

Five Year License
Renewal: Belterra
Resort Indiana, LLC

FIVE-YEAR LICENSE RENEWAL:
Belterra Resort Indiana, LLC

Drew Klacik
Laura Littlepage
Seth Payton

Center for Urban Policy and the Environment 05-C21
Indiana University School of Public and Environmental Affairs
Indiana University-Purdue University Indianapolis

Larry DeBoer
Purdue University

October 2005

Table of Contents

Introduction.....	1
Project Development and Gaming Activities.....	3
Project Development Certificate Compliance.....	3
Gaming Activity.....	4
Impact of Gaming Activity on Tourism.....	4
Employment.....	8
Employment Certificate Compliance.....	8
Impact on Belterra’s Workforce.....	8
An Overview of the Respondents.....	9
Employment History Prior to Beginning Work at Belterra.....	11
Beginning Work at Belterra.....	12
Current Annual Income.....	15
Belterra Benefits: Training, Insurance, and Outcomes.....	18
Benefits.....	19
Economic and Fiscal Activity.....	21
Compliance.....	21
Tax Revenue.....	21
Incentive Payments.....	23
Fiscal Impact of Tax Revenues on Local Government.....	24
Riverboat Revenues and the Size of Local Budgets.....	25
Economic and Demographic Indicators of Fiscal Impact.....	27
Expected Effects of Belterra on Switzerland County Budgets.....	29
Switzerland County.....	32
Vevay Town.....	36
Switzerland County School Corporation.....	37
Economic Benefit of Gaming-Related Taxes and Incentive Payments.....	37
Local Investments.....	38
Total Direct Benefits.....	39
Indirect and Induced Economic Benefits.....	41
Long-Term Economic Benefits of Gaming Related Taxes and Incentives.....	48
Other Issues.....	49
Summary of Findings.....	50

List of Tables

Table 1: Local Spending, Sponsorship, and Contributions	3
Table 2: Gaming Activity.....	4
Table 3: Time Spent in Local Area	7
Table 4: Employment and Wages	8
Table 5: State Direct Taxes	22
Table 6: Local Direct Taxes.....	23
Table 7: Schedule and Description of Incentive Payments	24
Table 8: Belterra and other Riverboat Revenues Compared to Assessed Value	26
Table 9: Property Tax Rates that would be Required to Raise Riverboat Revenue.....	27
Table 10: Population in Switzerland and Comparable Counties, 1999-2003	28
Table 11: School Enrollment in Switzerland and Comparable School Corporations, 2000-2005.....	28
Table 12: Personal Income and Employment in Switzerland and Comparable Counties, 1999-2003	29
Table 13: Budgets of Switzerland County Government and Five Comparable Counties, 2000 and 2005.....	33
Table 14: Budgets of Vevay Town Government and Five Comparable Towns, 2000 and 2005.....	34
Table 15: Budgets of Switzerland County School Corporation and Five Comparable School Corporations, 2000 and 2005	35
Table 16: Belterra' Efforts to Prevent Underage Gambling.....	49

List of Figures

Figure 1: Belterra’s Patrons’ Reason for Visiting the Local Area.....	5
Figure 2: Regularity of Patron Visits to Belterra.....	6
Figure 3: Average Miles Traveled by Regularity of Visits to Belterra.....	7
Figure 4: Total Number of Individuals in Household.....	9
Figure 5: Highest Level of Education.....	10
Figure 6: Sector of Employment Prior to Beginning Work at Belterra.....	11
Figure 7: Reason for Beginning Work at Belterra.....	12
Figure 8: Beginning Wage at Belterra.....	13
Figure 9: Change in Annual Income upon Beginning Work at Belterra.....	14
Figure 10: Current Annual Income of Belterra Employees.....	15
Figure 11: Years Worked at Belterra.....	16
Figure 12: Number of Hours Worked per Week at Belterra.....	17
Figure 13: Training and Education Opportunities for Belterra Employees.....	18
Figure 14: Benefits at Belterra.....	19
Figure 15: Changes in Housing Status since Beginning Work at Belterra.....	20
Figure 16: Estimated Expenditure by Type of Public Investment.....	39
Figure 17: Direct Employment Attributable to the Spending of Riverboat-Related Revenue.....	40
Figure 18: Average Employee Earnings Attributable to Spending of Riverboat-Related Revenue.....	41
Figure 19: Direct, Indirect and Induced Economic Benefits.....	42
Figure 20: Indirect and Induced Benefit per \$1.00 of Direct Investment by Type of Investment.....	43
Figure 21: Indirect and Induced Jobs.....	44
Figure 22: Direct Expenditures per New Job Created.....	45
Figure 23: Indirect and Induced Wages.....	46
Figure 24: Direct Expenditures per \$1 of New Employee Compensation.....	47



INTRODUCTION

The Riverboat Gambling Act (Act), effective July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for the express purpose of riverboat gambling in the state of Indiana. Part of the statutory criteria for issuance of these licenses, in addition to being financially capable of completing the project and passing an Indiana State Police investigation, is the applicant's ability to promote tourism and economic development in the home dock area while best serving the interest of the citizens of Indiana. The Indiana Gaming Commission (Commission) contracted with the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to perform economic impact, fiscal impact, financial, management, and other analyses required to assist the Commission in awarding the initial riverboat casino licenses. Additionally, the Commission requested the Center's assistance in monitoring the economic impacts and fiscal returns from each riverboat operation.

In partnership with the Commission, the Center has, since 1993, completed evaluations for the granting of eleven riverboat casino licenses. The Center also has completed annual performance reports for all operating riverboat casinos. In addition, the Center has provided other analyses for the Commission, as requested, and also served as the staff and conducted extensive research for the Indiana Gambling Impact Study Commission.

The Center uses analytic and decision facilitation competencies to inform policy choices about complex societal, economic, and political problems, especially in Central Indiana. The Center is nonpartisan and non-ideological and works on a broad range of policy issues. Governments, nonprofit organizations, businesses, and foundations support projects at the center. Affiliated faculty from Indiana University–Purdue University Indianapolis and other universities, professional staff of the Center, and graduate assistants form project teams.

On September 14, 1998, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Switzerland County, Indiana. Belterra Resort Indiana, LLC (Belterra) formerly known as Pinnacle Gaming Development Corporation, opened on October 27, 2000. The Act specifies that an owner's initial license expire five (5) years after the effective date of the license. This report is an analysis of Belterra's first five years of operation.

The Certificate specified certain levels of project development and incentive payments to be made by Belterra and specified that Belterra abide by agreements made with Switzerland County. Because this analysis must be completed before the completion of Belterra's fifth year of operations, in year five, data are shown for year five through July 31, 2005. In addition to the five-year totals of components included in the previous annual reports, this report includes an analysis of the tourism impact of Belterra's visitors, a study of the employment impact, a descriptive analysis of the economic impact of the additional revenue received, and an analysis of the fiscal impact on local communities. This five-year report is the tenth analysis, one for each currently licensed Indiana riverboat. The first, an analysis of Aztar, was completed in February 2001. The next three, Empress, Trump, and Majestic Star, were completed in July 2001. The fifth and sixth, Grand Victoria and Argosy were completed in



November 2001. The seventh report, Harrah's, was completed in April 2002. The eighth report, Blue Chip, was completed in July 2002. The ninth, Caesars, was completed in August 2003.



PROJECT DEVELOPMENT AND GAMING ACTIVITIES

The 3,000-passenger riverboat opened with 38,000 square feet of gaming space. The facility has a 15-story hotel with 608 rooms, three-level garage for approximately 2,200 cars plus additional surface parking, seven restaurants, an 18-hole Tom Fazio Golf Course, a spa and health club, a 1,750-seat showroom, retail shops, and banquet facilities. In 2004, Belterra opened a new tower to their hotel which resulted in additional hotel rooms and a convention center with more meeting rooms. In 2005 a 2,800 square foot Poker Room was added to the casino.

Gaming activity reflects the number of riverboat patrons and how much money they spent. Spending is defined as the amount bet, less winnings received.

Project Development Certificate Compliance

In the Certificate of Suitability (Certificate), Belterra committed to spend \$148 million on project development, in addition to pledging to Switzerland County other incentives totaling several million dollars. Through July 2005, it had spent \$302.3 million, more than double what was projected.

Belterra has spent money locally for both capital and operating expenses as well as through sponsorships and contributions. As Table 1 illustrates, since opening, Belterra has spent \$15.7 million locally. Additionally, Belterra has impacted the Switzerland County area through \$1.9 million in sponsorships and contributions to local area organizations. The increase in 2004 was mostly due to a \$550,000 sponsorship for a race at Kentucky Speedway. This excludes any contributions that were part of the local development agreement, which are discussed under Incentive Payments.

Table 1: Local Spending, Sponsorship, and Contributions

	Opening -2001	2002	2003	2004	2005 through 7/31	Total
Local Spending (\$ millions)	\$1,700,000	\$1,252,272	\$3,362,305	\$5,715,510	\$3,623,393	\$15,653,480
Sponsorships and Contributions	\$664,658	\$130,227	57,351.60	\$701,222	\$317,009	\$1,870,468



Gaming Activity

The Certificate did not require any specific levels of gaming activity by Belterra. As Table 2 illustrates, Belterra has had attendance of over nine million people since opening and adjusted gross gaming receipts of \$589 million, for an average casino win of \$63 per patron per cruise.

Table 2: Gaming Activity

Category	Opening -2001	2002	2003	2004	2005 through 7/31	Total/Average
Admissions	2,310,951	2,259,698*	1,726,935*	1,924,474*	1,193,799*	9,415,857*
Gross Gaming Receipts	\$96,024,050	\$117,279,766	\$131,808,473	\$148,578,069	\$95,065,803	\$588,756,161
\$ Per Patron per Cruise	\$42	\$52	\$76	\$77	\$80	\$63

* Reflects flexible boarding attendance since August 2002.

Impact of Gaming Activity on Tourism

One argument for legalizing gaming riverboats was that the projects would become a tourist destination and local businesses would benefit from the influx of visitors who would consume goods and services at local establishments as well as the riverboat casino. It also was assumed that most of the casino visitors would be tourist and not local residents.

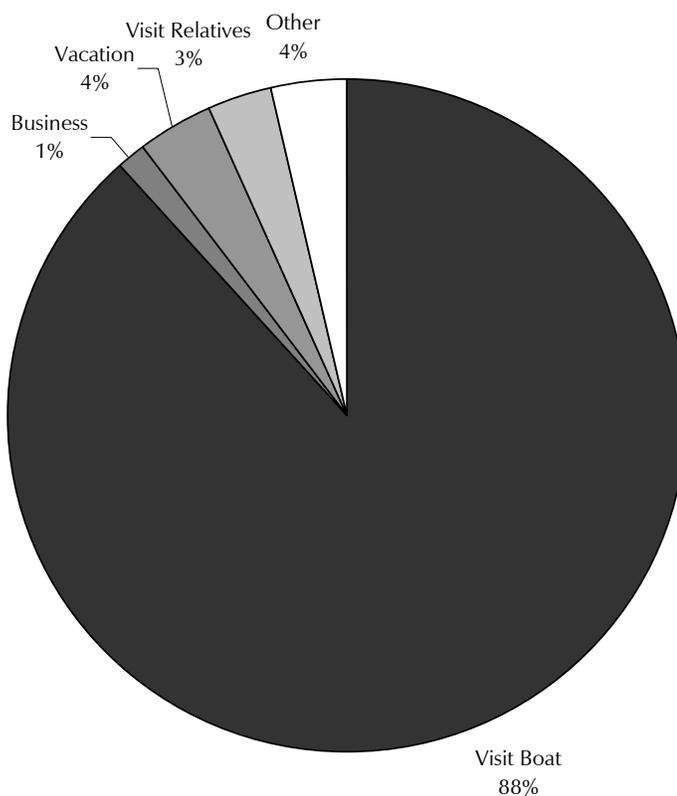
With the cooperation of Belterra, the Center conducted face-to-face interviews with riverboat patrons over a four-day period in October 2005 (Friday through Monday) at the riverboat entrance. During the four-day period, the Center acquired a 546-patron sample. According to the data, the average distance traveled to the riverboat was 91 miles. Twenty-six percent of the interviewees were from Indiana. Thirty-eight percent of the interviewees came from Ohio and 35 percent came from Kentucky.¹

¹ While not a statistically representative sample, survey responses were consistent and provide information necessary to draw adequate conclusions.



To suggest that riverboat casinos increase tourism in local areas is to presume that the riverboat will draw people that otherwise would not have visited the area. To test that assumption, each interviewed patron was asked to provide the main reason for traveling to the local area. Figure 1 indicates that 88 percent of the patrons state that their main reason for traveling to the area was to visit the Belterra Casino. Another 8 percent of patrons were visiting relatives, on a business trip, or vacationing.

