

MARKET ANALYSIS
FOR A WEST WARWICK RESORT CASINO



Prepared for

STATE SENATE OF RHODE ISLAND

By



**CENTER FOR
POLICY ANALYSIS**

**UNIVERSITY OF MASSACHUSETTS
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**UNIVERSITY OF MASSACHUSETTS DARTMOUTH
CENTER FOR POLICY ANALYSIS**

The University of Massachusetts Dartmouth Center for Policy Analysis was established in 1985 as a multidisciplinary research unit dedicated to the creation and dissemination of knowledge that facilitates economic, social, and political development. The Center for Policy Analysis aims to enhance the economic and social well-being of citizens by providing research, information, and technical assistance to government, business, non-profit, and educational agencies. The Center for Policy Analysis does not pursue a predetermined research agenda, but is a flexible research organization responding on a timely basis to problems and issues identified by client agencies.

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Economic Research Series No. 50

WEST WARWICK RESORT CASINO

MARKET ANALYSIS

MAJOR FINDINGS

Strategic Location: Direct access from I-95 and 17 to 47 minutes less drive time than Foxwoods Resort and Mohegan Sun from most points in the designated market area.

Visitations: 4.8 million annually

Gross Gaming Revenue: \$510.1 Million

Total Revenue: \$566.2 Million

Foxwoods Recapture Rate: 61.2%

Mohegan Recapture Rate: 62.8%

Unmet Demand in DMA After WW Resort Casino Opens: \$287 M to \$483 M

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MARKET ANALYSIS FOR A WEST WARWICK, RHODE ISLAND CASINO

EXECUTIVE SUMMARY

Harrah's Entertainment, Inc. and the Narragansett Indian Tribe of Rhode Island are proposing a West Warwick Resort Casino with a tentative opening date in 2007. The proposed casino will be located in the West Warwick Industrial Park directly adjacent to Interstate 95. The facility will include 115,000 square feet of casino space with approximately 3,000 slot machines and 100 table games. The casino facility will have additional amenities, including a 500 room hotel, 55,000 square foot ballroom, 1 buffet, 1 coffee shop, 1 steakhouse, 1 Italian restaurant, 1 ice cream/dessert restaurant, small retail outlets, a spa, and a Diamond Club, which is a lounge for premium players. The casino would also have a 3,500 vehicle parking garage and surface parking for an additional 1,000 vehicles. These physical dimensions, the planned number of gaming stations and hotel rooms, would establish, in its initial phase, a resort casino roughly half the size of Foxwoods Resort Casino in Ledyard, Connecticut.¹ A West Warwick Resort Casino would become the third major casino attraction in New England after Foxwoods Resort and Mohegan Sun.

The Center for Policy Analysis at the University of Massachusetts Dartmouth was retained by the Rhode Island State Senate for the purpose of conducting an objective economic and fiscal impact assessment of a proposed destination resort casino to be located in West Warwick, Rhode Island. The scope of services for the economic and fiscal impact assessment includes a requirement that the analysis:

“estimate the potential gaming market based on a standard market analysis of the designated market area (i.e., Rhode Island and Massachusetts)” and,

“estimate potential capture and recapture rates based on telephone surveys of persons residing in Rhode Island and Massachusetts, who have visited Lincoln Park, Newport Grand, Foxwoods Resort, or Mohegan Sun in the last twelve months.”

METHODOLOGY

The estimates in this report are based on well-established demand analysis techniques for estimating visitations and revenues at resort casinos in the United States.

¹ Atlantic City casinos have an average of 100,489 square feet of casino space, an average of 3,465 slot machines, and an average of 107 table games. The smallest casino is the Atlantic City Hilton with 59,612 square feet of casino space, while Bally's Atlantic City is the largest with 129,998 square feet of casino space (New Jersey Casino Control Commission 2002, 22-23).

However, in addition to the secondary data sources and national per capita averages that are typically employed in demand models, the Center for Policy Analysis has also employed survey research techniques to measure casino visitation and expenditure patterns as reported directly by casino patrons in Rhode Island and Massachusetts. Both methods provide valid means of arriving at estimates and both methods are utilized in this report to provide a “cross-referencing” system on the reliability of the final results.

Designated Market Area

The Center for Policy Analysis was charged with estimating the possible attendance and revenue for a proposed destination resort casino to be located off Interstate-95 in West Warwick, Rhode Island. The proposed location is strategically situated to intercept casino traffic to Connecticut from Rhode Island, eastern Massachusetts, Maine, and New Hampshire, which is considered the designated market area (DMA) for a West Warwick casino:

- A West Warwick Resort Casino would be 17 to 47 minutes less drive time than the drive to Foxwoods Resort and Mohegan Sun from most points in the DMA.²
- A West Warwick location offers the added convenience of easy access directly off Interstate-95, the ability to avoid major urban congestion (via I-295), and the avoidance of small road congestion (e.g., Route 2 and Route 2-A) that is commonly experienced while traveling to Foxwoods Resort and Mohegan Sun casinos.
- The significance of drive time in casino patron’s decision to select one comparable venue over another is documented by visitations data, which reveals that 100,000 more Rhode Island residents visit Foxwoods than visit Mohegan Sun (231,000 to 131,000) each year, while Rhode Island residents make nearly three times as many visits to Foxwoods compared to Mohegan Sun (1,200,000 to 425,000).
- Similarly, the Center’s patron origin analysis, which accompanies this report, indicates that Rhode Island residents account for nearly three times the ratio of Foxwood’s patrons (15.4%) as compared to Mohegan’s patrons (5.6%). This significant difference in visitations by Rhode Islanders occurs even though Mohegan Sun only a 12 to 15 minutes (8 miles) additional drive time from Foxwoods.

² Mitchell Estes, Executive Vice-President for Marketing at Mohegan Sun, stated recently that “If there is a full-blown casino in Rhode Island, that’s a different marketing challenge than just another company owning Lincoln Park. If you put a Harrah’s casino on I-95, a lot of people are going to stop there,” (quoted in Green 2004a).

Standard Market Analysis

There are many techniques for estimating the demand for casino gaming, but the most common forms of demand analysis are based on a comparison of the population, personal income, and propensity to gamble within various drive time distances to existing or proposed casinos in a designated market area (DMA). The simplest demand analysis would multiply the propensity to visit casinos – usually a national or regional average – by the adult population to generate an estimate of casino patrons within the DMA. The number of patrons is multiplied by the average number of casino visits per year, which is then multiplied by the average win per patron to generate estimates of potential visitations and potential revenue for a proposed casino. It is also possible to derive revenue estimates for a casino using standard techniques such as win per slot, win per gaming position, and win per square foot of casino space. These techniques are commonly used in market analysis for casino projects and the same public secondary data is commonly used in proprietary demand analysis models.

Gaming Behavior Survey

The Center for Policy Analysis conducted a gaming behavior survey that obtained responses from 2,439 adults in Rhode Island and Massachusetts. The gaming behavior survey was conducted using a survey instrument developed independently by the Center for Policy Analysis. A total of 2,439 telephone interviews were completed from April 2, 2004 to April 15, 2004. The overall survey has a margin of error of 2.0%. Wherever possible, real-time and place-specific data from the gaming behavior survey has been substituted for national and state averages to achieve a higher degree of accuracy and deeper insight into gaming behavior in the designated market area. The survey's reliability has also been calibrated against known public data where possible.³

U.S. GAMING MARKET

The U.S. gaming market is divided into five different segments consisting of charitable gaming,⁴ pari-mutuel wagering,⁵ state lotteries,⁶ commercial casinos, and tribal casinos. Currently, 47 states and the District of Columbia allow charitable gaming, 41 states allow pari-mutuel wagering, 40 states and the District of Columbia have lotteries, 11 states license commercial casinos, and 28 states have Class II or Class III tribal casinos:

³ For example, reported visitations and expenditures to Lincoln Park and Newport Grand were used to generate an estimate of annual expenditures on VLTs at those facilities. The expenditures reported by survey respondents generated a total that was within 5% of actual FY 2003 revenues recorded by the Rhode Island Lottery Commission.

⁴ For example, bingo and raffles.

⁵ Greyhound racing, thoroughbred horse racing, quarter horse racing, harness racing, and jai-alai, including simulcast and off-track betting.

⁶ Instant tickets, lotto games, keno, and "racinos" with video lottery terminals.

- In 2002, the total U.S. gaming market was \$68.7 billion (GGR) compared to \$30.4 billion (GGR) in 1997. Gaming industry revenues have grown by 126% over the last ten years (1992-2002), which is a compound annual growth rate of 8.4 percent.
- The recent growth of the U.S. gaming market was catalyzed by passage of the federal Indian Gaming Regulatory Act (IGRA) in 1988 and the legalization of commercial casinos by states other than Nevada and New Jersey. Casinos now constitute a majority (59.8%) of the total U.S. gaming market with commercial casinos accounting for 38.7% of GGR and Native American casinos for 21.1% of GGR.
- The GGR of riverboat casinos (including dockside casinos) has increased by 69.2% over the last five years (1997 to 2002). GGR at commercial land-based casinos outside New York and New Jersey has grown by 302.8% during the same period, while GGR at Native American Class III casinos has grown by 120.1%.

Commercial Casinos

Nevada was the first state to legalize casino gambling in 1931 and it was not until 1976 that New Jersey became the second state to legalize casinos in Atlantic City. Since 1989, however, nine states have legalized commercial casinos, including South Dakota (1989), Iowa (1989), Colorado (1990), Illinois (1990), Mississippi (1990), Louisiana (1991), Missouri (1993), Indiana (1993), and Michigan (1996):⁷

- The 11 states with commercial casinos had 432 operating commercial casinos with 171 of the casinos operating outside the traditional venues of Nevada and New Jersey (2002).
- Commercial casinos had gross gaming revenues of \$26.6 billion in 2002 with nearly half (48.1%) of the GGR generated by casinos in the nine non-traditional venues (2002).

Native American Casinos

There are currently 562 federally-recognized Indian tribes. At present, 224 of these tribes have negotiated 249 compacts with 28 states to establish 354 Class II or Class III gaming operations:

⁷ The years identify dates when legislation was passed legalizing commercial casinos, although in most cases the first casino did not begin operations until one to three years later.

- Native American Indian casinos had GGR of \$14.5 billion in 2002.
- There are 10 federally-recognized Indian tribes in New England, although only two of the tribes – the Mashantucket Pequot Tribe and the Mohegan Tribe -- currently operate Class III gaming facilities.

NEW ENGLAND CASINO MARKET

There is a great deal of variety in the New England gaming market and virtually every segment of the gaming industry is present in New England except a commercial casino:

- It is estimated that 28.3% of all adults in New England – or 2.8 million persons -- visit a casino an average of 5.4 times per year.
- New England residents make approximately 15.2 million visits to casinos annually and about 12.5 million (82%) of these visits are to Foxwoods Resort and Mohegan Sun.

Foxwoods Resort and Mohegan Sun

- The Mashantucket Pequot and Mohegan Tribes operate the only casinos in New England, which in calendar year 2003 had combined gross gaming revenues of \$2.7 billion. Foxwoods Resort Casino is now the largest casino in the United States on a revenue basis, while Mohegan Sun is the second largest casino in the United States.
- Connecticut's two Native American casinos have made that state the fourth largest casino market in the United States behind Nevada (\$9.9 billion), New Jersey (\$4.4 billion), and Mississippi (\$2.7 billion) (2002).
- Foxwoods' total revenue grew at a compound annual rate of 4.8% from 1998 to 2003, while Mohegan's total revenue grew at a compound annual rate of 14% from 1998 to 2003 (fiscal year).
- The total number of gaming visits to Foxwoods is approximately 8.7 million per year, while the total number of annual gaming visits to Mohegan is approximately 8.4 million per year.
- While Mohegan Sun's opening on October 12, 1996 probably had an impact on Foxwood's rate of growth, Foxwood's gross gaming revenues have still increased 32.7% from \$829 million in FY 1997 to \$1.1 billion in FY 2003.

- Mohegan Sun just completed a \$900 million expansion that added a 1,200 room hotel and 119,000 square feet of additional casino space.
- Foxwoods is proceeding with a \$300 million expansion, including the addition of another 100,000 square feet of gaming space scheduled to open in the next twelve months.

Gaming Behavior in Rhode Island and Massachusetts

The Center's gaming behavior survey found that residents of Rhode Island and Massachusetts participate in a wide range of gaming activities, although lotteries and casinos are by far the most popular forms of gaming. When asked "have you participated in any form of legal gambling in the last 12 months?," 57.6% of Rhode Island residents responded "yes" as did 52.9% of Massachusetts residents:

- Nearly forty percent (39.8%) of Rhode Island residents report visiting a casino in the last 12 months, while nearly twenty-eight percent (28.0%) of Massachusetts residents visited a casino in the last twelve months.
- Nearly thirty-one percent (30.9%) of adult Rhode Islanders visited Foxwoods Resort in the last 12 months, while 17.6% of adult Rhode Islanders have visited Mohegan Sun during the last year. This means that approximately 231,270 adult Rhode Islanders visited Foxwoods and 131,726 of adult Rhode Island visited Mohegan Sun during the last year.
- Nineteen percent (19.0%) of adult Massachusetts residents visited Foxwoods Resort in the last 12 months, while thirteen percent (13.0%) visited Mohegan Sun in the last year. This means that 871,708 adult Massachusetts residents visited Foxwoods Resort, while 596,432 adult Massachusetts residents visited Mohegan Sun during the last year.⁸
- About ten percent (10.2%) adult Rhode Islanders have visited Lincoln Park in the last 12 months, while about six percent (6.1%) of adult Rhode Islanders have visited Newport Grand during the last year. This means that 76,341 adult Rhode Islanders visited Lincoln Park, while 45,655 adult Rhode Islanders visited Newport Grand during the last year.

⁸ The fact that nearly twice as many Rhode Islanders' show a preference for Foxwoods over Mohegan is roughly comparable to the results of the accompanying patron origin analysis. It is also consistent with the general assumption that proximity to casinos is a major factor in choosing a gambling venue so that given the choice between comparable facilities, casino gamblers will normally patronize the nearest comparable casino. The fact that Massachusetts residents are roughly 50% more likely to gamble at Foxwoods than Mohegan is again comparable to the results of the accompanying patron origin analysis.

- More than two percent (2.6%) of adult Massachusetts residents have visited Lincoln Park in the last 12 months, while more than one percent 1.4% of adult Massachusetts residents visited Newport Grand during the last year. This means that 119,286 adult Massachusetts residents visited Lincoln Park, while 64,231 adult Massachusetts residents visited Newport Grand during the last year.

Resort Casinos and Convenience Gambling are Distinct Market Niches

The fact that much larger percentages of both Rhode Island and Massachusetts residents gamble at Foxwoods and Mohegan as compared to Lincoln and Newport indicates that Lincoln and Newport are not options for the majority of the two state's casino patrons: The results of the gaming behavior survey reveal a sharp distinction between the market for *destination resort casinos* and the market for *convenience gambling venues*. The two types of venues co-exist in separate market niches as further documented by their simultaneous expansion over last five years.

Despite the fact that Lincoln and Newport are closer to many of the two states' casino patrons, the vast majority of visits to Foxwoods Resort and Mohegan Sun by persons living in the DMA are individuals who rarely or never visit Lincoln or Newport:

- Eighty-two percent (82%) of Foxwoods' patrons have not visited Lincoln Park in the last 12 months,
- Nearly eighty-nine percent (88.9%) of Foxwoods' patrons have not visited Newport Grand in the last 12 months.
- Nearly seventy-eight percent (77.7%) of Mohegan's patrons have not visited Lincoln Park in the last 12 months.
- Nearly eighty-seven percent (86.8%) of Mohegan's patrons have not visited Newport Grand in the last 12 months.

Conversely, more than eighty-one percent (81.2%) of Lincoln's patrons visited either Foxwoods or Mohegan Sun (or both) in the last twelve months, while more than eighty-one percent (81.1%) of Newport's patrons visited either Foxwoods or Mohegan (or both) in the last twelve months. The fact that Lincoln and Newport patrons already visit Foxwoods and Mohegan Sun in such large proportions, even as Lincoln Park and Newport Grand continue to expand their gaming revenues, indicates that their current patrons are not substituting casino visits for convenience gambling, but making a limited number of trips to the resort casinos *in addition* to their visits to the local convenience gambling venues at Lincoln and Newport.

