



New England Casino Gaming Update, 2013



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NEW ENGLAND CASINO GAMING: UPDATE 2013

EXECUTIVE SUMMARY

The Center for Policy Analysis has updated the New England casino patron origin and fiscal impact analysis for calendar year 2012. The update includes new patron origin and financial data for Foxwoods Resort Casino and Mohegan Sun Casino in Connecticut; Twin River and Newport Grand Slots in Rhode Island; and Hollywood Casino Hotel & Raceway and Oxford Casino in Maine.

Overview of the New England Gaming Market 2013

Foxwoods Resort Casino (-9.0%) and Mohegan Sun Casino (-6.1%) experienced their sixth consecutive year-to-year decline in gross gaming revenues¹ and total revenues (gaming + non-gaming) with apparently no bottom in sight as the decline accelerated in Calendar Year 2012, compared to the previous year. Non-gaming revenues were weaker despite efforts to attract an ever larger percentage of visitors who are non-gamblers seeking other forms of recreation and entertainment.² Newport Grand Slots reported stable revenues after seven previous consecutive year-to-year declines in net terminal income, while Twin River in Rhode Island and Hollywood Casino Bangor and Oxford Casino in Maine remained on a long-term growth trajectory.

The New England casino gaming market must be assessed within the larger context of two recent developments: (1) the lingering impact of the Great Recession (December 2007-June 2009), which was the longest and deepest recession since the Great Depression and (2) the emergence of an increasingly competitive Northeastern gaming market that encompasses both the New England³ and the Mid-Atlantic⁴ states.

Casino gaming is classified as part of the U.S. economy's arts, amusement, and recreation sector (NAICS Code 71) and as part of its hospitality sector (NAICS Code 72 -- Accommodation and Food Services). Casino gaming in all its forms depends on discretionary consumer spending, which is one of the first types of spending that is restrained by consumers when they are uncertain about their jobs and income and it is also the last type of spending to be restored once an economic recovery is underway. However, based largely on the previous experience of Las

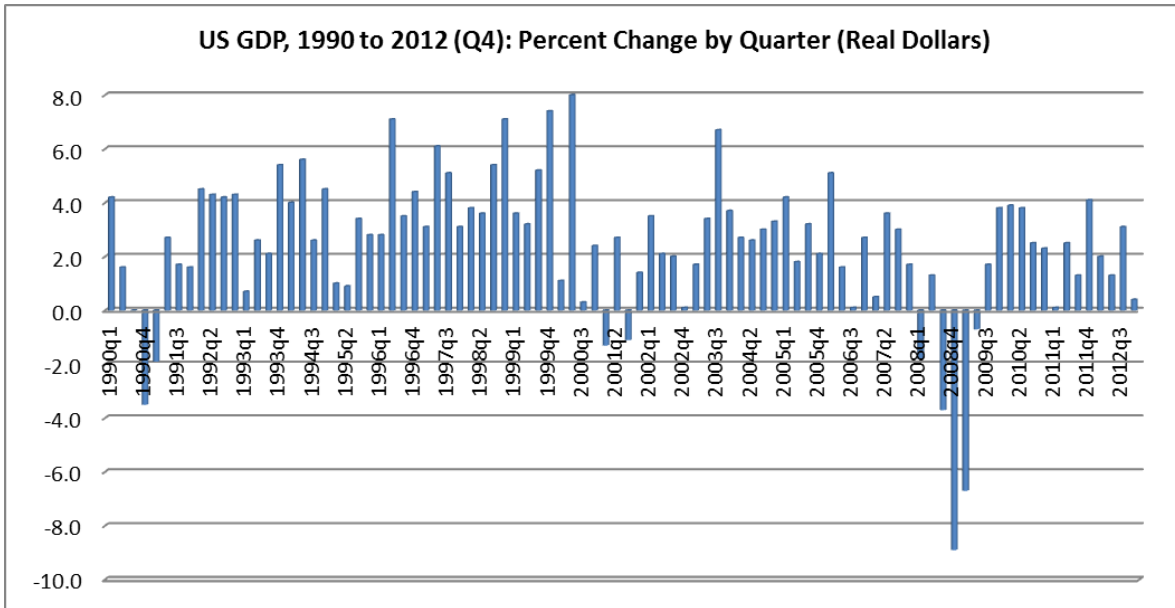
¹ Gross Gaming Revenue (GGR) is the total amount of gaming revenue (win) retained by a casino during a day, month, or year. GGR is the figure most commonly used to determine what a casino, racetrack, lottery, or other gaming operation keeps *before* taxes, operating costs, and other expenses are paid by the casino. GGR is the equivalent of "sales" in other industries and should not be confused with "profit" or "cash flow." Total Revenue (TR) consists of gross gaming revenue, plus non-gaming revenues, including hotel, food and beverage service, retail shops, conference and meeting services, and entertainment venues.

² In 2012, 18% of visitors to Foxwoods report that they did not gamble, while 25% of visitors to Mohegan Sun did not gamble, see, Clyde W. Barrow and David R. Borges, *Bring It On Home: An Overview of Gaming Behavior in New England; Results of the 4th Biennial Gaming Behavior Survey* (North Dartmouth, MA: Center for Policy Analysis, March 2012), p. 12.

³ Connecticut, Maine, Massachusetts, Rhode Island, New Hampshire, and Vermont.

⁴ Delaware, New Jersey, New York, Pennsylvania, and West Virginia.

Vegas and Atlantic City, many analysts viewed the casino industry as “recession proof” or at least as “recession resistant.” Until 2008, Las Vegas and Atlantic City had seen gambling revenues fall only once since 1970 -- in the aftermath of the September 11, 2001 terrorist attacks -- when gaming revenues dropped 1 percent in 2002 as compared to 2001 (Freiss 2008). However, in 2008, gaming revenues began declining on a year-to-year basis in most casino jurisdictions, including Nevada and New Jersey, although some new jurisdictions such as Maine, Pennsylvania, New York, and Rhode Island, have seen gaming revenues increase on a year-to-year basis during this time.



The United States economy essentially dropped off a cliff in calendar year 2008 to begin the longest and deepest recession since the Great Depression of the 1930s. The National Bureau of Economic Research (NBER) Business Cycle Dating Committee defines a recession as “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough.”⁵ The Business Cycle Dating Committee has determined that a peak in economic activity occurred in the United States in December 2007.⁶ The NBER recently determined that the Great Recession ended in June 2009. However, in making this determination, the NBER’s Business Cycle Dating Committee observed that “in determining that a trough occurred in June 2009, the committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal

⁵ NBER Business Cycle Memo (December 11, 2008): “The committee believes that the two most reliable comprehensive estimates of aggregate domestic production are normally the quarterly estimate of real Gross Domestic Product and the quarterly estimate of real Gross Domestic Income, both produced by the Bureau of Economic Analysis. In concept, the two should be the same, because sales of products generate income for producers and workers equal to the value of the sales.”

⁶ NBER Business Cycle Memo (Nov. 28, 2008): “The [dating] committee determined that a peak in economic activity occurred in the U.S. economy in December 2007.”

capacity. Rather, the committee determined only that the recession ended and a recovery began in that month.”⁷

The simple lesson of the Great Recession is that casino gaming is no longer recession proof, but due to increased reliance on non-gaming amenities (i.e., diversification) and an increased supply of gaming nationally, it is now subject to the same macro-economic factors as any other consumer retail or service industry. There is no question that the New England (and the Northeastern) gaming market is still being buffeted by the lagging effects of the Great Recession and this setback will not be reversed until the economy enters a stronger growth phase and unemployment rates in the region decline to lower levels.

However, the New England gaming market is also being reshaped by its integration into a larger Northeastern gaming market that includes New England and the Mid-Atlantic states, such as Delaware, Maryland, New Jersey, New York, Pennsylvania, and West Virginia. There are now 55 Class III gaming establishments in the Northeast, which constitute a \$15.1 billion industry. This industry will continue to grow over the long term as the labor market strengthens, and as the industry adds capacity in new markets, such as Massachusetts, and as new facilities are located closer to major population and income centers (e.g., Baltimore, Boston, and Philadelphia).⁸

TOTAL CASINO EXPENDITURES IN THE NORTHEAST, CY 2012					
	Slot Win	Other Gaming	Total Gaming	NonGaming	Grand Total
Connecticut	\$1,229,592,796	\$539,245,357	\$1,768,838,153	\$445,778,059	\$2,214,616,212
Rhode Island	\$528,362,640	\$0	\$528,362,640	\$53,291,417	\$581,654,057
Maine	\$86,100,188	\$13,123,243	\$99,223,431	\$8,011,892	\$107,235,323
Delaware	\$450,757,700	\$74,606,938	\$525,364,638	\$49,384,276	\$574,748,914
Maryland	\$377,813,543	\$0	\$377,813,543	\$35,892,287	\$413,705,829
New Jersey	\$2,192,564,588	\$853,520,978	\$3,046,085,566	\$1,262,585,000	\$4,308,670,566
New York (VLTS)	\$1,257,513,158	\$0	\$1,257,513,158	\$106,888,618	\$1,364,401,776
New York (Indian)	-	-	\$921,400,000	\$111,900,000	\$1,033,300,000
Pennsylvania	\$2,470,935,316.55	\$684,724,194	\$3,155,659,510	\$296,631,994	\$3,452,291,504
West Virginia	\$713,720,366	\$218,378,220	\$932,098,586	\$79,228,380	\$1,011,326,965
GRAND TOTAL	\$9,307,360,295	\$2,383,598,930	\$12,612,359,224	\$2,449,591,923	\$15,061,951,147

Sources: State gaming regulatory commissions; Meister, *Indian Gaming Industry Report, 2013*; U.S. SEC 10-K Filings; Center for Policy Analysis.

Atlantic City now has 12 resort casinos that compete directly against Mohegan Sun and Foxwoods. New Jersey Governor Chris Christie signed an Atlantic City rescue package into law on February 1, 2011 at the previously abandoned Revel Casino project and simultaneously announced a \$1.15 billion loan package that allowed the project’s owners to complete Atlantic City’s twelfth casino.⁹ The Revel opened on April 2, 2012 and while the Revel mega-project

⁷ NBER *Business Cycle Memo* (September 20, 2010) at <http://www.nber.org/cycles/sept2010.html>.

⁸ There are six (6) Class III gaming establishments in Ohio, which the Center for Policy Analysis will include in its study area beginning in 2014.

⁹ See,

http://www.myfoxphilly.com/dpp/news/politics/local_politics/Atlantic_City_Tourism_District_Bill_020111; Also, <http://online.wsj.com/article/SB10001424052748703313304576132511718912484.html>.

recently filed for an orderly bankruptcy, the New Jersey rescue package also encourages the construction of smaller boutique casinos (with less than 600 room hotels).

Pennsylvania also has 11 full-fledged casinos with slot machines and table games, and some such as the Sands Bethlehem, have added a hotel.¹⁰ Pennsylvania expects to add another three casinos within the next few years, including a second casino in Philadelphia. New York now has 1,7167 video lottery terminals, an increase of 3,298 from last year (2011) and an increase of 5,598 from two years ago (2010). Much of the VLT increase is due to the opening of Resorts World New York at Aqueduct Raceway in Queens, New York.¹¹ With the addition of Resorts World, the State of New York now has nine racinos, with nearly 10,000 VLTs strategically located at Empire State Raceway in Yonkers and Resorts World in Queens, which are currently the largest race track casinos in the world based on number of VLTs and gaming revenues, respectively. There are also five Class III Indian casinos operating in western and upstate New York, which generate nearly \$1 billion annually in gross gaming revenues.¹² New York has also authorized a statewide referendum that, if passed, would authorize up to four commercial casinos in the Catskills Mountains, the Albany area, and the Southern Tier region along the border with Pennsylvania.

Moreover, additional capacity has been added elsewhere in the Northeast. On November 4, 2008, Maryland voters approved a constitutional amendment to legalize slot-machine gambling in that state. The constitutional amendment allows 15,000 slot machines distributed among five locations in the state. Although initial efforts to introduce slot parlors and racinos to Maryland fell short of the legislature's original expectations,¹³ two racinos opened in September 2010 and January 2011 that currently operate more than 2,200 slot machines (Sharrow 2011). A third slot venue opened in Hanover, Maryland in 2012 with approximately 4,700 slot machines.

Maine's voters narrowly approved a casino for Oxford, Maine in a statewide referendum on November 2, 2010. Oxford Casino became the Pine State's second Class III gaming venue when it opened on June 5, 2012 with 500 slot machines, 12 table games, a restaurant, and bar. The casino expanded its offering in September 2012 to include 812 slot machines and 22 table games. On March 29, 2013, it was announced that Oxford Casino was being sold to Churchill Downs for \$160 million in cash. Meanwhile, on November 8, 2011, the residents of Penobscot County voted to authorize table games at the former Hollywood Slots and Raceway. On March 16, 2012, the renamed Hollywood Casino Bangor opened its first 14 table games, which was increased to 16 tables by the end of 2012.¹⁴

¹⁰ The Mt. Airy casino already has a resort hotel and other non-gaming amenities.

¹¹ See, <http://www.gentingcasino.com/genting-casino-news/september-2010/genting-ny-set-for-green-light-for-aqueduct-racino-deal/>

¹² Alan Meister, *Indian Gaming Industry Report 2013* (Newton, MA: Casino City Press, 2013), p. 17.

¹³ In February 2009, Maryland received six proposals for its five gaming sites, which collectively proposed to install only 10,550 of the 15,000 authorized slot machines (Wagner and Helderman 2009).

¹⁴ In a statewide referendum on November 2, 2010, Maine's voters narrowly approved a small (\$160 million) resort casino for Oxford, Maine, which will become the state's second Class III gaming venue when it opens in the early summer of 2012. On November 1, 2011, Maine voters rejected referenda questions that would have allowed up to three additional racinos and casinos, but in this same election voters in Penobscot County approved the addition of table games at the former Hollywood Slots & Raceway.

To counter competition from Pennsylvania, and the anticipated competition from Maryland, West Virginia has completed its fifth full calendar year of table games at its four racinos. Delaware's legislature also authorized the reintroduction of a sports betting lottery (Darrow 2008). Finally, several major expanded gaming initiatives are in various phases of approval or implementation. On November 22, 2011, Governor Deval Patrick signed a bill legalizing casinos in Massachusetts that authorizes three full-scale casinos and one slot parlor in the state. Massachusetts is moving forward with the goal of licensing a slot parlor by the end of 2013 and with licensing its first casino sometime in 2014. The Rhode Island General Assembly scheduled a November 6, 2012 statewide and local referenda to allow table games at its two gaming venues. The referendum passed in Lincoln, but failed in Newport, Rhode Island. Twin River began offering live table games on June 19, 2013.

Elsewhere in the Northeast, Ohio voters passed the Four Casinos Initiative on November 3, 2009, which amended the state constitution to allow casinos in Cincinnati, Cleveland, Columbus and Toledo. Caesars Entertainment has now opened Horseshoe branded Casinos in Cleveland and Cincinnati 2012, while Penn National has opened Hollywood branded casinos in Toledo and Columbus. Two racetrack casinos were also opened in Ohio at Scioto Downs and Thistle Downs.

The growing competition in the Northeastern gaming market is restructuring the market geographically, but it is also leading to an overall increase in the size of the gaming market, new capital investment in new facilities -- \$1.15 billion at Revel, \$1 billion at Aqueduct, and \$160 million in Oxford, Maine, at least \$1.6 billion in Massachusetts, and the improvement of existing facilities (e.g., a \$50 million hotel and retail complex at Sands Bethlehem). Former racetracks are being upgraded into upscale racinos with moderate-sized hotels, gourmet dining, and new entertainment options following a model pioneered in the previous decade by Dover Downs in Delaware.