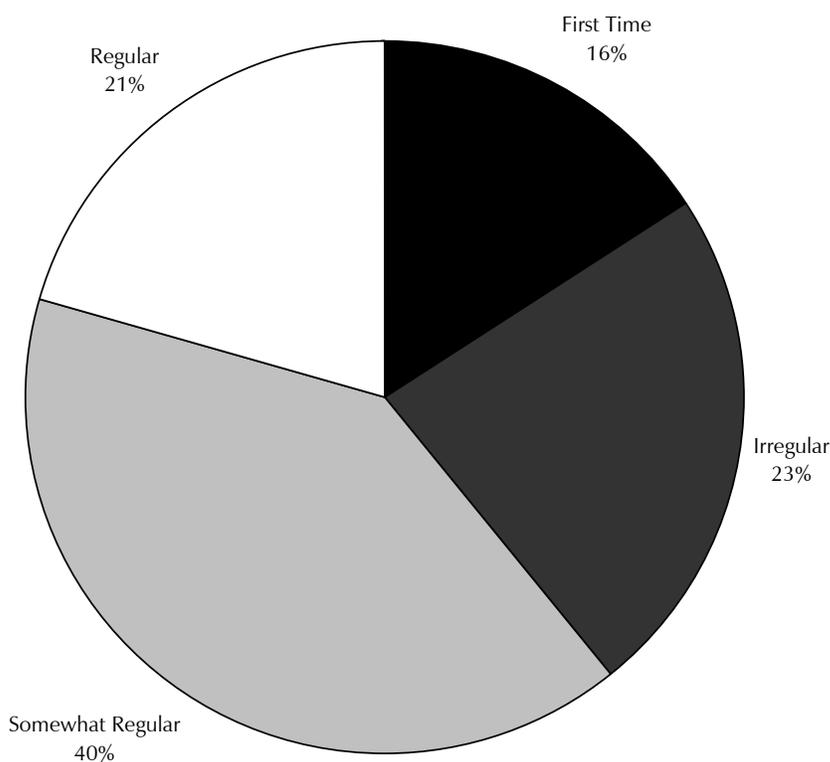
Figure 1: Belterra's Patrons' Reason for Visiting the Local Area





The patrons also were asked how often they visit Belterra. Specifically, each interviewed respondent was asked to what degree he or she regularly visited the riverboat. Figure 2 illustrates the proportion of respondents who were categorized by broad categories: first time visitor, irregular visitor, somewhat regular visitor, or regular visitor. As shown, 61 percent of the patrons visit the riverboat at least somewhat regularly. The remaining 29 percent of respondents were first time or irregular visitors of Belterra.

Figure 2: Regularity of Patron Visits to Belterra



First time visitor

- Visiting Belterra for the first time

Irregular visitor

- Visit Belterra less than once a year
- Visit Belterra one or two times a year

Somewhat regular visitor

- Visit Belterra every couple months
- Visit Belterra once a month

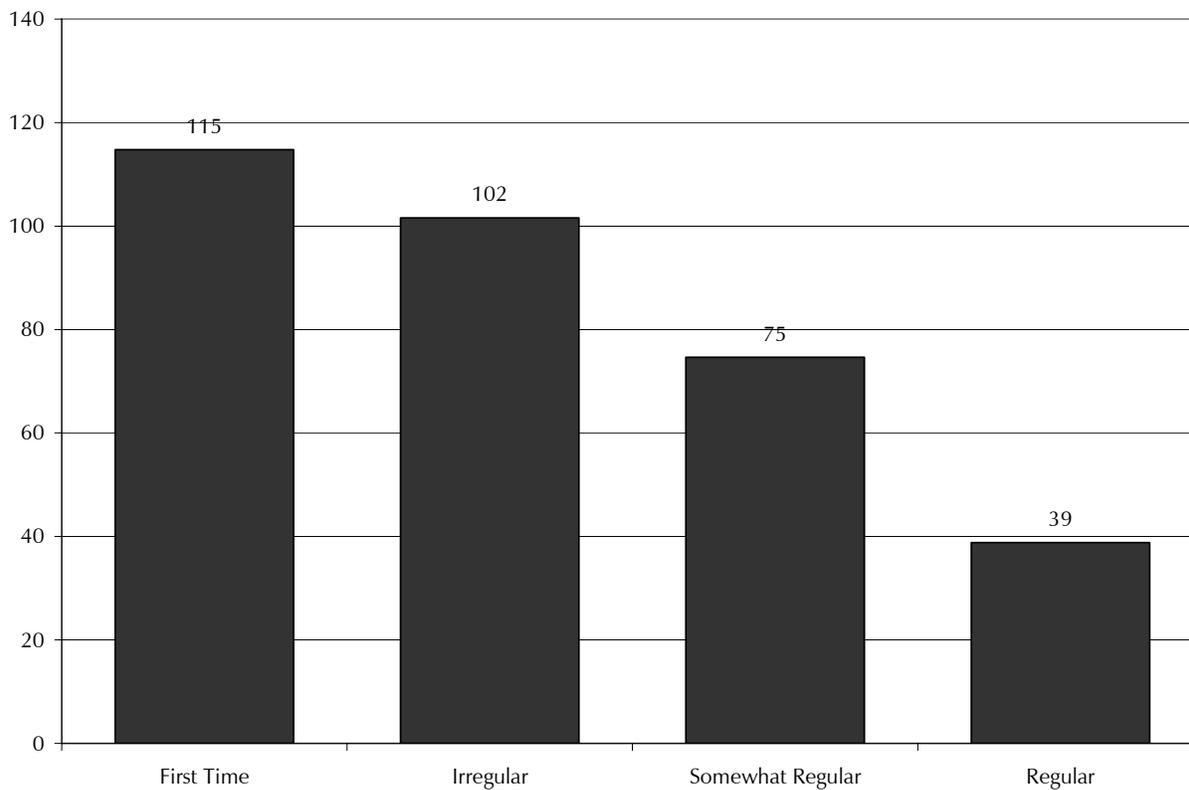
Regular visitor

- Visit Belterra once a week
- Visit Belterra two to three times a week
- Visit Belterra every day



Figure 3 illustrates the average estimated distance traveled to visit the riverboat by the regularity of visits. As shown, the average distance traveled consistently decreased from 115 miles to 39 miles as regularity of visits increased. The patrons who visit the riverboat more frequently are more likely to live closer to the riverboat.

Figure 3: Average Miles Traveled by Regularity of Visits to Belterra



As state previously, 88 percent of the interviewed patrons were in Switzerland County to visit the riverboat. In addition, each patron was asked how long he or she planned to stay in Switzerland County during his or her visit. Table 3 indicates that 50 percent of the patrons stayed longer than 8 hours. Those patrons who stayed for more than a day were more likely to have traveled farther distances to visit the riverboat. In general, the average miles traveled by patrons who stayed more than a day was nearly two times greater than those who stayed for less than 8 hours.

Table 3: Time Spent in Local Area

	Number of Patrons	Proportion of Respondents	Average Miles Traveled
8 Hours or Less	273	50%	55
9 to 24 hours	42	8%	96
1 to 4 days	224	42%	102
Total Sample	539	100%	91

* Not all respondents were willing to provide ZIP code



EMPLOYMENT

Employment Certificate Compliance

As of July 31, 2005, 57 percent of Belterra's employees were women and eight percent were minorities. Approximately 63 percent were from Indiana with 40 percent from Switzerland County. In its application, Belterra did not make hiring commitments.

As Table 4 indicates, as of July 31, 2005, Belterra had employment of 1,277 persons in the hotel and casino, slightly above their five-year average of 1,245. Since opening, Belterra has paid \$161 million in wages. Full- and part-time employees receive benefits that include health care coverage and vacation time.

Table 4: Employment and Wages

Category	Opening -2001	2002	2003	2004	2005 through 7/31	Total/Average
Employment	1,336	1,232	1,126	1,253	1,277	1,245
Total Wages, Tips & Benefits	\$39,078,835	\$34,377,729	\$33,642,910	\$34,411,821	\$19,951,202	\$161,462,497

Impact on Belterra's Workforce

To assist in the 5-year license evaluation of the Belterra riverboat casino the Center for Urban Policy and the Environment in August 2005 conducted a survey of current Belterra employees. The survey and accompanying analysis is intended to assist the Indiana Gaming Commission in determining the impact of Belterra on the local workforce. The analysis is divided into four topic areas:

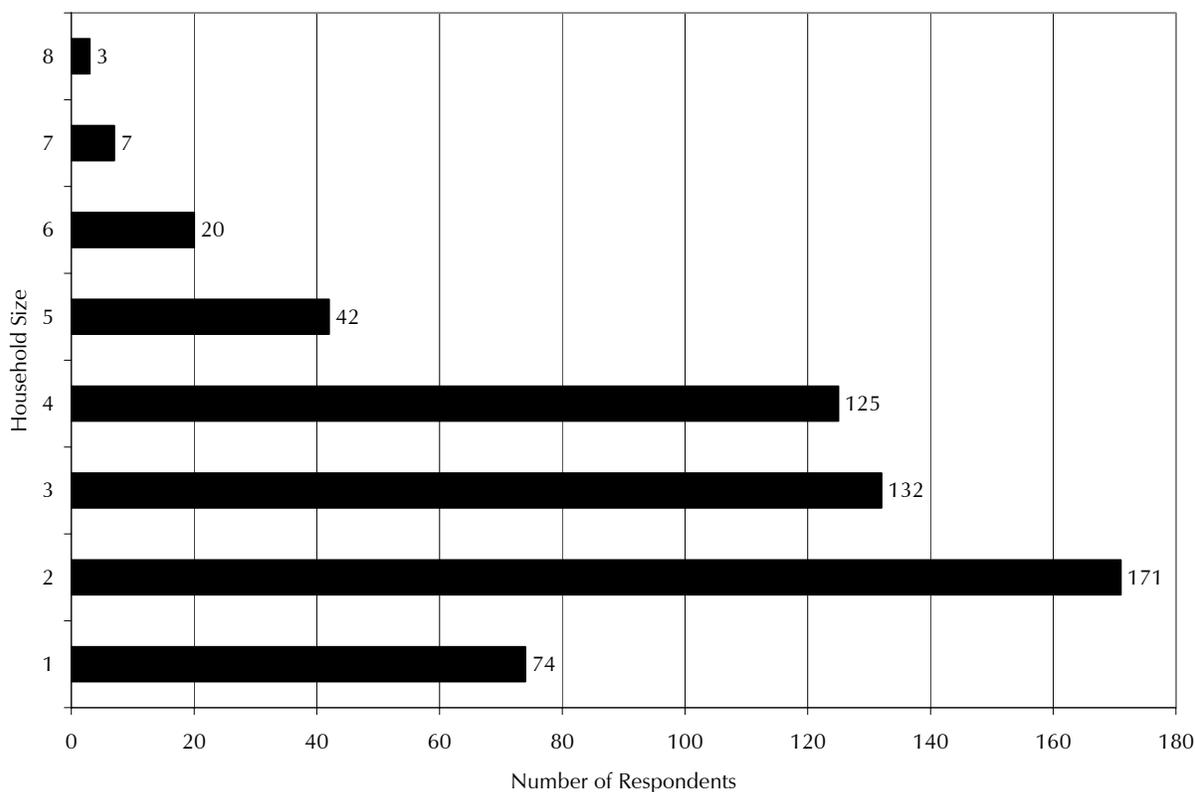
1. an overview of the respondents
2. the respondents employment history prior to beginning work at Belterra
3. the initial experience of the respondents upon beginning work at Belterra
4. the benefits available to Belterra employees



An Overview of the Respondents

There were 597 total responses to the survey; however no one responded to every question. For example, 569 individuals (95 percent) responded to the question concerning gender and of those who responded 220 or 39 percent were males and 349 or 61 percent were female. The average reported age of the respondents 38 years; the oldest respondent claimed to be 80 years old and the youngest 18. Four hundred twenty eight or 74.6 percent of the 574 respondents indicated that they lived in two, three, or four-person households. More respondents lived in two-person households than any other category; there were 171 two person households. Only 12.5 percent or 72 respondents reported living in a household with five or more individuals. Figure 4 displays the full array of persons per household.

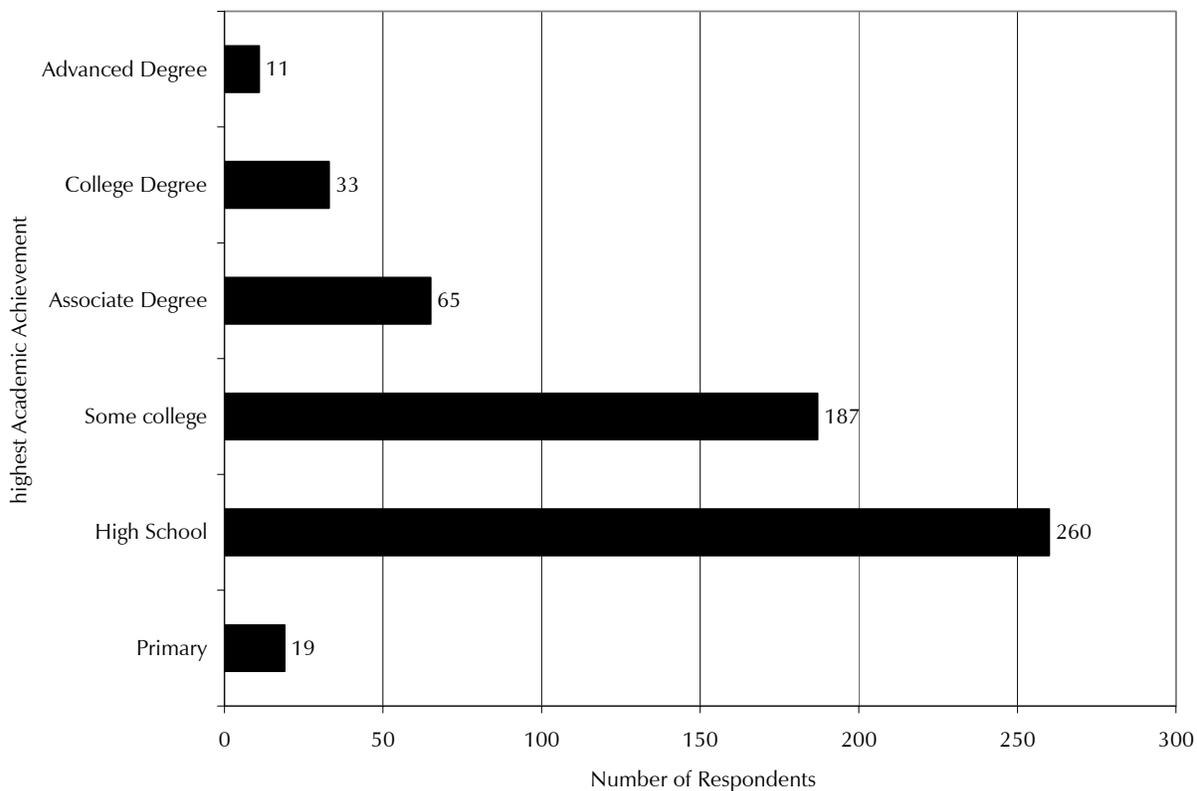
Figure 4: Total Number of Individuals in Household





Nearly all (97 percent) of the respondents reported having earned at least a high school diploma. Five hundred and twelve of the respondents (89 percent) reported high school or attending some college or an associate's degree as their highest level of education. An additional 44 respondents or eight percent reported receiving an undergraduate or graduate college degree as their highest level of education. Figure 5 summarizes the educational achievement of all respondents.