Different Spending Patterns for Resort Casinos

The gaming behavior survey found that Rhode Island and Massachusetts residents who visit Foxwoods Resort and Mohegan Sun are more likely to make expenditures on food, lodging, retail purchases, and other entertainment (e.g., dancing, live performances) than those who visit Lincoln and Newport. This is partly due to differences in the availability of these amenities, but it is also one of the major distinctions between a resort casino and a convenience facility that allows the resort casino's to attract a separate niche of patrons:

- The total (gambling and non-gambling) estimated annual expenditures at Foxwoods and Mohegan by Rhode Island residents is \$362,012,816. The total estimated annual expenditures at Foxwoods and Mohegan by Massachusetts residents is \$1,082,472,135. These estimates are higher than those derived by the Center's patron origin analysis, but given the patron origin methodology's conservative assumptions this is not an unexpected result.
- The total (gambling and non-gambling) estimated annual expenditures at Lincoln and Newport by Rhode Island residents is \$237,004,217. The total estimated annual expenditures at Lincoln and Newport by Massachusetts residents is \$181,069,657.
- Non-gambling expenditures account for 23.2% of total annual expenditures by Rhode Island residents at Foxwoods and 22.8% of total annual expenditures at Mohegan. By contrast, non-gambling expenditures account for 7.1% of total annual expenditures by Rhode Island residents at Lincoln and 7.5% of total annual expenditures at Newport.
- Non-gambling expenditures account for 27.2% of total annual expenditures by Massachusetts residents at Foxwoods and 26.3% of total annual expenditures at Mohegan. By contrast, non-gambling expenditures account for 9.8% of total annual expenditures by Massachusetts residents at Lincoln and 9.0% of total annual expenditures at Newport.

ESTIMATED VISITATIONS TO A WEST WARWICK RESORT CASINO

The Center for Policy Analysis developed high, low, and probable estimates for annual visitations to a West Warwick Resort Casino. The low estimate predicts that a West Warwick Resort Casino will receive a minimum of 3,726,037 visits annually, while the high estimate is that a West Warwick Resort Casino could generate up to 5,984,738 visits annually. The probably estimate is that a West Warwick Resort Casino will receive

4,803,527 visits annually, which is slightly more than half the number of total visits to Foxwoods each year.

High Estimate

The high estimate of 5,984,738 annual visitations assumes an increase in the propensity to gamble as reported by respondents to the gaming behavior survey, the capture of a substantial portion of Maine's and New Hampshire's casino patrons, the development of a reasonable customer base with tour and charter bus operators, and the capture of some of the seasonal I-95 automobile traffic from the Mid-Atlantic states to Cape Cod:

- The gaming behavior survey found that fifty-seven percent (57%) of adult Rhode Islanders and thirty percent (30%) of adult Massachusetts residents say they "would visit a Foxwoods-style casino in West Warwick, Rhode Island." These numbers, if realized, would constitute substantial *growth* in the market compared to the percentage of persons from the two states who currently visit Foxwoods and Mohegan.

The gaming behavior survey asked the place of residence of all survey respondents so it was possible to calculate the percentage of persons who say they will visit a West Warwick Resort Casino by drive time from the proposed casino:

- It is estimated that 60% of the casino's *Rhode Island and Massachusetts patrons* alone would come from outside a 30-mile radius of West Warwick.
- Including visitations from Maine, New Hampshire, and elsewhere, it is estimated that no less than 70% of total visits to West Warwick would be made by patrons from outside a 30-mile radius of the town.

The gaming behavior survey was confined to Rhode Island and Massachusetts residents, but approximately 20% to 25% of all visitations to Foxwoods Resort, Mohegan Sun, and the Atlantic City casinos are by individuals who live beyond a 120 minute drive time. This is partly due to the absence of a comparable option in closer proximity to those patrons. For example:

- The Center's patron origin analysis indicates that 4.3% of Foxwoods' patrons come from Maine and New Hampshire, while 2.4% of Mohegan's patrons come from the same two states.
- Even though they live beyond a 120 minute drive time, New Hampshire residents make approximately 735,000 visits annually to Foxwoods and

Mohegan, while Maine residents make at least 294,000 visits to the same venues.

- Given the closer drive time to West Warwick from points in Maine and New Hampshire, it is likely that a West Warwick casino would capture at least the same proportion of Foxwoods and Mohegan patrons (61%-62%) in those states as it would capture from Rhode Island and Massachusetts (see below).

A second reason why one-fifth to one-quarter of a resort casino's patrons come from outside a 120 minute drive time radius is that bus tours frequently include a stop at one or more casinos and many tour or charter buses are operated exclusively for the purpose of shuttling patrons to specific casinos for day-long or weekend visits. For example:

- the Center's patron origin analysis found that up to 50% of the tour and charter buses arriving at Foxwoods on weekends and holidays are from New York and New Jersey.
- the Center's patron origin analysis found that approximately 14.6% of all visitations (bus and car) to Foxwood's are by residents or tourists arriving from New York and New Jersey.
- it was also found that more than two-thirds of the buses arriving at Mohegan on weekends and holidays are from New York and New Jersey.
- the Center's patron origin analysis found that approximately 23.7% of all visitations (bus and car) to Mohegan are by residents or tourists arriving from New York and New Jersey.
- Many of the tour buses arriving at Foxwoods Resort and Mohegan Sun from New York and New Jersey include a substantial number of foreign tourists with many of the tours specifically targeted at Asian tourists, which have a high propensity to gamble.
- In addition, the Center's patron origin analysis observed tour buses at Foxwoods and Mohegan from as far away as Pennsylvania, Illinois, Maryland, North Carolina, South Carolina, and Georgia.

It is also notable that Cape Cod is already a leading tourist destination for Mid-Atlantic residents (i.e., New York, New Jersey, and Pennsylvania), who mostly travel to the Cape by automobile via Interstate 95:

- It has been previously estimated that nearly 6 million people visit Cape Cod each year and that 40% of those visitors come from the Mid-Atlantic region.
- Thus, in addition to tour and charter buses, there are at least 2.4 million persons from the Mid-Atlantic, who pass through West Warwick on I-95 each year.

Low Estimate

The low estimate of 3,726,037 annual visitations to a West Warwick Resort Casino is based on the highly unlikely assumption that the number of casino visits by existing patrons remains unchanged after the opening of a West Warwick facility. This scenario assumes that the opening of a West Warwick Resort Casino sets in motion a zero sum game, where the new casino's success depends entirely on its ability to recapture patrons in the designated market area, who currently visit Foxwoods and Mohegan:

The Center's gaming behavior survey specifically asked respondents: "If a Foxwoods-style casino opened in West Warwick, would you be more likely to visit that casino than Foxwoods? If yes, how many less times per year do you think you would visit Foxwoods?" The same question was asked about Mohegan Sun:

- More than seventy-eight percent (78.3%) of the respondents who live in the designated market area and currently visit Foxwoods say that if a Foxwoods-style casino opened in West Warwick, they would be more likely to visit that casino than Foxwoods.
- More than seventy-seven percent (77.3%) of the respondents who live in the designated market area and currently gamble at Mohegan Sun report that if a Foxwoods-style casino opened in West Warwick, they would be more likely to visit that casino than Mohegan Sun.
- Foxwoods patrons in the DMA report that they would visit Foxwoods 3.05 times less times per year to visit a West Warwick casino.
- Mohegan Sun patrons in the DMA report they would visit Mohegan Sun 1.94 times less per year to visit a West Warwick casino.

- This means that a West Warwick Resort Casino would likely recapture of 61.2% of the visits to Foxwoods originating in the DMA and 62.8% of the visits to Mohegan Sun originating in the DMA.⁹

Probable Estimate

The probable estimated of 4,803,527 annual visitations to a West Warwick Resort Casino is based on the Rhode Island and Massachusetts recapture rates included in the low estimate, plus a comparable recapture rate for casino patrons from Maine and New Hampshire, and a reasonable ratio of annual visitations from tour and charter buses.

ESTIMATED REVENUES FOR A WEST WARWICK RESORT CASINO

The estimated gross gaming revenues for a West Warwick Resort Casino are based on win per slot revenues at comparable facilities:

- The estimated gross gaming revenue for a West Warwick casino is \$510.1 million.
- The estimated total revenue for a West Warwick casino is \$566.2 million.

Unmet Demand for Casino Gaming

The difference between the reported demand for casino gaming in the designated market area (gaming behavior survey) and the capacity of the proposed West Warwick Resort Casino to absorb that demand suggests that there will continue to be unmet demand for casino gaming even after the opening of a West Warwick Resort Casino:

- The low estimate indicates that even after the opening of a West Warwick casino there will still be unmet demand for casino gaming of at least \$23.4 million.

⁹ If drive time was the single, rather than the predominant consideration in choosing between comparable resort casinos, then would one expect a recapture rate approaching 100%. However, this rate of recapture is not to be expected, precisely because casino patrons do take other factors into consideration, including uncertainty about the quality and availability of a new product, the existence of different individual preferences for one facility over another (e.g., layout, theme), the desire for an occasional change of venue, and the existence of customer loyalty programs such as Foxwoods' Wampum Card (so-called "comp points") designed to retain customers and build customer loyalty.

- It is probable that unmet demand for casino gaming in the designated market area will be \$202.3 million and could be as high as \$398.4 million even after the opening of a West Warwick Resort Casino.

These estimates indicate that there is ample room in the market for the West Warwick facility to expand in the future and to provide a cushion against the prospect of expanded casino gaming elsewhere in New England. Unmet demand for casino gaming in the DMA will also increase due to continuing population growth in New England, particularly with areas such as Southeastern Massachusetts and New Hampshire showing above average population growth for New England. Income growth is a third factor that will increase demand for casino gaming in the DMA in future years.

A scan of the political environment for gaming in New England suggests a low likelihood of direct competition from comparable facilities in the near to intermediate term.

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1.00 PURPOSE OF THE STUDY

Harrah’s Entertainment, Inc. and the Narragansett Indian Tribe of Rhode Island are proposing a West Warwick Resort Casino with a tentative opening date in 2007. The proposed casino will be located in the West Warwick Industrial Park directly adjacent to Interstate 95. The facility will include 115,000 square feet of casino space with approximately 3,000 slot machines and 100 table games. The casino facility will have additional amenities, including a 500 room hotel, 55,000 square foot ballroom, 1 buffet, 1 coffee shop, 1 steakhouse, 1 Italian restaurant, 1 ice cream/dessert restaurant, small retail outlets, a spa, and a Diamond Club, which is a lounge for premium players. The casino would also have a 3,500 vehicle parking garage and surface parking for an additional 1,000 vehicles. These physical dimensions, the planned number of gaming stations and hotel rooms, would establish a resort casino roughly half the size of Foxwoods Resort Casino in Ledyard, Connecticut.¹⁰ A West Warwick Resort Casino would become the third major casino attraction in New England after Foxwoods Resort and Mohegan Sun.

The Center for Policy Analysis at the University of Massachusetts Dartmouth was retained by the Rhode Island State Senate for the purpose of conducting an objective economic and fiscal impact assessment of a proposed destination resort casino to be located in West Warwick, Rhode Island. The scope of services for the economic and fiscal impact assessment includes a requirement that the analysis:

“estimate the potential gaming market based on a standard market analysis of the designated market area (i.e., Rhode Island and Massachusetts)” and,

“estimate potential capture and recapture rates based on telephone surveys of persons residing in Rhode Island and Massachusetts, who have visited Lincoln Park, Newport Grand, Foxwoods Resort, or Mohegan Sun in the last twelve months.”

The report is intended for the use of Rhode Island government officials for the purpose of addressing pending legislation, including, but not limited to S.2338, which “authorizes submission to all of the electors of the state, at the general election to take place on November 2, 2004, the following single question and explanation: “Shall there be a casino in the Town of West Warwick operated by an Affiliate of Harrah’s Entertainment in association with the Narragansett Indian Tribe?” (S.2338 41-9.1-9).

¹⁰ Atlantic City casinos have an average of 100,489 square feet of casino space, an average of 3,465 slot machines, and an average of 107 table games. The smallest casino is the Atlantic City Hilton with 59,612 square feet of casino space, while Bally’s Atlantic City is the largest with 129,998 square feet of casino space (New Jersey Casino Control Commission 2002, 22-23).

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2.00 METHODOLOGY

The estimates in this report are based on well-established demand analysis techniques for estimating visitations and revenues at resort casinos in the United States. However, in addition to the secondary data sources and national per capita averages that are typically employed in demand models, the Center for Policy Analysis has also employed survey research techniques that measure casino visitation and expenditure patterns as reported directly by casino patrons. The primary data obtained from the Center’s gaming behavior survey is both up-to-date and place-specific for Rhode Island and Massachusetts as opposed to indirect methods of observation such as patron origin analysis or financial estimates based on national averages or averages derived from other gaming venues (e.g., Atlantic City). While both methods provide a valid means of arriving at estimates, it is normally expected that there will be some differences between the results to the extent that actual behavior deviates from the average in the first case and due to the known margin of error in all survey research in the second case. However, both methods are utilized in this report to provide a “cross-referencing” system on the reliability of the results.

2.10 STANDARD MARKET ANALYSIS

There are many techniques for estimating the demand for casino gaming, but the most common forms of demand analysis are based on a comparison of the population, personal income, and propensity to gamble within various drive time distances to the casino options (gaming positions) available within a designated market area (DMA). The simplest demand analysis would multiply the propensity to visit casinos – usually a national or regional average – by the population to generate an estimate of casino patrons within the DMA. The number of patrons is multiplied by the average number of casino visits per year which is then multiplied by the average win per patron to generate estimates of potential visitations and potential revenue for a proposed casino. These numbers are frequently adjusted downward to account for patron loyalty to other casino venues (e.g., Las Vegas, Atlantic City) and competition from other venues (e.g., Foxwoods, Mohegan Sun) to develop a “low” estimate of visitations and revenues. The same numbers are frequently adjusted upwards to develop a “high” estimate of visitations and revenues based on the assumption that the propensity to gamble increases with the proximity of a casino and therefore grows the market.

A basic limitation of this methodology is its reliance on public source secondary data from the U.S. Census Bureau (population) and the U.S. Bureau of Economic Analysis (personal income). Census data is collected on a decennial basis and becomes increasingly unreliable as one moves through the decade. This data can be updated with U.S. Census projections or with population projections developed by state and local agencies, but these projections are often inaccurate. Personal income data is updated on a quarterly basis by the U.S. Bureau of Economic Analysis, but it is available on this basis only for states, counties, and metropolitan statistical areas. These geographic boundaries do not coincide with the drive time geographies. It is well-established that drive time is a predominant, if not exclusive, factor in a casino patron’s choice of comparable facilities

so the accuracy of demand estimates depends on the ability to collect data that coincides with drive time geographies (e.g., cities and towns).

It is also possible to derive revenue estimates for a casino using standard techniques such as win per slot, win per gaming position, and win per square foot of gaming space. These techniques are commonly used in market analysis for casino projects and the same public secondary data is commonly used in proprietary demand analysis models. These techniques generally provide reliable estimates for decision-making purposes, although a limitation of these techniques and models is that they tend to apply per capita, per square foot, and win per slot averages from other venues or from aggregated geographies (e.g., state or national) that either understate or overstate actual gaming behavior by the residents of a particular location.

2.20 GAMING BEHAVIOR SURVEY

The Center for Policy Analysis conducted a gaming behavior survey that obtained responses from 2,439 adults in Rhode Island and Massachusetts. The advantage in collecting up-to-date primary data is that it is location specific insofar as the survey directly asks casino patrons in Rhode Island and Massachusetts about their current gambling behavior and their likely response to a West Warwick casino. The overall survey has a margin of error of 2.0%.¹¹ Wherever possible, our market analysis has substituted real-time data from the gaming behavior survey to achieve a higher degree of accuracy and insight. The survey's reliability has also been calibrated against known public data where possible.¹²

2.21 Sampling Procedures

The gaming behavior survey was conducted using a survey instrument developed independently by the Center for Policy Analysis. A total of 2,439 telephone interviews were completed from April 2, 2004 to April 15, 2004. The survey was administered to adults residents of households who live in Rhode Island and Massachusetts. The Center for Policy Analysis uses the Genesys Sampling System to generate random telephone numbers. The Genesys Sampling System is used by many major survey organizations. The system uses a list of all possible telephone numbers in the United States to randomly generate a telephone sample for a designated geographic area. The survey was conducted using a random digit dialing (RDD) sample. The RDD sample ensures an equal and known probability of selection for every residential telephone number (listed and unlisted) in the geographic frame.