Patron Origins

The Center for Policy Analysis updated its patron origin survey on the five days from Thursday, February 14, 2013 through Monday, February 18, 2013.

Estimated Patron Origins by State, 2013: Foxwoods, Mohegan Sun, Twin River, Newport Grand, Hollywood, & Oxford						
	Foxwoods	Mohegan	Twin River	Newport	Hollywood	Oxford
Massachusetts	32.1%	18.5%	51.4%	44.5%	2.2%	4.0%
Connecticut	38.0%	57.5%	0.8%	0.9%	0.2%	0.4%
Rhode Island	11.7%	4.5%	45.8%	51.4%	0.3%	0.1%
New Hampshire	2.9%	1.7%	0.5%	0.3%	2.1%	10.4%
Maine	1.8%	0.5%	0.1%	0.0%	86.1%	81.6%
Vermont	0.3%	0.4%	0.0%	0.0%	0.5%	0.5%
New York	9.8%	13.4%	0.2%	0.6%	0.1%	0.2%
New Jersey	1.9%	1.7%	0.1%	0.1%	0.5%	0.2%
Other	1.5%	1.8%	1.1%	2.2%	8.0%	2.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. **Note:** The statistical margin of error for the Foxwoods, Mohegan, Twin River, and Newport surveys is +/- < 1%. The margin of error for Hollywood and Oxford surveys is 2.6%.

The findings for Foxwoods Resort Casino and Mohegan Sun Casino are consistent with previous patron origin analyses conducted by the Center for Policy Analysis, which used the same methodology to estimate patron origins in 1995, 1999, 2004, 2006, 2008, 2009, 2010, 2011, and 2012. While gross gaming revenues have declined from the region's industry peak in 2006, the statistical distribution of patron origins has remained remarkably constant over the years, with the only noticeable shifts being an increase in the percentage of Twin River patrons originating in Massachusetts, a slight decline in the percentage of Massachusetts and New York residents visiting Connecticut's two casinos, and the disappearance of Pennsylvania residents from the New England market.

Foxwoods Resort Casino and Mohegan Sun Casino:

Based on the updated Patron Origin Analysis and a review of financial data:

- It is estimated that gross gaming revenues for Foxwoods Resort Casino were approximately \$824.3 million in Calendar Year 2012, compared to \$905.7 million in Calendar Year 2011 (-9.0%), while total revenues (gaming and non-gaming combined) were approximately \$1.06 billion in CY 2012, compared to \$1.17 billion in CY 2011 (-9.0%).¹⁵
- It is estimated that gross gaming revenues for Mohegan Sun Casino were \$944 million in Calendar Year 2012, compared to \$1.02 billion in Calendar Year 2011 (-7.1%), while total revenues (gaming and non-gaming combined) were \$1.15 billion in CY 2012, compared to \$1.23 billion in CY 2011(-6.1%).

It is estimated that:

- Massachusetts residents spent approximately \$554.4 million in CY 2012 at Connecticut's two Native American casinos, compared to \$624.1 million in CY 2011 and \$876.2 million in CY 2006 (see Appendix A).
- Rhode Island residents spent approximately \$176.2 million in CY 2012 at Connecticut's two Native American casinos, compared to \$200.0 million in CY 2011 and \$291.6 in CY 2006 (see Appendix A).
- New Hampshire residents spent approximately \$50.4 million in CY at Connecticut's two Native American casinos, compared to 2012 \$64.2 million in CY 2011 and \$80.4 million in CY 2006 (see Appendix A).
- Maine residents spent approximately \$24.9 million in CY 2012 at Connecticut's two Native American casinos, compared to \$34.3 million in CY 2011 and \$33.1 million in CY 2006 (see Appendix A).

¹⁵ The model used to estimate Foxwoods' total revenues was recalibrated in CY 2010 based on statements by former CEO William Sherlock that non-gaming revenues account for 22% of total revenues, see, Kane (2010).

- New York residents spent approximately \$258.5 million CY 2012 at Connecticut's two Native American casinos, compared to \$321.1 million in CY 2011 and \$365.5 million in CY 2006 (see Appendix A).

Based on these figures, it is estimated that:

- Massachusetts residents contributed \$76.5 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- Rhode Island residents contributed more than \$24.2 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- New Hampshire residents contributed more than \$7.0 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- Maine residents contributed more than \$3.4 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- New York residents contributed more than \$36.0 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.

Twin River and Newport Grand Slots

Based on the updated Patron Origin Analysis and a review of financial data:

- Net terminal income (gross gaming revenues) for Twin River was \$478.2 million in Calendar Year 2012, compared to \$462.7 million in CY 2011 (+3.3%), while it is estimated that total revenues (gaming and non-gaming combined) were approximately \$527.0 million in CY 2012, compared to \$509.5 million in CY 2011 (+3.4%).
- Net terminal income (gross gaming revenues) for Newport Grand Slots was \$50.1 million in Calendar Year 2012, compared to \$50.0 million in CY 2011 (+0.3%), while total revenues (gaming and non-gaming combined) were estimated at approximately \$54.6 million in Calendar Year 2012, compared to \$54.5 million in CY 2011 (+0.3%).

It is estimated that:

- Rhode Island residents spent approximately \$269.5 million at Twin River and Newport Grand in CY 2012, compared to \$263.7 million in CY 2011 (+2.3%).
- Massachusetts residents spent approximately \$295.3 million at Twin River and Newport Grand in CY 2012, compared to \$284.0 million in CY 2011 (+4.0%).

Based on these figures, it is estimated that:

- Massachusetts residents contributed approximately \$163.7 million to the Rhode

Island state treasury in CY 2012 as a result of its citizens' gaming and other gaming related expenditures in that state.

- Rhode Island residents contributed approximately \$149.6 million to the Rhode Island state treasury in CY 2012 as a result of its citizens' gaming and other gaming related expenditures in that state.

Hollywood Casino Bangor and Oxford Casino

Based on the updated Patron Origin Analysis and a review of financial data:

- Net revenue (gross gaming revenues) for Hollywood Casino Bangor was \$62.7 million in Calendar Year 2012, compared to \$59.5 million in CY 2011 (+5.4%), while it is estimated that total revenues (gaming and non-gaming combined) were approximately \$69.0 million in CY 2012, compared to \$65.5 million in CY 2011 (+5.4%).
- Net revenue (gross gaming revenues) for Oxford Casino was \$36.5 million in Calendar Year 2012, while total revenues (gaming and non-gaming combined) were estimated at approximately \$38.2 million in Calendar Year 2012.

It is estimated that:

- Maine residents spent approximately \$62.5 million at Hollywood Casino in Calendar Year 2011, compared to \$64.8 million in CY 2010 (-3.6%).
- Massachusetts residents spent approximately \$577,000 at Hollywood Casino in CY 2011, compared to \$679,000 in CY 2010 (-3.6%).
- New Hampshire residents spent approximately \$577,000 at Hollywood Casino in CY 2010, compared to \$679,000 in CY 2010 (-3.6%).

Based on these figures, it is estimated that:

- Maine residents contributed approximately \$34.4 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and other expenditure activity in that state.
- Massachusetts residents contributed approximately \$1.1 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and other expenditure activity in that state.
- New Hampshire residents contributed approximately \$2.0 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and other expenditure activity in that state.

Other Highlights

- New England's four casinos and two slot parlor/racinos generated \$2.40 billion in gross gaming revenues in Calendar Year 2012, compared to \$2.49 billion in CY 2011 (-3.6%). Total revenues (gaming and non-gaming combined) were approximately \$2.90 billion in Calendar Year 2012, compared to \$3.02 billion in CY 2011 (-4.0%).
- New England's casino/racino industry employed approximately 18,504 persons in Calendar Year 2012, compared to 18,885 in CY 2011 (-2.0), and compared to the regional industry's peak employment level of 24,080 in CY 2007 (-23.2%).

Figure 1

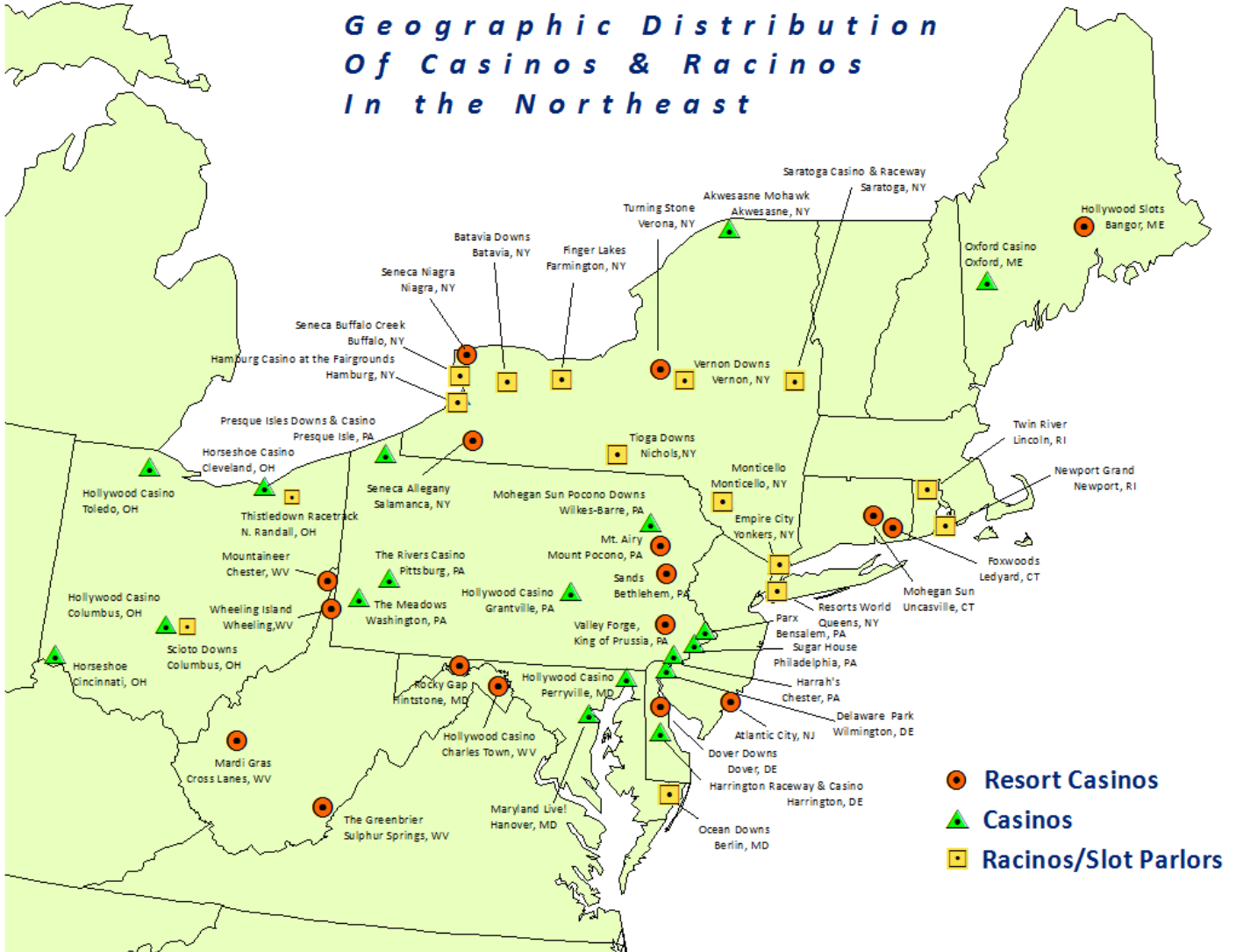


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NEW ENGLAND CASINO GAMING: 2013 UPDATE

1.00 PURPOSE OF THE STUDY

The Center for Policy Analysis has updated its New England patron origin and fiscal impact analysis for Foxwoods Resort Casino and Mohegan Sun Casino for calendar year 2012. The update applies new patron origin ratios from February 2013 to calendar year 2012 financial data, while incorporating selected findings from the Center's 2012 *New England Gaming Behavior Survey*.¹⁶ The update also includes new patron origin and financial data for Twin River and Newport Grand Slots in Rhode Island, and includes updated financial data on Hollywood Casino Bangor in Maine.

The purpose of the 2013 patron origin study is to determine the geographic origin, expenditure patterns, and other gaming behaviors of visitors to Foxwoods Resort Casino in Ledyard, Connecticut; Mohegan Sun Casino in Uncasville, Connecticut; Twin River in Lincoln, Rhode Island; Newport Grand Slots in Newport, Rhode Island, Hollywood Casino Bangor, and Oxford Casino in Maine, including the percentage of casino and racino visitors who are residents of New England and Mid-Atlantic states.¹⁷ The estimate of patron origins is based on a sampling of 8,585 private automobiles and 113 tour buses at Foxwoods; a sampling of 8,428 private automobiles and 206 tour buses at Mohegan Sun; 16,316 private automobiles at Twin River; 4,161 private automobiles at Newport Grand Slots; 1,344 private automobiles at Hollywood Casino Bangor; and 1,387 at Oxford Casino, Maine.¹⁸

¹⁶ Clyde W. Barrow and David R. Borges, *Bring It on Home: An Overview of Gaming Behavior in New England; Result of the 4th Biennial Gaming Behavior Survey*, Vol. I (North Dartmouth, MA: Center for Policy Analysis, April 2012); Clyde W. Barrow and David R. Borges, *Bring It On Home: An Overview of Gaming Behavior in New England; Result of the 4th Biennial Gaming Behavior Survey, Volume II: Maine and New Hampshire* (North Dartmouth, MA: Center for Policy Analysis, April 2012); See, <http://www.umassd.edu/seppce/centers/cfpa/newenglandgamingresearchproject/gamingreports/>

¹⁷ The methodology employed in the patron origin analysis has been validated by academic peer review and published by Jeffrey Dense and Clyde W. Barrow, "Estimating Casino Expenditures by Out of State Patrons: Native American Gaming in Connecticut," *Journal of Travel Research* (May 2003): 410-15. See also, Clyde W. Barrow and David R. Borges, "New England Casino Gaming Update: Patron Origin Analysis and a Critique of its Critics," *Gaming Law Review and Economics*, Vol. 14, No. 3 (2010): 175-86.

¹⁸ Variations of patron origin analysis (Las Vegas Visitors & Convention Authority 2001; Meyer-Arendt 1998; Carstensen et al. 2000), including license plate counts have been used by researchers in Oregon, Mississippi, and Louisiana to ascertain the geographic, and even the demographic, profile of casino visitors (Whelan 1996; Drobic 2000; Ryan 1999). Government agencies, academic research institutes, and private consultants have reliably used license plate counts in a wide range of marketing, travel, and tourism studies, e.g. Cox and Cooke (1970, 13); Wilbur Smith Associates (2003, 1-19), Knap & Barchers (2001, 21), Boston Metropolitan Planning Organization (2004), Fehr & Peers (2003), Municipality of Metropolitan Seattle (1991), (Wisconsin Department of Tourism (no date); Oregon State University (1997); Arizona Office of Tourism (2003, 2005); Kitakyushu City (2005); Government of Alberta (2005).

Financial data is obtained primarily from the Connecticut Division of Special Revenue, the U.S. Securities and Exchange Commission,¹⁹ the Rhode Island Lottery Commission, and the Maine Department of Public Safety's Gaming Control Board.

