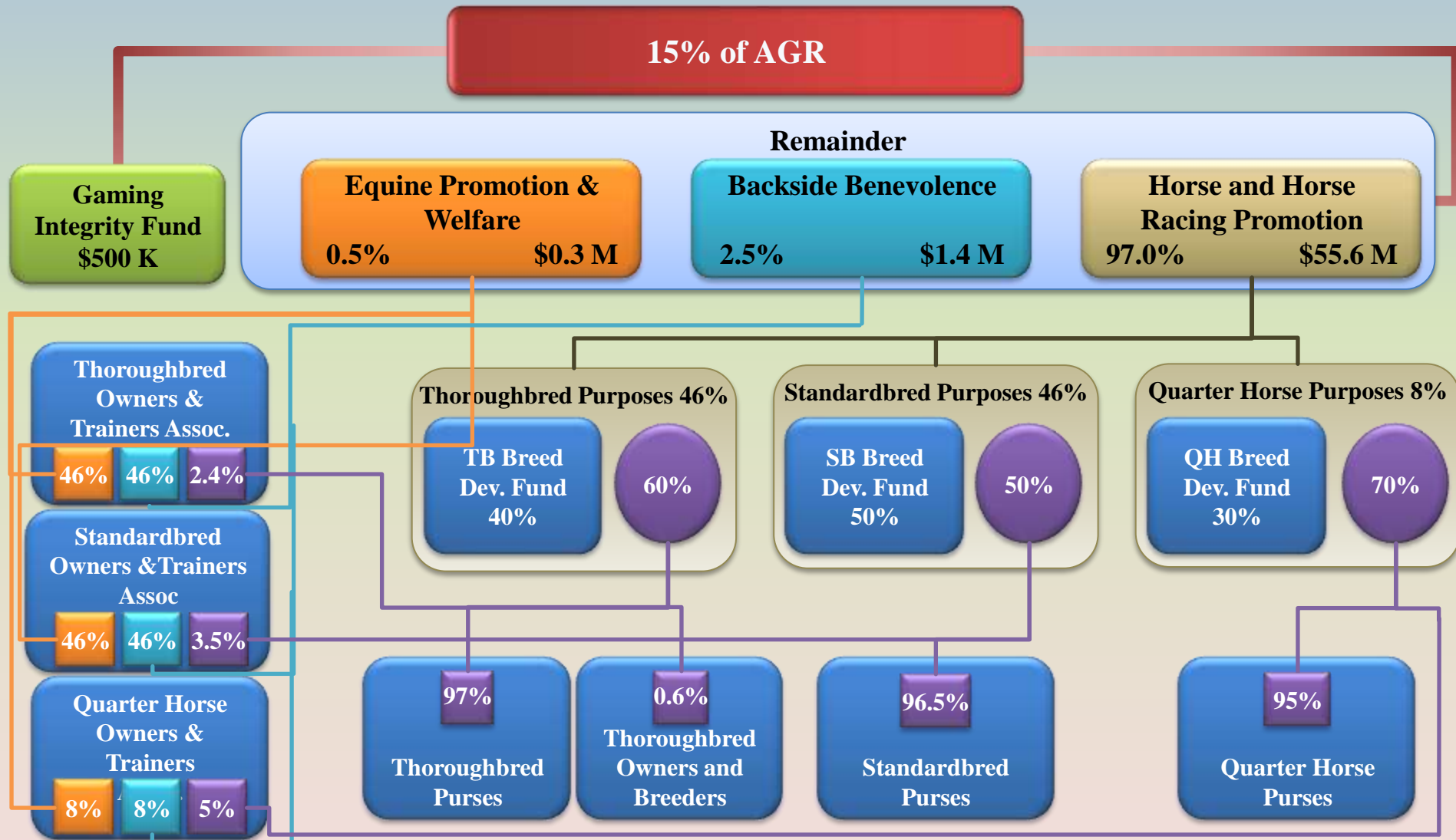
Ongoing payments typically based on wagering levels at casinos

Gaming Commission Reports:

- \$122.5 M paid in 2009
- \$828.3 M paid 2003 to 2009



# Distribution of Racino AGR to Horse Racing Industry FY 2010 Total = \$57.8 M





# **Casino/Racino Tax Base**



# Revenue Growth Potential

- Riverboat Admissions slowing to a decline in 2 of last 3 years
- Riverboat AGR slowing to a decline in each of last 3 years
- Historically low growth in AGR per patron has changed to decline in last 2 years