¹¹ There is a 2.0 percent margin of error at a confidence interval of 95 percent. This means that if a question from the survey was asked 100 times, then 95 of those times the percentage of people giving a particular answer to the question would be within 2.0 points of the percentage who gave the same answer in this survey. The margin of error is larger for purposes of measuring behavior among sub-samples (e.g., 2.8% for Rhode Island residents and 2.9% for Massachusetts residents).

¹² For example, reported visitations and expenditures to Lincoln Park and Newport Grand were used to generate an estimate of annual expenditures on VLTs at those facilities. The expenditures reported by survey respondents generated a total that was within 5% of actual FY 2003 revenues recorded by the Rhode Island Lottery Commission.

2.22 Telephone Interviewer Training and Supervision

The telephone interviewers were trained by senior staff at the Center for Policy Analysis in interviewing techniques. New interviewers were trained intensively before they began interviewing, including practice interviews. Senior-level staff at the Center for Policy Analysis monitored the interviewers at all times to ensure high quality data collection. Completed survey forms were reviewed twice daily by the Center’s senior staff to insure that they were being completed correctly. Interviewers were de-briefed on a daily basis to insure that survey forms were completed accurately and consistently.

The Center for Policy Analysis conducted interviews between 9:00 am and 8:00 pm on weekdays and between 9:00 am and 3:00 pm on Saturdays. Interviews were also conducted from 5:00 pm to 8:00 pm on Sundays. This range of hours provides interviewers an opportunity to contact hard to reach respondents, which is a procedure crucial to producing high quality survey data. The Center’s senior staff constantly monitored the progress of interview outcomes and each block of telephone numbers to prevent problem cases that could interfere with the integrity of survey procedures. The survey procedures used by the Center for Policy Analysis adhere to the highest quality academic and government research standards.

2.30 MARKET ASSUMPTIONS

The analysis makes several assumptions about the casino gaming market in New England and about the proposed West Warwick Resort Casino. These assumptions are that:

- All other things being equal, proximity to casinos is a major factor in choosing a casino venue. Hence, given the choice between comparable facilities, casino patrons will normally visit the nearest comparable casino.
- Drive times of up to two hours (one way) and more are acceptable to persons who visit casinos, although the propensity to gamble at casinos increases with proximity and declines with distance and drive time.
- If the option of casino gambling is made available, then a percentage of the population will use casinos as a form of entertainment. Therefore absent local opportunities they will travel to other locations that offer casino gaming.
- Substantial numbers of Rhode Island, Massachusetts, Maine, New Hampshire, and Vermont residents already gamble at casinos in other states, particularly Foxwoods Resort and Mohegan Sun in Connecticut. In a previous report, it is estimated that:

- approximately 56.3% of visitations to Foxwoods are by patrons, who reside in Rhode Island, Massachusetts, Maine, New Hampshire, and Vermont,
- approximately 29.4% of Mohegan patrons are residents of Rhode Island, Massachusetts, Maine, New Hampshire, and Vermont.
- A West Warwick Resort Casino would be generally comparable to Foxwoods Resort, Mohegan Sun, and casinos in Atlantic City. This does not mean that a West Warwick Resort Casino would initially be as large as Foxwoods or Mohegan Sun, but that:
 - it would be of sufficient size to compete with existing casinos,
 - it would be well-designed and attractive to potential customers,
 - it would offer comparable gambling options, especially slot machines and table games,
 - it would offer comparable amenities, such as a hotel and dining,
 - it would offer competitive hours of operation (24 hours, 365 days per year),
 - it would be aggressively marketed in New England and well operated by its owners.
- A West Warwick casino will not be subject to direct competition from a casino based in Southeastern Massachusetts in the immediate future.

2.40 DEFINITIONS

As with other industries, there are many specialized terms and concepts that are particular to the gaming industry and that are frequently used in this report. These terms include:

Handle - The handle is the total amount of money and tokens *bet* during the course of a day, month, or year. It does *not* measure the amount of money won or lost by a patron, but measures the velocity of money. For example, if a casino patron starts the evening with a gambling budget of \$100, loses \$75 of it, then wins back \$150, and continues to successively win and lose money over the course of an evening, then the amount actually wagered by the patron could be \$1,000, \$2,000, or more over several hours. However, if at the end of the evening the patron leaves with \$20 of their original gambling budget, then over the course of the evening the patron lost \$80. The \$80 would be recorded by the casino as the “win”

from that patron, while the total amount wagered during the evening would be the handle.

Win – the amount of money retained by a casino or other gaming venue from the handle wagered by patrons.

Gross Gaming Revenue (GGR) – the total amount of gaming revenue (win) retained by the casino during a day, month, or year. GGR is the figure most commonly used to determine what a casino, racetrack, lottery, or other gaming operation earns *before* taxes, salaries, and other expenses are paid. (GGR is the equivalent of “sales” in other industries and should not be confused with “profit”).

Total Revenue – the total revenue retained by a casino or other venue from its gaming (GGR) and non-gaming operations, including hotel, food and beverage services, gift shops and boutiques, valet parking, etc.

Propensity to Gamble – the percentage of the adult population that gambles and the average number of visits per year to gaming venues by those who gamble.

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3.00 U.S. GAMING MARKET

The U.S. gaming market is divided into five different segments consisting of charitable gaming,¹³ pari-mutuel wagering,¹⁴ state lotteries,¹⁵ commercial casinos, and tribal casinos. Currently, 47 states and the District of Columbia allow charitable gaming, 41 states allow pari-mutuel wagering, 40 states and the District of Columbia have lotteries, 11 states license commercial casinos, and 28 states have Class II or Class III tribal casinos (AGA 2004, NIGA 2004). In 2002, the total U.S. gaming market was \$68.7 billion (GGR) compared to \$30.4 billion (GGR) in 1992 (AGA 2004). Gaming industry revenues have grown by 126% over the last ten years (1992-2002), which is a compound annual growth rate of 8.4 percent.

The recent growth of the U.S. gaming market was catalyzed by passage of the federal Indian Gaming Regulatory Act (IGRA) in 1988 and the legalization of commercial casinos by states other than Nevada and New Jersey. Casinos now constitute a majority (59.8%) of the total U.S. gaming market with commercial casinos accounting for 38.7% of GGR and Native American casinos for 21.1% of GGR. The GGR of riverboat casinos (including dockside casinos) has increased by 69.2% over the last five years (1997 to 2002). GGR at commercial land-based casinos outside New York and New Jersey has grown by 302.8% during the same period, while GGR at Native American Class III casinos has grown by 120.1% (see Table 1). Although commercial casinos and Native American casinos are similar from an economic and operational standpoint, the statutory basis of their existence is different and this distinction has numerous ramifications for the states' regulatory and taxing authority.

Table 1 below provides a breakdown of gross gaming revenues for the major categories of gambling in the United States and the percentage of U.S. personal income spent on the various forms of gambling in 1997 and 2002.

¹³ For example, bingo and raffles.

¹⁴ Greyhound racing, thoroughbred horse racing, quarter horse racing, harness racing, and jai-alai, including simulcast and off-track betting.

¹⁵ Instant tickets, lotto games, keno, and video lottery terminals.

Table 1

Gross Gaming Revenues by Industry, 1997 and 2002					
	1997	2002	5-Year Growth Rate	% of US Personal Disposable Income, 1997	% of US Personal Disposable Income, 2002
PARI-MUTUELS					
Horse Total	\$3,251,400,000	\$3,519,600,000	8.2%	0.0469%	0.0392%
Greyhound Total	\$509,400,000	\$430,300,000	-15.5%	0.0074%	0.0048%
Jai Alai Total	\$50,100,000	\$36,900,000	-26.3%	0.0007%	0.0004%
Total Pari-Mutuels	\$3,810,900,000	\$3,986,800,000	4.6%	0.0550%	0.0444%
LOTTERIES					
Video Lotteries	\$1,101,900,000	\$2,223,300,000	101.8%	0.0159%	0.0248%
Traditional Games	\$15,464,900,000	\$16,415,300,000	6.1%	0.2232%	0.1827%
Total Lotteries	\$16,566,800,000	\$18,638,600,000	12.5%	0.2391%	0.2075%
CASINOS					
Nevada/NJ Slot Machines	\$7,611,000,000	\$9,535,000,000	25.3%	0.1098%	0.1061%
Nevada/NJ Table Games	\$3,913,400,000	\$4,096,600,000	4.7%	0.0565%	0.0456%
Deepwater Cruise Ships	\$244,100,000	\$294,400,000	20.6%	0.0035%	0.0033%
Cruises-to-nowhere	\$219,600,000	\$385,100,000	75.4%	0.0032%	0.0043%
Riverboats	\$6,170,500,000	\$10,437,900,000	69.2%	0.0891%	0.1162%
Other Land-Based Casinos	\$474,500,000	\$1,911,200,000	302.8%	0.0068%	0.0213%
Other Commercial Gambling	\$157,500,000	\$162,600,000	3.2%	0.0023%	0.0018%
Non-Casino Devices	\$1,737,000,000	\$1,320,900,000	-24.0%	0.0251%	0.0147%
Total Casinos	\$20,527,600,000	\$28,143,700,000	37.1%	0.2963%	0.3133%
LEGAL BOOKMAKING					
Sports Books	\$89,700,000	\$110,400,000	23.1%	0.0013%	0.0012%
Horse Books	\$6,600,000	\$5,800,000	-12.1%	0.0001%	0.0001%
Total Bookmaking	\$96,300,000	\$116,200,000	20.7%	0.0014%	0.0013%
CARD ROOMS	\$700,200,000	\$972,500,000	38.9%	0.0101%	0.0108%
CHARITABLE BINGO	\$956,900,000	\$1,124,500,000	17.5%	0.0138%	0.0125%
CHARITABLE GAMES	\$1,562,200,000	\$1,510,300,000	-3.3%	0.0225%	0.0168%
INDIAN RESERVATIONS					
Class II	\$899,200,000	\$1,478,900,000	64.5%	0.0130%	0.0165%
Class III	\$5,779,300,000	\$12,718,400,000	120.1%	0.0834%	0.1416%
Total Indian Reservations	\$6,678,500,000	\$14,197,300,000	112.6%	0.0964%	0.1580%
INTERNET GAMBLING	N/A	\$4,007,000,000	N/A	N/A	0.0446%
GRAND TOTAL	\$50,899,400,000	\$68,689,900,000	35.0%	0.7346%	0.7647%
U.S. Personal Income				\$6,928,545,000,000	\$8,982,839,000,000
Sources: <i>International Gaming & Wagering Business</i> (August 1998); Christiansen Capital, LLC 2004; US Bureau of Economic Analysis (1997, 2002).					
Note: Because Internet gambling is conducted globally, gross gambling revenue from Internet gambling is not included in the grand total.					

3.10 COMMERCIAL CASINOS

Nevada was the first state to legalize casino gambling in 1931 and it was not until 1976 that New Jersey became the second state to legalize casinos in Atlantic City. Since 1989, however, nine states have legalized commercial casinos, including South Dakota (1989), Iowa (1989), Colorado (1990), Illinois (1990), Mississippi (1990), Louisiana (1991), Missouri (1993), Indiana (1993), and Michigan (1996).¹⁶ In 2002, these 11 states had 432 operating commercial casinos with 171 of the casinos operating outside the traditional venues of Nevada and New Jersey (see Table 2).

Commercial casinos had gross gaming revenues of \$26.6 billion in 2002 with nearly half (48.1%) of the GGR generated by casinos in the nine non-traditional venues (see Table 2 and Appendix A).

Table 2

State	Legalization Date	First Casino Opening Date	No. of Operating Casinos	Casino Gross Gaming Revenue (millions)
Colorado	Nov-90	Oct-91	42	\$719.7
Illinois	Feb-90	Sep-91	9	\$1,800.0
Indiana	Nov-93	Dec-95	10	\$2,100.0
Iowa	Jul-89	Sep-91	13	\$972.3
Louisiana	1990	Oct-93	16	\$2,000.0
Michigan	Nov-96	Jul-99	3	\$1,100.0
Mississippi	Feb-90	Aug-92	29	\$2,700.0
Missouri	Aug-93	May-94	11	\$1,300.0
Nevada	1931	N/A	249	\$9,400.0
New Jersey	1976	1978	12	\$4,400.0
South Dakota	1989	Nov-89	38	\$66.3
Total Commercial			432	\$26,558.3
Native American	1988	N/A	354	\$14,500.0
Total			786	\$41,058.3
Source: AGA (2004) as collected from casino operators and state regulatory agencies and associations.				

3.20 NATIVE AMERICAN CASINOS

The Indian Gaming Regulatory Act, enacted in 1988 as Public Law 100-497 and now codified as 25 U.S.C. §2701, establishes the jurisdictional framework that governs Native American gaming. The Act establishes three classes of games with a different regulatory scheme for each class of games. Class I gaming is defined as traditional Indian gaming and social gaming for minimal prizes. Regulatory authority over class I gaming is vested exclusively in tribal governments. Class II gaming is defined as bingo, without

¹⁶ The years identify dates when legislation was passed legalizing commercial casinos, although in most cases the first casino did not begin operations until one to three years later.

distinction to whether it is played electronically, on a computer, or with other technological devices, so long as it is played in the same location as the bingo, pull tabs, punch board, tip jars, instant bingo, and other games similar to bingo.

Class II gaming also includes non-banked card games or card games played exclusively against other players rather than against “the house” or a player acting as a bank. The Act specifically excludes slot machines or electronic facsimiles of any game of chance from the definition of class II games. Tribes retain their authority to conduct, license, and regulate class II gaming so long as the state where the Tribe is located permits such gaming for any purpose and the Tribal government adopts a gaming ordinance approved by the National Indian Gaming Commission. Tribal governments are responsible for regulating class II gaming with Commission oversight.

The definition of class III gaming includes all forms of gaming that are neither Class I nor Class II. Games commonly played at casinos, such as slot machines, black jack, craps, and roulette clearly fall within the Class III category, as well as wagering games and electronic facsimiles of any game of chance. Generally, Class III is referred to as “casino-style gaming” and it is Class III facilities that are comparable to commercial casinos in both traditional and non-traditional venues.

Before a Tribe can lawfully conduct Class III gaming, the following conditions must be met: (1) The particular form of Class III gaming (e.g., slot machines) that the Tribe wants to conduct must be permitted in the state where the tribe is located; (2) the Tribe and the state must have negotiated a compact that has been approved by the Secretary of the Interior, or the Secretary must have approved regulatory procedures; and (3) the Tribe must have adopted a Tribal gaming ordinance that has been approved by the Chairman of the National Indian Gaming Commission (NIGC). Although Congress intended for most regulatory issues to be addressed in Tribal-State compacts, it left a number of key functions in federal hands, including approval authority over compacts, management contracts, and Tribal gaming ordinances. Congress also vested the NIGC with broad authority to issue regulations in furtherance of the purposes of the Act. Accordingly, the NIGC plays a key role in the regulation of Class II and Class III Native American gaming.

There are currently 562 federally-recognized Indian tribes. At present, 224 of these tribes have negotiated 249 compacts with 28 states to establish 354 Class II or Class III gaming operations. Native American Indian casinos had GGR of \$14.5 billion in 2002. There are 10 federally-recognized Indian tribes in New England, although only two of the tribes – the Mashantucket Pequot Tribe and the Mohegan Tribe -- currently operate Class III gaming facilities (see Table 3). The two tribes operate the only casinos in New England, which in calendar year 2003 had combined gross gaming revenues of \$2.7 billion. The Mashantucket Pequot’s Foxwoods Resort Casino is now the largest casino in the United States, while the Mohegan Tribe’s Mohegan Sun is the second largest casino in the United States. Connecticut’s two Native American casinos have made it the fourth largest casino market in the United States behind Nevada (\$9.9 billion), New Jersey (\$4.4 billion), and Mississippi (\$2.7 billion) (see Table 2).

Table 3

Federally-Recognized Indian Tribes in New England, 2004	
Name of Tribe	State
Aroostook Band of Micmac Indians	Maine
Houlton Band of Maliseet Indians	Maine
Passamaquoddy Tribe of Maine	Maine
Penobscot Tribe of Maine	Maine
Wampanoag Tribe of Gay Head (Aquinnah)	Massachusetts
Narragansett Indians of Rhode Island	Rhode Island
Mashantucket Pequot Tribe of Connecticut	Connecticut
Mohegan Indian Tribe of Connecticut	Connecticut
Eastern Pequot Tribal Nation	Connecticut
Schaghticoke Tribal Nation	Connecticut
Source: U.S. Department of Interior 2002a	

3.30 NEW ENGLAND GAMING MARKET

There is a great deal of variety in the New England gaming market (see Table 4 and Table 5) and virtually every segment of the gaming industry is present in New England with the exception of commercial casinos.