1.10 STRUCTURE OF THE U.S. CASINO INDUSTRY

Casino gaming is a significant component of the leisure, hospitality, and entertainment industry in the United States with 37 states (2012) now hosting some type of Class III casino gaming. There are 940 casino gaming venues in the United States, including 448 Indian casinos and 492 commercial casinos (including race track casinos). Nearly half (46%) of all commercial casinos are now located in non-traditional jurisdictions (i.e., outside Nevada and New Jersey) and, if one includes Indian casinos, then seventy-two percent (72%) of all U.S. casinos are now located in non-traditional jurisdictions (AGA 2012, 12-22; Meister 2012, 15, 73). All types of Class III casinos combined generated \$64.7 billion in gross gaming revenues in 2012 with \$50.8 billion (78.6%) of that amount accruing to venues outside the traditional jurisdictions of Nevada and New Jersey. It is estimated that total industry revenues (gaming and non-gaming) were approximately \$74 billion in 2012. The casino industry as a whole employed more than 670,000 people nationwide and made approximately \$10.2 billion in direct payments to state and local governments.²⁰ The percentage of adults who gambled at a casino at least once in the previous year has climbed from 17 percent in 1990 to 32 percent in 2012, when 76.1 million Americans made more than 400 million visits to casinos (Harrah's 2006; AGA 2013, 3). Moreover, since the late 1980s, when new casinos began opening in non-traditional jurisdictions, nearly 82 percent of the increase in casino visitations has occurred in non-traditional casino jurisdictions.

The significance of casino gaming within the leisure and hospitality sector is now recognized in the industrial classification system used by the United States Government to collect data on employment, wages, and business establishments. In 1997, the United States began phasing out the old Standard Industrial Classification (SIC) System, which had been designed mainly for classifying business establishments in an industrial economy. The North American Industry Classification System (NAICS), which replaced the SIC system, was designed specifically to identify trends in "new and emerging industries" and to capture the growing importance of "service industries in general" in the new economy (Executive Office of the President 1997, 3).

NAICS classifies business establishments into twenty major Sectors with gaming establishments assigned to Sector 71 - Arts, Entertainment, and Recreation and Sector 72 - Accommodation and Food Services:

¹⁹ Mohegan Tribal Gaming Authority and Penn National, Inc., the owner of Hollywood Casino Bangor, report financial and other data on U.S. Securities & Exchange Commission Form 10-K (Florin 2004b).

²⁰ Calculated from data in Alan Meister, *Indian Gaming Industry Report* (Newton, MA: Casino City Press, 2013) and American Gaming Association, *State of the States, 2013* (Washington, D.C., 2013). The reported tax payments and revenue sharing do not include corporate income taxes, sales, meals, and lodging taxes, property taxes, and other license and fee payments.

- Subsector 711. Performing Arts, Spectator Sports, and Related Industries
- Subsector 712. Museums, Historical Sites, and Similar Institutions
- Subsector 713. Amusement, Gambling, & Recreation
- Subsector 721120. Casino Hotels

It may seem odd for spectator sports, art museums, and casinos to be classified in the same major sector, but the rationale for this classification is that each provides a comparable service in the form of amusement or entertainment. A customer can be amused or entertained by a sporting event, an art exhibit, or a slot machine, and one can be equally disappointed if one's favorite sports team loses a game, if an art exhibit is uninspiring, or if a gambler has a bad day at the blackjack table. Each industry provides a service called amusement or entertainment.

Table 1

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM	
711212 Racetracks	Comprises establishments primarily engaged in operating racetracks. These establishments may also present and/or promote the events, such as auto, dog, and horse races, held in these facilities.
713210 Casinos (except Casino Hotels)	Comprises establishments primarily engaged in operating gambling facilities that offer table wagering games along with other gambling activities, such as slot machines and sports betting. These establishments often provide food and beverage services. Included in this industry are floating casinos (i.e., gambling cruises, riverboat casinos).
713290 Other Gambling Industries	Comprises establishments primarily engaged in operating gambling facilities (except casinos or casino hotels) or providing gambling services. Included in this industry are bingo, off-track betting, card rooms, and slot machine parlors.
721120 Casino Hotels	Comprises establishments primarily engaged in providing short-term lodging in hotel facilities with a casino on the premises. The casino on premises includes table wagering games and may include other gambling activities, such as slot machines and sports betting. These establishments generally offer a range of services and amenities, such as food and beverage services, entertainment, valet parking, swimming pools, and conference and convention facilities.

Casinos and other gaming establishments were assigned their own six-digit NAICS Codes for the first time in 1997 and the new coding system explicitly differentiates between types of establishments by assigning different codes to Casinos (713210), Other Gambling Industries (713290, i.e., slot parlor/racinos), and Casino Hotels (721120) (see Table 1). Casino establishments include land-based casinos, riverboat casinos, dockside casinos, and cruise ships, which offer a wide range of slot machine games and table games. Resort casinos with hotels typically offer the same gambling options, but also offer non-gambling amenities, such as high-end designer retail outlets, gourmet dining establishments, dance clubs, comedy clubs, cabarets, concert and sporting arenas, spas, golf courses, and meeting and conference facilities. Other Gambling Industries consists primarily of so-called racinos or slot parlors, where slot machines or video lottery terminals (VLTs) are installed at an existing pari-mutuel facility, such as a dog track, horse

track, or jai-alai fronton.

Thus, the casino industry is actually differentiated into many niche markets that are distinguished by the type of facility, size of facility, consumer demographics, and customer motivation. Consequently, the economic and fiscal impacts of the industry vary widely from state to state depending on the particular configuration of casino establishments and whether a state's gaming policy allows essentially unrestricted market entry (subject to licensing), such as Nevada, New Jersey, and Mississippi, or whether a state limits market entry to a fixed number of establishments at pre-determined locations (e.g., Michigan). The economic and fiscal impacts of the industry can also vary depending on whether a state hosts state-licensed and regulated commercial casinos or Indian casinos that operate under federal laws and tribal ordinances.

1.20 THE NEW ENGLAND CASINO INDUSTRY

Casino gaming is a \$2.9 billion sector of the leisure, hospitality, and entertainment industry in New England, with two tribal casinos in Connecticut, two slot parlors in Rhode Island, and two commercial casinos in Maine.²¹ The industry employs approximately 18,500 people in New England. The casino industry made \$671 million in tax and revenue sharing payments to state governments in calendar year 2012 (see Table 2).²²

Table 2

New England Casino Revenues & Employment, CY 2012							
	Slot Win	Other Gaming	Total Gaming	NonGaming	Total Revenues	Payments to St/Loc Govts	Total Employment
Foxwoods	\$576,812,419	\$247,452,528	\$824,264,947	\$239,861,100	\$1,064,126,047	\$144,203,105	8,600
Mohegan Sun	\$652,780,377	\$291,792,829	\$944,573,206	\$205,916,959	\$1,150,490,165	\$163,195,095	7,750
Twin River	\$478,231,587	N/A	\$478,231,587	\$48,770,622	\$527,002,209	\$290,841,322	1,100
Newport Grand	\$50,131,053	N/A	\$50,131,053	\$4,511,795	\$54,642,848	\$31,943,507	175
Hollywood	\$56,212,926	\$6,470,964	\$62,683,890	\$6,331,073	\$69,014,963	\$26,798,218	459
Oxford	\$29,887,262	\$6,652,279	\$36,539,541	\$1,680,819	\$38,220,360	\$13,955,454	420
Total	\$1,844,055,624	\$552,368,600	\$2,396,424,224	\$507,072,368	\$2,865,276,232	\$670,936,701	18,504

1.21 CONNECTICUT

Foxwoods Resort Casino and Mohegan Sun Casino offer traditional slot machines and table games for their customers' entertainment. Foxwoods Resort Casino is operated by the Mashantucket Pequot Tribe of Connecticut.²³ Mohegan Sun Casino is operated by the Mohegan

²¹ Twin River began offering live table games on June 19, 2013.

²² This figure only includes gaming taxes, sales and meals taxes, and lodging taxes paid to states. It does not include payments for licensing fees, corporate income taxes, payroll taxes (e.g., unemployment insurance), local property taxes, payments in lieu of taxes made to local host communities, or any federal tax payments.

²³ The casino's name is derived from the tribe's name. Pequot means "the fox people" and Mashantucket means "much wooded land" (Jacobson 2007).

Tribe of Indians of Connecticut.²⁴ Both casinos operate under the provisions of the Indian Gaming Regulatory Act of 1988, including procedures and regulations approved or adopted by the United States Department of the Interior and the National Indian Gaming Commission (NIGC 2008a).

Foxwoods is currently the single largest gaming facility in the United States in terms of total gaming positions and gaming space. Mohegan Sun is the second largest gaming facility in the United States in terms of total gaming positions, but in the 2008 calendar year Mohegan Sun surpassed Foxwoods Resort Casino in gross gaming revenue, after surpassing it in total revenues (gaming + non-gaming) for the first time in 2007. In calendar year 2012, Connecticut's two casinos had combined gross gaming revenues of \$1.8 billion, employed approximately 16,350 people, and paid \$307 million to the Connecticut general treasury under the terms of tribal-state gaming compacts that require the casinos to share 25 percent of the monthly slot win with the State of Connecticut (NIGC 2008b).

1.21a Foxwoods Resort Casino



In 1986, the Mashantucket Pequot Tribal Nation opened a high stakes bingo hall, which became the platform for launching Foxwoods Resort Casino. Foxwoods Resort Casino is located in Ledyard, Connecticut, approximately 8 miles off Interstate 95 via Route 2. Foxwoods opened on February 15, 1992 and is now the largest resort casino in the Western Hemisphere by space with 340,000 square feet of gaming space located within a larger resort complex that covers 4.7 million square feet. On average, about 40,000 people visit Foxwoods Resort each day. The resort is open 24 hours a day and 365 days a year.

Foxwoods has six casinos with more than 6,276 slot and video poker machines. Its six casinos offer 360 table games, including 104 poker tables, with 15 different types of games, including baccarat, blackjack, craps, roulette, multiple types of poker, pai gow, and wheel of fortune. Other games include keno, pull tabs, and a race book. Foxwoods also has the world's largest bingo hall.

Foxwoods has 1,416 guest rooms and suites at its Grand Pequot Tower (824 rooms),

²⁴ The name Mohegan Sun is a blending of the two groups in the original development agreement: the Mohegan Tribe and Sun International (Jacobson 2007).

Great Cedar Hotel (312 rooms), and Two Trees Inn (280 rooms). The Villas at Foxwoods, located within the Grand Pequot Tower, has 23 luxurious custom-designed suites located on the 22nd and 23rd floors. These suites average 1,400 square feet and include living rooms, wet bars, Jacuzzi tubs, large screen TVs and 24-hour butler service.

There are 27 food and beverage outlets, including gourmet restaurants, casual dining establishments, express services, bars, lounges, and a buffet. The 1,400-seat Fox Theater is a major entertainment venue that attracts rock bands, singers, championship boxing, and other entertainers. A night club and dance club are also located on the premises.

Foxwoods also operates a 55,000 square foot ballroom and a 30,000 square foot junior ballroom with 25 conference rooms. Its complex features a video game arcade, banquet hall, valet parking, Hard Rock Café, and a Grand Salon and Spa that offers beauty treatments and exercise facilities. Foxwoods also operates the adjacent Lake of Isles, which features two 18-hole upscale public golf courses. In addition, Foxwoods offers first-class shopping with 30 retail outlets that sell men's and women's fashion apparel, accessories and jewelry, high-quality merchandise produced by Native Peoples from throughout the Americas, flowers, candy, children's clothing, toys, perfumes, and gift cards.

In November 2005, Foxwoods announced a 3-year \$700 million expansion project just months after completing a 2-year \$100 million expansion.²⁵ On December 8, 2006, the Mashantucket Pequot Tribe and MGM Mirage, Inc. announced that they had completed agreements that included the development of a new hotel and casino as part of the on-going expansion. The partnership features a new MGM hotel tower with 824 rooms and suites, and another 21,000 square foot spa, as well as a new 50,000 square foot casino. In November 2007, Foxwoods announced an additional \$55 million investment to add more restaurants and shops to MGM Grand at Foxwoods. The new hotel and casino, which opened on May 17, 2008, are branded as the "MGM Grand at Foxwoods," but it is owned and operated by the Mashantucket Pequot Tribe, with marketing and other services available under license from MGM Mirage.

The MGM Grand at Foxwoods project added 2 million square feet to its 4.7 million square foot resort complex, including 50,000 square feet of new gaming space. However, a major focus of the expansion was the construction of new meeting facilities for corporate retreats, meetings, and conferences that will compete for the region's convention business. In fact, on a square footage basis, more than 97 percent of the MGM expansion was devoted to additional non-gaming amenities, rather than gaming space. The expansion brings the resort's total meeting and convention space to 170,000 square feet. A 4,000 seat Performing Arts Theater, two nightclubs, three lounges, four restaurants with casual to upscale dining, and four retail outlets were also added to Foxwoods.

On September 17, 2010, Foxwoods opened a High Rollers bowling alley with a lounge, marble-topped bar, six VIP bowling lanes, and 14 more regular lanes. The bowling alley includes private function rooms, four Brunswick Gold Crown billiard tables, and over 60 high-definition television sets throughout the facility. In October of 2010, Comix also opened at Foxwoods with

²⁵ In May 2005, the Mashantucket Pequot Tribe completed the construction of two golf courses and a clubhouse. It subsequently opened eight golf villas and a golf academy.

live comedy entertainment. According to William Sherlock, former Foxwoods CEO, the new additions continue to implement the company's long-term strategy of "building up its Connecticut brand" and changing the mix between gaming and non-gaming revenues to a ratio similar to that of the major Las Vegas casino resorts.

However, while building the largest casino in the Western Hemisphere, the Mashantucket Pequot have acquired more casino-related debt than any Native American tribe in the United States. The Pequot has a \$700 million revolving loan that was due in July 2010, \$500 million in 8.5 percent bonds that mature in 2015, and \$250 million of 5.912 percent bonds due in 2021. The Tribe also still owes money to Kien Haut, a Malaysian investment company that financed Foxwoods' original development and receives a share of its revenues until the debt is paid.²⁶ The Tribe also owed \$685.2 million in special revenue obligations and \$375.1 million in subordinated special revenue obligations as of June 30, 2007 (Jinks 2009), which leads most analysts to conclude that there may be as much as \$2 billion in outstanding debt on Foxwoods Resort Casino (Jinks 2009; Hallenbeck 2010).

Foxwoods' revenues peaked in 2006, and they have eroded each year since that time, as a result of the Great Recession and increased competition in the Northeast. Consequently, Mashantucket Pequot Tribal Council announced on August 28, 2009 that they were seeking "a mutually beneficial resolution with its banks and bondholders" on restructuring at least \$1.45 billion in debt (Jinks 2009).²⁷ The same day the Tribe announced that it had hired Miller Buckfire & Co., a New York investment bank, and the law firm of Weil, Gotshal & Manges as advisers. The news prompted Moody's Investors Service and Standard & Poor's to cut their ratings on the tribe's debt to high risk.

Subsequently, at the end of 2009, the Mashantucket Pequot Tribe failed to pay about \$7 million of interest on its \$500 million in 8.5 percent bonds, which put the tribe in default. On July 13, 2010, the Pequot also missed a deadline to repay a \$700 million credit line from its banks, although the banks agreed to forbear while the Tribe attempted to strike a deal with bondholders, who are subordinate to its bank creditors, which include Bank of America and Wells Fargo (Spector and Berzon 2010).

Shortly after the credit line default, Michael Thomas, the former chairman of the Mashantucket Pequot Tribal Council, stirred national concerns among banks and bondholders about a potential sovereign default crisis in the Indian casino industry by suggesting that its \$2 billion in credit and debt might go unpaid in order to protect per capita distributions to tribal members of up to \$120,000 per year (Spector and Berzon 2010). As sovereign governments, banks and bondholders cannot foreclose on tribal assets and the Indian Gaming Regulatory Act prohibits anyone but Indian tribes from having an ownership stake in tribal casinos.

