

Ohio Economic Impact of Gaming

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Overview of Presentation

- Introduction / High level overview
- Economic Exodus in Ohio without Gaming prior to 2012
- Overview of Key Economic Impacts of Gaming
- Development Resulting from Gaming
- Video Lottery Terminals (VLTs)- short take
- Overview of Threats
- Question and Answer

Basis of Analysis

- Legal requirements for gaming
- Gaming Studies
 - State of Ohio 2009
 - Innovation Group 2009
 - University of Cincinnati 2009
 - County Commissioner's Association 2012
- No operator input

Total Economic Impact: Casinos

- Up to \$11 billion in total economic impact over 5 years (University of Cincinnati Study 2009) VLTs not factored in
- Casinos generally provide greater fiscal impacts than other businesses
 - Taxed at much higher rate- 33% plus other taxes (i.e. CAT .26 percent on gross revenue)
 - Plus high license fees

Annual Economic Impact: Casino Operations

- Direct Impact
 - \$949 Million in output (employment, marketing, food and beverage)
- Indirect and Induced
 - \$1.07 Billion

(Based on University of Cincinnati Study without VLTs)

- ## Economic Loss in Ohio without Gaming
- According to official argument for Issue # 3 based by Ballot Board:
 - “Over \$1 Billion leaves Ohio each year when Ohioans travel to neighboring states’ facilities.
 - Residents were traveling to West Virginia, Pennsylvania, Michigan, Indiana and other states for gaming entertainment.
 - License plate effect

Casino Constitution Drafted With Public Good

- Four ballot initiatives (lesson learned)
- Constitutional Amendment needed to be drafted to ensure public good
- Needed to be a fair “deal” for Ohio and be a catalyst for economic growth
- Drafted to:
 - Create Jobs
 - Capital Investment
 - Increase Tourism
 - Responsible Gaming

Casino Constitution Drafted for Public Good

- Drafted to fund key areas from Gross Casino Tax Revenue:
 - 51% to counties
 - 34% to schools
 - 5% to host communities
 - 3% to Casino Control Commission
 - 3% to Racing Commission to support horse industry
 - 2% to law enforcement training
 - 2% to problem gaming and substance abuse

\$200 Million for Ohio's Workforce

- One Time License Fees of \$50 Million per casino.
- Total of \$200 Million to be used by State to provide skills to Ohio's workforce.
- State working on one or more programs to support training in key targeted industries.

- # \$1 Billion Minimum Construction Spend
- Constitution requires each casino to spend a minimum of \$250 Million per casino.
 - Cleveland - \$400 Million
 - Toledo-\$270 Million
 - Columbus- \$400 Million
 - Cincinnati- \$350 Million
 - Overall likely see over \$1.4 Billion!
 - Note: approximate numbers

Columbus- Delphi Plant '07 / Brownfield Project



Tear Down and Remediation



Jobs Begin & Community Redevelopment



A Casino is Born



Columbus Casino Opens



Toledo Casino Opens In May



Casino Jobs

- Columbus
 - 2,000 permanent
 - 3,500 construction
- Toledo
 - 1,300 permanent
 - 2,100 construction
- Good example
- Cleveland & Cincinnati similar

Economic Inclusion Key Focus

For Toledo and Columbus:

- Approximately 90% of workforce from surrounding community
- Approximately 90% of key vendors Ohio based
(excluding gaming supplies / food)
- Diversity in hiring beats local population percentages
- Local colleges hired to help in employee training

Community Involvement

- Casinos are very integrated into the community
- Partner with local community organizations and associations.
- Involved in key Non-Profit Boards
- For Columbus and Toledo already provided over \$500,000 given to charities
 - Food bank / Boys and Girls Club
 - Salvation Army
 - YMCA and others

Gross Casino Revenue

- Casinos pay a 33% tax on gross casino revenue (wagers minus winnings)
- What will the revenue equal:
 - This is more of an art than an exact science
 - Gaming marketing is just beginning and will take several years to mature
 - Several estimates out there
 - VLTs and other gaming (Sweepstakes) will and have had a large impact