3.31 Availability of Gambling in New England

None of the six New England states currently allows the operation of a commercial casino and only one state – Connecticut – has compacts for the operation of two Native American casinos. The next nearest casinos are located in Atlantic City, New Jersey, which is a four to eight hour drive from most points in New England.

All six New England states have a lottery, but only Rhode Island has introduced Video Lottery Terminals at Newport Grand and Lincoln Park, while Massachusetts and Rhode Island are the only two New England states to include keno in their lottery portfolio.

Each of the New England states also allows some form of pari-mutuel wagering. Horse racing is permitted by law in all six of the New England states, but only Maine, Massachusetts, and New Hampshire currently have operating facilities. Four of the New England states permit greyhound racing, while Maine and Vermont specifically ban live greyhound racing.

Table 4

Availability of Gaming to Northeast Residents, 2004												
State	Casinos (commercial)	Native American Casinos	Horse Tracks	Greyhound Tracks	OTB/ITW	Lottery	VLTs	Keno	Bingo	Charitable Gaming	Deep Water Cruises	Jai-alai
Rhode Island			2									2
Massachusetts												
Connecticut			1									2
Maine												
New Hampshire												
Vermont			2									
New York		3										
New Jersey												
Pennsylvania								2				

1 Authorized but not yet implemented
 2 Permitted by law and previously operative
 3 Table games only, but no slot machines
 4 Video Lottery Terminals

Source: International Wagering & Gaming Business. **Note:** Blue shaded cell denotes availability in state.

Table 5

Availability of Gaming to Northeast Residents Within 2-Hour Drive, 2004												
State	Casinos (commercial)	Native American Casinos	Horse Tracks	Greyhound Tracks	OTB/ITW	Lottery	VLTs	Keno	Bingo	Charitable Gaming	Deep Water Cruises	Jai-alai
Rhode Island												
Massachusetts												
Connecticut												
Maine												
New Hampshire												
Vermont												
New York		3										
New Jersey												
Pennsylvania								2				

1 Authorized but not yet implemented
 2 Permitted by law and previously operative
 3 Table games only, but no slot machines
 4 Video Lottery Terminals

Source: International Wagering & Gaming Business. **Note:** Blue shaded cell denotes availability in state. Red shaded cell denotes availability within a two-hour drive time.

3.32 Casino Gambling in New England

It is estimated that 28.3% of all adults in New England – or 2.8 million persons -- gamble at a casino an average of 5.4 times per year. New England residents make approximately 15.2 million visits to casinos annually and about 12.5 million (82%) of these visits are to Foxwoods Resort and Mohegan Sun (see Table 6). Las Vegas and Atlantic City are important, but secondary destinations in terms of the frequency of visitation (Harrah’s 2003, 23-26).

Table 6

Propensity to Gamble: New England States				
State	% Adults Who Casino Gamble (2002)	Number of Casino Gamblers	Annual Visitations to Casinos (2002)	Frequency Per Year (2002)
Connecticut	38.3%	935,000	7,482,000	8.0
Maine	9.1%	84,000	N/A	N/A
Massachusetts	29.0%	1,328,000	5,313,000	4.0
New Hampshire	20.9%	183,000	896,000	4.9
Rhode Island	32.9%	242,000	1,523,000	6.3
Vermont	14.4%	62,000	N/A	N/A
New England	28.3%	2,834,000	15,214,000	5.3
United States	26.0%	51,200,000	297,200,000	5.8
Source: Harrah's (2003).				

3.33 Casino Gaming in Rhode Island & Massachusetts

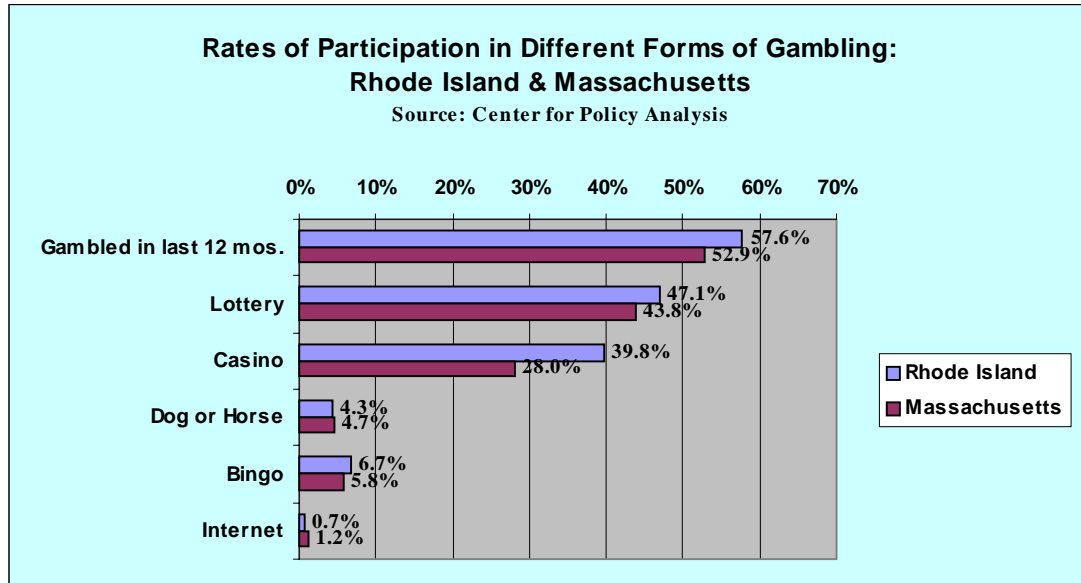
A survey of gambling behavior conducted by the Center for Policy Analysis (2004) found that residents of Rhode Island and Massachusetts participate in a wide range of gaming activities, although lotteries and casinos are by far the most popular forms of gaming. When asked “have you participated in any form of legal gambling in the last 12 months?,” 57.6% of Rhode Island residents responded “yes” as did 52.9% of Massachusetts residents (see Figure 1).

More than forty-seven percent (47.1%) of Rhode Island residents report playing the lottery in the last 12 months, while nearly forty-four percent (43.8%) of Massachusetts residents played the lottery in the last twelve months.

Nearly forty percent (39.8%) of Rhode Island residents report visiting a casino in the last 12 months, while nearly twenty-eight percent (28.0%) of Massachusetts residents visited a casino in the last twelve months.

The percentage of residents who played bingo, placed a bet on a horse or dog race or wagered on the Internet was in single digits in both Rhode Island and Massachusetts.¹⁷

Figure 1



Approximately 10 percent (10.2%) of Rhode Island residents report playing the video lottery terminals at Lincoln Park in the last 12 months, while nearly more than 2 percent (2.6%) of Massachusetts residents played the video lottery terminals at Lincoln Park in the last twelve months.

Approximately six percent (6.1%) of Rhode Island residents report playing the video lottery terminals at Newport Grand in the last 12 months, while more than 1 percent (1.4%) of Massachusetts residents played the video lottery terminals at Newport Grand in the last twelve months.¹⁸

¹⁷ Online wagering is a \$6.1 billion global industry. However, in most U.S. states, unauthorized betting and gambling are illegal, regardless of whether it is done online. On March 24, 2004, a World Trade Organization dispute resolution panel issued a ruling on behalf of Antigua, which handles one-quarter of all online wagering, declaring that U.S. laws criminalizing online wagering violate WTO accords on commercial services (WTO 2004).

¹⁸ The vast majority of video lottery patrons at Lincoln Park and Newport Grand originate in Rhode Island and Massachusetts.

4.00 MARKET ANALYSIS

4.10 FOXWOODS RESORT & MOHEGAN SUN CASINOS

Foxwoods Resort Casino is now the largest casino in the United States, while the Mohegan Sun is the second largest casino in the United States. Connecticut's two Native American casinos have made the state the fourth largest casino destination in the United States (on a revenue basis) behind Nevada (\$9.9 billion), New Jersey (\$4.4 billion), and Mississippi (\$2.7 billion) (see Table 2).

4.11 Revenue

Native American casinos are not ordinarily required to publish financial information or other data about their operations. However, the compacts between the State of Connecticut and the Pequot and Mohegan Tribes requires them to pay 25 percent of slot revenues to the state in exchange for exclusive rights to operate slot machines. The slot revenues received by the state from Foxwoods and Mohegan Sun are a state public record, while more detailed information about Mohegan Sun's revenues are reported to the U.S. Securities & Exchange Commission on Form 10-K.¹⁹ In Calendar Year 2003, Foxwoods paid \$197,930,067 to the State of Connecticut compared to \$170,033,845 in CY 1998. Mohegan Sun paid \$198,468,407 to the State of Connecticut in CY 2003 compared to \$106,154,735 in CY 1998.

The percentage of slot revenues paid to the state provide a firm basis for calculating each casino's annual win on slot machines, since it is known to be 25% of the total slot win. This ratio yields slot revenues (win) for Foxwoods of \$791,720,268 in CY 2003 compared to \$680,135,380 in CY 1998. Slot revenues (win) for Mohegan Sun were \$793,873,627 in CY 2003 compared to \$424,618,940 in CY 1998. In addition, national surveys and micro-level economic impact assessments of casino activity in the United States consistently document that slot revenues account for 67% to 70% of total gross gaming revenues. This ratio yields Calendar Year 2003 gross gaming revenues for Foxwoods of approximately \$1,124,242,781 compared to \$965,792,240 in CY 1998. Mohegan Sun's estimated gross gaming revenues are based on ratios derived from its FY 2003 SEC Form 10-K filing. Mohegan Sun's estimated gross gaming revenues for CY 2003 are \$1,127,300,550 compared to \$602,958,895 in CY 1998 (see Appendix C).

Finally, three previous economic impact assessments of Foxwoods Resort have been conducted by Arthur W. Wright Associates (1993), the WEFA Group (1997), and the University of Connecticut Center for Economic Analysis (2000). The 1993 and 2000 studies were commissioned by Foxwoods Resorts and the 1997 study was commissioned

¹⁹ Mohegan Sun is considered a public company because it financed its recent expansion (Project Sunburst) with a public bond offering to investors. This means the casino has to comply with the Sarbanes-Oxley Act of 2002, which was passed to make companies more accountable and more transparent to investors (Florin 2004b). The casino's financial data is reported to the U.S. Securities & Exchange Commission each year on Form 10-K in contrast to Foxwoods, which has financed its expansion with internal or private revenues.

by the Connecticut State Lottery. The three studies include proprietary data on the casino's operations that make it possible to estimate the casino's non-gaming revenues from hotels, restaurants, shops, and attractions. Non-gaming revenues for Foxwoods are calculated on the conservative assumption that they equal 26% of gross gaming revenues, even though previous studies indicate that such revenues may be as high as 35% of gross gaming revenues. Based on its FY 2003 SEC Form 10-K filing, the non-gaming revenues for Mohegan Sun are known to be 17% of total revenues (or 21% of gross gaming revenues). These ratios yield Calendar Year 2003 total revenues of approximately \$1.5 billion for Foxwoods and \$1.2 billion for Mohegan Sun.²⁰

Foxwoods' total revenue has grown at annual compound rate of 4.8% from 1998 to 2003, while Mohegan's total revenue has grown at annual compound rate of 14% from 1998 to 2003. However, the rate of both casinos' revenue growth has slowed in the last two years, most likely due to the lingering recession in New England, but also because of capacity limitations. From FY 2001 to FY 2003, Foxwoods' revenue growth slowed to 1.5% annually, while Mohegan's revenue growth slowed to 3.5% annually from FY 2002 to 2004. Consequently, it is assumed that revenue growth for FY 2004 will be 1.5% at Foxwoods Resort and 3.5% at Mohegan Sun, which is consistent with the previous two year's growth rate.

Table 7

Foxwoods Gaming Revenue Yield						
Year	Slot Revenue	Weighted Avg. # of Machines	Annual Win Per Slot	Gross Gaming Revenue	Win per Sq. Ft. at 70% slots)	Win Per Position
1999	\$694,324,415	5,709	\$121,619	\$985,940,669	\$3,960	\$164,077
2000	\$756,940,157	5,842	\$129,569	\$1,074,855,023	\$4,071	\$174,631
2001	\$762,735,093	5,883	\$129,651	\$1,083,083,832	\$3,896	\$174,438
2002	\$796,152,838	6,541	\$121,717	\$1,130,537,030	\$3,872	\$164,322
2003	\$785,202,112	6,542	\$120,025	\$1,114,986,999	\$3,484	\$161,780
2004*	\$796,980,144	6,656	\$119,739	\$1,131,711,804	\$3,537	\$161,535

Table 8

Mohegan Gaming Revenue Yield						
Year	Slot Revenue	Weighted Avg. # of Machines	Annual Win Per Slot	Gross Gaming Revenue	Win per Sq. Ft. at 70% slots)	Win Per Position
1999	\$694,324,415	3,022	\$229,757	\$658,597,670	\$4,391	\$205,683
2000	\$756,940,157	3,027	\$250,063	\$751,180,170	\$3,954	\$232,780
2001	\$762,735,093	3,159	\$241,448	\$805,052,196	\$3,500	\$238,252
2002	\$796,152,838	5,609	\$141,942	\$965,122,630	\$3,575	\$165,006
2003	\$785,202,112	6,173	\$127,199	\$1,084,618,402	\$3,615	\$168,341
2004*	\$812,684,186	6,144	\$132,273	\$1,157,786,052	\$3,859	\$180,509

Source: Connecticut Division of Special Revenue & Center for Policy Analysis. *Estimate

²⁰ These estimates are consistent with previous studies by Arthur W. Wright Associates (1993), the WEFA Group (1997), Economic Research Associates (1999), the University of Connecticut Center for Economic Analysis (2000), and public statements by Foxwoods officials (*Boston Globe*, October 21, 1995, 41).

It is significant that as both casinos achieve comparability in terms of gambling capacity, such as the number of slot machines, square footage of gaming space, the number of gaming positions, and other amenities (e.g., hotel, retail, dining, entertainment), the two casinos have gravitated toward a mean level of gaming productivity. In FY 2003, the annual win per slot was \$120,025 at Foxwoods and \$127,199 at Mohegan Sun. The annual win per square footage of gaming space was \$3,484 at Foxwoods and \$3,615 at Mohegan. The annual win per position (number of slot machines and table games) was \$161,780 at Foxwoods and \$168,341 at Mohegan.

It is important to observe that Mohegan Sun's opening on October 12, 1996 did not significantly affect total revenues or the revenue yield of Foxwoods Resort Casino. Foxwood's gross gaming revenues have increased 32.7% from \$829 million in FY 1997 to \$1.1 billion in FY 2003. While its win per position and win per square foot has declined slightly in FY 2002 and 2003, it is likely that most of this decline is a function of the lingering recession in New England as evidenced by the fact that Foxwoods is proceeding with a \$300 million expansion, including the addition of another 100,000 square feet of gaming space scheduled to open in the next twelve months. The effect of Mohegan's opening has been to expand the gaming market and to satisfy previously unmet demand in the region.

4.12 Visitations

4.12a Revenue and Patron Origin Basis

It is possible to estimate the number of patron visitations to Foxwoods and Mohegan Sun using a variety of methods, but one accepted method is based on the probable win per patron at comparable facilities elsewhere in the United States. Connecticut casino patrons are often assumed to be comparable to the average patron in Atlantic City, where the average win per patron visit is estimated to be \$128 per patron visit.

Based on the estimated GGR at Foxwoods Resorts of \$1,114,986,999, the total number of annual gaming visits to Foxwoods would be approximately 8,710,836.

Based on the estimated GGR at Mohegan Sun of \$1,084,618,402, the total number of annual gaming visits to Mohegan would be approximately 8,473,581.²¹

²¹ These estimates can be calibrated both against the annual Harrah's survey and the Center for Policy Analysis patron origin analysis. The estimate yields total combined annual visitations to Foxwoods and Mohegan of 17,184,417. The Harrah's (2003) survey estimates that over 12,500,000 of these visits are by New England residents (although data is missing for Maine and Vermont). This would mean that about 73.3% of visitations to Foxwoods and Mohegan are by New England residents. The CFPA (2004) patron origin analysis indicates that New England visitations account for 77.5% of visitations to (Foxwoods) and 69.4% at Mohegan. These percentages are minus Maine, Vermont, and rental cars (3%) with "New England" license plates that are driven by out-of-state and foreign visitors. The numbers calibrate closely despite the use of two different methodologies.