The Mashantucket Pequot Tribal Council quickly removed Chairman Thomas, and also

²⁶ Kien Haut is owned by the family that controls Genting Berhad Group, which has financed Indian casinos in New York and recently acquired the license to operate VLTs at Aqueduct Racetrack in Queens, New York. It is also providing financial backing to the Mashpee Wampanoag Tribe in its bid to build a casino in Southeastern Massachusetts.

²⁷ A debt restructuring usually involves an agreement by creditors to forgive a portion of the debt and/or a reduction in interest rates.

suspended per capita payments to tribal members, which immediately reduced the tribe’s annual payouts by \$30 million to \$40 million, but thus far there has been no long-term or permanent resolution of the Tribe’s debt crisis.

Nevertheless, on February 15, 2012, the 20th anniversary of Foxwoods’ grand opening, the casino launched a new marketing campaign that replaced “The Wonder of it All” moniker with “Anything but Ordinary.” The new marketing push centers around five characters considered to be the typical Foxwoods customers: the Ace, who is smart, sophisticated, and serious; the King, who wants to be treated like royalty; the Queen, who likes to be pampered; the Jack, who is the life of the party; and the Joker, who comes to the casino for a great time (Kane 2012).

In CY 2012, slot revenues (win) at Foxwoods decreased by 9.0% compared to the previous year, following a 2.3% year-to-year decline in 2011. The 2012 calendar year marks the sixth consecutive year of declining slot revenues, since revenues peaked in CY 2006. It is estimated that other gaming revenues (tables, poker, and bingo) decreased by 9.0% compared to the previous year. It is estimated that non-gaming revenues declined by 9.0%.

It is estimated that total revenues (gaming and non-gaming) for Foxwoods decreased by 9.0% over the last year from approximately \$1.169 billion in CY 2011 to \$1.064 billion in CY 2012 (see Table 3).

Calendar Year 2012 total revenues were \$440.5 million (-29.3%) lower than the casino’s 2006 peak revenue year.

Table 3

Foxwoods Revenues, 2004 to 2011					
Year	Slot Win	Other Gaming	Total Gaming	Non-Gaming	Grand Total
2004	\$ 805,564,280	\$ 338,336,999	\$ 1,143,901,279	\$ 331,731,371	\$ 1,475,632,650
2005	\$ 815,302,589	\$ 348,949,508	\$ 1,164,252,097	\$ 337,633,108	\$ 1,501,885,205
2006	\$ 816,810,594	\$ 349,594,934	\$ 1,166,405,528	\$ 338,257,603	\$ 1,504,663,131
2007	\$ 783,358,001	\$ 336,060,582	\$ 1,119,418,583	\$ 324,631,389	\$ 1,444,049,972
2008	\$ 736,001,360	\$ 315,744,583	\$ 1,051,745,943	\$ 305,006,323	\$ 1,356,752,266
2009	\$ 684,424,106	\$ 293,617,941	\$ 978,042,047	\$ 283,632,194	\$ 1,261,674,241
2010	\$ 649,020,622	\$ 272,588,661	\$ 921,609,283	\$ 267,266,692	\$ 1,188,875,975
2011	\$ 633,815,234	\$ 271,906,735	\$ 905,721,969	\$ 263,565,093	\$ 1,169,287,062
2012	\$ 576,812,419	\$ 247,452,528	\$ 824,264,947	\$ 239,861,100	\$ 1,064,126,046
Annual Change, 11-12	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%

Source: Connecticut Division of Special Revenue and Center for Policy Analysis.

The year-to-year decline in total revenues at Foxwoods Resort Casino is partly due to the lingering effects of the Great Recession, which led to reduced discretionary consumer spending across the retail and service sectors of the economy. Thus, the most significant impact on Foxwoods’ revenues continues to be the slow recovery in discretionary consumer spending. The impact on Foxwoods’ revenues has been particularly acute, since it draws a large percentage of its patrons from Rhode Island, which has one of the highest unemployment rates in the nation, and from Southeastern Massachusetts, where double-digit unemployment rates remain the norm in the region’s cities. The Center’s patron origin analysis also suggests that Twin River’s 2006

expansion successfully diverted significant number of Rhode Island and Massachusetts casino patrons away from Foxwoods, while the opening of Empire City Raceway (Yonkers) and Resorts World New York (Queens) had a similar impact on New York visitations to Foxwoods.

1.21b Mohegan Sun Casino



Mohegan Sun Casino opened on October 12, 1996 and is now the largest resort casino in the Western Hemisphere based on gaming revenues, or the second largest based on the number of gaming positions. Mohegan Sun operates a 3 million square foot resort and entertainment complex. Mohegan Sun is located on a 240-acre site on the Mohegan Tribe's reservation adjacent to Montville, Connecticut. It overlooks the Thames River and is directly accessible from Interstate 395 and Route 2A. Mohegan Sun has than 352,000 square feet of gaming space in three casinos – the Casino of the Earth (188,000 sq. ft.), the Casino of the Sky (119,000 sq. ft.), and the Casino of the Wind (45,000 sq. ft.). Mohegan Sun's three casinos have more than 6,300 slot machines and 325 table games, including roulette, baccarat, black jack, poker, and craps, among others. It also has keno and an 11,000 square foot simulcast race book.

Mohegan Sun has 44 restaurants, cafes, coffee shops, buffets, two multi-station food courts, lounges and bars, and 40 retail and specialty shops. Mohegan Sun also has a 1,200 room luxury hotel with a private high limit table games suite on the 36th floor. The hotel includes 100,000 square feet of convention space and a 20,000 square foot spa. The facility includes a 10,000-seat Arena, a 410-seat lounge, and a 300-seat cabaret. There is also a child care facility and video arcade. It has parking for 13,000 automobiles, valet parking, a parking area for large vehicles and tour buses, and a 20-pump gasoline station and convenience center. The facility is open 365 days per year and 24 hours a day.

Mohegan Sun has aggressively expanded its gaming operations in Connecticut and elsewhere. According to official filings with the U.S. Securities and Exchange Commission (2006), Mohegan's "strategy is to profit from expanding demand in the gaming market in our market areas as well as to diversify the Tribe's business interests in the gaming industry outside of Mohegan Sun." Mohegan Sun defines its primary market area as New England and the Mid-Atlantic states.

In January 2003, Mohegan Sun formed a wholly owned subsidiary, the Mohegan Basketball Club LLC, or MBC, for the purpose of owning and operating a professional basketball

team in the Women's National Basketball Association, or WNBA. MBC entered into a membership agreement with the WNBA that permits it to operate the Connecticut Sun basketball team. The team plays its home games in the Mohegan Sun Arena.

On January 25, 2005, Mohegan Commercial Ventures PA, LLC acquired all of the partnership interests in Pocono Downs (Pennsylvania) from subsidiaries of Penn National Gaming, Inc. In September 2006, Mohegan was awarded a Category One Slot Machine License and on November 14, 2006, Pocono Downs became the first slot parlor to open its doors in Pennsylvania with approximately 1,100 slot machines. Pocono Downs is currently a 90,000 square foot two-level slot facility. Mohegan invested \$150 million in a Phase II expansion that will brought the facility to 2,500 slot machines and add a variety of new restaurants, retail space, nightlife venues, and parking amenities. The Pocono Downs expansion was completed in the spring of 2008.

In November 2006, Mohegan Sun formed a wholly owned subsidiary, Mohegan Golf, LLC to purchase and own the Pautipaug Golf Course in Sprague and Franklin, Connecticut. In May 2007, Mohegan Golf acquired most of the assets of Pautipaug Country Club Inc. and renamed it Mohegan Sun Country Club at Pautipaug. The new golf facility opened in June 2007.

Mohegan Sun also has on-going partnership ventures with the Cowlitz Tribe in Clark County, Washington and the Menominee Indian Tribe of Wisconsin to develop casinos in those jurisdictions.

On November 16, 2006, Mohegan Sun announced a \$925 million "Project Horizon" expansion, which was to add a second 1,000-room luxury hotel and 42,000 feet of gaming space to the existing facility. However, on September 21, 2008, Mitchell Etes, then President and CEO of Mohegan Sun announced that the casino was suspending construction of the planned 39-story hotel, the House of Blues music hall, the spa, and the additional retail and restaurant space.²⁸ Etes observed that the suspension of Project Horizon was "due to uncertainty in the economy and its impact on the region's gaming market." Etes stressed that it is a "suspension and not a termination," because the "casino continues to believe in the long-term prospects for the business and the region." Indeed, in August of 2008, a new 42,000 square foot Casino of the Wind opened with 900 additional slot machines, 10 table games, a poker room with 45 tables, a 15,000-square-foot multi-level, high-energy, branded restaurant/bar, a 2,700-square-foot retail outlet, and a 4,000-square-foot quick-serve dining outlet. Nevertheless, on September 13, 2010, MTGA executives indicated that the casino would only construct a second hotel if it was built and owned by a third party, but under Mohegan Sun management (Mosher 2010).

After reporting a net loss of \$26.3 million for the quarter ending September 30, 2010, the Mohegan Tribal Gaming Authority (MTGA) announced on November 12, 2010, that it had hired Blackstone Advisory Partners to assist it with strategic planning and analysis, including operational improvements, hotel projects, and bank and bond maturities. MTGA has a \$675 million revolving bank loan and \$250 million in senior subordinated notes due in the first half of 2012. As with Foxwoods, Standard & Poor's lowered its bond rating for the MTGA on November

²⁸ Associated Press, "Mohegan Sun Delaying Expansion Plans," see, <http://www.fox61.com/pages/landing/?Mohegan-Sun-delaying-expansion-plans=1&blockID=65412&feedID=341>

24, 2010, from B to CCC. On November 30, 2010, Moody's Investor Service also downgraded its bond rating on the MTGA from B3 to Caa2, which moves its bonds into the high risk category.

However, in contrast to Foxwoods, Leo Chupaska, the MTGA's chief financial officer, states that the authority is in a "refinancing mode," rather than a restructuring mode (quoted in Hallenbeck 2010).²⁹ The MTGA has moved to reduce operating expenses first with wage freezes, workforce reductions through attrition, and finally layoffs in September 2010. The MTGA has also closed its Sunburst buffet and a snack shop in its race book, while two other restaurants were shifted to third party management (Mosher 2010).

On March 6, 2012, MTGA announced that it had successfully refinanced \$1.6 billion in debt, including \$961.8 million in outstanding bonds and a \$675 million revolving bank loan. The bond indebtedness, some of which was due later in 2012, was spread out over five bond issues due in 2012, 2013, 2014, 2015, and 2017 with interest rates on the new issues ranging from 6.3 percent to 11.5 percent. Bank lenders reworked the \$675 revolving bank loan into three separate loans totaling \$700 million. Mohegan CEO Mitchell Etesse stated that "with this long-term capital solution in place, we are now well positioned to continue the development and expansion of the Mohegan Sun brand" (quoted in *Hartford Courant*, March 7, 2012).

Table 4

Mohegan Sun Revenues, 2004 to 2012					
Year	Slot Win	Other Gaming	Total Gaming	Non-Gaming	Grand Total
2004	\$ 840,025,608	\$ 352,810,757	\$ 1,192,836,365	\$ 119,283,637	\$ 1,312,120,002
2005	\$ 868,774,303	\$ 337,084,430	\$ 1,205,858,733	\$ 211,025,278	\$ 1,416,884,011
2006	\$ 917,665,730	\$ 384,501,941	\$ 1,302,167,671	\$ 272,153,043	\$ 1,574,320,714
2007	\$ 901,151,565	\$ 356,856,020	\$ 1,258,007,585	\$ 264,181,593	\$ 1,522,189,178
2008	\$ 842,873,026	\$ 367,492,639	\$ 1,210,365,665	\$ 282,015,200	\$ 1,492,380,865
2009	\$ 763,879,790	\$ 322,357,271	\$ 1,086,237,061	\$ 235,713,442	\$ 1,321,950,503
2010	\$ 736,157,953	\$ 291,518,549	\$ 1,027,676,502	\$ 227,116,507	\$ 1,254,793,009
2011	\$ 710,893,823	\$ 306,395,238	\$ 1,017,289,061	\$ 208,544,257	\$ 1,225,833,318
2012	\$ 652,780,377	\$ 291,792,829	\$ 944,573,206	\$ 205,916,959	\$ 1,150,490,165
Annual Change, 11-12	-8.2%	-4.8%	-7.1%	-1.3%	-6.1%

Source: Connecticut Division of Special Revenue; U.S. Securities & Exchange Commission; Center for Policy Analysis.

In CY 2012, slot revenues (win) decreased by 8.2% compared to the previous year. It is estimated that table games revenues declined by 4.8% during the calendar year, while total gaming revenues decreased by 7.1%. It is estimated that non-gaming revenues decreased by 1.3% in 2012, although Mohegan Sun continues to diversify its non-gaming offerings, including golf, concerts, sporting events, and other forms of entertainment (see Table 4).

Calendar Year 2012 total revenues were \$423.8 million (-26.9%) lower than the casino's 2006 peak revenue year.

²⁹ Debt refinancing typically involves an agreement by creditors to lower interest rates and/or extend maturities on existing debt without a reduction in outstanding debt.

The year-to-year (-6.1%) and long-term (-26.9%) decline in total revenues at Mohegan Sun is attributable to the same factors that have affected Foxwoods and the resort casino sector generally – the lingering effects of the Great Recession and increased competition in the Northeast, particularly from Rhode Island and New York gaming venues. Mitchell Etes, former president and chief executive officer of the Mohegan Tribal Gaming Authority, has observed that “not even casinos are immune from problems with the economy.”³⁰

1.22 RHODE ISLAND

Twin River and Newport Grand Slots were originally licensed as pari-mutuel facilities with Twin River offering live greyhound racing and Newport Grand offering jai alai. Both facilities were authorized to operate video lottery terminals (VLTs) in 1992. In calendar year 2011, Rhode Island’s two slot parlors had combined gross gaming revenues (net terminal income) of \$512.8 million, employed approximately 1,300 people, and paid \$313.3 million to the Rhode Island general treasury (including gaming “taxes” and estimated sales and meals tax revenues).³¹

1.22a Twin River



The former Lincoln Park Greyhound Park was rebranded Twin River on March 23, 2007 and is located in Lincoln, Rhode Island off Route 146, approximately 10 minutes north of Providence. In 2007, Twin River completed a \$220 million expansion, which brought its total gaming space to 300,000 square feet. It is now the fourth largest gaming facility in the United States in terms of slot positions, with 4,748 video lottery terminals (VLTs). There are only three other casinos or racinos in the United States with more slot/VLT machines: Foxwoods (6,440), Mohegan Sun (6,318), Empire State Raceway (5,351).³² The Twin River expansion also added several new gourmet and family restaurants, a bar and lounge, a comedy club, a 2,000-seat

³⁰ Associated Press, “Mohegan Sun Delaying Expansion Plans,” see, <http://www.fox61.com/pages/landing/?Mohegan-Sun-delaying-expansion-plans=1&blockID=65412&feedID=341>

³¹ Technically, Twin River and Newport Grand Slots do not actually pay gaming taxes, but receive a share of VLT revenues (29% combined) in exchange for allowing the state to place VLTs at their facilities. The state also shares revenues (10%) with a technology and communications provider (G-Tech) and keeps approximately 61% of VLT revenues for the general treasury. A similar arrangement is employed by the states of Delaware, New York, and West Virginia.