Figure 5: Highest Level of Education





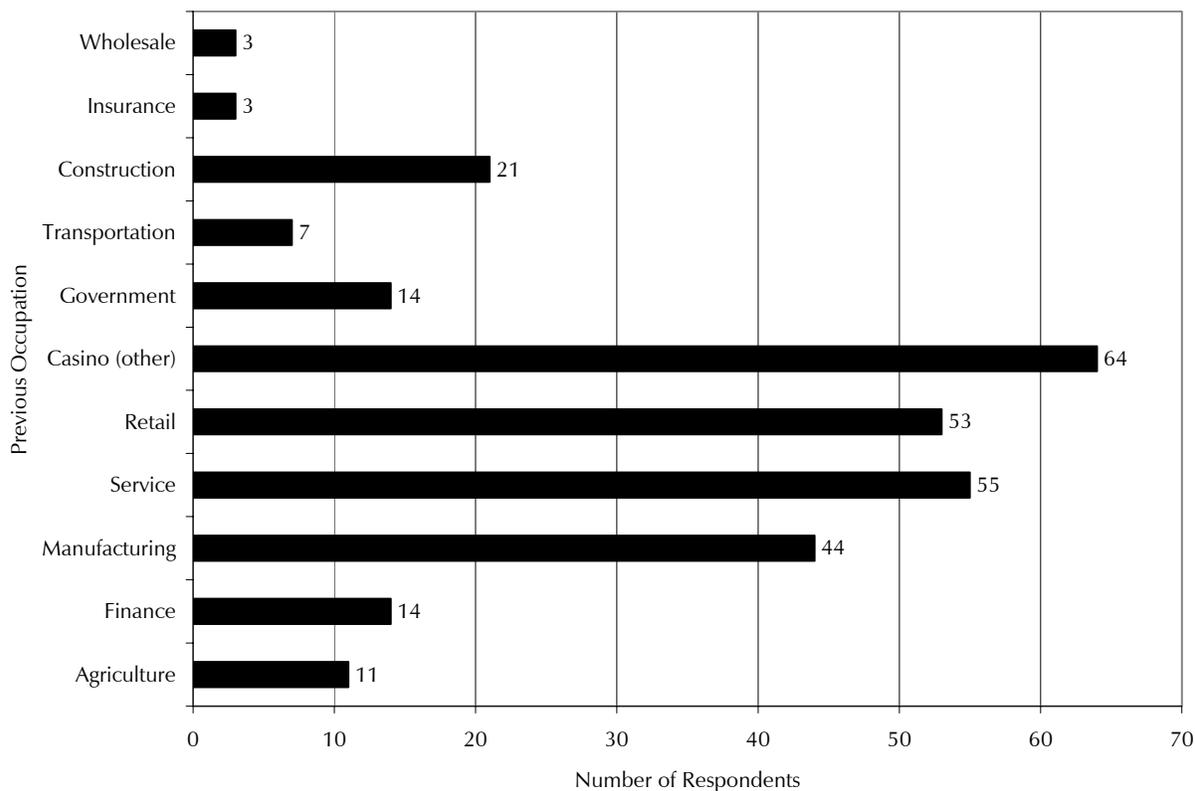
Employment History Prior to Beginning Work at Belterra

Nearly 64 percent of those who responded were employed full-time prior to beginning work at Belterra. Twenty-six percent of those who responded were unemployed prior to beginning to work at Belterra.

- Employed full-time prior to beginning work at Belterra 63.9 percent
- Employed part-time prior to beginning work at Belterra 10.1 percent
- Unemployed prior to beginning work at Belterra 26.0 percent

Nearly 60 percent of the respondents who identified a specific type of previous employment, previously worked either at another casino (64), the service sector (55), or in the retail sector (53). The other economic sector in which a sizeable portion of Belterra's current employees previously worked was manufacturing. One hundred twenty-five individuals did not believe their previous employment fit into any of the categories listed below in Figure 6. The most frequent types of employment of those who did not identify one of the categories below was teaching, child care, food services, and health care.

Figure 6: Sector of Employment Prior to Beginning Work at Belterra





Beginning Work at Belterra

As shown in Figure 7, the most common reason for choosing to work at Belterra was more money; however working closer to home was the primary reason for nearly as many respondents. Together these two responses made up over 55 percent of all responses. There were 99 “other” responses. The most common “other” responses were wanted a career change and laid off from previous job.

Figure 7: Reason for Beginning Work at Belterra

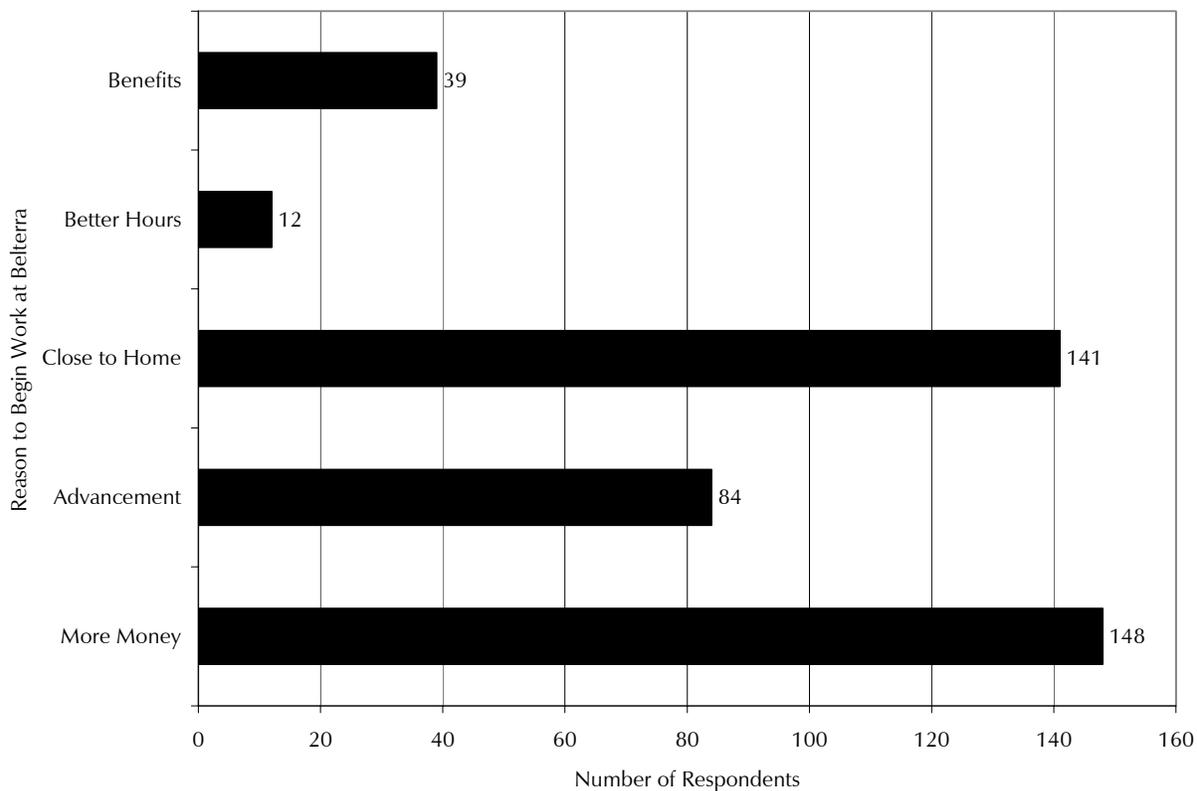
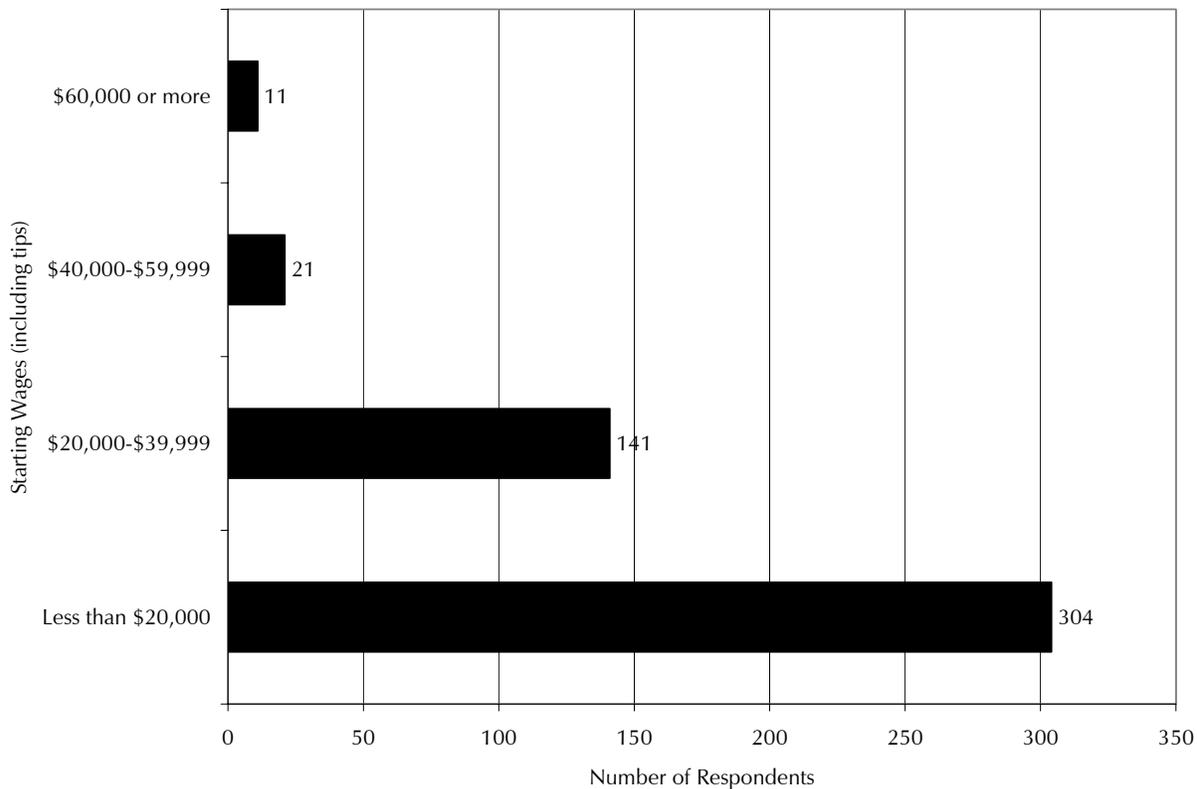




Figure 8 displays the starting wages for the 477 respondents who reported that they work full time and provided a starting annual income (including tips). The vast majority of respondents, 304 or 64 percent reported earning less than \$20,000 in the first year of their employment. An additional 141 or 30 percent reported earning between \$20,000 and \$39,999. The average annual income upon beginning work at Belterra was \$22,080 and the median was \$18,500.

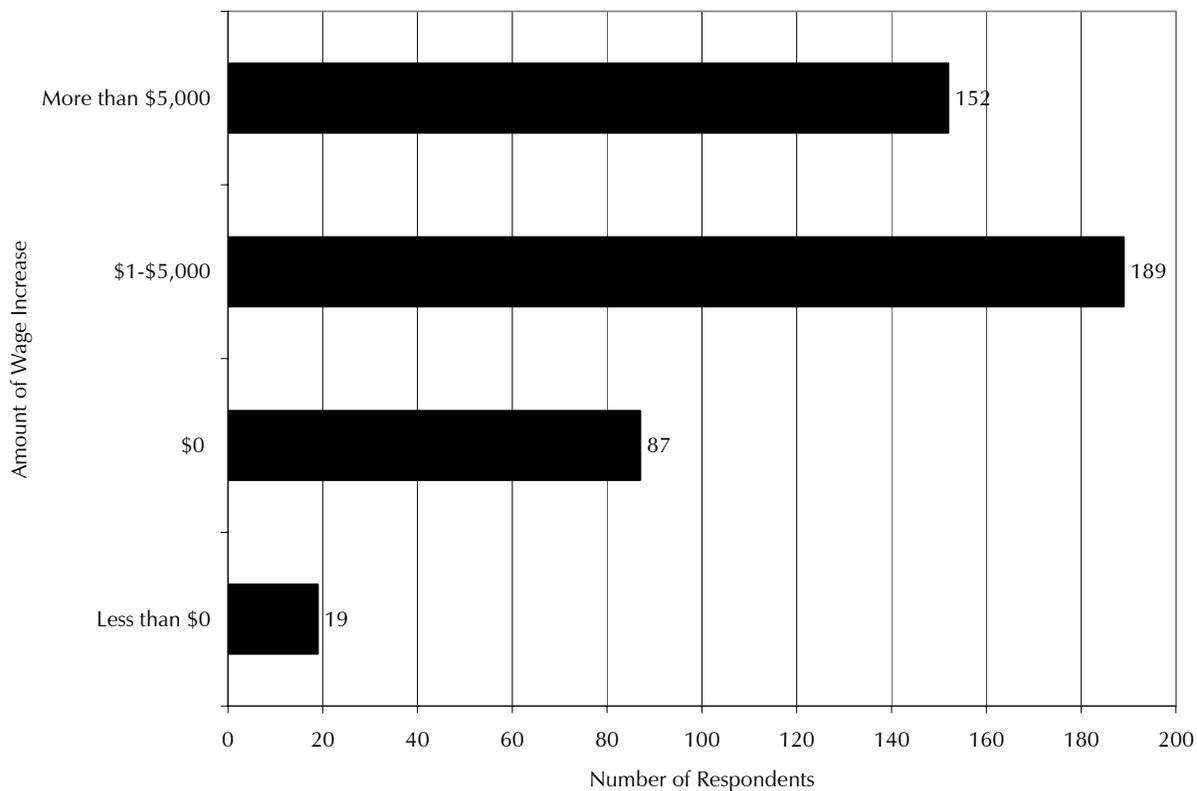
Figure 8: Beginning Wage at Belterra





Over 76 percent of the 447 respondents reporting a prior annual wage and a beginning wage at Belterra received a raise upon beginning their new casino-based job. Only 19 respondents or 4 percent of those responding reported receiving reduced income. The average change in income for those individuals reporting a prior annual wage and a beginning Belterra wage was a \$5,526 increase and the median was a \$3,000 increase.