State Tax / Budget Department 2009

- Taxation / Budget and management was required to do an impact analysis of Issue 3
- In 2009, State study estimated by 2013
 - \$643.4 Million in casino tax revenue without VLTs
 - \$469.8 Million in casino tax revenue with VLTs

Innovation Group Study 2009

- Paid for by Committee supporting Issue 3
- Based on 5,000 slot machines per facility
 - Columbus at 3,000 currently
 - Toledo at 2,000 currently
- No Video Lottery Terminal in projection
- By end of 2013 study projected:
 - \$651 Million in tax revenue

University of Cincinnati Study- 2009

- Paid for by Committee supporting Issue 3
- Based on 5,000 slot machines per facility
- No VLTs in projection
- Projected \$628 Million in gaming tax revenue end of 2013

County Commissioner's Association- 9/12

- 2012- \$67 Million plus
- 2013- \$349 Million plus
- 2014- \$467 Million plus

- In Line with 2009 State projection of \$469M

September 2012 Gross Casino Revenue

- \$37,084,937 in Gross Casino Revenue
- \$12.24 Million in Taxes from Toledo / Cleveland
- Columbus / Cincinnati not on line as of this report
- Demonstrates market is still growing and possible impact of 1 VLT facility and Sweepstakes Gaming

Other Tax / Fee Benefits

- Income Tax
- Property Tax
- Sales Tax
- Commercial Activities Tax
- Liquor sales revenue and fees

Tourism Impacts

- Will help draw more convention business for State.
- 14% of gaming revenue will come from out of state (Ohio Innovation Study)
- Impact on local hotel / restaurant / gas stations and other surrounding businesses

Urban Renewal

- All casinos are selected in urban areas where economic revitalization needed
- Cleveland / Cincinnati Casinos contributing to redevelopment of Downtown with owner experienced in urban renewal
- Toledo Casino just outside of downtown and contributing to renewal of area
- Columbus casino catalyst for other development

Case Study of Secondary Economic Development

- Columbus Casino
 - West Side Economic Development Strategy for Study Area Surrounding Casino Created
 - Projected 2,650 spinoff jobs in area
 - Potential redevelopment of Westland Mall
 - Tee Jaye's Country Palace invest \$600,000 to renovate
 - “Without the casino there would have been zero chance for any widespread revitalization of the West Side.” Chris Haydocy- local business owner
 - This month surrounding properties donated land to create a right of way for development of a bike path to connect to Ohio to Erie Trail Bike Path.

Other Economic Considerations

- Casino gaming is an entertainment business.
- There will be Problem Gaming
- Programs Need to be there to help those with gaming addiction
- Fund created – 2% of Casino Tax
- Casino Control Commission / Lottery / OADAS showing great leadership

Video Lottery Terminal (VLTs) Just Starting

- Ohio is likely to approve VLTs at 7 racetracks in Ohio
- Will reinvigorate Ohio's horse racing industry
- Will create approximately 700-1,000 jobs per facility
- Each facility will cost approximately \$150 Million with existing facilities
- \$50 Million license fee
- Scioto Downs open and all should be open by 2nd Quarter 2014

VLT Effects

- VLT facilities will create jobs, funding for education, as well as increased sales, income and property taxes.
- VLT facilities will cut into the casino market and reduce the amount of gross casino revenue tax and other economic investment.

Other Threats to Gaming Revenue

- Sweepstakes Gaming (Internet Gambling Cafes) is expanding in Ohio with nearly 800 facilities or more
- Ohio courts are split on whether it is legal, but most appellate courts in the U.S. have found it to be gambling which would make it illegal.
- Legislature has created a moratorium on new facilities and may take up legislation to deal with this industry (as early as November 2012)
- Currently, Sweepstakes has no state license fees or gaming tax that contribute to a public purpose

Sweepstake Concern

- Sweepstakes if authorized, or if found legally permissible, will have a major impact on casino gaming taxes and distributions
- Sweepstakes will also negatively impact VLT revenue to support the schools

Questions And Answers

- Thank you for opportunity to be with you.
- Happy to address any questions.