³² This figure is the annual average number of VLTs for 2011.

entertainment arena and, more recently, virtual table games.

According to Twin River officials, the improvement, expansion, and re-branding of the former Lincoln Park was designed to extend its market gravity from a 30 mile radius to a 60 mile radius, which would allow it to draw larger numbers of patrons from the Worcester and Boston markets (Associated Press 2007; Mayerowitz 2007). While previous patron origins analyses (2007, 2008) suggest that this strategy was moderately successful, it also found signs that one element of Twin River's 2007 success story was its cannibalization of the Newport Grand slot parlor in Newport, Rhode Island. This year's patron origin analysis again confirms that any "gravity effect" from the 2007 expansion was fully realized in 2007 and early 2008. Twin River has put a small dent in the flow of gamblers from Rhode Island to Connecticut, but it remains primarily a convenience gambling facility that attracts local gamblers from Rhode Island, southeastern Massachusetts, and central Massachusetts. Twin River no longer offers live greyhound racing.

In early March of 2008, Twin River's owner, UTGR, Inc. missed a loan payment on outstanding loans tied to Twin River's expansion and renovation.³³ UTGR, Inc. spent most of 2008 operating under a forbearance agreement with its chief lender, Merrill Lynch Capital Corporation that delayed legal action on \$577 million in outstanding loans tied to Twin River's purchase, renovation, and operation (Public Gaming International 2008). The forbearance agreement initially had a June 30 expiration date, with options for two additional 30-day extensions. The agreement was extended several times during 2008, but on January 30, 2009, Merrill Lynch spokesman Bill Halldin announced that on January 31, 2009 would have been the expiration date on UTGR's last forbearance agreement "had certain milestones been reached, but the agreement actually expired on January 5" (quoted in Gregg 2009a).

On June 23, 2009, UTGR, Inc. filed for Chapter 11 bankruptcy. The filing stated that "As successful as [Twin River's] operations have been, their revenues cannot support the substantial demands imposed by the state tax rate and the debtor's debt services obligations" on \$589 million in loans." The consensual agreement with Twin River's investors, led by Merrill Lynch Capital, wrote off \$290 million in debt owed to the investors, and eliminated \$153 million in owner equity. The agreement also called on the state to allow 24 hour gambling 365 days per year at the facility and asked the state to terminate a requirement that the facility offer live dog racing, because live racing was costing approximately \$10 million more per year to operate than it generated in revenue. The slot parlor also asked the state to reduce its share of net terminal income or to reimburse the facility for up to \$20 million annually in marketing costs. The lenders were authorized to immediately begin the process of identifying a new operator to manage the facility (Gregg 2009b).

The state responded on May 15, 2010, with Governor Donald Carcieri signing a law that ended live greyhound racing at Twin River and, thereby, reducing the facility's operating costs by \$10 million per year. Shortly thereafter, on June 24, 2010, a federal bankruptcy judge approved a reorganization plan, which cleared the way for a lenders group led by Bank of America (owner of Merrill Lynch), and including Wells Fargo/Wachovia, and Sankaty Advisors, LLC, to take formal control of the bankrupt slot parlor, push aside BLB Investors, and appoint a new board of

³³ UTGR, Inc. is a subsidiary of BLB Investors, LLC, which was established to operate Twin River. BLB Investors is owned jointly by Kerzner International Ltd., Starwood Capital Group, and the Waterford Group.

directors (Grimaldi 2010a).³⁴ Subsequent legislation authorized the facility to operate 24 hours per day, 365 days per year (Gregg 2010) and committed the state to provide \$3.6 million in new marketing subsidies to Twin River (Grimaldi 2010b).

Finally, on November 9, 2010, the Rhode Island Lottery approved transferring the licenses required to operate Twin River to the lenders group, which immediately announced that they had received the final regulatory approval required to end the company's 17-month bankruptcy case, which was approved by the U.S. Bankruptcy Court on the same date (Grimaldi 2010b). John E. Taylor, Jr., Chairman of the new board of directors, stated that UTGR's debt load on the property had been reduced to \$300 million from \$598 million. However, Taylor warned that "Massachusetts is poised to allow full gaming at some point in the near future, and given that nearly half of our customer base is from the Commonwealth, we must act quickly to address that very real threat" (quoted in Donoghue 2010).

Table 5

Twin River Revenues, 2004 to 2012				
Year	Net Terminal		Non-Gaming	Grand Total
	Income			
2004	\$ 304,772,574	\$	26,393,458	\$ 331,166,032
2005	\$ 332,901,554	\$	29,319,305	\$ 362,220,859
2006	\$ 329,364,358	\$	29,642,792	\$ 359,007,150
2007	\$ 375,291,175	\$	45,034,941	\$ 420,326,116
2008	\$ 407,498,600	\$	40,342,361	\$ 447,840,961
2009	\$ 399,662,954	\$	35,570,003	\$ 435,232,957
2010	\$ 423,752,160	\$	42,798,968	\$ 466,551,128
2011	\$ 462,793,306	\$	46,742,124	\$ 509,535,430
2012	\$ 478,231,587	\$	48,779,622	\$ 527,011,209
Annual Change, 11-12		3.3%	4.4%	3.4%

Source: Rhode Island Lottery Commission & Center for Policy Analysis.

Furthermore, after months of speculation, it was revealed on December 21, 2010 that Apollo Global Management, the owner of Caesars Entertainment (formerly Harrah's Entertainment) had proposed acquiring, and eventually did acquire, more than a 5 percent stake in Twin River (Grimaldi 2010c). On March 4, 2011, Jan Jones, Senior Vice-President for Government Relations and Communications at Caesar's, reaffirmed the company's interest in helping "Rhode Island move their casino gambling forward," although she cautioned that such efforts depended on Rhode Island's ability to quickly "position itself to be competitive with Massachusetts" (quoted in Gregg 2011).

In the meantime, Twin River's current owners launched a public campaign to offer table games, although such a move required statewide and local voter approval. The Rhode Island General Assembly authorized a statewide and local referendum on table games for November 6, 2012, which passed in Lincoln, but not Newport, Rhode Island. Twin River began offering live

³⁴ Sankaty Advisors, LLC is an affiliate of Massachusetts-based Bain Capital Investment Group.

table games on June 19, 2013.

Notwithstanding its much publicized problems with lenders and creditors, Twin River's 2007 expansion positioned it to withstand the current recession better than many resort casinos throughout the country, and it continued to improve its restaurant offerings during its 17-month bankruptcy. In addition, higher gasoline prices and the recessionary trend toward "stay-cations" have allowed Twin River to divert additional slot machine players from Foxwoods and Mohegan Sun. Consequently, Twin River has continued to show year-to-year increases in net terminal income, although revenue growth slowed temporarily during the trough of the Great Recession.

It is estimated that 2012 total revenues for Twin River were approximately \$527.0 million in CY 2012, compared to \$509.5 million in CY 2011, for a year-to-year increase of 3.4%. From CY 2011 to CY 2012, net terminal income (gross gaming revenues) increased by 3.3%, from \$462.8 million to \$478.2 million (see Table 5).

Calendar Year 2012 total revenues were \$168.0 million (+46.8%) higher than the New England casino industry's 2006 peak revenue year.

1.22b Newport Grand Slots



Newport Grand Slots is located in Newport, Rhode Island on Route 138 at the far south end of Aquidneck Island. The facility no longer offers live jai-alai, but simulcasts jai-alai games year-round from Dania and Miami, Florida. Newport Grand also offers thoroughbred, harness, and greyhound simulcasts every day except Tuesday in its new simulcast theater. Newport Grand has 1,097 video lottery terminals, a restaurant, and Club Royale (a restaurant with live entertainment and dancing).³⁵ The facility is open 365 days per year from 10:00 am to 1:00 am on weekdays and Sundays and from 10:00 am to 2:00 am on Fridays and Saturdays.

In 2005, Newport Grand reached an agreement with the State of Rhode Island that authorized the facility to increase its number of VLTs from 1,070 to 2,101 in exchange for the owners' commitment to expand the facility, although the actual number of VLTS on site peaked at 1,530 in February 2009. A proposed \$20 million expansion, including a new 99-room stand-alone hotel has failed to materialize as revenues continue to decline on a year-to-year basis. However, on September 24, 2008, Newport Grand Slots did complete a multi-million dollar

³⁵ This figure is the annual average number of VLTs for 2011.

transformation of its former jai alai fronton into 22,000 square-feet of non-smoking gaming space, which included new VLTs, virtual blackjack tables, two new food and beverage outlets, enhanced security operations, and back of house functions.

It is estimated that total annual revenues for Newport Grand Slots (excluding simulcasts) were approximately \$54.6 million in CY 2012, compared to \$54.5 million in CY 2011 (+0.3%), which is the first time in eight years that Newport Grand did not report a year-to-year revenue decline (see Table 6). From CY 2011 to CY 2012, net terminal income (gross gaming revenues) increased by 0.3%, from \$50.0 million to \$50.1 million.

Table 6

Newport Grand Revenues, 2004 to 2012			
Year	Net Terminal Income		Grand Total
		Non-Gaming	
2004	\$ 79,056,187	\$ 7,723,878	\$ 86,780,065
2005	\$ 78,011,743	\$ 7,341,217	\$ 85,352,960
2006	\$ 77,139,657	\$ 6,942,569	\$ 84,082,226
2007	\$ 72,706,499	\$ 7,197,943	\$ 79,904,442
2008	\$ 67,541,838	\$ 6,686,642	\$ 74,228,480
2009	\$ 61,505,924	\$ 5,474,027	\$ 66,979,951
2010	\$ 53,297,539	\$ 4,796,779	\$ 58,094,318
2011	\$ 50,005,566	\$ 4,500,501	\$ 54,506,067
2012	\$ 50,131,053	\$ 4,511,795	\$ 54,642,848
Annual Change, 11-12	0.3%	0.3%	0.3%

Source: Rhode Island Lottery Commission & Center for Policy Analysis.

Calendar Year 2012 total revenues were \$32.2 million (-37.1%) lower than the slot parlor's 2004 peak revenue year (see Table 6).

1.23 MAINE

1.22a Hollywood Casino Bangor



On May 6, 2004, the Pine Tree State became the third state in New England – after Rhode Island (1992) and Connecticut (1992) – to authorize expanded gambling in the form of slot machines. The “Governor’s Gambling Control Legislation” was enacted by the Maine State Legislature and signed into law by Governor John E. Baldacci six months after Maine’s voters approved a referendum by 53% to 47% to allow slot machines at the Bangor harness racetrack. The enabling legislation ([P.L. 2003, Title 8, Chapter 31](#)) adopted pursuant to the binding referendum established a 5-member Gambling Control Board (GCB) to oversee operations at the new racino, which opened on November 4, 2005 near Bangor Historic Racetrack and Bass Park on Main Street in Bangor, Maine.³⁶

Hollywood Casino Bangor, which is owned and operated by Penn National Gaming, Inc., operates a full-fledged casino with 1,000 slot machines and 14 table games. The construction of this facility was started in the summer of 2007 and was completed in July of 2008 (Gagnon 2007b). Penn National originally planned to construct a \$90 million slots facility on its 8-acre site, but on February 8, 2007, the company announced plans for a \$131 million upscale racino that would include a hotel and additional dining outlets.³⁷ Penn National Chairman and CEO Peter Carlino announced that the company accelerated its plans for Hollywood Slots because of “the impressive results being generated by our temporary facility [on Main Street] and a substantial number of patrons driving significant distances to Hollywood Slots at Bangor.”³⁸

³⁶ The Maine Gambling Control Board is appointed by the Governor and confirmed by the Senate. The GCB and its staff are located within the Maine Department of Public Safety, 45 Commerce Drive, Augusta, Maine 04330. See, “Gambling Control Board,” at <http://www.state.me.us/dps/GambBoard/>. See, <http://janus.state.me.us/legis/statutes/8/title8ch0sec0.html> for the enabling legislation.

³⁷ The upscale racino -- a racino with a moderate-sized hotel, a small number of dining and entertainment venues, and other amenities (e.g., retail) was pioneered by Dover Downs in Delaware, which now has 2,700 slot machines, a 232-room hotel with 25,000 square feet of meeting space, gourmet dining and entertainment venues. It also sponsors various sporting events (e.g., boxing). Twin River in Rhode Island also seems to be moving toward this model.

³⁸ Gagnon (2007a). A recent study by Todd Gabe, a University of Maine professor, estimates that Hollywood Slots has generated an additional \$20 million in indirect (off-site) spending by casino patrons from November 2005 to March 2007: \$14 million at local restaurants and \$6 million at local hotels (Dolloff 2007).

The new facility features a two-story, semicircular, glass tower gaming area, a seven-story 152-room hotel, a four-story parking garage, restaurants, retail space and a new simulcast facility for off-track wagering. Hollywood Slots' state gaming license allows it to operate up to 1,500 slot machines. The current facility houses 1,000 slot machines, but it is designed to accommodate up to the authorized 1,500 slot machines at a later time.

On November 8, 2011, the residents of Penobscot County voted to authorize table games at the former Hollywood Slots and Raceway. On March 16, 2012, the renamed Hollywood Casino Bangor opened its first table games, which include six black jack tables, a roulette wheel, and seven poker tables. The Maine Gambling Control Board unanimously approved the new offerings and the name change on March 27, 2012, to make the former racetrack casino the state's first full-fledged casino.

It is estimated that total annual revenues for Hollywood Casino were \$69.0 million in CY 2012 (+5.4%), compared to \$65.5 million in CY 2011 (See Table 7). In CY 2012, slot machine revenues (win) decreased by 5.4% compared to the previous year primarily due to new competition from Oxford Casino in Oxford, Maine (see below).

Table 7

Hollywood Casino Bangor Revenues, 2005 to 2012					
Year	Gross Gaming Revenue	Other Gaming	Total Gaming	Non-Gaming Revenue	Total Revenue
2005	\$ 4,155,653	-	\$ 4,155,653	N/A	\$ 4,155,653
2006	\$ 37,521,884	-	\$ 37,521,884	\$ 1,125,657	\$ 38,647,541
2007	\$ 43,251,970	-	\$ 43,251,970	\$ 3,200,646	\$ 46,452,616
2008	\$ 50,515,382	-	\$ 50,515,382	\$ 4,243,292	\$ 54,758,674
2009	\$ 59,198,222	-	\$ 59,198,222	\$ 5,268,642	\$ 64,466,864
2010	\$ 61,667,214	-	\$ 61,667,214	\$ 6,228,389	\$ 67,895,603
2011	\$ 59,453,078	-	\$ 59,453,078	\$ 6,004,761	\$ 65,457,839
2012	\$ 56,212,926	\$ 6,470,964	\$ 62,683,890	\$ 6,331,073	\$ 69,014,963
Annual Change, 11-12	-5.4%	-	5.4%	5.4%	5.4%

Source: Maine Gambling Control Board & Center for Policy Analysis.

Calendar Year 2012 total revenues were \$30.4 million (+78.8%) higher than during the New England casino industry's 2006 peak revenue year (see Table 7).

1.22b Oxford Casino



Maine’s voters narrowly approved a casino for Oxford, Maine in a statewide referendum on November 2, 2010. Oxford Casino became the Pine State’s second Class III gaming venue when it opened on June 5, 2012 with 500 slot machines, 12 table games, a restaurant, and bar. The casino expanded its offering in September 2012 to include 812 slot machines and 22 table games. On March 29, 2013, it was announced that Oxford Casino was being sold to Churchill Downs for \$160 million in cash (Skelton and Dixon 2013).