Figure 9: Change in Annual Income upon Beginning Work at Belterra

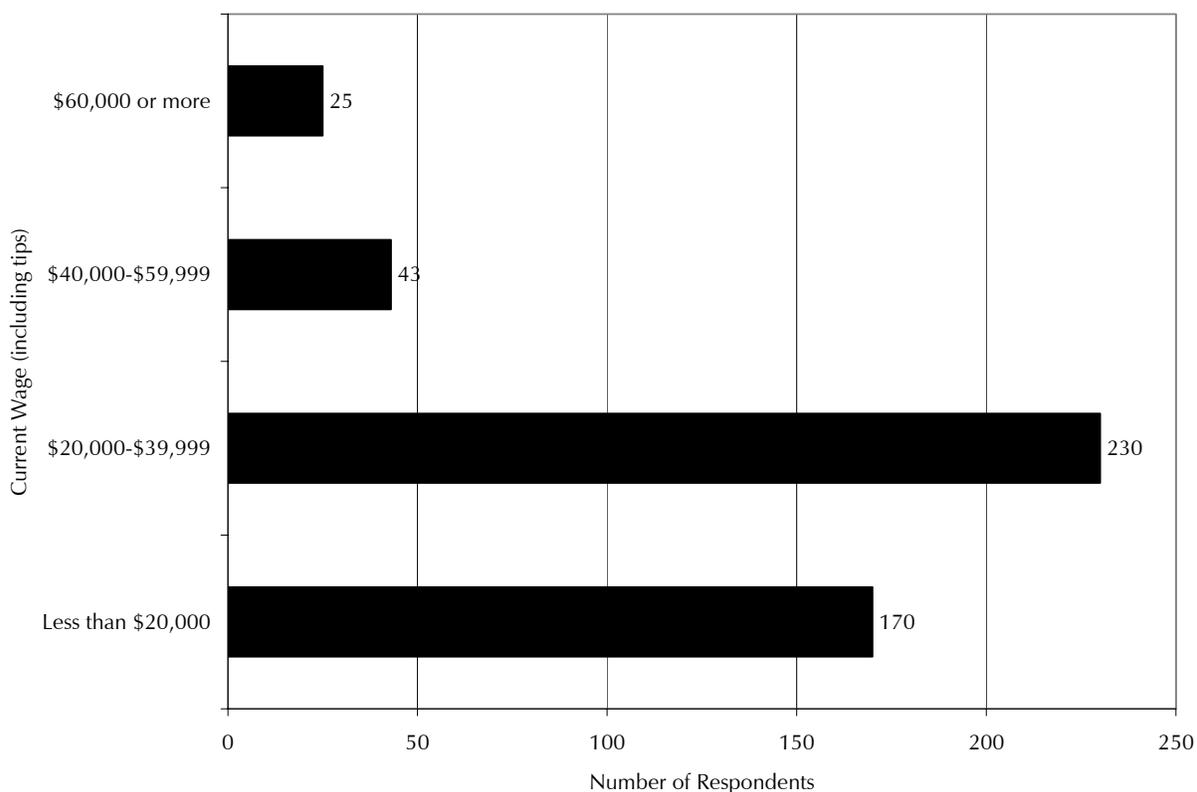




Current Annual Income

The average annual income of the 468 Belterra full-time employees responding to this question was \$27,473 and the median was \$23,900. As shown in Figure 10, 230 or 49 percent of those responding earn between \$20,000 and \$39,999. In 2003 (the latest date available), the Bureau of Economic Analysis reported that the per capita income in Switzerland County was \$21,452. The 2002 Census median household income in Switzerland County was estimated to be \$35,349.

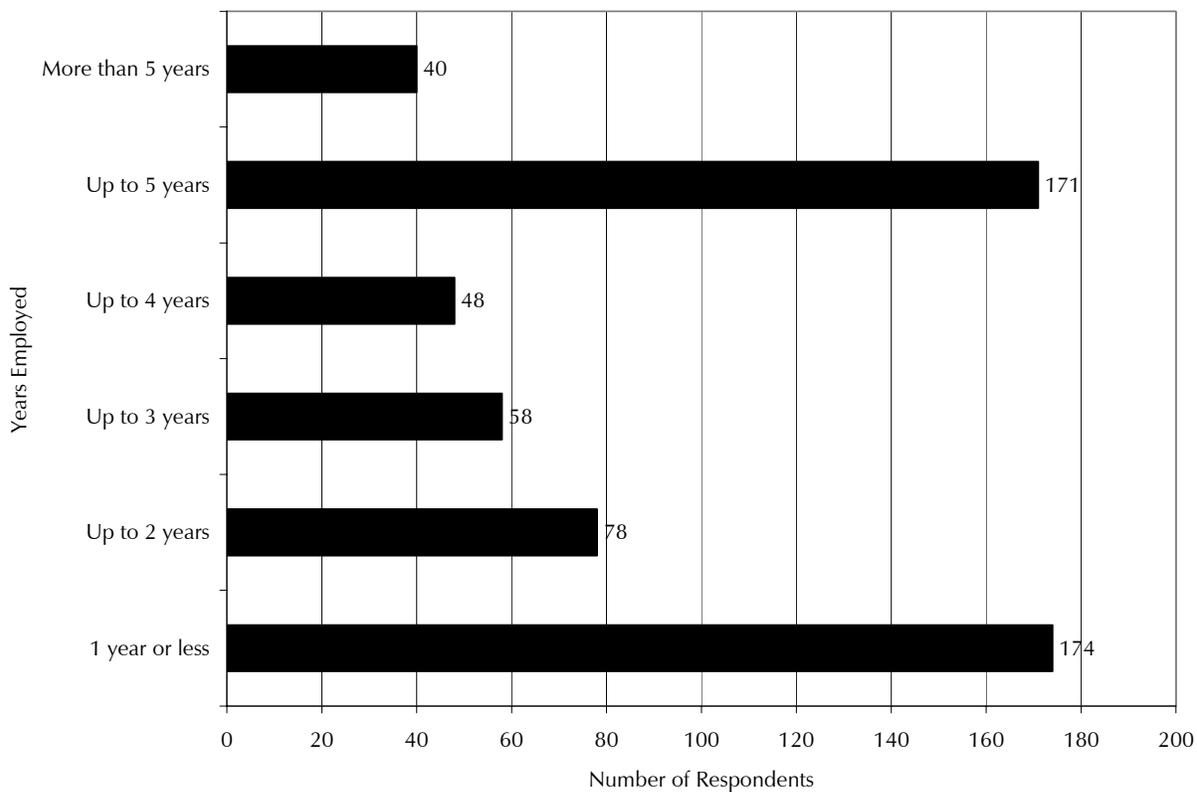
Figure 10: Current Annual Income of Belterra Employees





The average length of employment at Belterra for the 569 employees responding to this question was 2 years and 9 months and the median was 3. Figure 11 displays the number of employees and years worked. Approximately 37 percent (211) of those responding have worked at Belterra for five or years and 252 or 44 percent have worked at Belterra for 2 years or less.

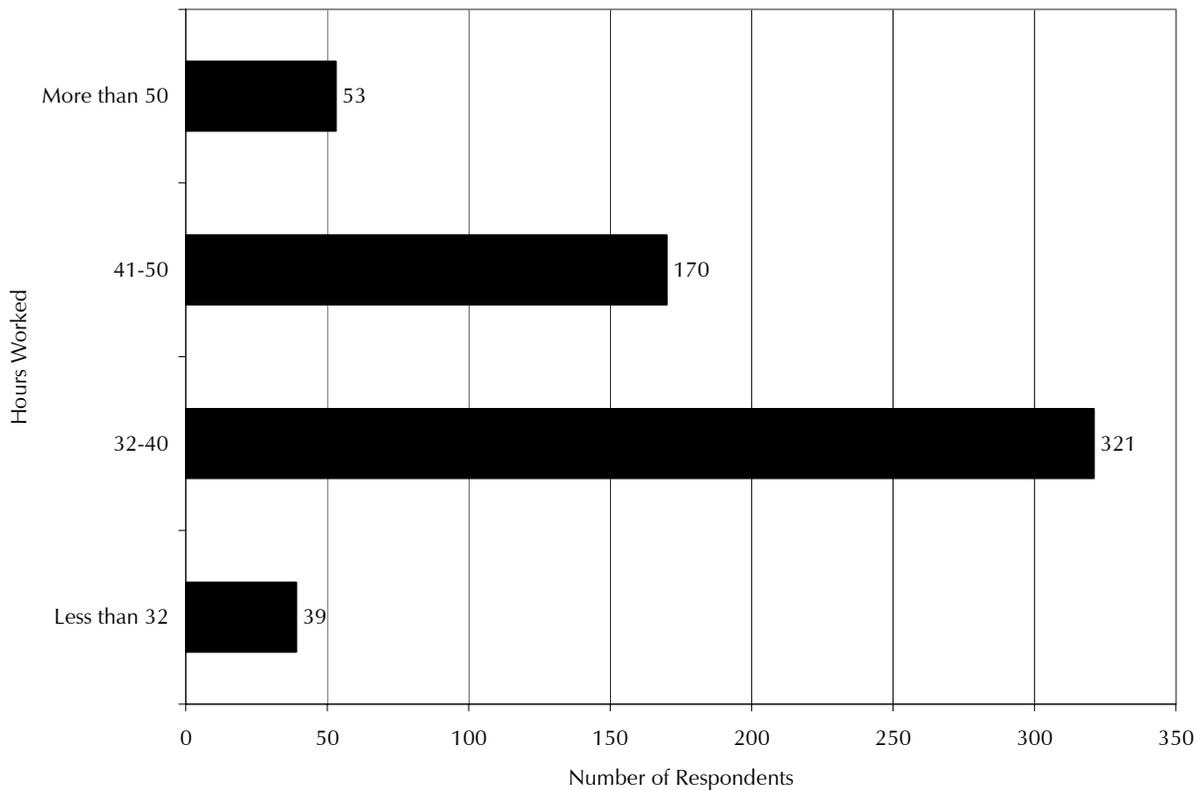
Figure 11: Years Worked at Belterra





As shown in Figure 12, only 39 respondents (seven percent) reported working less than 32 hours per week. This is important as working 32 or more hours per week enables one to become fully eligible for employee benefits. Thirty-eight percent report working 41 hours or more.

Figure 12: Number of Hours Worked per Week at Belterra

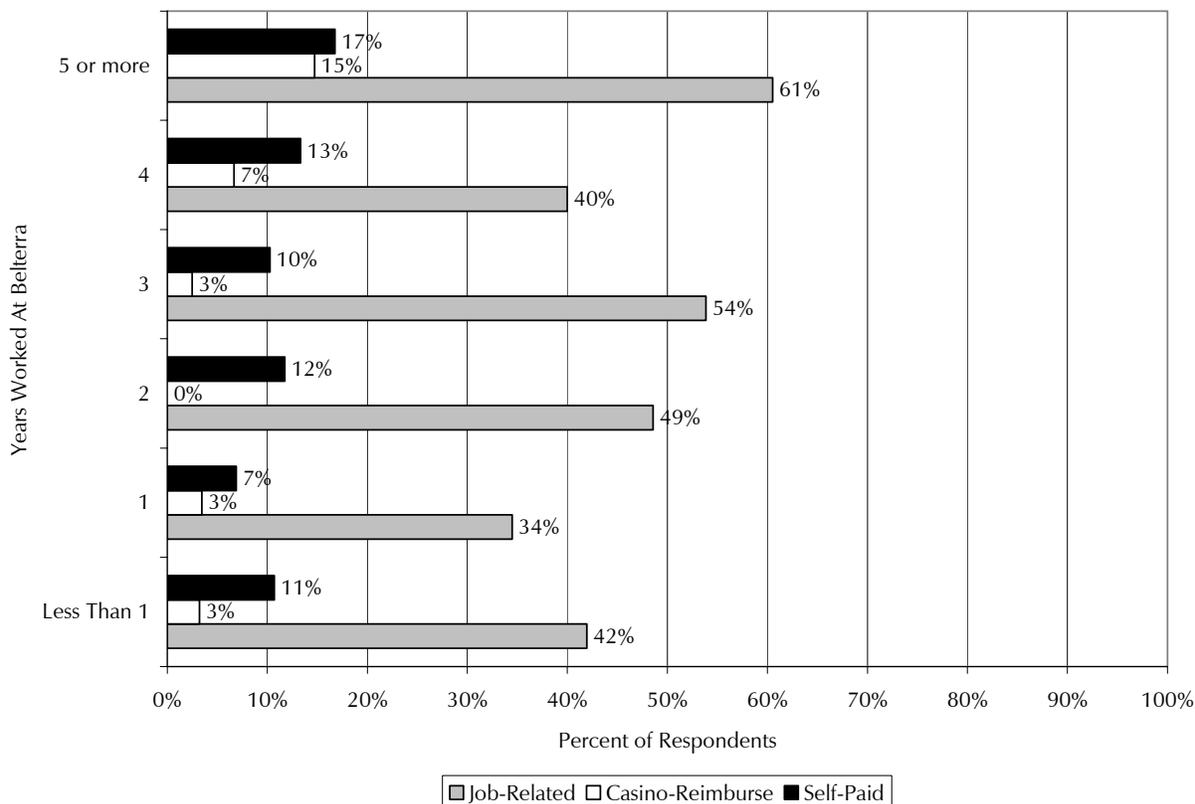




Belterra Benefits: Training, Insurance, and Outcomes

Training and education are important components of building an economically competitive workforce. As show in Figure 13 a much higher share of Belterra employees are receiving job-related training than receive either tuition reimbursement or choose to pay for additional skill-building opportunities on their own.