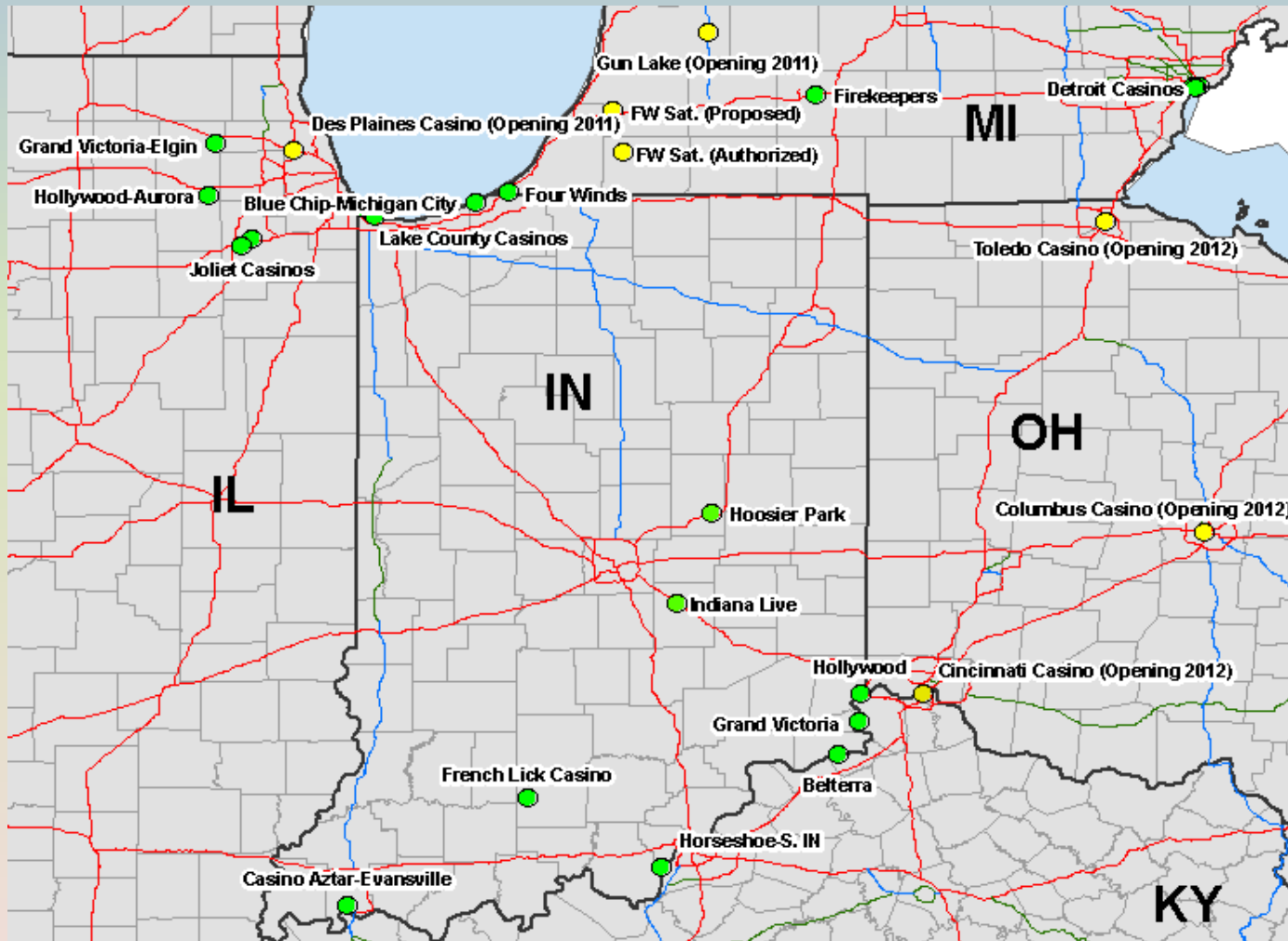
## Trends

- Market maturation/saturation
- Recessionary effects
- Displacement of casino business by racinos
- Competition from gaming facilities in surrounding states