Table 8

Oxford Casino Revenues, 2012					
Year	Gross Gaming Revenue	Other Gaming	Total Gaming	Non-Gaming Revenue	Total Revenue
2012	\$ 29,887,262	\$ 6,652,279	\$ 36,539,541	\$ 1,680,819	\$ 38,220,360
Annual Change, 11-12	-	-	-	-	-

Source: Maine Gambling Control Board & Center for Policy Analysis.

It is estimated that total annual revenues for Oxford Casino were \$38.2 million in CY 2012, although the casino was only open for six months of the calendar year (See Table 8).

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2.00 ORIGINS OF NEW ENGLAND CASINO PATRONS

2.10 METHODOLOGY

The patron origin analysis was conducted on five different days: Thursday, February 14, 2013 from 9:00 am through Monday, February 18, 2013 to midnight.³⁹ This time frame includes one holiday (President's Day), two weekdays (Thursday and Friday), and two days of the weekend (Saturday and Sunday). Sample counts of at least 1,500 automobile license plates were taken each day during the five-day observation period at Foxwoods, Mohegan Sun, and Twin River, while sample counts of at least 200 automobile license plates were taken each day at Newport Grand Slots, Hollywood Casino, and Oxford Casino. This sample was distributed across the day by counting at least 400 license plates at each of the major facilities during each of four periods on each day as defined below:

- Sample 1: Morning (between 9:00 am and 11:00 am)
- Sample 2: Afternoon (between 2:00 pm and 4:00 pm)
- Sample 3: Evening (between 7:00 pm and 9:00 pm)
- Sample 4: Late Night (between 12:00 am and 2:00 am)

In calculating annual estimates of the percentage of Foxwoods's, Mohegan's, Twin River's, Newport's, Hollywood's and Oxford's patrons that originate in various states, it is assumed that traffic flows and patron origins are constant, on average, on similar types of days and during similar times of the day.⁴⁰ Thus, sampling counts are extrapolated on a daily basis for

³⁹ The methodology employed in the patron origin analysis has been validated by academic peer review and published by Jeffrey Dense and Clyde W. Barrow, "Estimating Casino Expenditures by Out of State Patrons: Native American Gaming in Connecticut," *Journal of Travel Research* (May 2003): 410-15. See also, Clyde W. Barrow and David R. Borges, "New England Casino Gaming Update: Patron Origin Analysis and a Critique of its Critics," *Gaming Law Review and Economics*, Vol. 14, No. 3 (2010): 175-86. Findings generated by this methodology have been cited as authoritative by regional economists at the University of Connecticut, see, Arthur W. Wright, "As the Wheel of Fortune Turns: Casinos Revisited," *The Connecticut Economy: A University of Connecticut Quarterly Review* (September 2006): 8-11, research economists at the Federal Reserve Bank of Boston, see, Heather Brome, "Memorandum on Economic Impact of Casino Development," (September 14, 2006), at <http://www.bos.frb.org/economic/neppc/memos/2006/brome091406.pdf>, the Connecticut Economic Resource Center (Marsden 2007), and by the international accounting firm UHY Advisors, *Casino Gaming in Massachusetts: An Economic, Fiscal, and Social Analysis* (Boston: Greater Boston Chamber of Commerce, 2008). These estimates are also consistent with public statements by Foxwoods and Mohegan Sun officials (e.g., *Boston Globe*, October 21, 1995; *New London Day*, March 28, 2004; *New York Times*, October 21, 2007). The University of Connecticut Center for Economic Analysis also conducted a patron intercept survey at Foxwoods from September 7 to 13, 1999 with 496 respondents, see, Fred Carstensen, William Lott, Stan McMillen, Bobur Alimov, Na Li Dawson, and Tapas Ray, *The Economic Impact of the Mashantucket Pequot Tribal Nation Operations in Connecticut* (Storrs, CT: University of Connecticut Center for Economic Analysis, 2000). The UCCEA survey found that 33% of Foxwoods patrons lived in Massachusetts, 27.5% in Connecticut, 17.2% in Rhode Island, 2.6% in New Hampshire, 1.8% in Maine, 0.8% in Vermont, 9.2% in New York, and 2.0% in New Jersey, and 5.5% in other states. The reliability of the findings is bolstered by the fact that three different survey methodologies have arrived at almost identical results.

⁴⁰ A similar patron origin analysis of Foxwoods was conducted by the Center for Policy Analysis in 1995. A second analysis was conducted of Foxwoods and Mohegan in 1999, followed by a third count in

each day of the week during a 365-day year.⁴¹ Weekdays are defined as Monday, Tuesday, Wednesday, Thursday, and Friday. Weekend days are defined as Saturday and Sunday. Holidays are defined as New Year's Day, Martin Luther King, Jr. Day, President's Day, Patriot's Day (Massachusetts state holiday), Easter, Memorial Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, and Christmas Day. The purpose of the automobile and bus count was to derive an estimate of the percentage of private automobiles and tour buses originating in Massachusetts, Rhode Island, Connecticut, Vermont, New Hampshire, Maine, New York, and New Jersey. Vehicles from other states and Canada are classified as Other. It is assumed that all vehicles originate in their state of registration as determined by license plate identifications.⁴²

The Center for Policy Analysis also estimated the percentage of tour buses originating in the states of Massachusetts, Rhode Island, Connecticut, Vermont, New Hampshire, Maine, New York, and New Jersey. Tour buses from other states and Canada were classified as Other. Because the majority of buses remain in the lots for an extended period of time, sample counts of the tour buses were taken on a less frequent basis to avoid double counting. Two counts per day were taken of the tour buses at Foxwoods's and Mohegan Sun. It is assumed that all buses originate in their state of registration as determined by license plate identifications.

Using the patron origin methodology, research staff from the Center for Policy Analysis surveyed 8,585 private automobiles and 113 tour buses at Foxwoods; a sampling of 8,428 private automobiles and 206 tour buses at Mohegan Sun; 16,316 private automobiles at Twin River; 4,161 private automobiles at Newport Grand Slots; 1,344 private automobiles at Hollywood Casino Bangor; and 1,387 private automobiles at Oxford Casino. Based on these samples, it is estimated that 88 percent of Foxwoods's and Mohegan Sun's visitors arrive by private automobile, while the remaining 12 percent arrive by tour bus. The un-weighted percentages for patron origins by day are weighted to account for the type of transportation and the type of day using the following formula:

$$\begin{aligned} \text{Adjusted State Percentage for Weekdays} &= [(\text{Car Weekday Percentage} * .667) * .88] \\ &\quad + [(\text{Bus Weekday Percentage} * .667) * .12] \\ \text{Adjusted State Percentage for Weekends} &= [(\text{Car Weekend Percentage} * .303) * .88] \\ &\quad + [(\text{Bus Weekday Percentage} * .303) * .12] \\ \text{Adjusted State Percentage for Holidays} &= [(\text{Car Weekday Percentage} * .030) * .88] \\ &\quad + [(\text{Bus Weekday Percentage} * .030) * .12]^{43} \end{aligned}$$

2004, a fourth count in 2006, and a fifth count in 2008. A comparison of results across the five surveys for similar types of days and similar times of day indicate that this assumption is methodologically reliable and empirically correct.

⁴¹ The years 2004, 2008, and 2012 are leap years so the calculations for this analysis used a 366-day year.

⁴² It is likely that some automobiles are rented by out-of-state or foreign visitors, while some visitors arriving by tour bus are also not from the vehicle's state of origin. It is estimated that about 3% of total visitations to Foxwoods and Mohegan come from outside the Northeast, but arrive with New England license plates. This does not pose a methodological problem, because the purpose of a patron origin analysis is to identify the revenue leaving a particular state (regardless of citizenship) that could be captured or recaptured if a comparable facility is constructed in that state. The Mohegan Tribal Gaming Authority (2008, 37) reports that "primarily all Mohegan Sun...patrons arrive via automobile and are assumed to work or live in the northeastern United States."

⁴³ The adjustment factors of .667, .303, and .030 are the percentage of weekdays, weekend days, and

The weighted estimates for private automobiles and tour buses were then translated from percentages of vehicles to percentages of patrons based on field observations and public statements by casino executives that visitations during weekends and holidays are approximately double the average daily traffic.⁴⁴ Thus, the weighted estimates for private automobiles and tour buses are translated into percentages of patrons using the formula:

$$\text{Percent Patrons} = [(\text{Weekend}\% * 2) + (\text{Holiday}\% * 2)] + [\text{Weekday}\%/2]$$

2.20 FINDINGS

The total weighted estimates, including both types of transportation, indicate that casino and racino patrons originate from the following states (see Table 9):

Table 9

Estimated Patron Origins by State, 2013: Foxwoods, Mohegan Sun, Twin River, Newport Grand, Hollywood, & Oxford						
	Foxwoods	Mohegan	Twin River	Newport	Hollywood	Oxford
Massachusetts	32.1%	18.5%	51.4%	44.5%	2.2%	4.0%
Connecticut	38.0%	57.5%	0.8%	0.9%	0.2%	0.4%
Rhode Island	11.7%	4.5%	45.8%	51.4%	0.3%	0.1%
New Hampshire	2.9%	1.7%	0.5%	0.3%	2.1%	10.4%
Maine	1.8%	0.5%	0.1%	0.0%	86.1%	81.6%
Vermont	0.3%	0.4%	0.0%	0.0%	0.5%	0.5%
New York	9.8%	13.4%	0.2%	0.6%	0.1%	0.2%
New Jersey	1.9%	1.7%	0.1%	0.1%	0.5%	0.2%
Other	1.5%	1.8%	1.1%	2.2%	8.0%	2.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. **Note:** The statistical margin of error for the Foxwoods, Mohegan, Twin River, Newport, and Hollywood surveys is +/- < 1%.

The results for Foxwoods and Mohegan Sun are consistent with earlier patron origin analyses by the Center for Policy Analysis, which used the same methodology to estimate patron origins in 1995, 1999, 2004, 2006, 2008, 2009, 2010, 2011, 2012 (see Table 9 and Table 10).⁴⁵ The only statistically significant shifts in patron origins during the last year are a decline in the

holidays, respectively, in the 2008 calendar year based on the definitions in the methodology. The adjustment factors of .88 and .12 are the estimated percentage of patrons that arrive by car and bus.

⁴⁴ This observation is confirmed by statements from both Foxwoods and Mohegan Sun officials, see, Florin (2004a), who notes that “the two casinos are busiest on weekends, though they both make extensive efforts to lure customers during the week.”

⁴⁵ The University of Connecticut Center for Economic Analysis (Carstensen et al. 2000) conducted a patron intercept survey from September 7 to 13, 1999 with 496 respondents. The UCCEA survey found that 33% of patrons lived in Massachusetts, 27.5% in Connecticut, 17.2% in Rhode Island, 2.6% in New Hampshire, 1.8% in Maine, 0.8% in Vermont, 9.2% in New York, and 2.0% in New Jersey, and 5.5% in other states. The reliability of the findings is bolstered by the fact that two different survey methodologies have arrived at comparable results.

percentage of Foxwoods patrons originating in New York and Rhode Island.

The geographic structure of New England's casino gaming market has been comparatively stable over the years, since most of the nominal changes in patron origin have been within the survey's margin of error or can be explained by increased competition from new gaming facilities in Pennsylvania and New York, and improvements to Twin River in Rhode Island.

Table 10

Foxwoods Resort: Estimated Patron Origins by State, 1995 to 2013									
	Feb-99	Apr-04	Feb-06	Feb-08	Jan-09	Feb-10	Feb-11	Feb-12	Feb-13
Massachusetts	36.0%	36.0%	34.8%	36.0%	31.4%	35.7%	31.0%	32.2%	32.1%
Connecticut	28.3%	26.5%	33.3%	33.0%	35.9%	31.9%	36.9%	35.3%	38.0%
Rhode Island	13.3%	15.4%	13.9%	13.0%	13.2%	13.0%	13.2%	12.6%	11.7%
New Hampshire	3.0%	2.6%	3.1%	3.1%	3.2%	2.8%	3.0%	3.5%	2.9%
Maine	1.5%	1.7%	1.3%	1.4%	1.1%	1.2%	1.6%	2.2%	1.8%
Vermont	0.7%	0.6%	0.5%	0.3%	0.3%	0.3%	0.2%	0.5%	0.3%
New York	11.9%	10.6%	9.0%	9.2%	10.8%	11.3%	10.0%	11.0%	9.8%
New Jersey	N/A	4.0%	2.0%	1.9%	2.1%	2.0%	1.6%	1.3%	1.9%
Other	5.3%	2.5%	2.1%	2.1%	2.0%	1.8%	2.5%	1.4%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. **Note:** The statistical margin of error for all Foxwoods surveys is +/- < 1%.
NA = Data not available or less than 0.1% (included in Other).

Table 11

Mohegan Sun: Estimated Patron Origins by State, 1999 to 2013									
	Feb-99	Apr-04	Feb-06	Feb-08	Jan-09	Feb-10	Feb-11	Feb-12	Feb-13
Massachusetts	22.8%	21.0%	20.9%	20.7%	16.6%	18.5%	19.5%	20.2%	18.5%
Connecticut	46.0%	44.3%	52.7%	53.8%	56.7%	56.5%	53.7%	53.7%	57.5%
Rhode Island	7.8%	5.6%	4.6%	4.2%	3.9%	4.5%	4.2%	4.3%	4.5%
New Hampshire	1.8%	1.5%	2.0%	1.5%	1.3%	1.4%	1.8%	1.9%	1.7%
Maine	0.8%	0.9%	0.8%	0.6%	0.4%	0.7%	0.6%	0.7%	0.5%
Vermont	0.4%	0.4%	0.4%	0.3%	0.3%	0.4%	0.3%	0.5%	0.4%
New York	15.6%	19.6%	14.2%	14.8%	15.9%	15.7%	15.3%	15.7%	13.4%
New Jersey	N/A	4.1%	2.4%	1.9%	1.8%	1.0%	2.3%	1.6%	1.7%
Other	4.8%	2.7%	2.0%	2.2%	3.1%	1.3%	2.3%	1.4%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. **Note:** The statistical margin of error for all Mohegan surveys is +/- < 1%.
NA = Data not available or less than 0.1% (included in Other).

Table 12

Twin River: Estimated Patron Origins by State, 2004 to 2013								
	Apr-04	Feb-06	Feb-08	Jan-09	Feb-10	Feb-11	Feb-12	Feb-13
Massachusetts	34.6%	40.5%	42.3%	40.6%	47.5%	46.8%	51.1%	51.4%
Connecticut	-	0.6%	1.4%	2.4%	1.4%	1.0%	0.9%	0.8%
Rhode Island	65.4%	57.8%	54.6%	54.5%	49.0%	49.7%	46.2%	45.8%
New Hampshire	-	0.2%	0.6%	0.9%	1.0%	0.9%	0.6%	0.5%
Maine	-	0.1%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%
Vermont	-	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
New York	-	0.2%	0.3%	0.5%	0.2%	0.5%	0.2%	0.2%
New Jersey	-	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
Other	-	0.5%	0.6%	0.7%	0.6%	0.7%	0.7%	1.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. Note: The statistical margin of error for all Twin River surveys is +/- < 1%.