Based on the patron origin analysis accompanying this report, it is estimated that Rhode Island residents make 1,341,469 and Massachusetts residents make 3,135,900 visits to Foxwoods Resort.

Based on the patron origin analysis accompanying this report, it is estimated that Rhode Island residents make 474,520 and Massachusetts residents make 1,779,452 visits to Mohegan Sun.

4.12b Patron Behavior Basis

The Center for Policy Analysis implemented a second methodology to estimate the propensity to gamble, annual visitations to casinos, and average expenditures per visit by residents of Rhode Island and Massachusetts.

The results of the gaming behavior survey indicate that 30.9% of adult Rhode Island residents have gambled at Foxwoods in the last 12 months, while 17.6% of adult Rhode Island residents have gambled at Mohegan Sun during the last year (see Table 9). The fact that nearly twice as many Rhode Islanders' show a preference for Foxwoods over Mohegan is roughly comparable to the empirical results of the accompanying patron origin analysis. It is also consistent with the general assumption that proximity to casinos is a major factor in choosing a gambling venue so that given the choice between comparable facilities, casino gamblers will normally patronize the nearest comparable casino.

The results of the gaming behavior survey also indicate that 19.0% of adult Massachusetts residents have gambled at Foxwoods in the last 12 months, while 13.0% of adult Massachusetts residents have gambled at Mohegan Sun during the last year (see Table 9). The fact that Massachusetts residents are roughly 50% more likely to gamble at Foxwoods than Mohegan is again roughly comparable to the empirical results of the accompanying patron origin analysis. The findings are again consistent with the general assumption that proximity to casinos is a major factor in choosing a gambling venue, because the majority of Massachusetts residents live in the eastern part of the state.

The results of the gaming behavior survey indicate that 10.2% of adult Rhode Island residents have gambled at Lincoln Park in the last 12 months, while 6.1% of adult Rhode Island residents have gambled at Newport Grand during the last year (see Table 9). The results of the gaming behavior survey also indicate that 2.6% of adult Massachusetts residents have gambled at Lincoln Park in the last 12 months, while 1.4% of adult Massachusetts residents have gambled at Newport Grand during the last year (see Table 9).

Table 9

Propensity to Casino Gamble: Rhode Island & Massachusetts				
State	Percent Gamble at Foxwoods	Percent Gamble at Mohegan	Percent Gamble at Lincoln Park	Percent Gamble at Newport Grand
Rhode Island	30.9%	17.6%	10.2%	6.1%
Massachusetts	19.0%	13.0%	2.6%	1.4%

Source: Center for Policy Analysis (2004). Margin of error = +/- 2.9% for RI and 2.8% for MA.

The results of the gaming behavior survey indicate that those Rhode Island residents who visit the available gambling venues make an average of 5.19 trips per year to Foxwoods, 3.23 trips to Mohegan Sun, 18.45 trips per year to Lincoln Park, and 5.68 trips per year to Newport Grand (see Table 10).²²

Table 10

Average Visits Per Year to Selected Gaming Venues by Rhode Island & Massachusetts				
State	Annual Visitations to Foxwoods	Annual Visitations to Mohegan	Annual Visitations to Lincoln Park	Annual Visitations to Newport Grand
Rhode Island	5.19	3.23	18.45	5.68
Massachusetts	3.56	2.20	4.79	7.11

Source: Center for Policy Analysis (2004).

The percentage of adult Rhode Island residents and Massachusetts residents, who report visiting on the region’s four gambling venues was multiplied by the adult population of each state (US Census 2000) to derive an estimate of the total number of individuals in each state who gamble at least one time per year at each of those venues (see Table 11).

Table 11

Number of Casino Gamblers Visiting Selected Gaming Venues: Rhode Island & Massachusetts				
State	Number Gamblers at Foxwoods	Number Gamblers at Mohegan	Number Gamblers at Lincoln Park	Number Gamblers at Newport Grand
Rhode Island	231,270	131,726	76,341	45,655
Massachusetts	871,708	596,432	119,286	64,231

Source: Center for Policy Analysis (2004). U.S. Census (2000).

The number of Rhode Island and Massachusetts residents who gamble at each of the region’s four gambling venues was multiplied by the average number of visits per year to derive an estimate of the total number of visits by residents of each state to each of the region’s four gambling venues (see Table 12).

²² This average means that among individuals who visit Foxwoods from Rhode Island, those individuals visit the casino an average of 5.19 times per year.

Table 12

Number of Annual Visitations to Selected Gaming Venues by Rhode Island & Massachusetts				
State	Annual Visitations to Foxwoods	Annual Visitations to Mohegan	Annual Visitations to Lincoln Park	Annual Visitations to Newport Grand
Rhode Island	1,200,289	425,476	1,408,499	259,321
Massachusetts	3,103,279	1,312,149	571,381	456,683
Source: Center for Policy Analysis (2004).				

The fact that much larger percentages of Rhode Island and Massachusetts residents prefer to patronize Foxwoods and Mohegan Sun as compared to Lincoln and Newport indicates that Lincoln and Newport are not options for the majority of the two states’ casino gamblers. The gaming behavior survey results indicate that 82% of Foxwoods patrons have not visited Lincoln Park in the last 12 months, while 88.9% of Foxwoods patrons have not visited Newport Grand in the last 12 months (see Table 13). This finding is consistent with the distinction between *destination resort casinos* and *convenience gambling venues*. Despite the fact that Lincoln and Newport are closer to many of these gamblers, especially in Rhode Island and Eastern Massachusetts, the majority of visitations from the Designated Market Area to Foxwoods and Mohegan are by persons who rarely or never visit Lincoln or Newport.

Table 13

Percent of Foxwoods & Mohegan Patrons Who Do Not Visit Lincoln Park or Newport Grand: Rhode Island & Massachusetts Residents		
	Did Not Visit Lincoln	Did Not Visit Newport
Foxwoods Patrons	82.0%	88.9%
Mohegan Patrons	77.7%	86.8%
Source: Center for Policy Analysis (2004).		

At the same time, 81.2% of Lincoln’s patrons have visited either Foxwoods or Mohegan Sun in the last twelve months, while 81.1% of Newport’s patrons have visited either Foxwoods or Mohegan in the last twelve months (see Table 14). The fact that Lincoln and Newport patrons already visit Foxwoods and Mohegan Sun in such large proportions, even as Lincoln Park and Newport Grand continue to expand their gambling revenues, indicates that the venues’ patrons are not substituting casino visits for convenience gambling, but making occasional trips to the casinos in addition to their local convenience visits to Lincoln and Newport. The two sets of venues co-exist in separate market niches as further documented by their simultaneous expansion over last five years. This conclusion is further reinforced by the *greater frequency* of visits to Lincoln and Newport, which is facilitated by its *convenience* for patrons (see Table 10).

Table 14

Percent of Lincoln & Newport Patrons Who Visit Foxwoods and Mohegan: Rhode Island & Massachusetts Residents			
	Visited Foxwoods	Visited Mohegan	Visited Foxwoods or Mohegan
Lincoln Patrons	70.8%	53.9%	81.2%
Newport Patrons	74.4%	54.4%	81.1%
Source: Center for Policy Analysis (2004).			

4.13 Expenditures by Rhode Island & Massachusetts Residents

4.13a Patron Origin Basis

If Rhode Island patrons account for an equal or average per capita share of Foxwood’s and Mohegan Sun’s annual total revenues, then it is estimated that Rhode Island residents will spend approximately \$309,100,000 in CY 2004 at Connecticut’s two Native American casinos compared to \$226,000,000 in CY 1998.²³

It is estimated that residents of Massachusetts will spend approximately \$821,500,000 in CY 2004 at Foxwoods and Mohegan Sun compared to \$620,000,000 in CY 1998.

4.13b Patron Behavior Basis

The gaming behavior survey asked visitors to the region’s four gambling venues “On each visit to [venue] approximately how much did you spend on the following?” The following categories of expenditure were recorded separately: food, hotel or lodging, retail purchases, other entertainment (e.g., shows, dancing, concerts), and gambling (see Table 15). Table 15 documents that more than nine-tenths of those who visit the region’s four gambling venues do so for the purpose of gambling, but there are significant differences in the rate at which patrons make other types of purchases at the destination resorts.

Rhode Island and Massachusetts residents who visit Foxwoods Resort and Mohegan Sun are much more likely to make expenditures for food, lodging, retail, and

²³ This is a conservative assumption, but one that is consistent with the per capita cost method most commonly used in fiscal impact analysis, see Burchell, Listokin and Dolphin (1985). However, a review of the Center for Policy Analysis methodology conducted by scholars at the John F. Kennedy School of Government concludes that “these figures are conservative in that they assume that out-of-state visitors spend the same amount of time and money at the Connecticut casinos. Evidence from Louisiana indicates that out-of-state customers spend more time at a casino than in-state residents...even more might be recaptured than these calculations would indicate” (Taylor et al. 2002, 7).

entertainment than those who visit Lincoln and Newport. This is partly due to differences in the availability of these amenities, but it is also one of the major distinctions between a resort facility and a convenience facility in terms of the resort casino’s ability to attract a separate niche of patrons. Consequently, the average non-gambling expenditures per visit are much higher for Foxwoods and Mohegan than for Lincoln and Newport (see Table 16).

Table 15

Percent of Patrons Who Made Purchases at Selected Gambling Venues: Rhode Island & Massachusetts Residents					
	Food	Lodging	Retail	Other Entertainment	Gambling
Rhode Island					
Foxwoods	73.7%	20.4%	30.2%	30.1%	95.4%
Mohegan	76.4%	16.3%	33.2%	31.7%	93.7%
Lincoln	56.2%	0.0%	10.7%	11.6%	93.7%
Newport	47.3%	0.0%	14.9%	14.9%	95.9%
Massachusetts					
Foxwoods	74.2%	28.8%	32.3%	20.3%	95.7%
Mohegan	83.2%	29.4%	31.9%	22.5%	91.8%
Lincoln	76.4%	14.3%	11.8%	0.0%	97.1%
Newport	66.7%	11.1%	11.1%	16.7%	94.4%

Source: Center for Policy Analysis (2004).

Table 16

Average Expenditures per Visit at Selected Gambling Venues: Rhode Island & Massachusetts Residents					
	Food	Lodging	Retail	Other Entertainment	Gambling
Rhode Island					
Foxwoods	\$25.63	\$6.44	\$8.98	\$7.81	\$161.69
Mohegan	\$28.45	\$4.01	\$16.78	\$9.40	\$198.23
Lincoln	\$10.13	\$0.00	\$0.14	\$0.40	\$140.23
Newport	\$6.36	\$0.00	\$0.31	\$0.45	\$87.21
Massachusetts					
Foxwoods	\$32.83	\$16.03	\$9.67	\$6.02	\$170.00
Mohegan	\$43.66	\$14.78	\$7.57	\$5.32	\$200.00
Lincoln	\$19.34	\$0.53	\$0.02	\$0.00	\$168.95
Newport	\$11.17	\$0.78	\$0.13	\$0.79	\$130.56

Source: Center for Policy Analysis (2004).

Non-gambling expenditures account for 23.2% of total annual expenditures by Rhode Island residents at Foxwoods and 22.8% of total annual expenditures at Mohegan. By contrast, non-gambling expenditures account for 7.1% of total annual expenditures by Rhode Island residents at Lincoln and 7.5% of total annual expenditures at Newport.

Non-gambling expenditures account for 27.2% of total annual expenditures by Massachusetts residents at Foxwoods and 26.3% of total annual expenditures at Mohegan. By contrast, non-gambling expenditures account for 9.8% of total annual expenditures by Massachusetts residents at Lincoln and 9.0% of total annual expenditures at Newport (see Table 17 and Table 18).

Finally, the average expenditures per visit reported by gambling patrons in the survey was multiplied by the total number of visits to each of the region’s four gambling venues to derive an estimate of total gambling and non-gambling annual expenditures at each of the venues by Rhode Island and Massachusetts (see Table 17 and Table 18).

The total (gambling and non-gambling) estimated annual expenditures at Foxwoods and Mohegan by Rhode Island residents is \$362,012,816. The total estimated annual expenditures at Foxwoods and Mohegan by Massachusetts residents is \$1,082,472,135. These estimates are higher than those derived from the patron origin analysis, but given the patron origin methodology’s conservative assumptions this is not an unexpected result.

Table 17

Annual Expenditures at Foxwoods & Mohegan by Rhode Island & Massachusetts Residents				
State	Foxwoods		Mohegan	
	Gambling	Foxwoods Other	Gambling	Mohegan Other
Rhode Island (dollars)	\$194,074,685	\$58,646,107	\$84,342,110	\$24,949,913
Massachusetts (dollars)	\$527,557,470	\$198,889,166	\$262,429,882	\$93,595,617
Rhode Island (percent of total)	17.0%	5.1%	7.2%	2.1%
Massachusetts (percent of total)	46.2%	17.4%	22.5%	8.0%

Source: Center for Policy Analysis (2004).

The total (gambling and non-gambling) estimated annual expenditures at Lincoln and Newport by Rhode Island residents is \$237,004,217. The total estimated annual expenditures at Lincoln and Newport by Massachusetts residents is \$181,069,657.

Table 18

Annual Expenditures at Lincoln & Newport by Rhode Island & Massachusetts Residents				
State	Lincoln		Newport	
	Gambling	Lincoln Other	Gambling	Newport Other
Rhode Island (dollars)	\$197,513,765	\$15,028,681	\$22,615,404	\$1,846,367
Massachusetts (dollars)	\$104,202,830	\$11,364,777	\$59,624,539	\$5,877,511

Source: Center for Policy Analysis (2004).

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5.00 WEST WARWICK RESORT CASINO

The Center for Policy Analysis was charged with estimating the possible attendance and revenue for a proposed destination resort casino to be located off Interstate-95 in West Warwick, Rhode Island. The proposed location is strategically situated to intercept casino traffic traveling to Connecticut from Rhode Island, eastern Massachusetts, Maine, and New Hampshire, which is considered the designated market area (DMA) for a West Warwick casino. The proposed location's drive time is 30 to 45 minutes less drive time than the drive to Foxwoods and Mohegan Sun from most points in the DMA. The West Warwick location offers the added convenience of easy access directly off Interstate-95 (see Figure 2 to Figure 7).