## Factors in Play

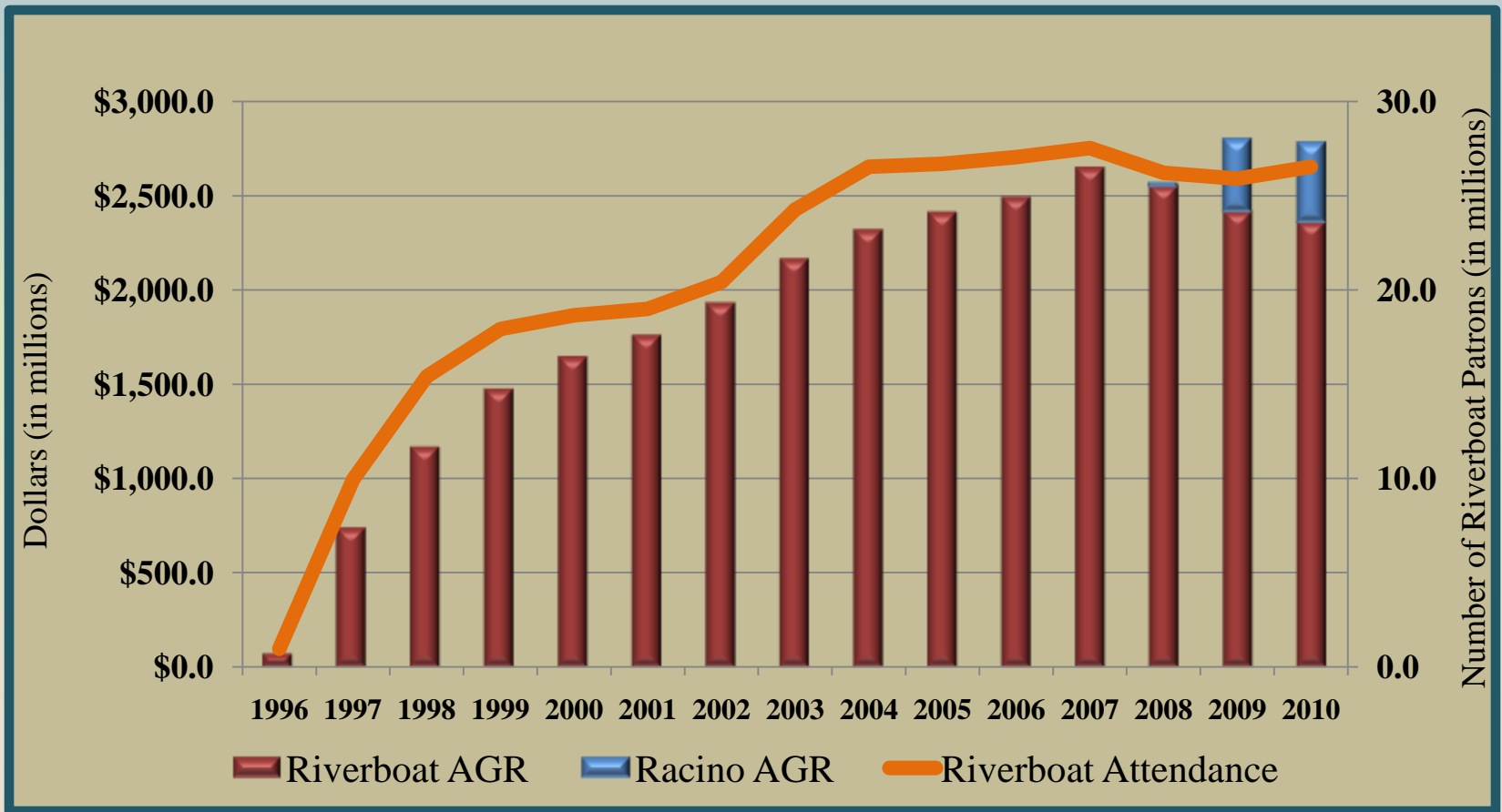


# Indiana & Surrounding State Gaming Facilities



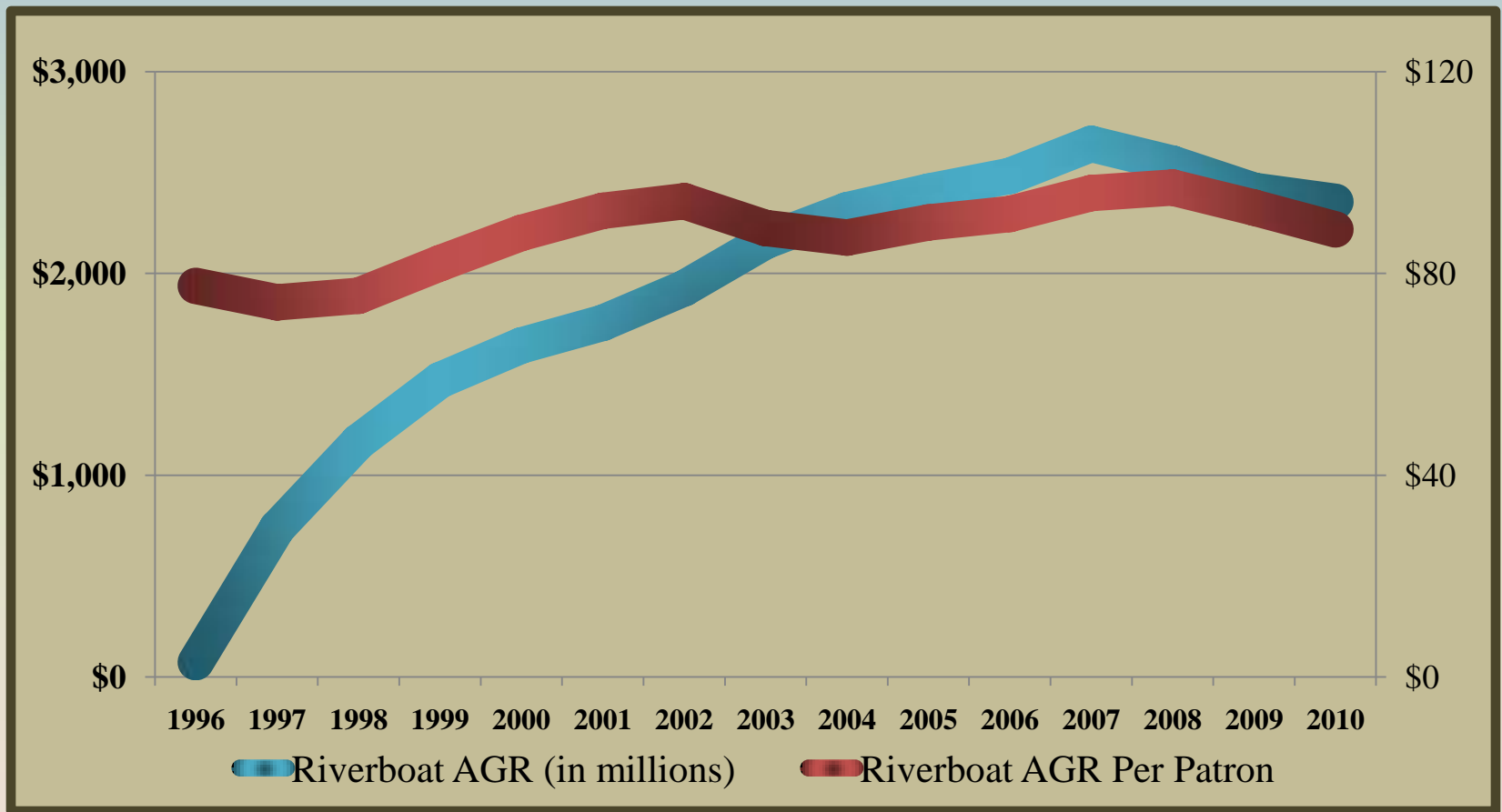


# Market Maturation/Saturation





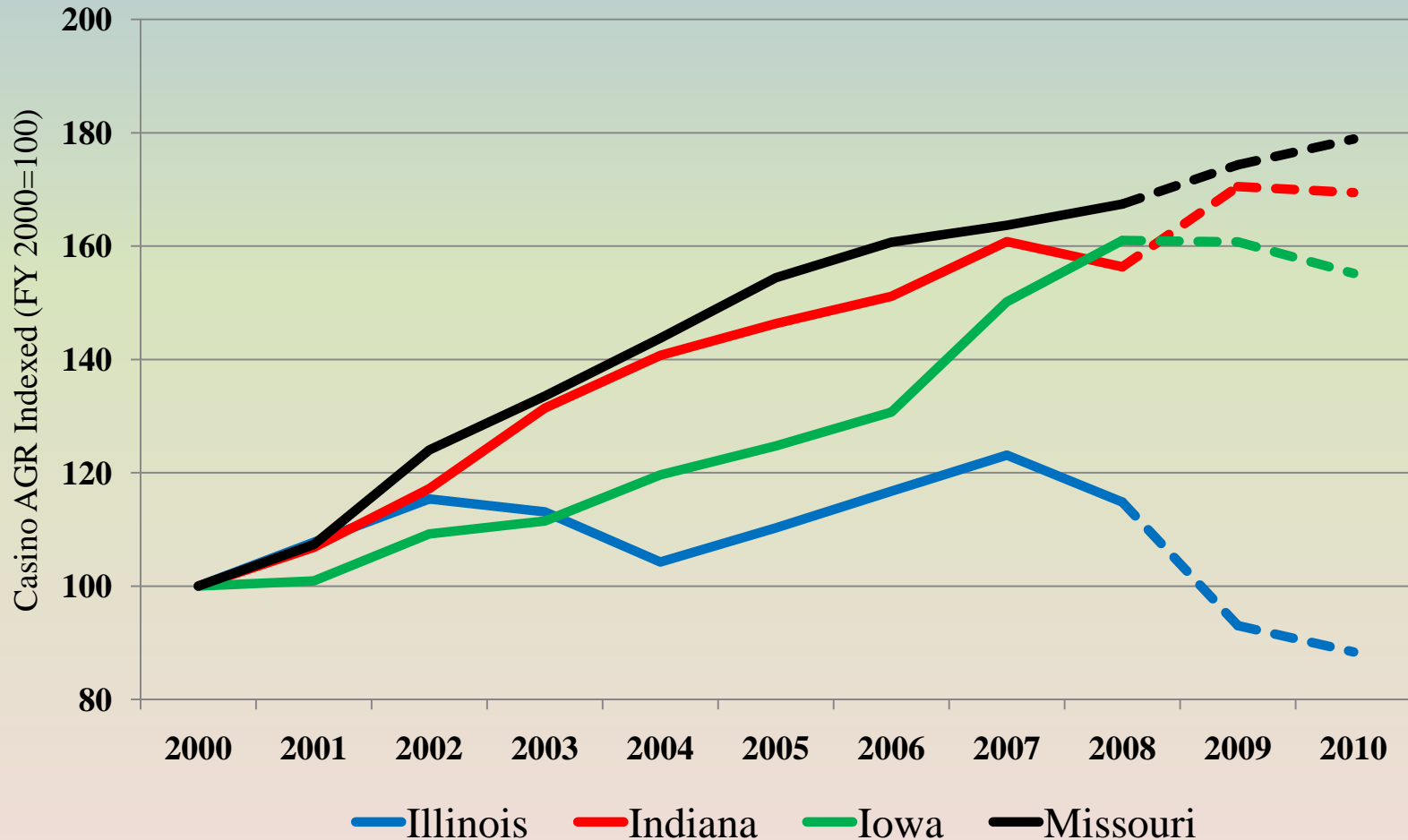