Figure 13: Training and Education Opportunities for Belterra Employees



As might be expected, the share of employees who report receiving tuition reimbursement from Belterra increased as the number of years worked increased. Not until year four do more than three percent of the respondents report receiving tuition reimbursement from Belterra. In every year a higher share of respondents report paying for their own training than receiving tuition reimbursement from Belterra.

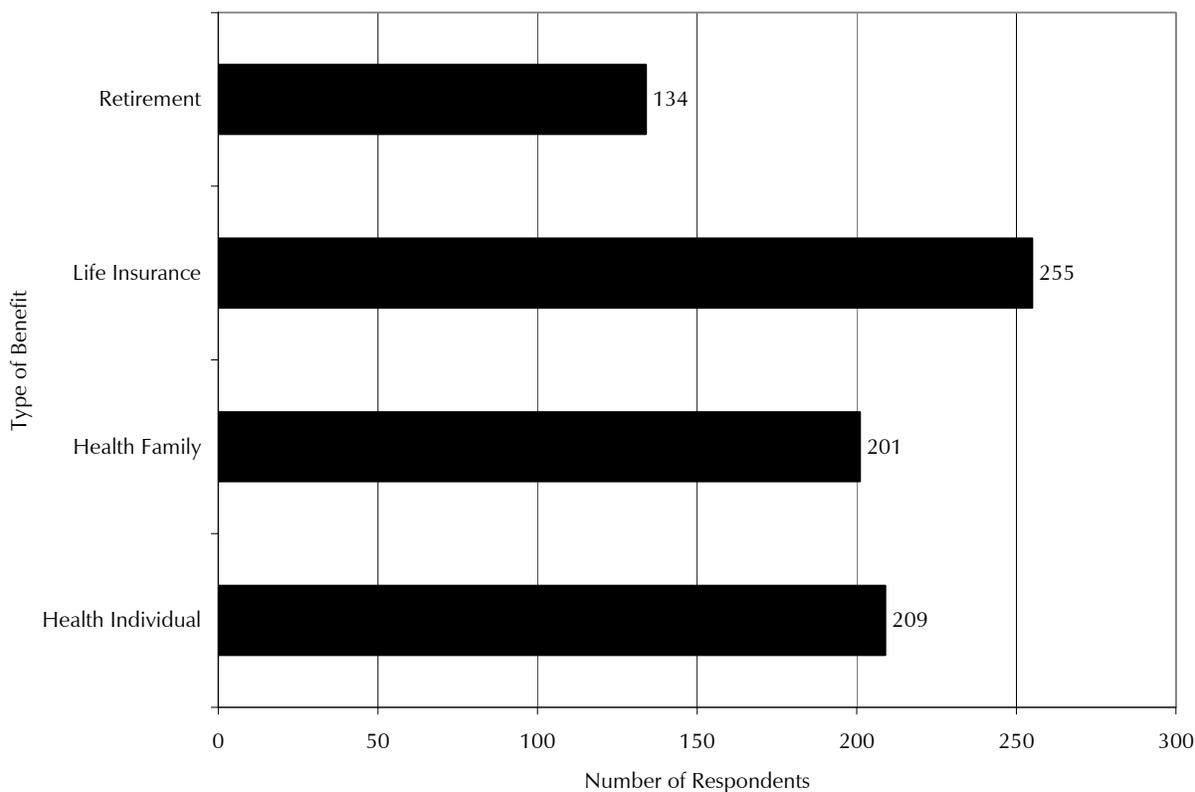
When access to job training and education benefits is compared by highest level of educational attainment, general trends indicate that as education increases job specific training provided by Belterra decreases. For example, 71 percent of all high school graduate respondents reported receiving job specific training and only 60 percent of all the respondents with a college degree reported receiving job specific training. In a dissimilar fashion, as education increases the likelihood of the respondent to pay for their own education increases. For example, five percent of the high school graduates paid for education with their own money and 30 percent of those with a college degree took self-paid training or education classes. There is no discernable trend regarding tuition reimbursement.



Benefits

Participants in the focus groups held in conjunction with the recent eight-year licensure hearing have suggested that there are concerns regarding access to and utilization of benefits such as life and health insurance and retirement plans. As a result, questions regarding these benefits are now being included in all 8-year licensure employee surveys. The question was also included in the 5-year Belterra survey.² The results suggest that many of the employees responding to the survey take advantage of the health insurance benefit, with 410 respondents reporting receiving either family or individual health insurance. Health insurance coverage begins on the first month following three months of employment. Belterra also offers dental and vision plans. Fifty-two percent of those who did not report receiving health insurance suggested that enjoyed health care coverage through their spouse's employment and 24 percent suggested they could not afford the coverage. While 255 individuals report receiving life insurance, only 134 respondents report participating in a retirement plan. Basic life is provided to all full-time employees at the employee's annual salary up to a maximum of \$50,000 and supplemental coverage is available. Belterra provides short term disability to all employees (50 percent of weekly income for 22 weeks after a 30 day waiting period) and offers a voluntary long-term disability plan.

Figure 14: Benefits at Belterra

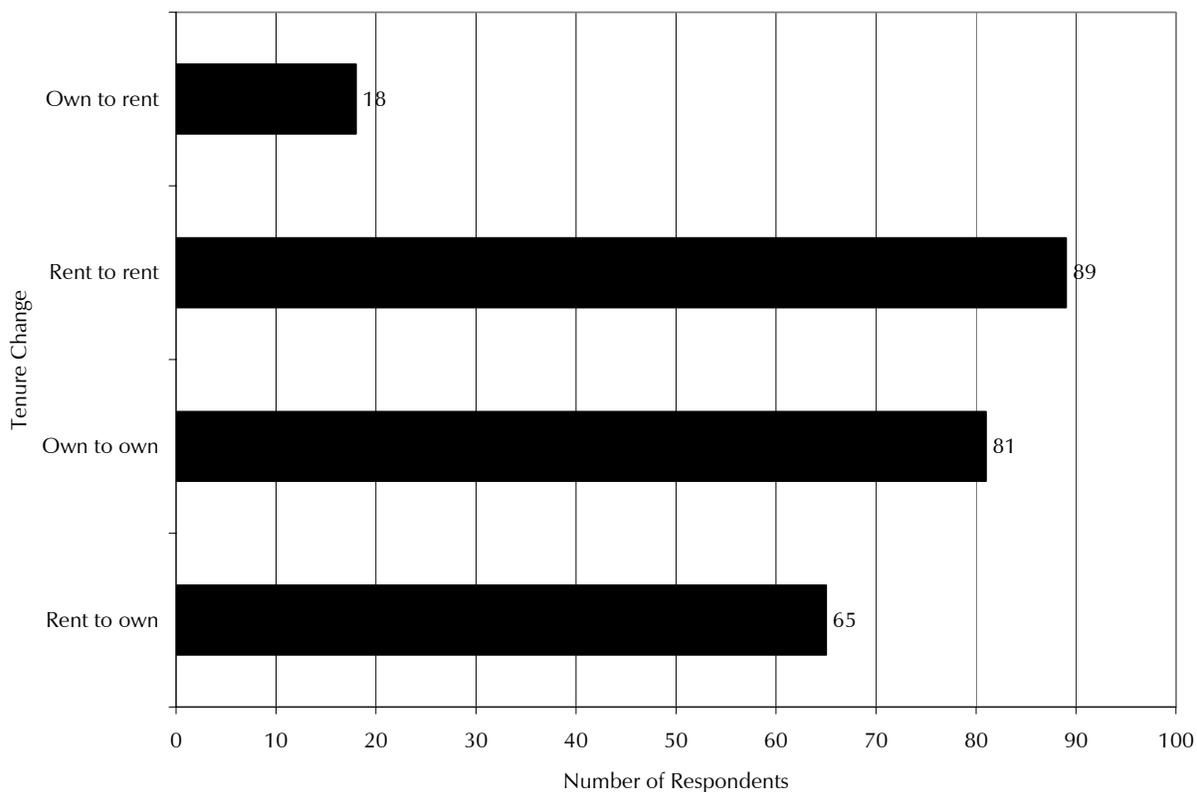


² The Belterra 5 year survey is the only 5 year survey conducted after the question was added to the 8 year survey.



As shown in Figure 15, of the 253 respondents reporting a change in place of residence since beginning work at Belterra, 65 or nearly 26 percent reported moving from rental status to home ownership. An additional 81 or nearly 32 percent reported moving from one home to another. Three hundred fourteen respondents reported purchasing a car, truck or van since beginning work at Belterra and 98 reported undertaking a major home remodeling project. Nearly half (290/584) of those who responded reported living in Switzerland County.

Figure 15: Changes in Housing Status since Beginning Work at Belterra





ECONOMIC AND FISCAL ACTIVITY

Since opening in 2000, through July 31, 2005, Belterra has paid local governments over \$47 million in gaming-related taxes (admissions and wagering taxes) and has voluntarily contributed an additional \$12.8 million to local governments and foundations.

This chapter of the analysis discusses the following:

- **Compliance:** documents Belterra's compliance with mandatory tax payments and voluntary contributions
- **Fiscal Impact:** analyzes the new gaming-related costs and revenues generated by Belterra for taxing units in Switzerland County
- **Economic Benefits:** identifies the economic benefits generated by Belterra's local gaming-related tax payments and voluntary contributions

Compliance

Tax Revenue

There are two sources of direct gaming revenue: the gaming tax, which, until August of 2002, was 20 percent of gross revenues, and the admission tax, a total of \$3 per admission. The current tax rate is graduated: less than \$25 million in gross revenues is taxed at 15 percent, between \$25 and \$50 million is taxed at 20 percent, between \$50 million and \$75 million is taxed at 25 percent, between \$75 and \$150 million is taxed at 30 percent and over \$150 million is taxed at 35 percent. Because the riverboat is not located in an incorporated city, Switzerland County receives one-quarter of the gaming tax and \$2 per admission. In addition, another dollar is collected that is split several ways by the state. There are other revenues that are collected as a result of the gaming facility being located in the community—property taxes, sales taxes, and food and beverage taxes.



As Table 5 illustrates, Belterra has paid almost \$120 million in direct taxes to the state of Indiana since it opened.

Table 5: State Direct Taxes

Category	Opening -2001	2002	2003	2004	2005 through 7/31	Total
Gaming Tax* (State share)	\$14,402,933	\$16,932,834	\$26,407,943	\$26,407,943	\$21,343,753	\$105,495,406
Admission Tax** (State share)	\$2,310,951	\$2,259,698	\$1,797,972	\$1,797,972	\$1,094,649	\$9,261,242
Sales and Use Tax	\$1,193,377	\$886,089	\$977,732	\$1,153,842	\$777,276	\$4,988,316
TOTAL	\$17,907,261	\$20,078,621	\$29,183,647	\$29,359,757	\$23,215,678	\$119,744,964

*Reflects flexible boarding attendance since August 2002.

**Reflects graduated tax rate since August 2002.



In addition, as Table 6 shows, Belterra has paid over \$47 million in direct taxes (gaming, admission, and property taxes) to the county since it opened.

Table 6: Local Direct Taxes

Category	Opening -2001	2002	2003	2004	2005 through 7/31	Total
Gaming Tax						
(County share)*	\$4,800,978	\$5,644,278	\$4,813,316	\$5,207,660	\$2,688,291	\$23,154,523
Admission Tax (County share)**	\$4,621,902	\$4,519,396	\$3,382,833	\$5,043,339	\$1,880,370	\$19,447,840
Property Tax	\$473,285	\$1,461,280	\$1,127,011	\$901,408	\$576,642	\$4,539,626
TOTAL	\$9,896,165	\$11,624,954	\$9,323,160	\$11,152,407	\$5,145,303	\$47,141,989

*Reflects cap in revenue.

**Reflects flexible boarding attendance since August 2002

Switzerland County shares 25 percent of its riverboat funds among Crawford, Ripley, and Jefferson Counties, the towns of Vevay and Patriot, and the townships of Cotton, Craig, Jefferson, Pleasant, Posey, and York.

Incentive Payments

The largest impact of Belterra in the Switzerland County area (outside of taxes) has been through incentive payments. These payments are the result of agreements that were made with Switzerland County as part of their application process. In its Certificate of Suitability, Belterra agreed to provide incentive payments, as detailed below.