Figure 2

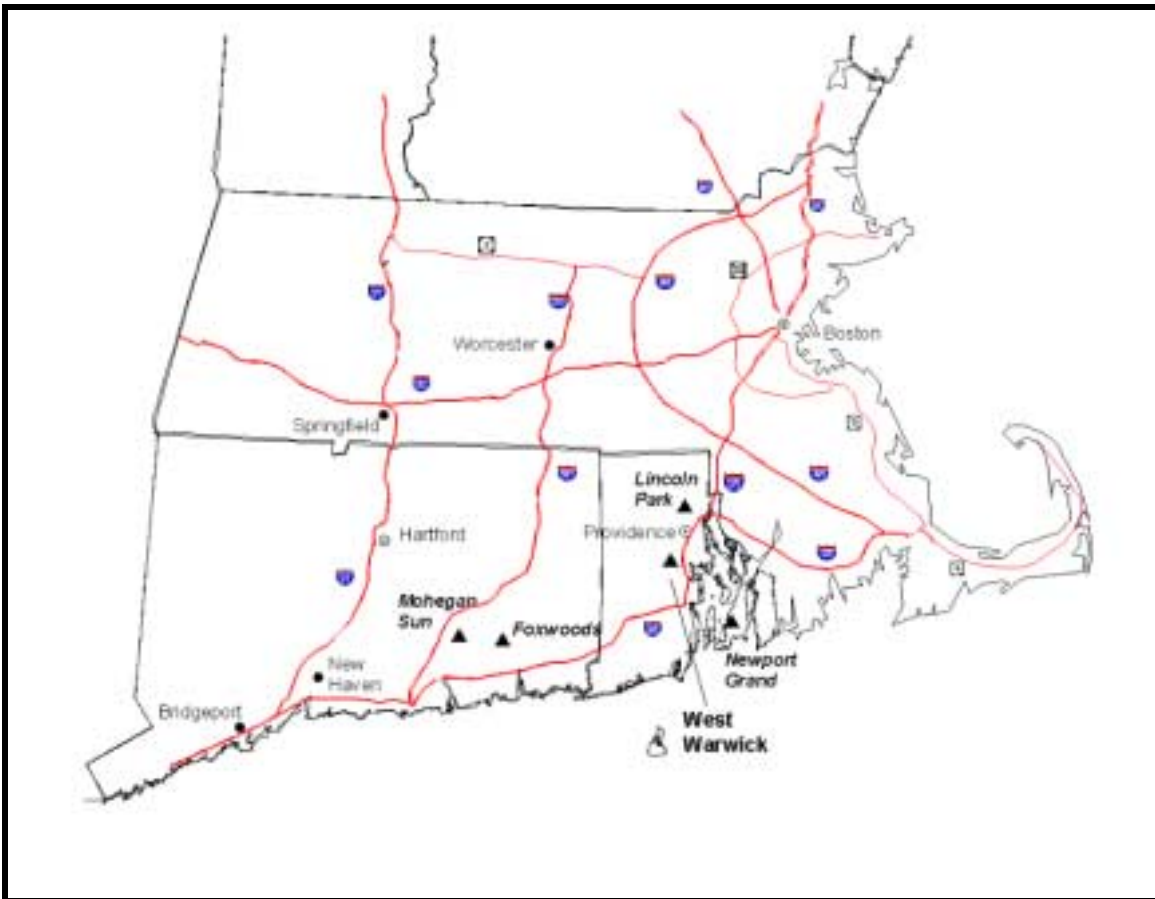


Figure 3



Figure 4



Figure 5



Figure 6



Figure 7



The Center for Policy Analysis used drive times as one means of estimating the potential numbers of adults living within varying drive time distances from the West Warwick location.²⁴ The drive times are broken down into 30-minute increments and measure estimated normal drive time (as opposed to miles).²⁵ The significance of drive time in casino patron's decision to select one comparable venue over another is clearly indicated by the visitations data on Rhode Island. Nearly 100,000 more Rhode Island residents visit Foxwoods each year than visit Mohegan Sun (231,270 to 131,726), while Rhode Island residents make nearly three times as many visits to Foxwoods as to Mohegan Sun (1,200,289 to 425,476). Similarly, the Center's patron origin analysis indicates that Rhode Island residents account for nearly three times the ratio of Foxwood's patrons (15.4%) as compared to Mohegan's patrons (5.6%). This significant difference in visitations by Rhode Islanders occurs even though Mohegan is only 12 to 15 minutes (8 miles) additional drive time.

The Center for Policy Analysis estimated the total number of adults living residing in Rhode Island and Massachusetts within various drive time bands as well as the total personal income and average per capita income of residents living within the designated market area (see Figure 8).

²⁴ Connecticut was not included in the designated market area, although it is possible that a West Warwick casino might capture visitations from patrons in that state seeking variety and a temporary change of venue.

²⁵ Drive times were estimated on <http://www.mapquest.com/>.

Figure 8

Drive Times to West Warwick

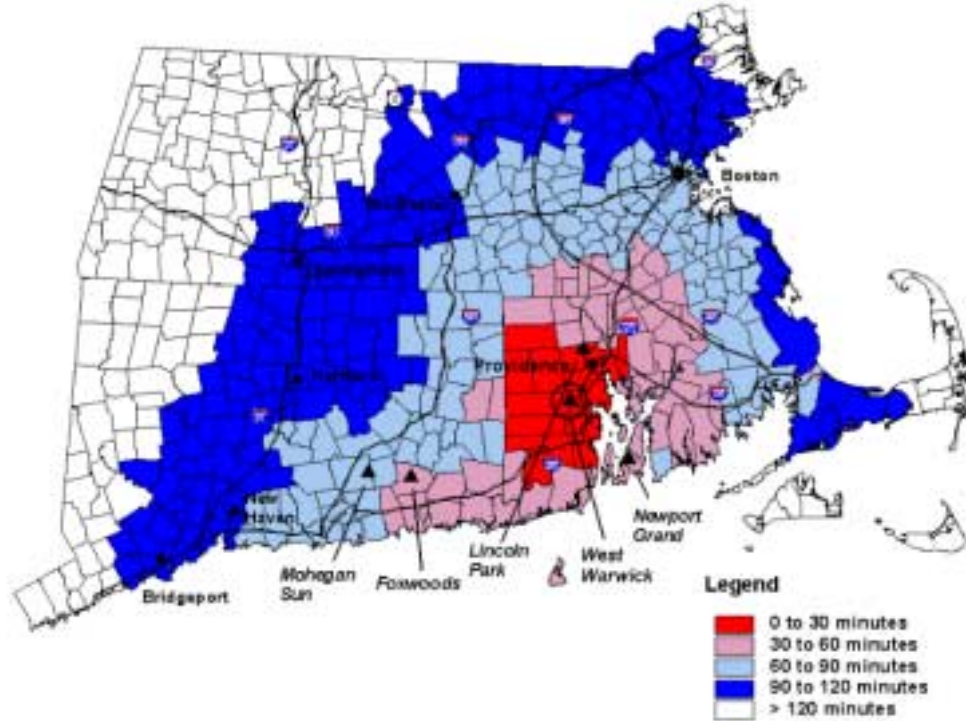


Table 19

Population Within 30, 60, 90, & 120 Minutes of West Warwick Site				
	Within 30 Minutes	Within 31-60 Minutes	Within 61-90 Minutes	Within 91-120 Minutes
Total Population	653,063	990,148	2,901,943	2,238,193
Adult Population (18+)	501,356	677,914	2,186,951	1,543,646
Avg. Per Capita Income	\$31,328	\$35,491	\$43,079	\$39,697
Total Personal Income	\$20,459,362,135	\$35,140,864,301	\$125,006,705,250	\$88,849,103,516

Sources: U.S. Census (2000); U.S. Bureau of Economic Analysis (2004); Center for Policy Analysis (2004).

5.10 ESTIMATED VISITATION

The Center for Policy Analysis used a combination of factors to estimate the annual number of casino visitations to a West Warwick casino. This estimate is based on drive time, the number of persons within a drive time radius, and the estimated propensity to gamble.

Most residents in the designated market area who live beyond the 120 minute drive time are located in western Massachusetts, where it is assumed that patrons will continue to patronize Foxwoods and Mohegan due to their closer proximity. However, it is known that approximately 20% to 25% of all visitations to Foxwoods Resort, Mohegan Sun, and the Atlantic City casinos are by individuals who live beyond a 120 minute drive time. This is partly due to the absence of a comparable option in closer proximity to those patrons. For example, the Center's patron origin analysis indicates that 4.3% of Foxwoods' patrons come from Maine and New Hampshire, while 2.4% of Mohegan's patrons come from the same two states. Even though they live beyond a 120 minute drive time, New Hampshire residents make approximately 734,720 visits annually to Foxwoods and Mohegan, while Maine residents may make as many as 294,000 visits to the same venues. If offered a comparable facility in closer proximity, it is reasonable to assume that a West Warwick casino would capture a substantial amount of the New Hampshire/Maine casino traffic.

A second reason why one-fifth to one-quarter of a resort casino's patrons come from outside a 120 minute drive time radius is that bus tours frequently include a stop at one or more casinos and many tour or charter buses are operated exclusively for the purpose of shuttling patrons to specific casinos for day-long or weekend visits. For example, the Center's patron origin analysis found that approximately found that up to 50% of the buses arriving at Foxwoods on weekends and holidays are from New York and New Jersey. Including cars, it is estimated that approximately 14.6% of visitations to Foxwood's are by residents or tourists arriving from New York and New Jersey. Similarly, it was found that more than two-thirds of the buses arriving at Mohegan on weekends and holidays are from New York and New Jersey. Including cars, it is estimated that approximately 23.7% of visitations to Mohegan are by residents or tourists arriving from New York and New Jersey.

The Center for Policy Analysis' gaming behavior survey asked residents of Rhode Island and Massachusetts several questions about likely changes in behavior if a resort casino was to open in West Warwick. The survey asked respondents a series of questions as follows:

If a Foxwoods-style casino opened in West Warwick, Rhode Island would you be likely to visit that casino?

If you would visit a Foxwoods-style casino in West Warwick, how many times per year do you think you would visit?

If a Foxwoods-style casino opened in West Warwick, would you be more likely to visit that casino than Foxwoods? If yes, how many less times per year do you think you would visit Foxwoods?

If a Foxwoods-style casino opened in West Warwick, would you be more likely to visit that casino than Mohegan Sun? If yes, how many less times per year do you think you would visit Mohegan Sun?

The gaming behavior survey found that 43.1% of the respondents in Rhode Island and Massachusetts combined would visit a West Warwick resort casino. The propensity to visit the proposed casino increases with proximity to the casino and decreases with drive time to the casino. It is estimated on this basis that about 60% of the casino’s *Rhode Island and Massachusetts patrons* would from would come from outside a 30-mile radius of West Warwick. However, a larger percentage of the total customer base and total visitations would come from outside a 30-mile radius, since the survey does not capture potential patrons from Maine, New Hampshire, and elsewhere. When these patron visits are factored into the equation, then no less than 70% of the total visits to West Warwick would be made by patrons from outside a 30-mile radius of the town.²⁶

Table 20

Percent of Population Within 30, 60, 90, & 120 Minutes of West Warwick Who Will Visit Casino					
	Within 30 Minutes	Within 31-60 Minutes	Within 61-90 Minutes	Within 91-120 Minutes	More Than 120 Minutes
Total Population	653,063	990,148	2,901,943	2,238,193	2,238,193
Adult Population (18+)	501,356	677,914	2,186,951	1,543,646	1,543,646
Will Visit WW Casino	62.1%	50.5%	29.9%	26.3%	21.9%
Percent of Patrons	40.1%	31.0%	14.1%	11.8%	3.0%

Sources: U.S. Census (2000); U.S. Bureau of Economic Analysis (2004); Center for Policy Analysis (2004).

5.11 High Estimate

Because the survey asked the place of residence of all survey respondents, it was possible to calculate the percentage of persons who say they will visit a West Warwick casino by drive time from the proposed casino. The Center applied these ratios to the number of adults residing within each drive time band and multiplied that sum by the mean number of times respondents said they would visit a West Warwick casino. This calculation yields 5,171,229 annual visits to a West Warwick casino by Rhode Island and Massachusetts residents living with a two hour drive of the facility. However, approximately 5% of the survey’s respondents who visited Foxwoods or Mohegan in the

²⁶ This estimate is based on the highly conservative assumption that only 10% of the casino’s visitations will arrive by tour bus and it does not include the likelihood that at least a small percentage of visitors will arrive by car from New York, New Jersey, and Pennsylvania (see below).

last year report that they did *not* gamble. If this 5% “adjustment factor” is applied to the total estimated visitations then the estimated annual visits for purposes of gambling is 4,912,668 (see Table 21).

Furthermore, this figure is considered a high-end estimate, since it includes trips to West Warwick that will substitute for trips currently made to Foxwoods and Mohegan (see below) *and* new trips added due to a potential increase in the propensity to gamble. The potential market growth included in the high estimate would come from an increase in the number of people who visit casinos at least once each year and an increase in the average number of trips to casinos by those who already visit Foxwoods and Mohegan from the DMA.

Fifty-seven percent (57%) of the respondents in Rhode Island and thirty percent (30%) of the respondents in Massachusetts say they would visit a Foxwoods-style casino in West Warwick. These numbers, if realized, would constitute substantial growth in the market compared to the number of the two states’ who currently visit Foxwoods and Mohegan. Nearly twenty-three percent (22.9%) of the total survey respondents who said they have not visited a casino in the last twelve months said they would visit a West Warwick casino. However, it is not known how many of these respondents would visit it only once out of curiosity, how many would visit it for non-gambling purposes (e.g., retail, dining, entertainment), and how many would become regular (i.e., at least once per year) casino patrons. In addition, some Foxwoods and Mohegan patrons in the DMA report that they would *add* trips to a West Warwick casino and therefore visit the region’s casinos more times per year.

In addition, the gaming behavior survey was confined to Rhode Island and Massachusetts residents, but it is known from other sources that New Hampshire residents make approximately 734,720 visits annually to Foxwoods and Mohegan, while Maine residents may make as many as 241,080 visits to the same venues (Harrah’s 2003).²⁷ Given the closer drive time to West Warwick from points in Maine and New, it is likely that a West Warwick casino would capture at least the same proportion of Foxwoods and Mohegan patrons in those states as it would capture from Rhode Island and Massachusetts).²⁸ It is expected that a West Warwick casino will capture 61.2% of the casino visits from Maine and New Hampshire (see below for explanation).

Finally, as noted above, about 20% to 25% of a resort casino’s patrons arrive by tour bus or charter bus. Most tour buses at Foxwoods Resort and Mohegan Sun, particularly during weekends and holidays, arrive from New York and New Jersey and include a substantial number of foreign visitors. In addition, the Center’s patron origin analysis observed tour buses at Foxwoods and Mohegan from as far away as Illinois,

²⁷ The estimate for Maine was derived by multiplying the number of casino gamblers in Maine (Harrah’s 2003) by 3.5 casino visits per year, which is less than the 4.0 reported for Massachusetts residents and the 4.9 trips per year reported for New Hampshire. This sum was multiplied by .82 as the ratio of Indian casino visits to total casino visits by New England residents.

²⁸ Given the greater distances being traveled by Maine and New Hampshire residents, it is possible that those patrons would be even *more* sensitive to a reduction in drive time.

Maryland, North Carolina, South Carolina, and Georgia. It is also notable that Cape Cod is already a leading tourist destination for Mid-Atlantic residents (i.e., New York, New Jersey, and Pennsylvania), who mostly travel to the Cape by automobile via Interstate 95. It has been previously estimated that nearly 6 million people visit Cape Cod each year and that 40% of those visitors come from the Mid-Atlantic region (ArtsMarket Consulting, Inc. 1995; Commonwealth of Massachusetts 1998, 4-22). Thus, in addition to tour and charter buses, there are approximately 2.4 million persons from the Mid-Atlantic, who pass through West Warwick on I-95 each year.

A West Warwick casino will be in direct competition with Foxwoods and Mohegan Sun for this customer base so it is assumed that only 10% of a West Warwick casino’s visitations will arrive by bus or car from the Mid-Atlantic and other regions. This ratio yields an additional 474,880 visits from outside the designated market area (not including Maine and New Hampshire).

The total estimated annual visits to a West Warwick casino is 5,984,738 assuming a maximum increase in the propensity to gamble reported by respondents to the gaming behavior survey (see Table 21).

Table 21

Population Within 30, 60, 90, & 120 Minutes of West Warwick Site				
	Within 30 Minutes	Within 31-60 Minutes	Within 61-90 Minutes	Within 91-120 Minutes
Adult Population (18+)	501,356	677,914	2,186,951	1,543,646
Say Will Visit a West Warwick Casino	0.621	0.310	0.141	0.118
Average Casino Trips per Year	7.99	5.40	3.41	2.73
Projected Visitations (W W)	2,487,623	1,134,828	1,051,508	497,270
Sub-Total	5,171,229			
Adjusted Sub-Total	4,912,668			
New Hampshire/Maine	597,190			
Tour Buses (10%)	474,880			
Total	5,984,738			

Sources: Center for Policy Analysis (2004).

5.12 Low Estimate

The Center for Policy Analysis also made a second low-end estimate of annual visitations, which assumes that the current number of casino visits by existing patrons will remain unchanged with the opening of a West Warwick casino. This scenario assumes that the success of a West Warwick casino is a zero sum game, where the new casino’s success depends entirely on its ability to recapture patrons from Foxwoods and Mohegan who live in the designated market area.

More than seventy-eight percent (78.3%) of the respondents who live in the designated market area and currently gamble at Foxwoods report that if a Foxwoods-style

casino opened in West Warwick, they would be more likely to visit that casino than Foxwoods. More than seventy-seven percent (77.3%) of the respondents who live in the designated market area and currently gamble at Mohegan Sun report that if a Foxwoods-style casino opened in West Warwick, they would be more likely to visit that casino than Mohegan Sun (see Table 22).

Foxwoods patrons in the DMA report that they would visit Foxwoods 3.05 times less times per year to visit a West Warwick casino, while Mohegan Sun patrons in the DMA report they would visit Mohegan Sun 1.94 times less per year to visit a West Warwick casino.