The expansion and subsequent improvements to Twin River made it a more competitive and attractive convenience gaming facility. However, the improvements to Twin River since 2004 have recaptured only a small percentage of Rhode Islanders' expenditures at Foxwoods, although Rhode Islander's patronage of Mohegan Sun has dropped off considerably since that time (see Tables 12 and 13 and Appendix A).⁴⁶

In previous years' *New England Casino Gaming Updates*, it has been noted that a major element of Twin River's resurgence after 2007 was its ability to attract more Massachusetts residents, who now account for 51.4 percent of its customer base, compared to 40.5 percent in 2006 and 34.6 percent in 2004. Gasoline prices have remained high during the last few years, and "staycations" have become the norm for travelers, and these factors increase Twin River's "gravity." In CY 2012, Massachusetts residents were spending \$270.9 million per year at Twin River compared to \$145.4 million per year in CY 2006 (+86.3%).⁴⁷ In addition, Twin River appears to be intercepting a slightly larger number of patrons from northern New England - Maine and New Hampshire - who may be shortening trip lengths due to higher gasoline prices and the substitution of commuter gaming for destination gaming.

In fact, from CY 2006 through CY 2012, Rhode Island residents increased spending at Twin River at less than one-quarter the rate of Massachusetts residents. In CY 2012, Rhode Island residents spent \$241.4 million at Twin River compared to \$207.5 in CY 2006 (+16.3%). It is unquestionable that the vast majority of Twin River's continued growth over the last five years has been fueled primarily by an increase of expenditures by Massachusetts residents.

However, Twin River has also cannibalized Newport Grand since its 2007 improvements. Newport Grand Slots reported seven year-to-year revenue declines before revenues finally stabilized in CY 2012. The revenue declines at Newport Slots are partly due to a decline in its

⁴⁶ This estimate assumes optimistically that 100% of the decline in Rhode Islanders' expenditures at Foxwoods and Mohegan Sun were diverted to Twin River.

⁴⁷ Clyde W. Barrow, *New England Casino Gaming Update, 2007* (North Dartmouth, MA: Center for Policy Analysis, 2007), see Appendix A.

Southeastern Massachusetts customer base, which have some of the lowest incomes in the Bay State, while suffering with some of the state's highest unemployment rates. However, Newport Grand has also seen a significant portion of its Massachusetts customer base diverted to Twin River (see Table 13).

Table 13

Newport Grand Slots: Estimated Patron Origins by State, 2004 to 2013								
	Apr-04	Feb-06	Feb-08	Jan-09	Feb-10	Feb-11	Feb-12	Feb-13
Massachusetts	72.8%	43.8%	43.1%	38.9%	44.5%	42.9%	43.4%	44.5%
Connecticut	-	2.1%	1.8%	1.9%	2.2%	1.8%	1.8%	0.9%
Rhode Island	27.2%	52.1%	52.7%	56.3%	50.7%	52.7%	52.0%	51.5%
New Hampshire	-	0.2%	0.2%	0.5%	0.2%	0.2%	0.4%	0.3%
Maine	-	0.1%	0.0%	0.0%	0.2%	0.0%	0.1%	0.0%
Vermont	-	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
New York	-	0.4%	0.9%	1.1%	0.7%	1.2%	0.9%	0.6%
New Jersey	-	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	0.1%
Other	-	1.2%	1.0%	1.2%	1.3%	1.0%	1.2%	2.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Center for Policy Analysis. Note: The statistical margin of error for all Newport surveys is +/- < 1%.

In last five *New England Casino Gaming Updates*, it has been noted that the most significant geographical shift in the New England gaming market was the decline in Mid-Atlantic traffic – New York, New Jersey, and Pennsylvania – to Connecticut's two casinos. This decline, which was particularly acute at Mohegan Sun, was largely attributed to improvements at several of the Atlantic City casinos, the opening of several Pennsylvania casinos, and the addition of nine racinos and five Indian casinos in New York state, especially Empire State Raceway in Yonkers and Resorts World in Queens, New York. Patronage by New Jersey residents fell approximately 60 to 75 percent between 2004 and 2011 at Foxwoods and Mohegan Sun. Residents of Pennsylvania have virtually ceased to visit Foxwoods and Mohegan Sun since the opening of their own racinos and casinos (Darrow 2007).

However, patronage by New York residents is stabilizing, and perhaps recovering at Foxwoods and Mohegan Sun, following an aggressive marketing effort aimed at recapturing its New York traffic during the last three years, and despite competition for convenience gamblers from Empire City Raceway and Resorts World New York.

The market entry of two additional convenience gambling facilities -- Hollywood Casino Bangor and Oxford Casino in Maine -- has partially reversed the flow of gambling traffic from Maine to Connecticut (see Table 10 and Table 11). In CY 2012, Mainers spent \$24.9 million at Connecticut's two casinos compared to \$33.1 million in CY 2006 (-24.8%), although it is likely that some of this decline is due to a general decline in the propensity to gamble.⁴⁸ Hollywood Casino Bangor is an upscale convenience gaming facility that continues to draw the vast majority of its customers from Maine (see Table 14), although the 2012 *New England Gaming Behavior Survey*

⁴⁸ Clyde W. Barrow, *New England Casino Gaming Update, 2007* (North Dartmouth, MA: Center for Policy Analysis, 2007), see Appendix A.

found that 86% of its customers travel more than 30 minutes to reach the facility, while 75% travel more than 60 minutes to reach the facility. Similarly, although 86.1% of Oxford Casino’s customers reside in Maine (see Table 14), the 2012 *New England Gaming Behavior Survey* found that 78% of its customers travel more than 60 minutes to reach the facility.⁴⁹

Table 14

Hollywood Casino Bangor: Estimated Patron Origins by State, 2006 to 2013			
	Nov-06	Jan-09	Feb-13
Massachusetts	3.6%	1.0%	2.2%
Connecticut	0.0%	0.0%	0.2%
Rhode Island	0.0%	0.0%	0.3%
New Hampshire	1.9%	1.0%	2.1%
Maine	94.2%	95.5%	86.1%
Vermont	0.0%	0.4%	0.5%
New York	0.0%	0.3%	0.1%
New Jersey	0.0%	0.3%	0.5%
Other	0.3%	1.5%	8.0%
Total	100.0%	100.0%	100.0%

Source: Center for Policy Analysis.

Note: The statistical margin of error for the 2009 and 2013 surveys is +/- < 2.6%. The Other category includes 3.4% of visitors from Canada, which primarily originate in New Brunswick.

⁴⁹ Clyde W. Barrow and David R. Borges, *Bring It On Home: An Overview of Gaming Behavior in New England; Results of the 4th Biennial Gaming Behavior Survey* (North Dartmouth, MA: Center for Policy Analysis, March 2012). The Hollywood Casino data was not updated for 2010, 2011, or 2012. An informal license plate count by an Associated Press reporter on opening day observed “a smattering of license plates from Massachusetts, New Hampshire, New York, and New Brunswick,” see, Canfield (2005). Similarly, an informal license plate count by the *Bangor Daily News*, November 21, 2005 found that “sprinkled here and there throughout the lot were plates from Vermont, Massachusetts, Connecticut, and New Brunswick, but most of the gamblers parked in front of the slots machines inside were Mainers.” According to information from Amy Kenney, Manager of Marketing and Public Relations for Penn National Gaming, Inc., 85% to 90% of Hollywood Casino’s Players Club members are Maine residents.

Table 15

Oxford Casino: Estimated Patron Origins by State, 2013	
	Feb-13
Massachusetts	4.0%
Connecticut	0.4%
Rhode Island	0.1%
New Hampshire	10.4%
Maine	81.6%
Vermont	0.5%
New York	0.2%
New Jersey	0.2%
Other	2.8%
Total	100.0%

Source: Center for Policy Analysis.

Note: The statistical margin of error is +/- < 2.6%.

3.00 ESTIMATED TOTAL EXPENDITURES BY PATRONS

3.10 FOXWOODS RESORT & MOHEGAN SUN

Native American casinos are not required to publish financial information, or other data, about their operations. However, the gaming compacts between the State of Connecticut and the Mashantucket Pequot and Mohegan Tribes require them to share 25 percent of slot revenues with the state in exchange for exclusive rights to operate slot machines. The slot revenues received by the state from Foxwoods Resort Casino and Mohegan Sun Casino are a state public record published by the Connecticut Division of Special Revenue, while more detailed information about Mohegan Sun's operations and revenues are reported to the U.S. Securities & Exchange Commission on Form 10-K.⁵⁰ Various public statements by the casinos' executives in the media, at bondholders' meetings, and at industry summits provide additional insight into the casinos' internal operations.

In Calendar Year 2011, Foxwoods paid \$144,203,105 to the State of Connecticut, compared to \$158,453,809 in CY 2011. Mohegan Sun paid \$163,195,095 to the State of Connecticut in CY 2012, compared to \$177,723,457 in CY 2011.

Each casino's slot win is reported monthly to the Connecticut Division of Special Revenue. Slot revenues (win) for Foxwoods were \$576,812,419 in CY 2012 (-9.0%), compared to \$633,815,234 in CY 2011.

Slot revenues (win) for Mohegan Sun were in CY 2012 \$652,780,377 (-8.2%) compared to \$710,893,823 in CY 2011.

National and micro-level economic impact assessments of casino activity in the United States consistently document that slot revenues account on average for 70% of total gross gaming revenues at destination resort casinos. This ratio yields Calendar Year 2012 gross gaming revenues for Foxwoods of approximately \$824,264,947, compared to \$905,721,969 in CY 2011 and \$1,166,405,528 in CY 2006, which was the peak year for gross gaming revenues at Foxwoods. The Great Recession and increased competition in the Northeastern gaming market have combined to depress gross gaming revenues at Foxwoods by a total of \$342.1 million (-29.3%) from their peak in CY 2006.

Mohegan Sun's estimated gross gaming revenues are based on data and ratios derived from its FY 2012 SEC Form 10-K filing.⁵¹ Mohegan Sun's estimated gross gaming revenues for CY 2012 are \$944,573,206, compared to \$1,017,289,061 in CY 2011 and 1,302,167,671 in CY 2006, which was the peak year for gross gaming revenues at Mohegan Sun. The Great Recession and increased competition in the Northeastern gaming market have combined to depress gross gaming revenues at Mohegan Sun by a total of \$357.6 million (-27.5%) from their peak in CY 2006.

⁵⁰ Mohegan Tribal Gaming Authority and Penn National, Inc., the owner of Hollywood Slots, report financial and other data on U.S. Securities & Exchange Commission Form 10-K (Florin 2004b).

⁵¹ Mohegan Sun's (2012) "other gaming revenues" (i.e., table games and poker) are 31.8% of gross gaming revenues, while non-gaming amenities account for 17.9% of total revenues.

Previous economic impact assessments of Foxwoods Resort, and more recently Mohegan Sun, 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 by the Connecticut State Lottery.⁵² The three studies include proprietary data on Foxwoods's operations that make it possible to estimate the casino's non-gaming revenues from hotels, restaurants, shops, entertainment, and other attractions and to compare those to national ratios for similar gaming establishments (e.g., Atlantic City, Mississippi, and Las Vegas). Non-gaming revenues for Foxwoods are estimated to be 22.5% of total revenues.⁵³ Based on its FY 2011 SEC Form 10-K filing, non-gaming revenues for Mohegan Sun are known to be 17.9% of total revenues.

These ratios yield Calendar Year 2012 total (gaming + non-gaming) revenues of approximately \$1.06 billion for Foxwoods Resort and \$1.15 billion for Mohegan Sun.

If the patrons from various states account for an equal or average per capita share of the two facilities' annual total revenues,⁵⁴ then it is estimated that:

- Massachusetts residents spent approximately \$554.4 million in CY 2012 at Connecticut's two Native American casinos, compared to \$624.1 million in CY 2011 and \$876.2 million in CY 2006 (see Appendix A).
- Rhode Island residents spent approximately \$176.2 million in CY 2012 at Connecticut's two Native American casinos, compared to \$200.0 million in CY 2011 and \$291.6 in CY 2006 (see Appendix A).
- New Hampshire residents spent approximately \$50.4 million in CY at Connecticut's two Native American casinos, compared to 2012 \$64.2 million in CY 2011 and \$80.4 million in CY 2006 (see Appendix A).
- Maine residents spent approximately \$24.9 million in CY 2012 at Connecticut's two Native American casinos, compared to \$34.3 million in CY 2011 and \$33.1 million in CY 2006 (see Appendix A).
- New York residents spent approximately \$258.5 million CY 2012 at Connecticut's

⁵² See, 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).

⁵³ William Sherlock, a former Foxwoods CEO, stated that non-gaming revenues account for 22% of total revenues, but that its business strategy is to gradually increase the ratio of revenues coming from non-gaming amenities and entertainment, see, Kane (2010).

⁵⁴ This is a highly conservative assumption, but one that is consistent with the standard average or per capita cost method most commonly used in fiscal impact analyses, see Burchell, Listokin and Dolphin (1985). 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).

two Native American casinos, compared to \$321.1 million in CY 2011 and \$365.5 million in CY 2006 (see Appendix A).

Based on these figures, it is estimated that:

- Massachusetts residents contributed \$76.5 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- Rhode Island residents contributed more than \$24.2 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- New Hampshire residents contributed more than \$7.0 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- Maine residents contributed more than \$3.4 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.
- New York residents contributed more than \$36.0 million to the Connecticut state treasury as a result of its citizens' gaming activity in that state.

3.20 TWIN RIVER & NEWPORT GRAND SLOTS

The net terminal income (the VLT equivalent of slot win) at Twin River for Calendar Year 2012 was \$478,231,587, compared to \$462.7 million in CY 2011 and \$329.4 million in CY 2006.

The net terminal income at Newport Grand Slots was \$50.1 million for Calendar Year 2012 compared to \$50.0 million in CY 2011 and \$77.1 million in CY 2006.

The total estimated gaming and non-gaming expenditures at Twin River and Newport Grand Slots by Rhode Island residents was \$269.5 million in CY 2012, compared to \$263.7 million in CY 2011, and \$251.3 in CY 2006 (see Appendix A).

The total estimated gaming and non-gaming expenditures at Twin River and Newport Grand Slots by Massachusetts residents was \$295.3 million in CY 2012, compared to \$284.0 million in CY 2011, and \$182.2 million in CY 2006 (see Appendix A):

- Massachusetts residents contributed approximately \$163.7 million to the Rhode Island state treasury in CY 2012 as a result of its citizens' gaming and other gaming related expenditures in that state.
- Rhode Island residents contributed approximately \$149.6 million to the Rhode Island state treasury in CY 2012 as a result of its citizens' gaming and other gaming related expenditures in that state.

3.30 HOLLYWOOD CASINO & OXFORD CASINO

Hollywood Casino Bangor and Oxford Casino in Maine report slot machine handle and win and table games drop and win to the Maine Gaming Control Board on a monthly basis. Gross gaming revenues at Hollywood Casino were \$62.3 million in Calendar Year 2012, compared to \$59.5 million in CY 2011, and \$37.5 million in CY 2006.⁵⁵ Gross gaming revenues at Oxford Casino were \$36.5 million in Calendar Year 2012.

More detailed information about Hollywood Casino's operations and revenues are reported to the U.S. Securities & Exchange Commission on Form 10-K by Penn National Gaming, Inc. Based on information in this filing, it is estimated that non-gaming revenues account for approximately 10.1 percent of Hollywood Casino's total revenues, or \$6.3 million.⁵⁶ Thus, the total estimated gaming and non-gaming revenues at Hollywood Casino Bangor was \$69.0 million in CY 2012, compared to \$65.5 million in CY 2011, and \$38.6 million in CY 2006 (see Appendix A).

It is estimated that non-gaming revenues account for approximately 4.6 percent of Oxford Casino's total revenues, or \$1.7 million. Thus, the total estimated gaming and non-gaming revenues at Oxford Casino was \$38.2 million in CY 2012 (see Appendix A).