As Table 7 illustrates, Belterra is on schedule with its incentive payments and has provided \$12.8 million in incentive payments through July 31, 2005. While all the fixed incentives were completed in year one, the largest incentives, the contingent contributions, will continue into the future, unless the local development agreement is reopened in the light of state tax law developments.



Table 7: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Through 7/31/05	Status
Traffic Control & Infrastructure	\$1,120,000	Switzerland County	\$1,750,000	Completed Year 1
Emergency Services Facility	\$1,200,000	Switzerland County	\$1,200,000	Completed Year 1
EMS Ambulance	\$125,000	Switzerland County	\$125,000	Completed Year 1
Firefighting equipment	\$300,000	Florence	\$300,000	Completed Year 1
Firefighting equipment	\$45,000	Moorefield	\$45,000	Completed Year 1
Firefighting equipment	\$45,000	Posey	\$45,000	Completed Year 1
Firefighting equipment	\$45,000	Patriot	\$45,000	Completed Year 1
Firefighting equipment	\$45,000	Vevay-Jefferson-Craig	\$45,000	Completed Year 1
Firefighting equipment	\$45,000	East Enterprise	\$45,000	Completed Year 1
Sheriff's Department	\$150,000	Switzerland County	\$150,000	Completed Year 1
County Infrastructure	\$750,000	Switzerland County	\$750,000	Completed Year 1
4-H Fairgrounds	\$400,000	Switzerland County	\$400,000	Completed Year 1
Riverfront Park	\$25,000	Switzerland County	\$25,000	Completed Year 1
General Fund	\$5,000	Switzerland County	\$5,000	Completed Year 1
Contribution	.298% \$0-40,000,000 AGR .390% \$40,000,001-\$80,00,00 AGR .528% over \$80,000,001 AGR	Switzerland County Public Endowment	\$1,787,470	Ongoing
Contribution	.150% \$0-40,000,000 AGR .196% \$40,000,001-\$80,00,00 AGR .265% over \$80,000,001 AGR	Vevay Switzerland County Foundation	\$898,487	Ongoing
Contribution	.150% \$0-40,000,000 AGR .196% \$40,000,001-\$80,00,00 AGR .265% over \$80,000,001 AGR	Vevay Town Board	\$898,487	Ongoing
Contribution	.052% \$0-40,000,000 AGR .068% \$40,000,001-\$80,00,00 AGR .092% over \$80,000,001 AGR	Patriot Town Board	\$311,275	Ongoing
Contribution	Not in certificate of suitability	Crawford County Development	\$394,149	Ongoing
Contribution	Not in certificate of suitability	Regional revenue sharing	\$2,253,493	Ongoing
Infrastructure	Not in certificate of suitability	Florence regional sewer	\$145,075	Completed Year 1
Infrastructure	Not in certificate of suitability	Switzco Gas	\$1,156,664	Completed Year 1
Total			\$12,775,100	

Fiscal Impact of Tax Revenues on Local Government

Riverboat casinos affect the revenues and costs of the local governments of the communities that host them. This is known as the *fiscal impact*. Riverboats pay new property taxes on the boat and other new facilities. They pay the admissions and wagering taxes that the host cities and counties share with the state. Riverboats also may impose new costs on local governments. For example, they may require added infrastructure, traffic control, or public safety expenditures. In addition, riverboat employees may relocate within the community, and pay added property taxes, income taxes, charges, and fees. If they relocate in the riverboat communities, they also will demand new infrastructure, recreation facilities, police protection, and education for their children. Measuring the



fiscal impact implies comparing these additional revenues and costs. If added revenues exceed added costs, the fiscal impact is said to be *positive*. If added revenues fall short of added costs, the fiscal impact is *negative*.

This section will examine the effect of the Belterra riverboat casino on the budgets of Switzerland County, the town of Vevay, and the Switzerland County School Corporation.

Riverboat Revenues and the Size of Local Budgets

A new riverboat will affect local budgets, but so too will many other factors. In some smaller communities a riverboat casino's revenues and costs may be so large that its effect on the budget overwhelms all other factors. In larger communities, however, a new riverboat may be one of many significant changes. Budgets will thus be an imperfect reflection of fiscal impacts. The smaller the project, and the larger the local community, the more imperfect they will be. Switzerland County is among the smallest counties in Indiana. Belterra's impact is large relative to the size of local budgets. Switzerland local budgets can be expected to reflect the riverboat's fiscal impact.

Table 8 compares riverboat revenues to county assessed values, to measure the size of the riverboat relative to local communities. Assessed value is a measure of the value of taxable property. Assessed values for 2004 tax payments are shown in Table 8. Revenues from the riverboats are the gaming tax, admission tax, incentive payments and property tax. Gaming taxes go to the city or town where the riverboat docks in a city or town, and to the county where the riverboat does not dock in a city or town. Admissions taxes are divided between the city or town (if any) and the county. Incentive payments are negotiated between each riverboat and its local communities. Payments are unique to each riverboat. Property taxes are paid on the riverboat's taxable property to the jurisdictions in which the property is located. These jurisdictions always include the county, township and school corporation. Taxes also will be paid to a city or town, library district and other special districts if the riverboat is located within such jurisdictions.

In Switzerland County, the Belterra riverboat does not dock in a city or town. The county receives the local shares of wagering and admissions taxes. Incentive payments are made to several county-wide funds, to the towns of Vevay and Patriot, to Crawford County and for regional revenue sharing. The riverboat pays property taxes to Switzerland County, York Township, the Switzerland County School Corporation, the Switzerland County Library District, and the Southeast Indiana Solid Waste Management District.



Gaming tax, admission tax and incentive payments for 2004 are all smaller for Belterra than for the other riverboats shown in Table 8 (except admission taxes for Aztar, which are lower). Taxes and payments for the other riverboats are measured by the average for the first four-and-one-half years of operation for each. Property tax payments by Belterra are third smallest among these riverboats. However, Switzerland County's assessed value is second smallest among riverboat counties, after Ohio County. Belterra may be a relatively small operation, but it is operating in a very small county.

Table 8: Belterra and other Riverboat Revenues Compared to Assessed Value

Riverboat	County	Gaming Tax	Admission Tax	Incentive Payments	Property Tax	Total	Assessed Value, 2004
Belterra, 2004	Switzerland	\$5,207,660	\$5,043,339	\$1,344,732	\$901,408	\$12,497,139	\$379,951,858
<i>Four and one-half year averages:</i>							
Blue Chip	LaPorte	\$7,985,590	\$7,210,309	\$3,378,722	\$736,773	\$19,311,393	\$4,630,707,367
Harrah's	Lake	\$11,195,713	\$11,121,572	\$10,185,545	\$2,767,687	\$35,270,517	\$18,944,286,941
Horseshoe	Lake	\$11,036,802	\$11,048,784	\$21,845,814	\$1,923,022	\$45,854,421	\$18,944,286,941
Majestic	Lake	\$5,439,884	\$6,304,170	\$3,371,588	\$977,126	\$16,092,767	\$18,944,286,941
Trump	Lake	\$6,737,017	\$7,098,290	\$7,433,002	\$1,176,653	\$22,444,961	\$18,944,286,941
Argosy	Dearborn	\$13,888,662	\$12,992,857	\$25,336,420	\$1,146,885	\$53,364,825	\$2,009,360,000
Grand Victoria	Ohio	\$7,810,720	\$6,825,630	\$5,102,120	\$575,335	\$20,313,805	\$238,565,940
Aztar	Vanderburgh	\$5,292,190	\$4,322,195	\$6,659,307	\$1,270,202	\$17,543,894	\$7,334,372,200

Table 9 shows the taxes and payments as a percentage of assessed value. The figures in the table are shown as tax rates, that is, dollars of taxes paid per \$100 of assessed value. They represent the tax rate that the jurisdictions in each county would have to charge to raise the riverboat tax or payment revenue from their local assessed value tax base. The actual average tax rate for jurisdictions in each county is shown for comparison.

By this measure, Belterra is one of the top three riverboats for its relative impact on its local jurisdictions. A property tax rate of \$3.29 per \$100 assessed value (that is, 3.29 percent) would be needed to raise the \$12.5 million that local jurisdictions received from Belterra. This figure is similar to the impact of the Argosy riverboat on Dearborn County jurisdictions, though it is much less than the impact of the Grand Victoria riverboat on Ohio County jurisdictions.



Table 9: Property Tax Rates that would be Required to Raise Riverboat Revenue

Riverboat	County	Gaming Tax	Admission Tax	Incentive Payments	Property Tax	Total	Average Property Tax Rate 2004
Belterra, 2004	Switzerland	\$1.3706	\$1.3274	\$0.3539	\$0.2372	\$3.2891	\$1.3348
<i>Four and one-half year averages:</i>							
Blue Chip	LaPorte	\$0.1724	\$0.1557	\$0.0730	\$0.0159	\$0.4170	\$2.7113
Harrah's	Lake	\$0.0591	\$0.0587	\$0.0538	\$0.0146	\$0.1862	\$4.4424
Horseshoe	Lake	\$0.0583	\$0.0583	\$0.1153	\$0.0102	\$0.2420	\$4.4424
Majestic	Lake	\$0.0287	\$0.0333	\$0.0178	\$0.0052	\$0.0849	\$4.4424
Trump	Lake	\$0.0356	\$0.0375	\$0.0392	\$0.0062	\$0.1185	\$4.4424
Argosy	Dearborn	\$0.6912	\$0.6466	\$1.2609	\$0.0571	\$2.6558	\$2.4976
Grand Victoria	Ohio	\$3.2740	\$2.8611	\$2.1387	\$0.2412	\$8.5150	\$1.5245
Aztar	Vanderburgh	\$0.0722	\$0.0589	\$0.0908	\$0.0173	\$0.2392	\$2.6644

In all three of these small counties the existing property tax rate would more than double if the riverboat revenue was raised through a property tax. Switzerland's property tax rate would more than triple. Larger counties see no such impact. Riverboats are certainly important revenue sources in all the larger counties. But in LaPorte, Lake and Vanderburgh, property tax rates would have to rise 15 percent or less to match the revenue obtained from riverboats.

Because riverboat revenues are so large relative to the county's tax base, Switzerland County local budgets should reflect the riverboat's impact.

Economic and Demographic Indicators of Fiscal Impact

Research on fiscal impacts shows that development influences local government costs mainly through increases in population. Development influences local government revenues through increases in income and employment. How have Switzerland County population, school enrollment, income and employment changed since 1999, before the riverboat arrived (in October 2000)?

Changes in indicators should be compared to what would have happened had the riverboat not arrived. Since history cannot be re-run, other comparisons must be made. For this analysis the economic and demographic changes in Switzerland County will be compared to changes in the average of five similar jurisdictions in non-riverboat counties. In each case the Switzerland jurisdiction is compared to an average of five similar jurisdictions. Similar jurisdictions were chosen as those with the closest total appropriations to the Switzerland County local government as of 1999 or 2000, before the riverboat arrived. Comparable jurisdictions were also confined to south-eastern or south-central Indiana. No comparable jurisdiction is in a riverboat county.



Tables 10 and 11 show changes in population and school enrollment, two indicators of changing costs for local governments. Switzerland County population rose 5.2 percent over the 1999-2003 period, 470 people, according to data from the U.S. Department of Commerce Bureau of Economic Analysis (BEA). 2003 is the most recent year available. Switzerland's population growth exceeded the average growth of five comparable southern Indiana rural counties.

School enrollment, on the other hand, declined in the Switzerland School Corporation from 2000 to 2005 (Table 11). Enrollment dropped by 1.3 percent or 21 students. Enrollment fell slightly more in the five comparable corporations.

Table 10: Population in Switzerland and Comparable Counties, 1999-2003

	Population		
	1999	2003	Percent Change
Switzerland	8,965	9,435	5.2%
Average	15,594	15,797	1.3%
Franklin	21,981	22,799	3.7%
Martin	10,394	10,389	0.0%
Orange	19,308	19,679	1.9%
Perry	18,939	18,858	-0.4%
Union	7,348	7,260	-1.2%

Table 11: School Enrollment in Switzerland and Comparable School Corporations, 2000-2005

	Enrollment		
	2000	2005	Percent Change
Switzerland	1,661	1,640	-1.3%
Average	1,573	1,532	-2.6%
Brownstown	1,874	1,731	-7.6%
Paoli	1,658	1,631	-1.6%
Scott County School District 1	1,410	1,516	7.5%
South Ripley	1,397	1,292	-7.5%
Southeast Dubois	1,526	1,490	-2.4%

Personal income rose in Switzerland County by 16.2 percent from 1999 to 2003. The increase in five comparable counties averaged 13.2 percent, slightly less (Table 12). It was employment that showed the biggest difference between Switzerland and comparable counties. Employment in Switzerland increased 31.5 percent, 908 employees. Employment in comparable counties declined by 1.4 percent on average.

The advent of the Belterra riverboat had a major impact on employment in Switzerland County. As of the end of 2003 the riverboat had 1,126 employees, more than the total increase in Switzerland employment. There may be differences in the methods used to measure employment, so we should



not necessarily conclude that non-riverboat employment fell in the county. But clearly most of the increase in employment has been due to the new riverboat.

Table 12: Personal Income and Employment in Switzerland and Comparable Counties, 1999-2003

	Personal Income			Employment		
	1999	2003	Percent Change	1999	2003	Percent Change
Switzerland	\$174,216	\$202,396	16.2%	2,886	3,794	31.5%
Average	\$335,562	\$379,761	13.2%	7,184	7,084	-1.4%
Franklin	\$525,706	\$596,857	13.5%	6,919	7,135	3.1%
Martin	\$222,618	\$242,439	8.9%	8,735	8,366	-4.2%
Orange	\$381,470	\$423,415	11.0%	9,221	8,384	-9.1%
Perry	\$392,312	\$456,147	16.3%	8,378	8,748	4.4%
Union	\$155,704	\$179,945	15.6%	2,665	2,789	4.7%

The population increase was only about half the employment increase. It may be that many of the new employees were already living in Switzerland in 1999, but were unemployed or not in the labor force. This would explain why enrollment did not increase. Children of newly employed residents would already have been in Switzerland schools. The population increase of almost 500 evidently did not include many school age children.