By multiplying the annual number of visitors to Foxwoods and Mohegan who live in the DMA by the percentage of respondents who say they would substitute trips to West Warwick for trips to those casinos (i.e., “adjustment factor”) one can estimate the annual number of visits to West Warwick that would come from recapturing traffic in the DMA. These visits are multiplied by the mean number of trips to West Warwick anticipated by respondents to generate a recapture rate in the DMA of 61.2% for Foxwoods and 62.8% for Mohegan Sun.²⁹

This recapture rate yields annual visitations to a West Warwick casino of 3,726,037.

Table 22

Recapture Rate for West Warwick Casino		
	Foxwoods	Mohegan
No. Annual Visitors (RI & MA)	1,102,978	728,158
Adjustment Factor	0.783	0.773
Annual Trip Reduction	3.05	1.94
Annual Substitution for WW	2,634,077	1,091,960
Current Annual Visitations	4,303,568	1,737,625
Recapture Rate	61.2%	62.8%
Source: Center for Policy Analysis (2004)		

²⁹ If drive time was the single, rather than the predominant consideration in choosing between comparable resort casinos, then would one expect a recapture rate approaching 100%. However, this rate of recapture is not to be expected, precisely because casino patrons do take other factors into consideration, including uncertainty about the quality and availability of a new product, the existence of different individual preferences for one facility over another (e.g., layout, theme), the desire for an occasional change of venue, and the existence of customer loyalty programs such as Foxwoods’ Wampum cards (so-called “comp points”) designed to retain customers and build customer loyalty.

5.12 Probable Estimate

The Center for Policy Analysis derived a probable estimate of annual visitations that adds the tour bus ratio and patron captures from Maine and New Hampshire (included in the high estimate) to the Rhode Island and Massachusetts recaptures included in the low estimate.

This recapture rate yields annual visitations to a West Warwick casino of 4,803,527 (see Table 23).

Table 23

Recapture Rate for West Warwick Casino, Including New Hampshire & Tour Buses		
	Foxwoods	Mohegan
No. Annual Visitors (RI & MA)	1,102,978	728,158
Adjustment Factor	0.783	0.773
Annual Trip Reduction	3.05	1.94
Annual Substitution for WW	2,634,077	1,091,960
Sub-Total Substitution for WW	3,726,037	
Maine/New Hampshire	597,190	
Tour Buses (10%)	480,300	
Total	4,803,527	
Source: Center for Policy Analysis (2004)		

5.20 ESTIMATED REVENUES

5.21 Revenue Capacity

The ability of a West Warwick Resort Casino to recapture existing gaming revenues and to generate new market growth depends partly on the size of the potential gaming market in the designated market area, but also on the physical capacity of the casino. A casino has a fixed amount of square footage available for gaming and this square footage limits the total number of slot machines and table games that can be reasonably accommodated by the facility. Consequently, while there are many ways to arrive at reasonable revenue estimates for a casino, some of the most commonly used techniques rely on the estimated win per slot and the estimated win per square foot of casino space. These ratios provide useful measures of an existing casino’s revenue productivity as well as a reasonable basis for estimating the potential revenue capacity of a proposed casino.

The Center identified Atlantic City, Caesar’s (Atlantic City), Foxwoods, and Mohegan Sun as providing a basis for comparison to a West Warwick casino. The

Atlantic City casinos have an average of 100,489 square feet of casino space, which makes the industry as a whole comparable to the 115,000 square foot of casino space proposed for West Warwick. Caesars in Atlantic City has 117,378 square feet of casino space, while Foxwoods and Mohegan Sun define the existing casino market in New England.

The actual revenue yield of a casino is contingent on a variety of macro- and micro-economic factors, including the general condition of the regional economy, levels of personal disposable income, rates of income growth, the attractiveness of the facility, marketing of the facility, the configuration of the casino space, and the percentage of the handle paid out to customers.³⁰ Slot machine revenues for Caesars and Foxwoods not only provide a median estimate, but are probably the most accurate predictors of revenue yield for a West Warwick casino given the similarity of Caesars physical configuration and the fact that many of West Warwick’s patrons will be drawn from the same market area as Foxwoods Resort.

Table 24

Revenue Yield for Casinos Comparable to West Warwick					
	Number of Slot Machines	Sq. Ft. of Casino Space	Slot Machine Revenues*	Gross Gaming Revenue*	Average Annual Win Per Slot
Atlantic City	38,117	1,105,374	\$3,382,728,634	\$4,494,254,488	\$88,746
Caesars (Atlantic City)	3,234	117,378	\$367,111,373	\$528,222,815	\$113,516
Foxwoods	6,656	320,000	\$796,980,144	\$1,131,711,804	\$119,739
Mohegan Sun	6,144	300,000	\$812,684,186	\$1,157,786,052	\$132,273

Sources: New Jersey Casino Control Commission (2002, 2004); Connecticut Division of Special Revenue (2004).
Notes: *Foxwood/Mohegan estimates based FY 2004 to date. Atlantic City estimates based on FY 2002 adjusted to 2004 dollars with growth factor.

The estimated gross gaming revenues for a West Warwick casino are between \$483.6 million and \$510.1 million.³¹ The estimated total revenues for a West Warwick casino are between \$536.8 million and \$566.2 million.

Table 25

Estimated Slot, Gross Gaming, & Total Revenues for West Warwick Resort Casino					
Caesars Annual Win Per Slot	Foxwoods Annual Win Per Slot	WW Gross Gaming Revenue (Caesars)	WW Gross Gaming Revenue (Foxwoods)	Estimated Total Revenues	Estimated Total Revenues
\$340,548,583	\$359,215,810	\$483,578,988	\$510,086,450	\$536,772,677	\$566,195,960

³⁰ Foxwoods Resort and Mohegan Sun both have payouts of 91.8%, which is the amount of the handle returned to customers on an annual basis. Nevada requires a minimum payout of 95%, but many of the resort destination casinos in Las Vegas have payouts of 98% to 99% (e.g., Caesar’s Palace).

³¹ Estimate assumes that slot machine revenue is 70% of gross gaming revenue.

5.22 Unsatisfied Demand for Casino Gaming

The revenue estimates in section 5.21 measure the capacity of a West Warwick Resort Casino, while the patron behavior survey allows one to measure the potential demand for casino gaming in the designated market area. The low, probable, and high estimates for casino visitation at a West Warwick facility were multiplied by the average gaming expenditure per visit to Foxwoods by Rhode Island and Massachusetts residents. The low estimate indicates that even after the opening of a West Warwick casino there will still be unmet demand for casino gaming of at least \$108.4 million (see Table 26).

It is probable that unmet demand for casino gaming in the designated market area will be \$287.3 million and could be as high as \$483.4 million even after the opening of a West Warwick Resort Casino.

Table 26

Unmet Demand for Casino Gaming in Designated Market Area After Construction of a WestWarwick Resort Casino				
	Visitations	Gross Gaming Revenues	West Warwick Maximum Capacity	Unmet Demand in DMA
Low Estimate	3,726,037	\$618,522,142	\$510,086,450	\$108,435,692
Probable Estimate	4,803,527	\$797,385,482	\$510,086,450	\$287,299,032
High Estimate	5,984,738	\$993,466,508	\$510,086,450	\$483,380,058

These estimates suggest that there is ample room in the market for the West Warwick facility to grow and expand in the future and to provide a cushion against the prospect of expanded casino gaming elsewhere in New England. Furthermore, the level of unmet demand is likely to increase in future years, since the propensity to gamble – both the percentage who visit casinos and the frequency of casino visitations – is strongly correlated with the proximity of a casino. Unmet demand for casino gaming in the DMA will also increase due to continuing population growth in New England, particularly with areas such as Southeastern Massachusetts and New Hampshire showing above average population growth for New England. Income growth is a third factor that will increase demand for casino gaming in the DMA in future years.

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6.00 PROSPECTS FOR EXPANDED CASINO GAMING IN NEW ENGLAND

6.41 CONNECTICUT

6.41a Eastern Pequot Tribal Nation

The U.S. Bureau of Indian Affairs recognized the Eastern Pequot Tribal Nation on June 24, 2002. In its decision, the BIA ruled that Eastern Pequots and the Paucatuck Eastern Pequots are a single tribe. The two groups had filed separate applications for federal recognition despite sharing a 224-acre reservation in North Stonington, Connecticut. The decision opens the way for the Eastern Pequots to negotiate with Governor John Rowland to establish a third casino in Connecticut. However, the state's Attorney General, Governor, regional planning agencies, municipal officials, and citizens' group all oppose the construction of a third major casino in Connecticut. The BIA's decision was appealed by Attorney General Blumenthal, who was joined in his appeal by municipal officials from the towns of North Stonington and Preston. U.S. Senators Chris Dodd and Joseph Lieberman of Connecticut also asked the U.S. General Accounting Office to review the decision (Indianz.com 2002).

In April of 2003, following the BIA's recognition of the tribe, the Eastern Pequots named Eastern Capital Development as their preferred casino developer, but this decision has resulted in two civil lawsuits against the tribe. After the announcement, developer and casino owner Donald Trump, filed suit against the Eastern Pequots for breach of contract in May of 2003. Trump, who is a partner of Amalgamated Industries, Inc., had been the preferred developer for the Paucatuck Eastern Pequots since 1992. Amalgamated had an agreement with the Paucatuck Eastern Pequots to help finance their recognition efforts in exchange for 5% of net gaming revenues and 5% of other economic development activities undertaken by the tribe. The Trump suits claims that Amalgamated and its partners spent \$14 million on the group's recognition efforts (Lyman 2003). The Trump lawsuit is seeking unspecified monetary damages and an injunction ordering the tribe to adhere to Trump's contract.

A second lawsuit was filed in New London Superior Court on July 9, 2003 by J.D. DeMatteo, CEO of Amalgamated Industries, Inc. DeMatteo is suing the Eastern Pequots, as well as individual members of the tribe, for breach of contract, civil conspiracy, and interference. the company is seeking an injunction to halt the development of a casino by the tribe and it is seeking unspecified monetary damages. David Scott, one of the lawyers representing the company has stated: "We think this case is worth hundreds of millions of dollars" (quoted in Lyman 2003). David Rosow, who heads Eastern Capital Development, has stated that he "does not see the lawsuits as a serious impediment to the tribe's plans" (quoted in Lyman 2003).

6.41b Schaghticoke Tribal Nation

The Schaghticoke Tribal Nation, based in Derby, Connecticut, was recognized by the U.S. Bureau of Indian Affairs on January 29, 2004 after the BIA proposed to decline their application for federal recognition on December 5, 2002 (US Department of Interior 2004b). The federal acknowledgment regulations (25 CFR Part 83) require that a petitioning group meet seven mandatory criteria. Assistant Secretary Neal A. McCaleb publicly proposed a negative finding at the time because the evidence submitted was not sufficient to show that the petitioner had met criteria 83.7(b) for community and 83.7(c) for political authority or influence during certain periods of time, although it was declared the petitioner met the other five mandatory criteria. After submitting additional evidence, the tribal nation received federal recognition.

Following the tribe's recognition, Connecticut's Attorney General Richard Blumenthal said the state would file an appeal immediately with the Department of the Interior saying he "will not accept the BIA's decision," because it "clearly contradicts the criteria established [for federal recognition] by law" (quoted on WTNH-TV 2004). Connecticut Governor John Rowland issued a parallel statement saying "I support the attorney general's effort to overturn the ruling. I also wish to make at this time my complete opposition to the further expansion of casino gambling in Connecticut" (quoted on WTNH-TV 2004). A poll conducted by the University of Connecticut Center for Survey Research and Analysis at Stamford found that 63% of the residents in Bridgeport area communities oppose a casino in Bridgeport (Gale 2002).

Subsequently, it was revealed that Frederick A. DeLuca, the founder of Subway Restaurants, had financed the Schaghticoke's expensive legal application for federal recognition since 1996 with the intent of helping it build a casino in Bridgeport, Connecticut (Florin 2004a). On April 23, 2004, the Interior Department's independent Inspector General launched a broad inquiry into the BIA's decision to grant federal recognition to the Schaghticoke Tribal Nation amid accusations that wealthy backers had tainted the tribal recognition process. The Connecticut Congressional delegation has responded by introducing a bill that would set in law the seven criteria used by the BIA to recognize a tribe, which would effectively strip the BIA of any discretionary power in the recognition process (Green 2004b).

6.42 MASSACHUSETTS

6.42a Wampanoag Tribe of Gay Head

An attorney for the Aroostook Band of Micmac Indians in Maine recently declared that "Indian law is different in New England than anywhere else" (Adams 2004). The attorney was referring in part to legislation that either abridges or abrogates the rights of recognized Indian tribes in Rhode Island, Maine, and Massachusetts to conduct Class II and Class III casino gaming under the Indian Gaming Regulatory Act (IGRA). The Wampanoag Tribe of Gay Head, with lands on Martha's Vineyard, is

currently the only federally recognized tribe in Massachusetts. However, unlike Connecticut, the Commonwealth of Massachusetts passed an Indian Land Claims Settlement Act in 1985, which is far more restrictive than IGRA regarding Indian rights to operate games of chance on their lands. In 1987, the U.S. Bureau of Indian Affairs recognized the Wampanoags as an Indian tribe and, subsequently, the Massachusetts settlement was ratified by Congress as the Massachusetts Indian Land Claims Act of 1987 (Marantz 1987).

The state’s last two Attorneys General – Scott Harshbarger and Tom Reilly³² – have argued that the state settlement act precludes the Wampanoags or any other tribe from invoking any gambling rights under IGRA without express approval of the state legislature. In two of cases, where similar state agreements were tested against IGRA – Maine and Texas -- the federal courts upheld the state’s jurisdiction over gaming on Indian lands.³³ The key provision of the Massachusetts Indian Land Claims Settle Act, which seems to establish an exception to Native American gaming rights under IGRA, is Sec. 1771(g) stating that:

“the settlement lands and any other land that may now or hereafter by owned by or held in trust for any Indian tribe or entity in the town of Gay Head, Massachusetts, shall be subject to the civil and criminal laws, ordinances, and jurisdiction of the Commonwealth of Massachusetts and the town of Gay Head, Massachusetts (including those laws and regulations which prohibit or regulate the conduct of bingo or any other game of chance)” (U.S. Code 25, Chap. 19, subchapter V, sec. 1771(f)).

Casinos and other forms of gambling expansion have been a perennial issue in Massachusetts since former Governor William Weld brokered a proposed compact with the Wampanoag Indians to open a \$200 million casino in New Bedford, Massachusetts on 280 acres of lands being used as a municipal golf course (Halbfinger 1996). The Weld compact would have granted the Wampanoag Tribe exclusive casino rights in eastern Massachusetts in exchange for 25% of the casino’s gross gaming revenues (GGR), while allowing a limited number of slot machines at the state’s four racetracks (Vaillancourt 1994). The plan was rejected by the House of Representatives in 1995.

On January 21, 1997, Governor Weld refiled casino legislation that would have established a casino operated by the Wampanoags in New Bedford, authorize the establishment of one casino in Hampden County, authorize 700 slot machines at each of the state’s four racetracks, and create a gaming regulatory structure for the state. State Representative Daniel Bosley, Co-Chair of the Joint Government Regulations Committee of the House of Representatives, authored a highly negative personal report on the bill,

³² Massachusetts Attorney General Thomas F. Reilly contends that gambling is “bad economic policy” (quoted in Murphy 2001). Attorney General Reilly is now “at the forefront of anticasinio forces in Massachusetts” (Vaillancourt 1999).

³³ The Wampanoag Tribe of Gay Head argues that the settlement act’s language applies only to lands owned or held in trust in Gay Head, Massachusetts, but does not apply to additional lands that may be acquired and placed in trust elsewhere in the state (Vaillancourt 1997b).

which contributed to the committee’s rejection of the Weld proposal on May 1, 1997 (Commonwealth of Massachusetts 1997).