If the patrons from various states account for an equal or average per capita share of the gaming facilities' annual total revenues, then it is estimated that:

- Maine residents spent approximately \$90.6 million in Calendar Year 2012 at Maine's two casinos, compared to \$62.5 million in CY 2011, and \$36.4 million in CY 2006 (see Appendix A).
- Massachusetts residents spent approximately \$3 million in Calendar Year 2012 at Maine's two casinos, compared to \$655,000 in CY 2011 and \$1.4 million in CY 2006.
- New Hampshire residents spent approximately \$5.4 million in Calendar Year 2012 at Maine's two casinos, compared to \$655,000 in CY 2011, and \$1.4 million in CY 2006.

Based on these figures, it is estimated that:

- Maine residents contributed approximately \$34.4 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and other expenditure activity in that state.
- Massachusetts residents contributed approximately \$1.1 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and

⁵⁵ This total includes table games, which were introduced by Hollywood Casino in the second half of 2012.

⁵⁶ This may be a conservative estimate since non-gaming revenues (food and beverage, hotel, retail, and entertainment) account for 14.5% of total revenues across all of Penn National's (2012) casino properties in the United States.

- other expenditure activity in that state.
- New Hampshire residents contributed approximately \$2.0 million to the Maine general treasury and to the City of Bangor as a result of its citizens' gaming and other expenditure activity in that state.

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APPENDICES

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APPENDIX A						
CONNECTICUT	Slot Win	Other Gaming	Total Gaming	NonGaming	Grand Total	Contribution to CT
FOXWOODS	\$576,812,419	\$247,452,528	\$824,264,947	\$239,861,000	\$1,064,125,947	\$144,203,105
MA	\$185,156,786	\$79,432,261	\$264,589,048	\$76,995,381	\$341,584,429	\$46,289,197
RI	\$67,487,053	\$28,951,946	\$96,438,999	\$28,063,737	\$124,502,736	\$16,871,763
CT	\$219,188,719	\$94,031,961	\$313,220,680	\$91,147,180	\$404,367,860	\$54,797,180
NH	\$16,727,560	\$7,176,123	\$23,903,683	\$6,955,969	\$30,859,652	\$4,181,890
ME	\$10,382,624	\$4,454,146	\$14,836,769	\$4,317,498	\$19,154,267	\$2,595,656
VT	\$1,730,437	\$742,358	\$2,472,795	\$719,583	\$3,192,378	\$432,609
NY	\$56,527,617	\$24,250,348	\$80,777,965	\$23,506,378	\$104,284,343	\$14,131,904
NJ	\$10,959,436	\$4,701,598	\$15,661,034	\$4,557,359	\$20,218,393	\$2,739,859
OTHER	\$8,652,186	\$3,711,788	\$12,363,974	\$3,597,915	\$15,961,889	\$2,163,047
MOHEGAN SUN	\$652,780,377	\$291,792,829	\$944,573,206	\$205,916,959	\$1,150,490,165	\$163,195,095
MA	\$120,764,370	\$53,981,673	\$174,746,043	\$38,094,637	\$212,840,681	\$30,191,093
RI	\$29,375,117	\$13,130,677	\$42,505,794	\$9,266,263	\$51,772,057	\$7,343,779
CT	\$374,695,936	\$167,489,084	\$542,185,020	\$118,196,334	\$660,381,355	\$93,673,985
NH	\$11,097,266	\$4,960,478	\$16,057,745	\$3,500,588	\$19,558,333	\$2,774,317
ME	\$3,263,902	\$1,458,964	\$4,722,866	\$1,029,585	\$5,752,451	\$815,975
VT	\$2,611,122	\$1,167,171	\$3,778,293	\$823,668	\$4,601,961	\$652,780
NY	\$87,472,571	\$39,100,239	\$126,572,810	\$27,592,873	\$154,165,682	\$21,868,143
NJ	\$11,097,266	\$4,960,478	\$16,057,745	\$3,500,588	\$19,558,333	\$2,774,317
OTHER	\$12,402,827	\$5,544,064	\$17,946,891	\$3,912,422	\$21,859,313	\$3,100,707
TOTAL CT	\$1,229,592,796	\$539,245,357	\$1,768,838,153	\$445,777,959	\$2,214,616,112	\$307,398,199
MA	\$305,921,156	\$133,413,935	\$439,335,091	\$115,090,018	\$554,425,110	\$76,480,289
RI	\$96,862,170	\$42,082,623	\$138,944,793	\$37,330,000	\$176,274,793	\$24,215,542
CT	\$593,884,656	\$261,521,044	\$855,405,700	\$209,343,514	\$1,064,749,215	\$148,471,164
NH	\$27,824,827	\$12,136,601	\$39,961,428	\$10,456,557	\$50,417,985	\$6,956,207
ME	\$13,646,525	\$5,913,110	\$19,559,635	\$5,347,083	\$24,906,718	\$3,411,631
VT	\$4,341,559	\$1,909,529	\$6,251,088	\$1,543,251	\$7,794,339	\$1,085,390
NY	\$144,000,188	\$63,350,587	\$207,350,774	\$51,099,251	\$258,450,025	\$36,000,047
NJ	\$22,056,702	\$9,662,076	\$31,718,778	\$8,057,947	\$39,776,726	\$5,514,176
OTHER	\$21,055,013	\$9,255,852	\$30,310,865	\$7,510,337	\$37,821,202	\$5,263,753
						0
RHODE ISLAND	NTI	Other Gaming	Total Gaming	NonGaming	Grand Total	Contribution to RI
TWIN RIVER	\$478,231,587	N/A	\$478,231,587	\$48,779,622	\$527,011,209	\$290,841,322
MA	\$245,811,036	N/A	\$245,811,036	\$25,072,726	\$270,883,761	\$149,492,439
RI	\$219,030,067	N/A	\$219,030,067	\$22,341,067	\$241,371,134	\$133,205,325
CT	\$3,825,853	N/A	\$3,825,853	\$390,237	\$4,216,090	\$2,326,731
NH	\$2,391,158	N/A	\$2,391,158	\$243,898	\$2,635,056	\$1,454,207
ME	\$478,232	N/A	\$478,232	\$48,780	\$527,011	\$290,841
VT	\$0	N/A	\$0	\$0	\$0	\$0
NY	\$956,463	N/A	\$956,463	\$97,559	\$1,054,022	\$581,683
NJ	\$478,232	N/A	\$478,232	\$48,780	\$527,011	\$290,841
OTHER	\$5,260,547	N/A	\$5,260,547	\$536,576	\$5,797,123	\$3,199,255
NEWPORT GRAND	\$50,131,053	N/A	\$50,131,053	\$4,511,795	\$54,642,848	\$31,943,507
MA	\$22,358,450	N/A	\$22,358,450	\$2,012,260	\$24,370,710	\$14,246,804
RI	\$25,767,361	N/A	\$25,767,361	\$2,319,063	\$28,086,424	\$16,418,963
CT	\$451,179	N/A	\$451,179	\$40,606	\$491,786	\$287,492
NH	\$150,393	N/A	\$150,393	\$13,535	\$163,929	\$95,831
ME	\$0	N/A	\$0	\$0	\$0	\$0
VT	\$0	N/A	\$0	\$0	\$0	\$0
NY	\$300,786	N/A	\$300,786	\$27,071	\$327,857	\$191,661
NJ	\$50,131	N/A	\$50,131	\$4,512	\$54,643	\$31,944
OTHER	\$1,052,752	N/A	\$1,052,752	\$94,748	\$1,147,500	\$670,814
TOTAL RI	\$528,362,640	N/A	\$528,362,640	\$53,291,417	\$581,654,057	\$322,784,829
MA	\$268,169,485	N/A	\$268,169,485	\$27,084,986	\$295,254,471	\$163,739,244
RI	\$244,797,428	N/A	\$244,797,428	\$24,660,129	\$269,457,557	\$149,624,288
CT	\$4,277,032	N/A	\$4,277,032	\$430,843	\$4,707,875	\$2,614,222
NH	\$2,541,551	N/A	\$2,541,551	\$257,433	\$2,798,985	\$1,550,037
ME	\$478,232	N/A	\$478,232	\$48,780	\$527,011	\$290,841
VT	\$0	N/A	\$0	\$0	\$0	\$0
NY	\$1,257,249	N/A	\$1,257,249	\$124,630	\$1,381,880	\$773,344
NJ	\$528,363	N/A	\$528,363	\$53,291	\$581,654	\$322,785
OTHER	\$6,313,300	N/A	\$6,313,300	\$631,324	\$6,944,623	\$3,870,068

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APPENDIX A (continued)						
MAINE	Slot Win	Other Gaming	Total Gaming	NonGaming	Grand Total	Contribution to ME
HOLLYWOOD	\$56,212,926	\$6,470,964	\$62,683,890	\$6,331,073	\$69,014,963	\$26,798,218
MA	\$1,236,684	\$142,361	\$1,379,046	\$139,284	\$1,518,329	\$589,561
RI	\$168,639	\$19,413	\$188,052	\$18,993	\$207,045	\$80,395
CT	\$112,426	\$12,942	\$125,368	\$12,662	\$138,030	\$53,596
NH	\$1,180,471	\$135,890	\$1,316,362	\$132,953	\$1,449,314	\$562,763
ME	\$48,399,329	\$5,571,500	\$53,970,829	\$5,451,054	\$59,421,883	\$23,073,266
VT	\$281,065	\$32,355	\$313,419	\$31,655	\$345,075	\$133,991
NY	\$56,213	\$6,471	\$62,684	\$6,331	\$69,015	\$26,798
NJ	\$281,065	\$32,355	\$313,419	\$31,655	\$345,075	\$133,991
OTHER	\$4,497,034	\$517,677	\$5,014,711	\$506,486	\$5,521,197	\$2,143,857
OXFORD	\$29,887,262	\$6,652,279	\$36,539,541	\$1,680,819	\$38,220,360	\$13,955,454
MA	\$1,195,490	\$266,091	\$1,461,582	\$67,233	\$1,528,814	\$558,218
RI	\$29,887	\$6,652	\$36,540	\$1,681	\$38,220	\$13,955
CT	\$119,549	\$26,609	\$146,158	\$6,723	\$152,881	\$55,822
NH	\$3,108,275	\$691,837	\$3,800,112	\$174,805	\$3,974,917	\$1,451,367
ME	\$24,358,119	\$5,421,607	\$29,779,726	\$1,369,867	\$31,149,593	\$11,373,695
VT	\$149,436	\$33,261	\$182,698	\$8,404	\$191,102	\$69,777
NY	\$59,775	\$13,305	\$73,079	\$3,362	\$76,441	\$27,911
NJ	\$59,775	\$13,305	\$73,079	\$3,362	\$76,441	\$27,911
OTHER	\$806,956	\$179,612	\$986,568	\$45,382	\$1,031,950	\$376,797
TOTAL MAINE	\$86,100,188	\$13,123,243	\$99,223,431	\$8,011,892	\$107,235,323	\$40,753,673
MA	\$2,432,175	\$408,452	\$2,840,627	\$206,516	\$3,047,144	\$1,147,779
RI	\$198,526	\$26,065	\$224,591	\$20,674	\$245,265	\$94,350
CT	\$231,975	\$39,551	\$271,526	\$19,385	\$290,911	\$109,418
NH	\$4,288,747	\$827,727	\$5,116,474	\$307,758	\$5,424,232	\$2,014,130
ME	\$72,757,448	\$10,993,107	\$83,750,555	\$6,820,921	\$90,571,476	\$34,446,961
VT	\$430,501	\$65,616	\$496,117	\$40,059	\$536,177	\$203,768
NY	\$115,987	\$19,776	\$135,763	\$9,693	\$145,456	\$54,709
NJ	\$340,839	\$45,659	\$386,499	\$35,017	\$421,516	\$161,902
OTHER	\$5,303,990	\$697,289	\$6,001,279	\$551,868	\$6,553,147	\$2,520,655
NEW ENGLAND	Slot Win	Other Gaming	Total Gaming	NonGaming	Grand Total	Contribution
TOTAL	\$1,844,055,624	\$552,368,600	\$2,396,424,224	\$507,081,367	\$2,903,505,591	\$670,936,700
MA	\$576,522,816	\$133,822,387	\$710,345,204	\$142,381,553	\$852,726,756	\$241,367,312
RI	\$341,858,124	\$42,108,688	\$383,966,812	\$62,010,815	\$445,977,628	\$173,934,181
CT	\$598,393,663	\$261,560,595	\$859,954,258	\$209,793,781	\$1,069,748,039	\$151,194,804
NH	\$34,655,124	\$12,964,329	\$47,619,453	\$11,021,751	\$58,641,204	\$10,520,374
ME	\$86,882,205	\$16,906,217	\$103,788,422	\$12,216,785	\$116,005,207	\$38,149,434
VT	\$4,772,060	\$1,975,145	\$6,747,205	\$1,583,311	\$8,330,515	\$1,289,158
NY	\$145,373,425	\$63,370,362	\$208,743,787	\$51,233,583	\$259,977,370	\$36,828,100
NJ	\$22,925,904	\$9,707,735	\$32,633,640	\$8,146,258	\$40,779,897	\$5,998,862
OTHER	\$32,672,303	\$9,953,140	\$42,625,443	\$8,693,530	\$51,318,974	\$11,654,476

APPENDIX B PER CAPITA TOTAL SPENDING BY STATE: FOXOODS RESORT & MOHEGAN SUN, 2012					
	Foxwoods	Mohegan	Total	Age 21 +	Per Capita
MA	\$341,584,461	\$212,840,681	\$554,425,142	4,823,404	\$ 115
RI	\$124,502,747	\$51,772,057	\$176,274,804	771,477	\$ 228
CT	\$404,367,898	\$660,381,355	\$1,064,749,253	2,604,478	\$ 409
NH	\$30,859,655	\$19,558,333	\$50,417,988	970,653	\$ 52
ME	\$19,154,269	\$5,752,451	\$24,906,720	998,947	\$ 25
VT	\$3,192,378	\$3,778,293	\$6,970,671	626,431	\$ 11

Source: Center for Policy Analysis & 2011 American Community Survey (U.S. Census).

APPENDIX C PER CAPITA TOTAL SPENDING BY STATE: ALL NEW ENGLAND CASINOS & RACINOS						
State	Foxwoods & Mohegan Sun	Twin River & Newport Slots	Hollywood and Oxford Casinos	Grand Total	Age 21+	Per Capita
MA	\$554,425,141	\$295,254,471	3,047,144	\$ 852,726,756	4,823,404	\$177
RI	\$176,274,805	\$269,457,557	245,265	\$ 445,977,627	771,477	\$578
CT	\$1,064,749,252	\$4,707,875	290,911	\$ 1,069,748,038	2,604,478	\$411
NH	\$50,417,988	\$2,798,985	5,424,232	\$ 58,641,205	970,653	\$60
ME	\$24,906,720	\$527,011	90,571,476	\$ 116,005,207	998,947	\$116
VT	\$7,794,339	\$0	536,177	\$ 8,330,516	626,431	\$13

Sources: Center for Policy Analysis & 2009 American Community Survey (U.S. Census).

APPENDIX D DAILY WIN PER SLOT/VLT, CY 2000 TO CY 2012						
Year	Foxwoods	Mohegan	Twin River	Newport	Hollywood	Oxford
2000	366	509	287	168	-	-
2001	356	418	323	188	-	-
2002	338	331	378	227	-	-
2003	336	364	335	212	-	-
2004	326	378	336	212	-	-
2005	312	392	309	204	143	-
2006	326	416	252	198	216	-
2007	304	418	245	186	249	-
2008	261	366	235	155	188	-
2009	246	310	231	114	162	-
2010	255	315	245	124	169	-
2011	270	308	267	125	163	-
2012	252	305	275	126	168	212