It also may be that many of the riverboat's employees commute from other counties or states. This would explain the small added income growth, relative to comparable counties. Personal income measures the incomes of residents, not in-commuters.

These changes point to a positive fiscal impact of the riverboat on local jurisdictions. The increase in employment implies, of course, new taxable property as well as added wagering and admissions taxes. Revenues increase. The relatively small increase in population, and the decline in enrollment, implies that local jurisdictions have few new constituents to serve. Costs may have increased because of new burdens imposed by the riverboat and its customers (traffic control, for example). But costs are more closely related to new residents for counties and towns, and to new pupils for school corporations. The increase in costs was probably not substantial.

Expected Effects of Belterra on Switzerland County Budgets

A riverboat casino locates within a jurisdiction. It has either a positive or a negative fiscal impact. How is a local government's budget likely to be affected? The answer to this question is not obvious, because local governments must balance their budgets. A negative fiscal impact is unlikely to produce a budget deficit. Local governments are prohibited from running deficits. A positive fiscal impact is unlikely to produce much of a budget surplus, either. Instead, a local government will adjust spending and tax rates so that spending matches revenues. A budget, then, will change both due to the effect of the riverboat, and due to the response of local officials to the riverboat.

A riverboat might raise the cost of delivering government services. With more traffic, more and better roads might need to be built, traffic lights installed, traffic patrols expanded. A high rise hotel might require new fire protection equipment. With more residents, employees and visitors, more police



officers may be needed to combat crime. With more pupils, more teachers might be hired to maintain existing class sizes.

If development increases the tax base just enough so that the extra costs of maintaining services can be met at existing tax rates, the fiscal impact is neutral. If development increases the tax base less than this, however, the fiscal impact is negative, and budget choices must be made. Budget-makers could raise tax rates enough to meet the costs of maintaining existing services. Or, they could cut services, reducing costs so that they are covered by the revenue from existing tax rates. Since budgets are usually compromises among many competing interests, and often are restricted by state regulations, most governments will do a little of both. *When fiscal impacts are negative, tax rates should rise more, and spending should rise less, than when fiscal impacts are neutral.*

If the tax base increases by more than the amount needed to maintain existing services at existing tax rates, the fiscal impact is positive. Budget-makers could reduce tax rates enough so that revenue just meets the new higher cost of providing existing services. Or, they could use all the extra revenue to fund expanded services. Again, since budgets are compromises, most governments will do some of both. *When fiscal impacts are positive, tax rates should fall more, and spending should rise more, than when fiscal impacts are neutral.*

As noted above, ideally changes in budgets would be measured relative to what would have happened had the riverboat not arrived, or to what would have happened had fiscal impacts been neutral. This is not possible. Instead, changes in riverboat jurisdiction budgets are compared to changes in the average of five similar jurisdictions in non-riverboat counties. Similar jurisdictions were chosen as those with the closest total appropriations to the Switzerland County local government as of 2000, before the riverboat arrived. Comparable jurisdictions were also confined to south-eastern or south-central Indiana. No comparable jurisdiction is in a riverboat county.

Budgets are complex, made up of many funds, departments, taxes and other revenue sources. To simplify the analysis, and to make jurisdictions comparable to one another, it is necessary to aggregate funds and revenues into standard categories. The categories used here are:

- **Total Appropriations.** Appropriations are the total expected spending from all funds by the local government for the budget year. This is the sum of figures on line 1 of budget form 4-B for all funds. Budget form 4-B is the summary form each jurisdiction uses to aggregate appropriations and revenues for each fund.
- **General Fund Appropriations.** Expected spending from the general fund by the local government for the budget year. This is line 1 on form 4-B for the general fund. The general fund is usually the jurisdiction's largest, and includes most operating expenditures such as employee salaries and facility maintenance.
- **Capital Fund Appropriations.** Expected spending on cumulative and debt service funds by the local government for the budget year. School corporation capital projects funds are included in this category. This is the sum of the figures on line 1 on form 4-B for cumulative and debt service



funds. Capital appropriations are usually for buildings or equipment that is expected to be long-lived.

- Other Appropriations. Expected spending for all funds which are not general, cumulative or debt services funds, by the local government for the budget year. This is the sum of figures on line 1 of form 4-B for these other funds. Other appropriations are dominated by county welfare and county and city and town road construction and maintenance appropriations. School corporation other appropriations are dominated by transportation.
- Property Taxes. The gross property tax levy for all funds, by the local government for the budget year. This is the sum of figures on line 16 on form 4-B for all funds. The gross levy does not include state property tax replacement credits (PTRC), which are revenues paid by the state to local government to reduce property taxes. The property tax is by far the largest own-source revenue for almost all Indiana local governments.
- Other Revenues and Balances. Other revenues and balances include "miscellaneous revenues," which are most non-property tax revenues including local income taxes, motor vehicle excise taxes, charges and fees, interest earnings and so forth, from form 4-B for all funds. This category also includes net changes in fund balances from the beginning of the budget year to the end of the budget year.
- Assessed Value. The net assessed valuation of property taxable by the property tax, after deductions and exemptions, for the local government for the budget year. This figure is from the heading of form 4-B, and is usually the same for all funds.
- Property Tax Rate. The gross rate expressed in dollars per \$100 of assessed value which owners of property in the government's jurisdiction must pay. This gross rate does not include state credits. The rate is calculated by dividing property taxes by assessed value, and multiplying by 100.

These data for Switzerland County governments and similar jurisdictions will be compared for 2000 and 2005, before and after riverboat operation began. The discussion of how budgets are made leads to several expectations for these budget numbers. Compared to a non-riverboat jurisdiction, in a riverboat jurisdiction such as Switzerland County:

- Total appropriations will grow more rapidly or fall more slowly if the fiscal impact is positive, grow more slowly or fall more rapidly if the fiscal impact is negative. Jurisdictions use the positive fiscal impact to increase appropriations, but most reduce appropriation growth when the fiscal impact is negative.
- Each category of spending will grow more rapidly or fall more slowly if the fiscal impact is positive, grow more slowly or fall more rapidly if the fiscal impact is negative.



- The property tax levy and other revenues will grow more rapidly or fall more slowly whether the fiscal impact of the riverboat is positive or negative. The added tax base will increase revenues. Tax rates may be cut if the fiscal impact is positive, but not enough to decrease revenue. Tax rates may be increased if the fiscal impact is negative, increasing revenue further.
- The property tax rate will grow more slowly or fall more rapidly if the fiscal impact is positive, grow more rapidly or fall more slowly if the fiscal impact is negative. With a positive fiscal impact jurisdictions can provide tax breaks to their taxpayers and still fund added services. With a negative fiscal impact jurisdictions will likely cut services and raise tax rates.
- The property tax base (assessed value) will grow more rapidly or fall more slowly, whether the fiscal impact of the riverboat is positive or negative. Assessment practice should be unaffected by budgeting policy. If development occurs, assessed value should increase.

Switzerland County

The results for the Switzerland County government are shown in Table 13. The table compares the above budget aggregates for Switzerland and five comparable counties.

As expected, the large size of riverboat revenue compared to the small size of Switzerland County makes the fiscal impact of the riverboat evident. Between 2000 and 2005 Switzerland County total appropriations rose 30.1 percent, while appropriations in the five comparable counties rose an average of 18 percent. All of the added increase was in the general fund. Capital appropriations remained zero, and other appropriations increased at a similar rate to the comparable county average.

Property tax revenue actually rose slightly more slowly in Switzerland County relative to the comparable county average. It may be that state property tax controls prevent revenues from rising rapidly, even in counties with rapidly rising assessed value. It also may be that the county received so much added revenue from wagering and admissions taxes that it could reduce reliance on property taxes, even with the increase in taxable property.

Table 13. Budgets of Switzerland County Government and Five Comparable Counties, 2000 and 2005

2000	Appropriations				Revenues and Balances			Assessed Value	Property Tax Rate
	Total	General Fund	Capital	Other	Total	Property Tax	Other		
Switzerland County	\$3,843,670	\$1,724,893	-	\$2,118,777	\$3,843,670	\$1,443,792	\$2,399,878	\$52,596,491	2.7450
Average	\$5,386,091	\$2,568,424	\$478,334	\$2,339,334	\$5,386,091	\$1,847,373	\$3,538,719	\$113,183,474	1.6322
Franklin County	\$7,142,298	\$3,313,098	\$426,000	\$3,403,200	\$7,142,298	\$1,922,625	\$5,219,673	\$167,784,672	1.1459
Martin County	\$4,852,509	\$2,305,267	\$493,500	\$2,053,742	\$4,852,509	\$1,606,751	\$3,245,758	\$65,052,632	2.4699
Orange County	\$6,635,426	\$2,788,420	\$756,460	\$3,090,546	\$6,635,426	\$2,088,011	\$4,547,415	\$147,814,411	1.4126
Perry County	\$5,344,852	\$2,612,533	\$715,709	\$2,016,610	\$5,344,852	\$2,391,170	\$2,953,682	\$122,588,235	1.9506
Union County	\$2,955,371	\$1,822,800	-	\$1,132,571	\$2,955,371	\$1,228,306	\$1,727,065	\$62,677,419	1.9597
2005									
Switzerland County	\$5,001,949	\$2,704,343	-	\$2,297,606	\$5,001,949	\$1,835,321	\$3,166,628	\$378,104,753	0.4854
Average	\$6,359,752	\$3,318,460	\$493,327	\$2,547,966	\$6,359,752	\$2,424,970	\$3,934,782	\$532,069,920	0.4558
Franklin County	\$8,851,732	\$4,833,525	\$640,950	\$3,377,257	\$8,851,732	\$3,025,371	\$5,826,361	\$927,174,573	0.3263
Martin County	\$5,521,965	\$3,024,005	\$529,178	\$1,968,782	\$5,521,965	\$1,831,065	\$3,690,900	\$316,847,985	0.5779
Orange County	\$6,565,058	\$3,373,736	\$316,248	\$2,875,074	\$6,565,058	\$2,124,261	\$4,440,797	\$584,552,111	0.3634
Perry County	\$6,540,965	\$3,087,596	\$788,258	\$2,665,111	\$6,540,965	\$3,345,676	\$3,195,289	\$527,875,388	0.6338
Union County	\$4,319,041	\$2,273,437	\$192,000	\$1,853,604	\$4,319,041	\$1,798,478	\$2,520,563	\$303,899,541	0.5918
Percent Change, 2000-05									
Switzerland County	30.1%	56.8%	n/a	8.4%	30.1%	27.1%	31.9%	618.9%	-82.3%
5-County Average	18.1%	29.2%	3.1%	8.9%	18.1%	31.3%	11.2%	370.1%	-72.1%

Table 14. Budgets of Vevay Town Government and Five Comparable Towns, 2000 and 2005

2000	Appropriations				Revenues and Balances			Assessed Value	Property Tax Rate
	Total	General Fund	Capital	Other	Total	Property Tax	Other		
Vevay Town	\$433,173	\$307,595	-	\$125,578	\$433,173	\$188,350	\$244,823	\$10,235,311	1.8402
Average	\$437,669	\$290,547	\$21,370	\$125,752	\$437,669	\$136,523	\$301,147	\$9,166,396	1.4894
Crothersville Town	\$394,545	\$242,683	\$22,705	\$129,157	\$394,545	\$129,493	\$265,052	\$10,151,855	1.2756
Milan Town	\$386,876	\$273,946	\$10,986	\$101,944	\$386,876	\$116,019	\$270,857	\$8,001,329	1.4500
Osgood Town	\$465,575	\$335,775	\$11,600	\$118,200	\$465,575	\$146,180	\$319,395	\$8,278,991	1.7657
Versailles Town	\$495,341	\$338,210	\$9,900	\$147,231	\$495,341	\$171,009	\$324,332	\$12,325,503	1.3874
Westport Town	\$446,009	\$262,122	\$51,660	\$132,227	\$446,009	\$119,912	\$326,097	\$7,074,303	1.6950
2005									
Vevay Town	\$673,715	\$511,115	-	\$162,600	\$673,715	\$234,196	\$439,519	\$41,783,381	0.5605
Average	\$540,619	\$411,757	\$23,382	\$105,481	\$540,619	\$175,017	\$365,602	\$44,833,524	0.3904
Crothersville Town	\$640,434	\$491,514	\$28,924	\$119,996	\$640,434	\$203,652	\$436,782	\$56,570,000	0.3600
Milan Town	\$500,727	\$392,152	\$7,000	\$101,575	\$500,727	\$117,541	\$383,186	\$43,293,186	0.2715
Osgood Town	\$449,972	\$379,735	\$11,600	\$58,637	\$449,972	\$169,703	\$280,269	\$31,537,515	0.5381
Versailles Town	\$599,797	\$475,394	\$7,500	\$116,903	\$599,797	\$228,761	\$371,036	\$58,372,446	0.3919
Westport Town	\$512,164	\$319,988	\$61,884	\$130,292	\$512,164	\$155,429	\$356,735	\$34,394,475	0.4519
Percent Change, 2000-05									
Vevay Town	55.5%	66.2%	n/a	29.5%	55.5%	24.3%	79.5%	308.2%	-69.5%
5-Town Average	23.5%	41.7%	9.4%	-16.1%	23.5%	28.2%	21.4%	389.1%	-73.8%