# Potential Future Tax Base Growth





# Recessionary Impacts

## Casino/Racino AGR





# Competition from Other States

## Out-of-State Patronage at Indiana Casinos

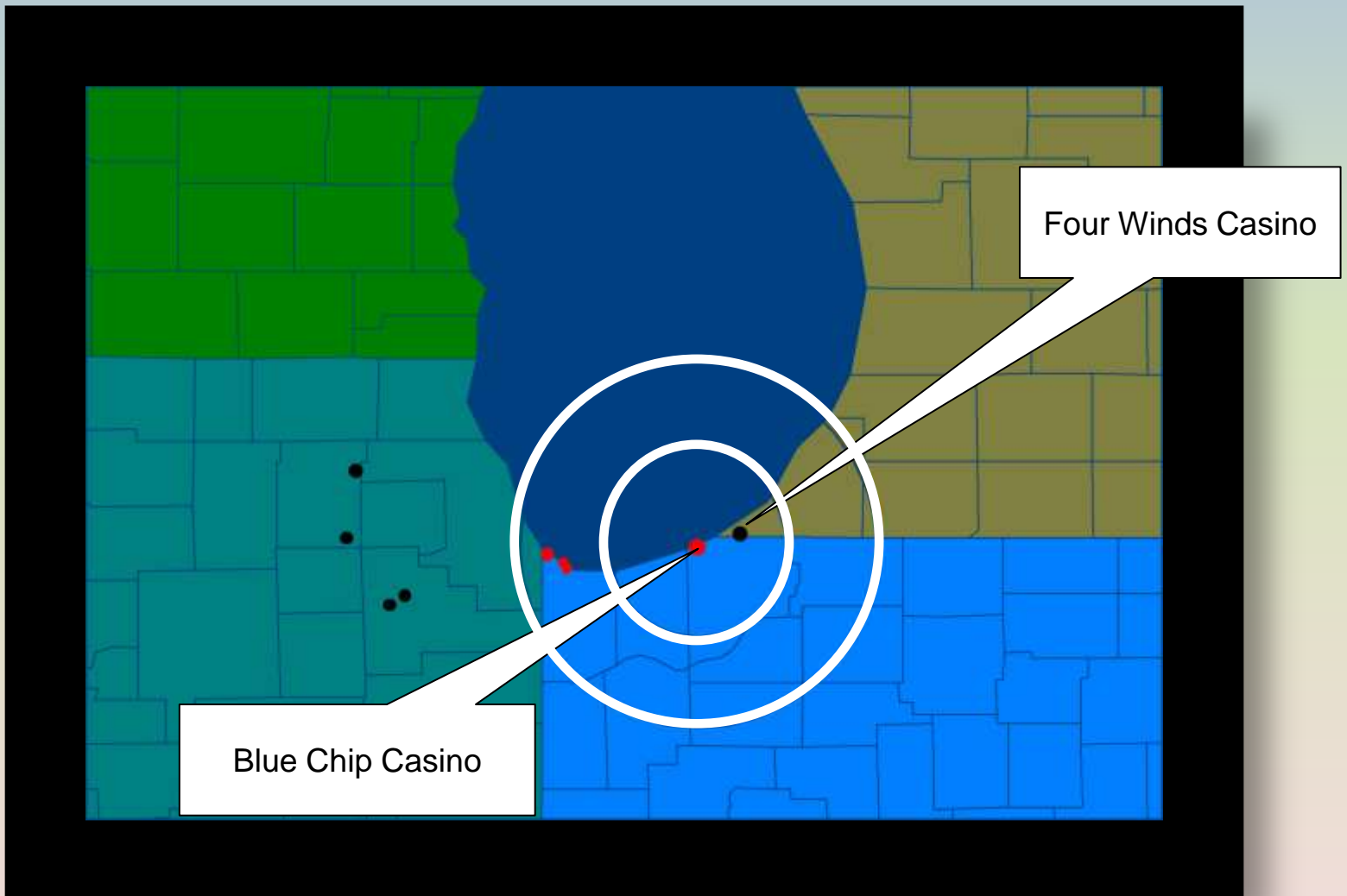
- Est. 68% of patrons at Lake Michigan casinos are nonresidents
- Est. 64% of patrons at Ohio River casinos are nonresidents

## Affect on Riverboat Gaming Revenue

- OH: Casinos opening in 2012-2013
- MI: Tribal casinos near Michigan City
- KY: No casino gaming, but they're trying
- IL: 10<sup>th</sup> license, deregulation, tax changes, smoking ban