Within hours of the announcement that the House would reject Governor’s Weld proposed legislation, the announced scaled-back plans to open a \$35 million Class II bingo facility in Fall River. The proposed bingo hall was modeled after the Class II facility operated by the Mashantucket Pequots for almost four years before they opened Foxwoods Resort Casino. The Mayor of Fall River and the Fall River Redevelopment Authority negotiated an agreement to sell the 152 acre former municipal airport (off Route 24) site to the Wampanoag Tribe for purposes of opening a Class II bingo hall (Vaillancourt 1997a).³⁴ The property sale was rejected by the Fall River City Council by a margin of one vote (4-3).³⁵

6.42b Commercial Casinos and Racinos

The gambling issue was resurrected on a wider scale in 1999 when Senator James P. Jajuga filed a bill known as the Massachusetts Casino Control Act. This act would have authorized the licensing of three resort casinos in Southeastern Massachusetts (Fall River or New Bedford), Salisbury, Massachusetts, and western Massachusetts (e.g., Palmer, Holyoke, Springfield). Voters in each of the proposed locations had already voted in favor of hosting a casino. However, the proposed legislation stalled due opposition from top leaders in the House of Representatives and the state’s powerful pari-mutuel lobby, which sought to amend the bill to allow slot machines at the state’s four racetracks. The bill was never considered in committee.

In December of 2002, former Acting Governor Jane Swift appointed a 19-member commission to study casino gaming in Massachusetts. The committee issued a report that called for the legalization of casino gaming in Massachusetts. Governor Mitt Romney, who took office shortly before the commission issued its report, responded to its recommendation with a statement that he was “open” to bringing casinos to

³⁴ The New Bedford proposal would actually have required two votes by the state legislature. The approval of the compact required a simple majority vote of the state legislature. However, because the land sale involved a golf course that was designated for recreation, Massachusetts state law requires a two-thirds vote of the state legislature to approve the transfer of recreation lands to any private or public entity (Halbfinger 1996). The Fall River airport was not used for recreation and, therefore, legislative approval was not required for the sale, but local ordinances required the City Council to approve any sale or transfer of municipally-owned property (Vaillancourt and Phillips 1997).

³⁵ The Wampanoags are now seeking to purchase private property in Southeastern Massachusetts with the financial support of the Tunica-Biloxi Indians, who own the popular Paragon Casino in central Louisiana. The Tunica-Biloxis have a 51% stake in First Nation Gaming, a Lafayette, Louisiana-based company that develops and manages Indian casinos (McGrory 2001; Murphy 2001). In July of 2001, the Wampanoag Tribe was reported to be “within weeks” of closing on one of two privately-owned sites in Southeastern Massachusetts, but no closings of this nature have been reported (McGrory 2001). In February of 2003, Acquisition Strategies, a Boston-based real estate development company working for the Wampanoag Tribe, sent a request for proposals to 365 entities in Southeastern Massachusetts, including 40 municipalities, private individuals, and chambers of commerce, seeking 150 acres for the development of a Native American casino. The proposals were due by March 7, 2003, but no announcements have been forthcoming since that time (Kocian 2003).

Massachusetts, but that he preferred “limited experiments” with licensing establishments to operate video slot machines (quoted in Lewis 2003).

Thus, in early 2003, two bills were introduced into the House of Representatives that would have authorized video slot machines in Massachusetts. One bill would have authorized video slot machines at the state’s four racetracks and at two additional sites in western Massachusetts. A second bill would have authorized video slot machines only at the state’s four racetracks. On February 22, 2003, the Joint Committee on Government Regulations, recommended that both bills be rejected by the legislature (Kocian 2003).³⁶ On April 15, 2003, the full House rejected the first bill by a vote of 95 to 59. The second bill was defeated by a vote of 86 to 65.

During the debates, Speaker of the House Thomas Finneran, who had earlier referred to casino revenues as “fools’ gold” (quoted in Vaillancourt 1999), continued to express strong opposition to any expansion of gambling in the state, while pressuring rank-and-file members to oppose the measure. State Representative Daniel E. Bosley, who co-chairs the Joint Government Regulations Committee that reported the bills out with unfavorable report, called the proposed slot machines “a lousy way to make money” (quoted in Klein 2003).³⁷ Senator Michael W. Morrissey, the Senate co-chair of the Joint Government Regulations Committee, and a supporter of casino legislation, said the House vote makes the possibility of slot machines or casinos coming to Massachusetts “more remote” (quoted in Klein 2003).

Nevertheless, later the same year, Senator Morrissey introduced another bill that would have established a Massachusetts Gaming Commission with the authority to sell four \$25 million licenses to the state’s four pari-mutuel racetracks (i.e., Plainridge, Wonderland Park, Suffolk Downs, Raynham Park). The plan also called for the sale of two \$150 million licenses to create resort casinos in southeastern and central Massachusetts, with a required investment in each facility of at least \$400 million.

However, after two days of deadlocked debate, the bill’s sponsors voluntarily withdrew the legislation on November 5, 2003, a day after Maine voters overwhelmingly rejected a proposed casino in a statewide binding referendum. The vote in Maine (see below) was described as “a major setback” for casino gaming in Massachusetts, because it eased the pressure on legislators to recapture revenues being lost to adjoining states (McQuarrie 2003b). Reports of the Maine vote hardened opposition to casino gaming in the Massachusetts House of Representatives, which signaled the Senate that it would not approve the measure even if passed by the Senate.

³⁶ The previous week, the Massachusetts House of Representatives adopted a rule preventing House lawmakers from offering budget amendments on expanded gambling at the urging of Speaker of the House Thomas Finneran (Kocian 2003).

³⁷ The bill was defeated in the House for a variety of reasons, but one of the major concerns expressed by Representative Bosley was the belief that legalizing slot machines at the state’s pari-mutuel tracks will open the door to a flood of casino-style operations by the Wampanoags (and possibly the Nipmucs) even under the state’s restrictive Indian Land Claims Settlement Act.

The likelihood of expanded gambling in Massachusetts now seems remote despite a three year economic decline that has precipitated a state fiscal crisis projected to last through FY 2006 and perhaps longer (Greenberger 2004). Neither Governor Mitt Romney's proposed budget, nor the budget proposed by the House of Representatives includes provisions for expanding gambling in Massachusetts. Representative John Rogers, Chairman of the House and Means Committee, has declared that "this year's budget debate will include no talk of expanded gambling" (quoted in Peter 2004). On April 20, 2004, the House is expected to pass an order that will prohibit any budget amendment legalizing casino gambling or any other expansion as a way to increase revenues.

6.42c Nipmuc Tribe

The Nipmuc Tribal Council of the Hassanamisco Reservation in Grafton submitted a letter of intent to petition for federal recognition in 1980. The petition was placed on active consideration in 1995 on behalf of the Nipmuc Nation, which is based in Sutton, Massachusetts. However, in 1996, the Chaubunagungamaug band, based in Webster-Dudley, split and submitted a separate petition for recognition. The U.S. Bureau of Indian Affairs denied the nation's application in 2002, but the Nipmuc's appealed their denial and a final decision was expected from the BIA by May 1, 2004 (Leo 2004). However, on April 25, 2004, the Bureau of Indian Affairs announced that it had put off a decision until mid-June of 2004.

The Nipmucs have an agreement with Lakes Gaming of Minnesota to build a casino in central Massachusetts or northeast Connecticut, if the tribe receives federal recognition. There have been unsubstantiated reports in central Massachusetts and northeastern Connecticut since 2001 that landowners in the area of Interstate 84 are being offered options to purchase their land on behalf of the Nipmuc Nation. The Nipmuc's could also theoretically receive land in trust from the state of Massachusetts somewhere near their ancestral homelands in central Massachusetts, where under IGRA, they could offer bingo and slot machines that do not pay out cash – anything short of casino style slot machines, since the state already permits these forms of gambling by the religious organizations and the state lottery (Sutner 2003).

The possibility of a third Native American casino has led ten small towns in northeastern Connecticut to form the Northeastern Connecticut Council of Governments (NECCOG), which opposes the establishment of a casino in that part of the state. Connecticut's Attorney General Blumenthal and NECCOG both oppose federal recognition of the Nipmucs and filed a 51-page brief with the BIA supporting its initial finding and urging it to deny final recognition to both factions of the Nipmuc tribe.

Nevertheless, the Mohegans, Eastern Pequots, and Shaghticokes all had their preliminary denials of federal recognition reversed on appeal. The BIA's merging of the two Eastern Pequot factions has been suggested as the basis for a comparable decision on the Nipmucs, especially since the two groups originally filed as one petitioner. The Nipmuc Nation is also recognized by the Commonwealth of Massachusetts, which has

become a significant factor following recognition of the Eastern Pequots and Schaghticokes, where Connecticut's recognition of those tribes was used to plug holes in the documentary evidence needed to meet the seven mandatory criteria for receiving federal recognition.

NECCOG's Executive Director, John J. Filchak, has indicated that if the Nipmucs receive federal recognition, the organization will appeal that decision to the BIA's appellate division. Depending on the outcome of an appeal, NECCOG will still have the option of filing suit in a federal court (Sutner and Dignam 2003).

6.42d Pari-Mutuel Gambling

Rockingham's abrupt shift to harness racing in 2002, and the announcement that it may convert its property into office space, placed the future of Suffolk Downs in jeopardy in Massachusetts (Gray 2002). Rockingham and Suffolk shared a year round thoroughbred circuit by splitting the schedule between the two tracks, rather than competing against each other. Even with this arrangement, the New England thoroughbred industry has been described as "precarious" by experts. Suffolk responded by picking up Rockingham's thoroughbred dates, but covering the purses for these additional dates has placed added financial pressure on the track (Indrisano 2004) and without slot machines its future is uncertain.

6.42e Casino Boats

There have been 10 attempts to base casino boats in Massachusetts since 1998, but only one effort has been successful to date. Horizon's edge operates a casino boat out of Gloucester that has about 210 slot machines and an array of table games. The same company is planning to launch a second boat of similar size in the spring of 2004. The second boat will be docked at Lynn (Van Voorhis 2003).

In most instances, the casino cruise boats have either been economically unfeasible or thwarted by political and legislative opposition in Massachusetts (Wolfson 1998). Efforts to dock a casino boat in Quincy failed in 1998 due opposition from municipal officials, while an effort to dock a casino boat at nearby Hull in 1999 was rejected by that town's voters by a margin of 63% to 37% (Nelson 1999). A casino boat based in Provincetown filed for Chapter 7 bankruptcy after it attracted only 30 to 40 patrons per evening. The same company that operates the casino boat out of Gloucester abandoned its effort to bring a similar boat to Hyannis. State and local officials took numerous actions to block the boat's operation, which led Leisure Time Casino Cruises (based in Norcross, Georgia) to abandon its year long effort to operate off-shore gambling cruises from Hyannis. Bernard Johnson, the company's director of special interests, said "When you consider the political environment we were operating in, it made sense" (*The Standard Times*, January 9, 2000).

6.43 MAINE

The Maine Indian Claims Settlement Act (MICSA), which was approved by the U.S. Congress in 1980, set the framework for federal recognition of the Passamaquoddy Tribe, the Penobscot Nation, and Maliseet Tribe, as well as any tribes to be recognized subsequently, but it did so prior to the passage of the Indian Gaming Regulatory Act. The crucial provision of MICSA, which establishes an exception to Native American gaming rights under IGRA, is Sec. 1721(b)(4)) stating:

“that all other Indians, Indian nations and tribes and bands of Indians now or hereafter existing or recognized in the State of Maine are and shall be subject to all laws of the State of Maine, as provided herein” (U.S. Code 25, Chapter 19, Subchapter II, sec. 1721(b)(4)).

MICSA also ratifies the Maine Implementation Act as part of the federal settlement (Title 30, Part 4, Chapter 601), The pertinent provision of the Maine Implementation Act, which is ratified by MICSA, states that:

“Except as otherwise provided in this Act, all Indians, Indian nations, and tribes and bands of Indians in the State and any lands or other natural resources owned by them, held in trust for them by the United States or by any other person or entity shall be subject to the laws of the State and to the civil and criminal jurisdiction of the courts of the State to the same extent as any other person or lands or other natural resources therein” (Title 30, Part 4, Chapter 601, sec. 6204).

The interpretation of the settlement acts remains controversial among tribal leaders, particularly since it was negotiated prior to the Indian Gaming Regulatory Act, but a 1996 ruling by the 1st U.S. Circuit of Appeals declared that the settlement act, and not IGRA, governs the tribes’ authority to build casinos on tribal lands (*Boston Globe*, February 12, 1996).³⁸

In 2003, the Passamaquoddy Tribe and Penobscot Nation joined with a Las Vegas developer to propose building a \$650 million resort casino in southern Maine. The proposed 362-acre resort would have included 4,000 slot machines, 180 table games, a grand hotel, a 60,000 square foot convention center, and an 18-hole golf course. The proposal, which was placed on the November 4, 2003 state ballot as a binding referendum, included a provision to pay 25% of its slot machine revenues to the state of Maine. The proposal was opposed by Maine Governor John Baldacci, state prosecutors, and major employers (e.g., Land’s End, MBNA), who campaigned to defeat the

³⁸ The position of the Aroostook Band of Micmac Indians is more ambiguous since the State of Maine did not pass an Implementing Act for the Micmac Settlement Act until 1989. The U.S. Congress did not pass the Micmacs Settlement Act until 1991, but the tribe’s attorneys argue that the state implementation act, which subjects the tribe to further restrictions than the federal act, never became law, because the tribal council failed to approve it within 60 days of the legislature’s adjournment as required by the act. If correct, this would mean that the federal act is the sole legal framework for the band and its inherent tribal sovereignty is in full effect (Adams 2003).

referendum. The ballot question was rejected by a vote of 64% to 36% with the highest “no” votes coming from southern Maine (McQuarrie 2003a).

However, in the same election, Maine’s voters approved a second referendum by 53% to 47% to allow slot machines at the Bangor harness track. The same referendum included language that authorizes slot machines at Scarborough Downs, but the town’s government is opposed to slot machines and the legislature may alter the referendum prior to its implementation.

6.44 NEW HAMPSHIRE

Since the New Hampshire legislature first voted to allow pari-mutuel betting on horse races in 1933, Rockingham Park has been a major contributor to the state’s revenues stream. It often contributed 20 percent or more of the state’s budget until pari-mutuel racing went into a nationwide decline more than a decade ago due to competition from state lotteries, casinos, and Internet gambling (Jesep 1998). There have been repeated attempts to persuade the New Hampshire state legislature to legalize video slot machines as a way of countering the tracks’ declining contribution to the state budget and as a way of keeping the industry competitive and the tracks financially healthy.

These efforts reached a crescendo between 1998 and 2002 after courts ruled that the state’s system for financing public education was unconstitutional and that lawmakers had until April 1, 1999 to find a new funding source for their public education system (Vaillancourt 1999). Governor Jeanne Shaheen sponsored a bill that would have placed 3,750 slot machines at the state’s racetracks to fund public education (Graham 1999). A newspaper poll showed strong public support for the Governor’s bill, which was also endorsed by the State Senate President, but House Speaker Donna Sytek, effectively scuttled the bill (Indrisano 1996; Vaillancourt 1999).

These efforts have repeatedly failed and in October of 2002, the owners of Rockingham Park announced a decision to conduct racing at the track for only two more years (through September 2004), while it explored options to develop its valuable real estate off Interstate 93 into an office park or some other use (Vaznis 2002). However, in December of 2002, Rockingham’s owners filed for permission to offer harness racing instead of thoroughbred racing in the spring and summer of 2003 (May 24 – September 1, 2003). The application was approved by the New Hampshire Pari-Mutuel Commission on December 2, 2002. (Gray 2002).

6.45 VERMONT

There are no recent or pending efforts to expand gambling in Vermont.

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APPENDIX A

STATE WITH CASINOS & RACINOS BY TYPE

State	Riverboat/Dockside Casinos	Land-Based Casinos	Limited-Stakes Casinos	Native American Casinos	Racetrack Casinos
Alabama					
Alaska					
Arizona				X	
Arkansas					
California				X	
Colorado			X	X	
Connecticut				X	
Delaware					X
Florida					
Georgia					
Hawaii					
Idaho				X	
Illinois	X				
Indiana	X				
Iowa	X			X	X
Kansas				X	
Kentucky					
Louisiana	X	X		X	X
Maine					
Maryland					
Massachusetts					
Michigan		X		X	
Minnesota				X	
Mississippi	X			X	
Missouri	X				
Montana				X	
Nebraska				X	
Nevada		X		X	
New Hampshire					
New Jersey		X			
New Mexico				X	X
New York				X	
North Carolina				X	
North Dakota				X	
Ohio					
Oklahoma				X	
Oregon				X	
Pennsylvania					
Rhode Island					X
South Carolina					
South Dakota			X	X	
Tennessee					
Texas					
Utah					
Vermont					
Virginia					
Washington				X	
West Virginia					X
Wisconsin				X	
Wyoming					

Source: American Gaming Association, 2003 *State of the States*.