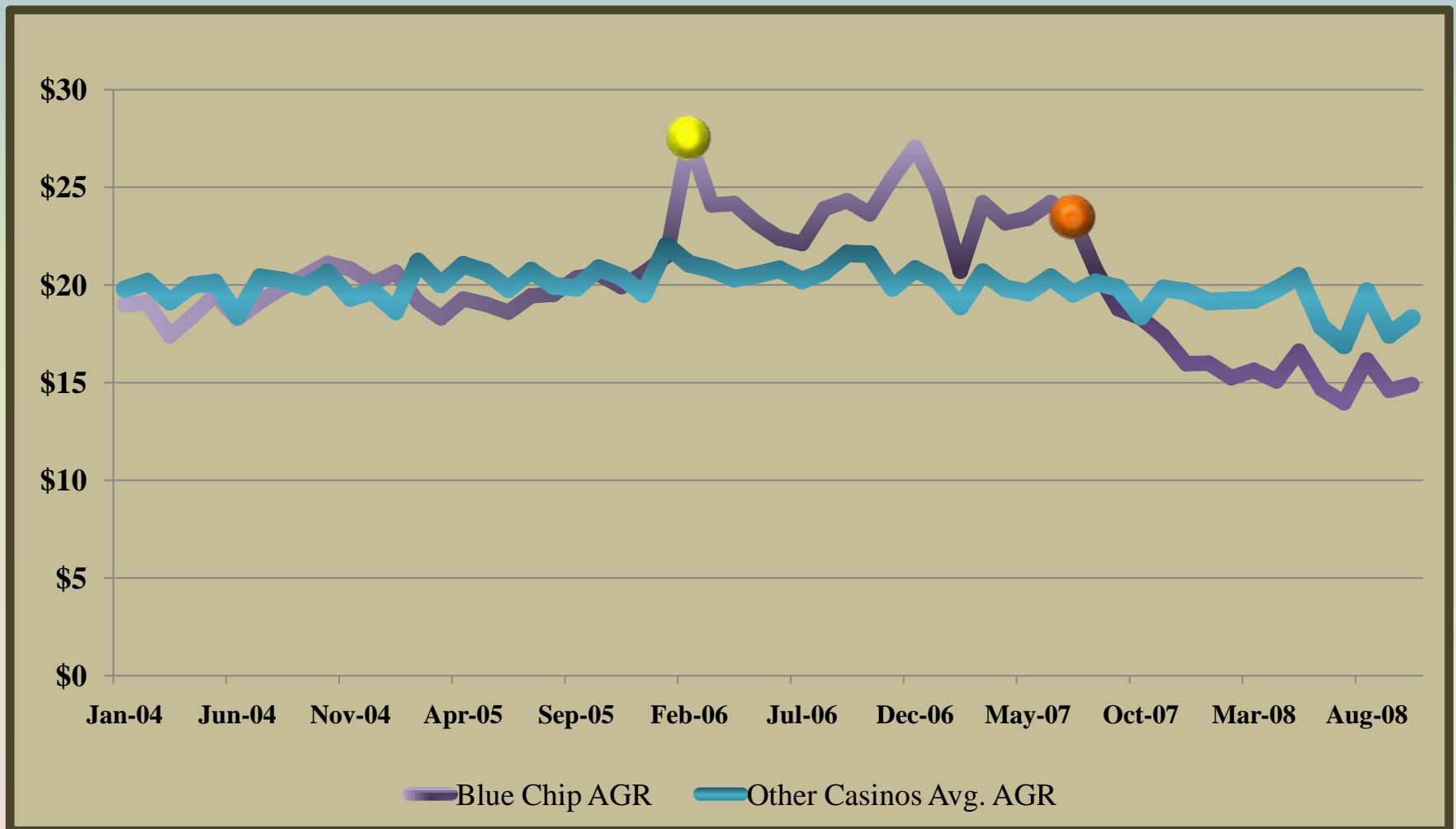
# Market Competition





# Market Competition Impact I

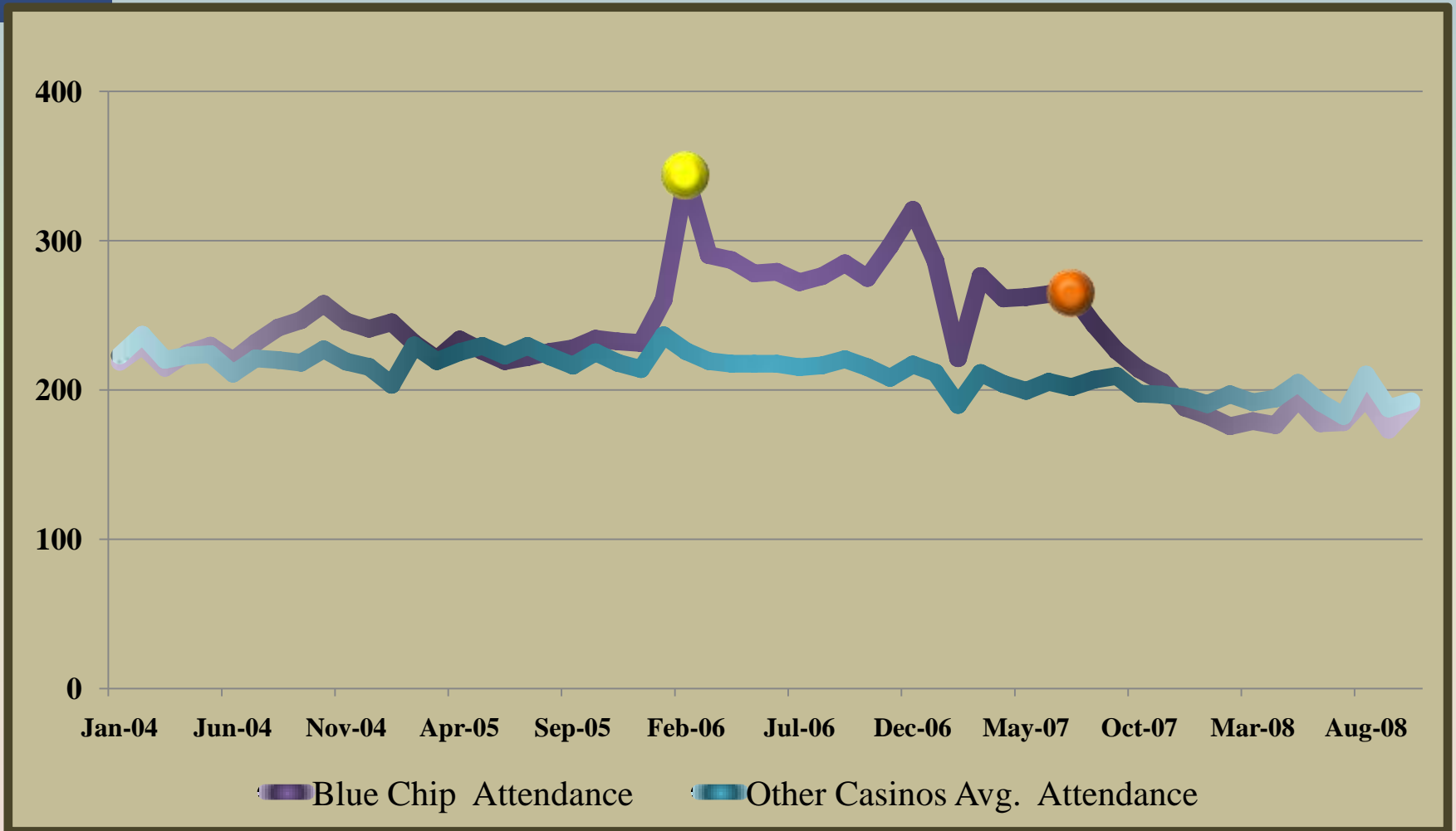
## (In Millions)





# Market Competition Impact II

(In Thousands)

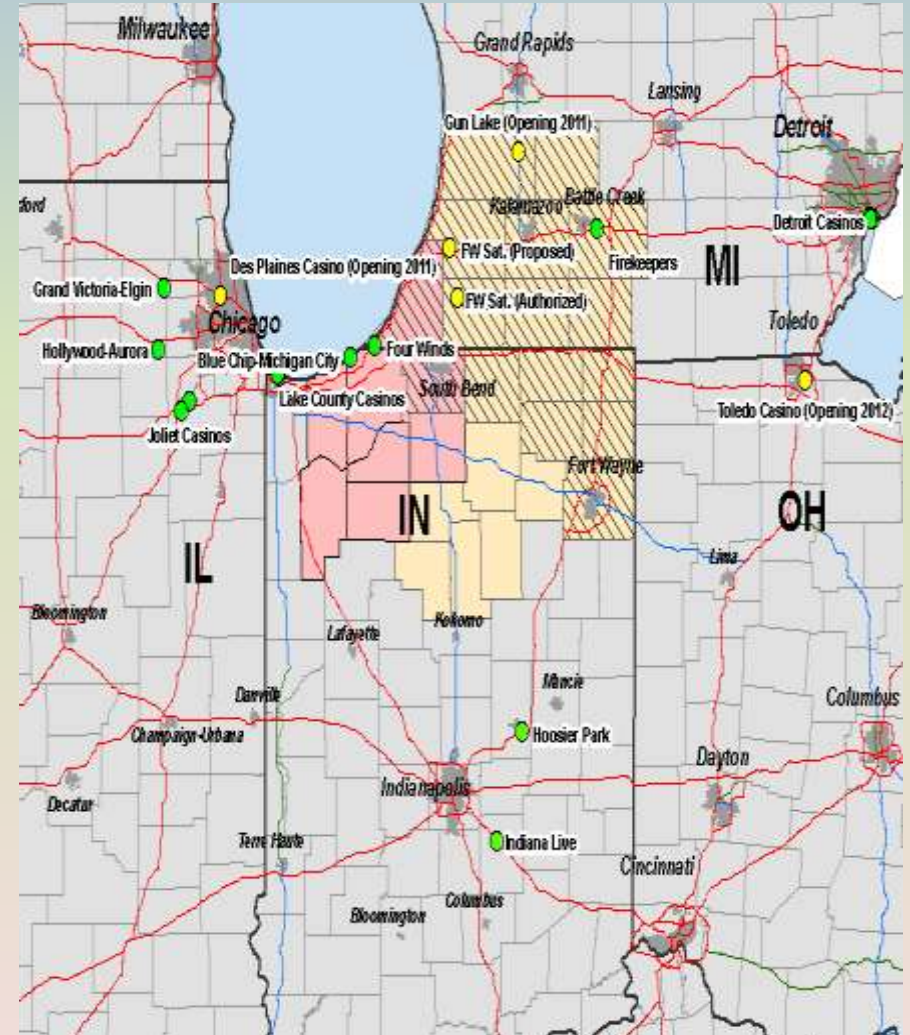




# Michigan City Casino

## Estimated Impact

% Reduction in Patrons	18%-20%
Admissions Tax Loss	\$1.3 M-\$1.5 M
Wagering Tax Loss	\$12.0 M-\$13.2 M
<b>Total</b>	<b>\$13.3 M-\$14.7 M</b>

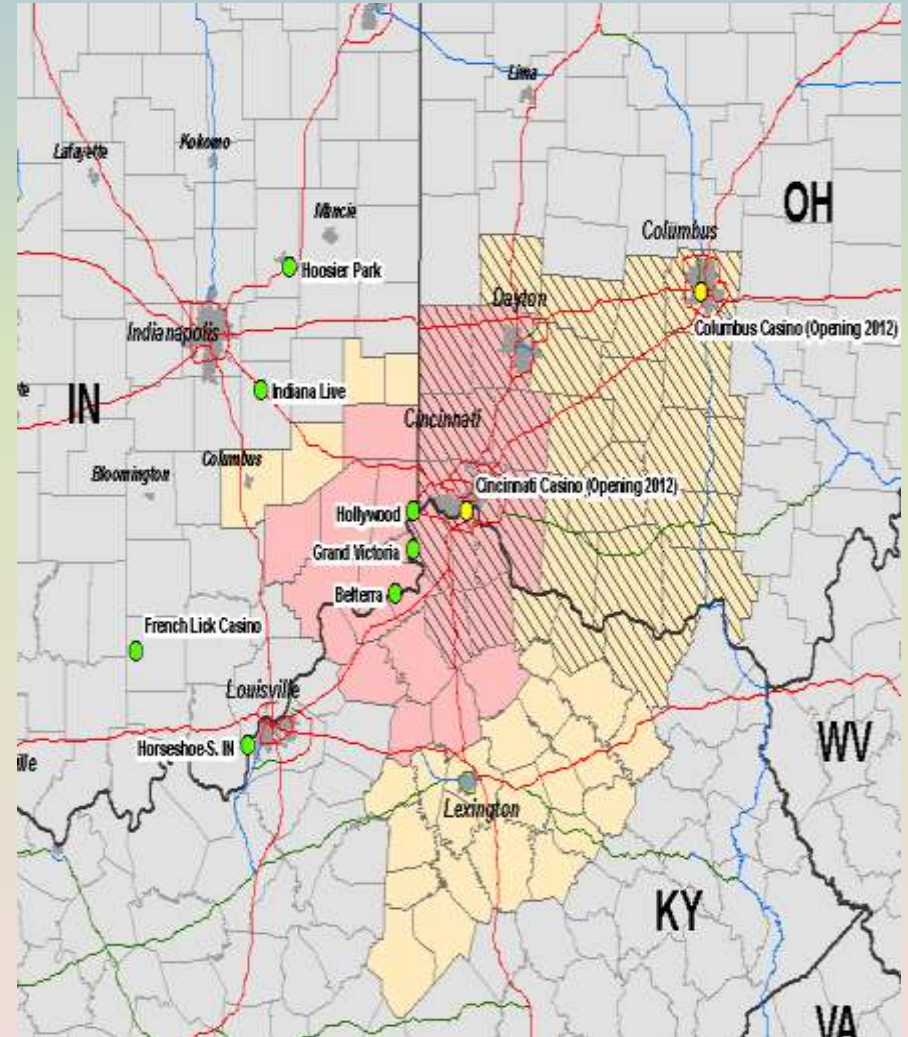




# S. E. Indiana Casinos

## Estimated Impact

% Reduction in Patrons	30%-38%
Admissions Tax Loss	\$6.1 M-\$7.8 M
Wagering Tax Loss	\$67.1 M-\$86.1 M
<b>Total</b>	<b>\$73.2 M-\$93.9 M</b>

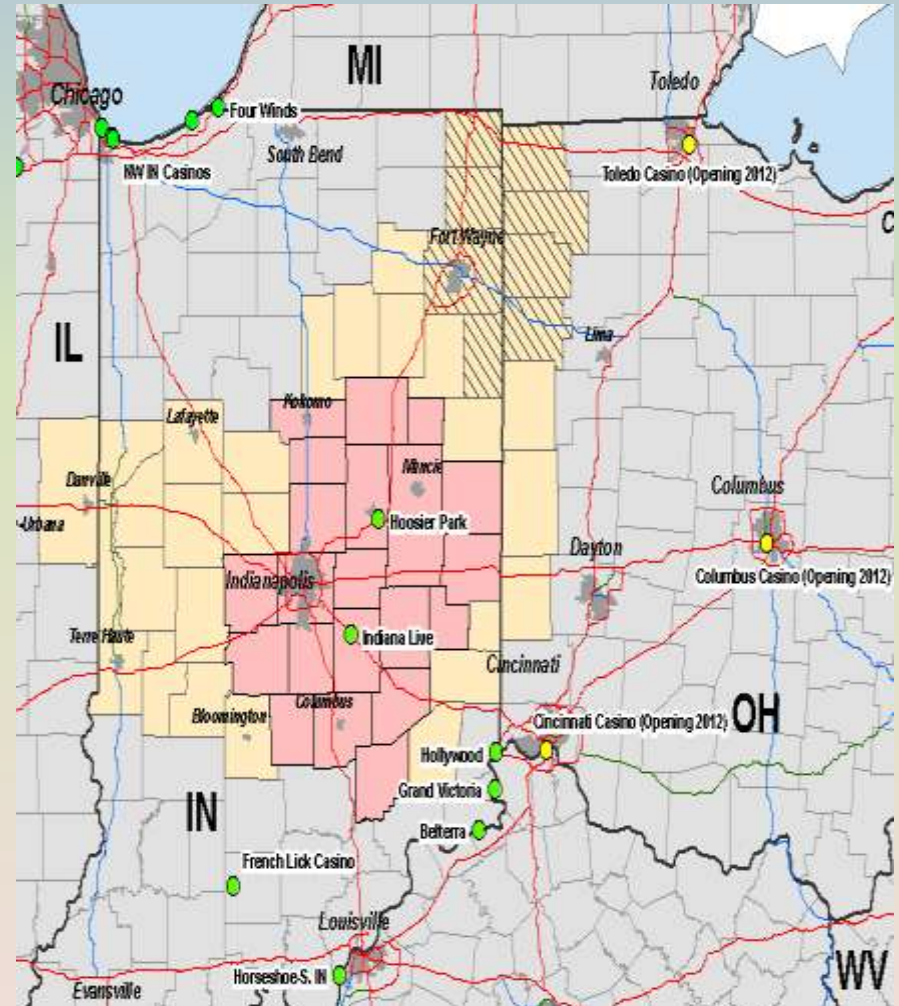




# Central Indiana Racinos

## Estimated Impact

% Reduction in Patrons	14%
Admissions Tax Loss	N/A
Wagering Tax Loss	\$9.7 M
<b>Total</b>	<b>\$9.7 M</b>





# Estimated Impacts

Affected Area	Admission Tax Loss	Wagering Tax Loss
S. E. Indiana	\$6.1 M-\$7.8 M	\$67.1 M-\$86.1 M
Central Indiana	N/A	\$9.7 M
Michigan City	\$1.3 M-\$1.5 M	\$12.0 M-\$13.2 M
Total	\$7.4 M-\$9.3 M	\$88.8 M-\$109.0 M
% of Total Revenue	9.8%-12.4%	12.9%-15.8%



# Information on Gaming Taxes and Other Taxes

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- # Indiana Handbook of Taxes, Revenues, and Appropriations by LSA
- # [http://www.in.gov/legislative/pdf/TaxHandbook09\\_online.pdf](http://www.in.gov/legislative/pdf/TaxHandbook09_online.pdf)







*Thank you*

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