Table 15. Budgets of Switzerland County School Corporation and Five Comparable School Corporations, 2000 and 2005

2000	Appropriations				Revenues and Balances			Assessed Value	Property Tax Rate
	Total	General Fund	Capital	Other	Total	Property Tax	Other		
Switzerland	\$9,910,962	\$8,124,947	\$852,050	\$933,965	\$9,910,962	\$2,663,489	\$7,247,473	\$52,591,407	5.0645
Average	\$10,254,165	\$8,173,646	\$1,391,382	\$689,137	\$10,254,165	\$2,954,881	\$7,299,284	\$58,280,006	5.0701
Brownstown	\$11,521,883	\$9,038,544	\$1,683,523	\$799,816	\$11,521,883	\$3,776,739	\$7,745,144	\$74,698,200	5.0560
Paoli	\$10,645,314	\$9,000,000	\$977,447	\$667,867	\$10,645,314	\$2,407,785	\$8,237,529	\$58,159,266	4.1400
Scott School District #1	\$10,037,929	\$7,707,615	\$1,866,214	\$464,100	\$10,037,929	\$2,358,980	\$7,678,949	\$39,340,650	5.9963
South Ripley	\$9,419,621	\$7,381,233	\$1,134,388	\$904,000	\$9,419,621	\$2,792,895	\$6,626,726	\$51,031,915	5.4728
Southeast Dubois	\$9,646,078	\$7,740,837	\$1,295,339	\$609,902	\$9,646,078	\$3,438,004	\$6,208,074	\$68,170,000	5.0433
2005									
Switzerland	\$13,906,694	\$10,947,627	\$1,490,826	\$1,468,241	\$13,906,694	\$3,847,971	\$10,058,723	\$378,104,625	1.0177
Average	\$12,982,139	\$9,879,054	\$2,286,238	\$816,847	\$12,982,139	\$4,085,315	\$8,896,824	\$265,926,950	1.5363
Brownstown	\$13,431,361	\$9,949,152	\$2,396,639	\$1,085,570	\$13,431,361	\$5,114,057	\$8,317,304	\$373,098,184	1.3707
Paoli	\$13,604,243	\$11,400,000	\$1,436,243	\$768,000	\$13,604,243	\$3,346,672	\$10,257,571	\$249,230,970	1.3428
Scott #1	\$12,389,624	\$9,626,800	\$2,420,729	\$342,095	\$12,389,624	\$3,400,595	\$8,989,029	\$151,697,131	2.2417
South Ripley	\$11,951,997	\$9,367,730	\$1,393,882	\$1,190,385	\$11,951,997	\$3,520,786	\$8,431,211	\$254,410,402	1.3839
Southeast Dubois	\$13,533,472	\$9,051,590	\$3,783,696	\$698,186	\$13,533,472	\$5,044,465	\$8,489,007	\$301,198,062	1.6748
Percent Change, 2000-05									
Switzerland County	40.3%	34.7%	75.0%	57.2%	40.3%	44.5%	38.8%	618.9%	-79.9%
5-School Average	26.6%	20.9%	64.3%	18.5%	26.6%	38.3%	21.9%	356.3%	-69.7%



Other revenue and balances increased 31.9 percent, compared to 11.2 percent in the five comparable counties. The influence of the new riverboat revenue sources is evident. Likewise, assessed value rose much more in Switzerland than in the comparable counties. The substantial increase in all jurisdictions' assessments is due to changes in assessment practice, including the 2003 reassessment. The huge 618.9 percent increase in assessed value in Switzerland, however, shows the effect of Belterra.

An enormous drop in tax rates for all counties masks the important difference that the riverboat made for Switzerland taxpayers. In 2000 Switzerland's tax rate of \$2.7450 per \$100 assessed value was the highest of the six counties shown, more than a dollar higher than the five county average. In 2005 Switzerland's tax rate ranked below three of the comparable five counties. The tax rate was nearly the same as the five-county average. Clearly, the advent of the riverboat provided tax benefits for Switzerland County taxpayers.

Higher appropriations and lower taxes are the tell-tale signs of a positive fiscal impact. Evidently the added property, wagering and admissions taxes, and the incentive payments, exceeded the costs imposed by the riverboat. This allowed the county to increase appropriations—to cover added riverboat costs and to provide more public services—while charging Switzerland taxpayers less.

Vevay Town

The Belterra riverboat does not dock in Vevay, so the town is not entitled to direct admissions or wagering tax payments. Yet Vevay's budget shows the impact of the Belterra riverboat (Table 14).

Like the county, Vevay town shows sizable added growth in total appropriations, 55.5 percent compared to the five town average of 23.5 percent. Like the county, Vevay's general fund increased more rapidly than the five town average. Unlike the county, Vevay increased its other appropriations too.

Like the county, Vevay increased its property tax levy slightly less than the five town average, and saw other revenues grow rapidly. Unlike the county, Vevay saw a less than average increase in assessed value, and thus a less than average decrease in property tax rates.

Switzerland County arranges its receipt of wagering and admissions taxes so that many jurisdictions share in the revenue. Belterra's tax payments are deposited into a county casino revenue fund. Shares are then distributed to various Switzerland County funds, surrounding counties, the towns of Vevay and Patriot, and the six townships. Thus, Vevay does receive riverboat tax revenue. The town also receives incentive payments. This money explains the large increase in Vevay's other revenues.

Vevay then uses this revenue for added appropriations, both general fund and other funds (which include funds for roads, parks and cemetery maintenance). Evidently it has not used this revenue to reduce the property tax burden on town taxpayers. The property tax levy has not increased by an exceptional amount, but because assessed value grew relatively slowly, Vevay's tax rate did not decline as much as did the five town average.



The riverboat probably had a positive fiscal impact in Vevay Town. But the case for a positive fiscal impact is weaker in Vevay than it is in Switzerland County. If the fiscal impact was positive, why did the tax rate not fall more than it did?

The county's tax rate decline was due mostly to the big increase in its assessed value. Vevay did not see an above average assessed value increase, so its rate did not fall more than average. Its rate did not rise much more than the average either. Had the fiscal impact truly been negative, levies beyond the property tax controls might have increased (such as added bonding for infrastructure). This did not happen.

Switzerland County School Corporation

Like the county, the Switzerland School Corporation shares in Belterra's property taxes, since the riverboat docks within the corporation's boundaries. Like the town, the school corporation is not entitled to any of the admissions or wagering taxes that Belterra pays. Yet, like the town, the school corporation shares in the revenue benefits that the riverboat brings (Table 15).

In particular, the county's casino revenue fund, which receives Belterra's wagering and admissions taxes, pays into the Switzerland County Public School Endowment. Payments were more than \$5 million during the 2001-03 period. As of 2003 school corporation debt service payments were assumed by the endowment. This reduced the school property tax rate by approximately 25 cents per \$100 assessed value. The school corporation is not entitled by law to Belterra wagering and admissions tax revenue, but in Switzerland County it receives such revenue.

Clearly the revenue was not used only for property tax reductions. Total, general fund, capital fund and other appropriations all increased more in the Switzerland School Corporation than in the five comparable corporations. Property tax and other revenues also rose more rapidly than average.

The Switzerland School Corporation is county-wide, so its assessed value rose by the same amount as the county's assessed value. This was a much bigger increase than the five school average, showing the effect of the Belterra riverboat.

Unlike the county, school property taxes increased more than average, despite the drop in the debt service rate to zero. Still, the school tax rate fell more than average. In 2000 the Switzerland school tax rate was nearly equal to the five school average. By 2005 it was only two-thirds of the average rate.

This again presents a strong case for a positive fiscal impact. Switzerland enrollment did not rise during this five year period, yet appropriations increased 40.3 percent. It's likely that more and better educational services are being provided. At the same time, Switzerland school taxpayers were paying less relative to their five school counterparts. More services with lower taxes indicates a positive fiscal impact.

Economic Benefit of Gaming-Related Taxes and Incentive Payments

This analysis is based on nearly \$40 million of tax and incentive related revenues generated by Belterra and spent by either local governments or local not-for-profit foundations between January 1,



2001 and December 31, 2004. Specifically, the analysis includes \$4.9 million of Belterra contributions to local projects, over \$130,000 of foundation spending, and over \$34.7 million of gaming related local tax revenue. The analysis does not include \$5.6 million of gaming related revenue placed in a long term endowment. Total economic impact consists of the direct spending of the nearly \$40 million of local gaming related revenue as well as the indirect economic activity generated by the spending of the businesses contracted to provide services and the spending of the employees whose income is directly attributable to the spending of the gaming related revenue. The total economic impacts generated by local governments and foundation expenditure of gaming related revenue is:

- \$54,583.180 in economic impact,
- \$16,182,782 in employee compensation, and
- 879 new jobs (full time equivalents).

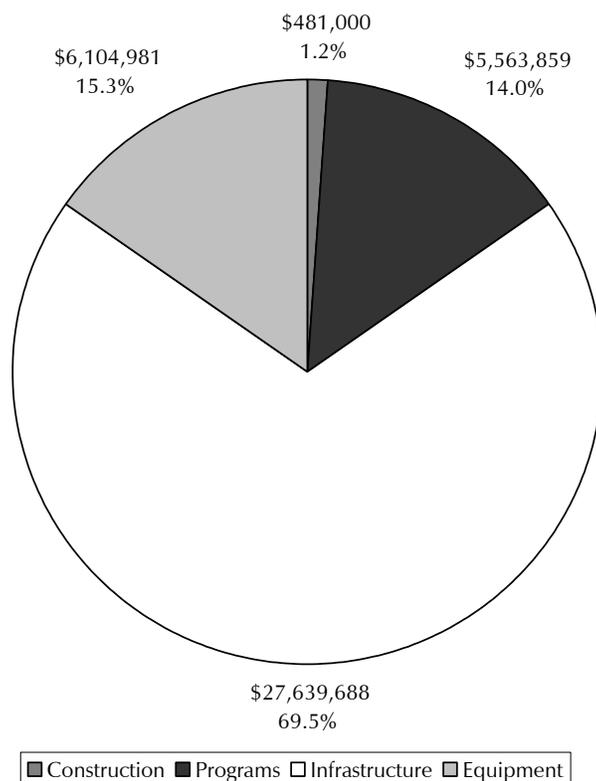
Local Investments

The largest amount of local spending, over \$27 million or nearly 70 percent of all expenditures was directed towards public infrastructure. The second largest expenditure of over \$6 million was made for new equipment, including an EMS ambulance, firefighting equipment, including a new thermal camera, and other public safety related equipment as well as new soccer goals and a van for the YMCA. There were also over \$5.5 million of programmatic service and not-for-profits operations expenditures made by local government and the foundation. A few examples of these expenditures are: to the Switzerland County Historical Society, for the planning of a hay barn, to the Swiss Friends of Animals, for a spaying and neutering program, to Lifetime Resources, for the Family Caregiver Program start-up costs, and to the library for reading programs.



The total amount and share by expenditure category is displayed in Figure 16.

Figure 16: Estimated Expenditure by Type of Public Investment



Total Direct Benefits

Direct economic benefit is generated by money spent with firms directly contracted by local government and the local foundation to provide services (the programs category) or produce the goods (the capital equipment, infrastructure, and construction categories). Specifically, it is estimated that spending of the nearly \$40 million in gaming-related tax and incentive revenue generated an estimated:

- 667 new jobs (full-time equivalents).
- \$11,843,694 in employee compensation

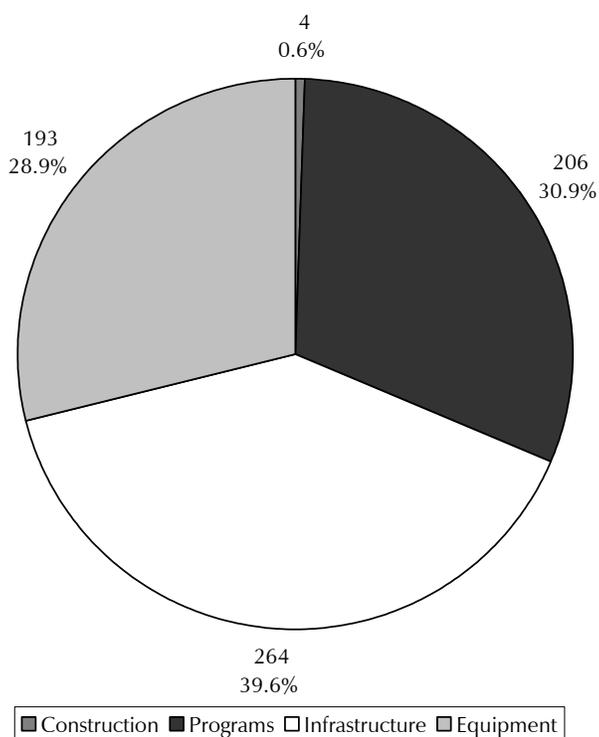
The 667 jobs and over \$11 million in wages are expected to be created directly at the firms receiving gaming related revenue for the purpose of producing goods and services. The largest number of jobs directly attributable to investments made between 2001 and 2004 was in the infrastructure category where 264 jobs (1 year full-time equivalent) were supported at firms receiving revenue directly attributable to gaming related taxes and incentives. Spending for government and not-for-profit program services generated 206 jobs or nearly 31 percent of all jobs. The purchase of equipment



and supplies generated 193 full-time equivalent jobs and construction related expenditures generated only 4 full-time equivalent jobs.

It is important to understand that while the total amount expended by category plays an important role in determining the number of jobs created/supported by investment category, the investment categories differ in the degree to which they are labor and materials dependant. For example, a job related to expenditures made to fund government or not-for-profit programs requires only \$27,000 of expenditure to create a job whereas an infrastructure related job required expenditures of over \$104,000. This is likely a result of the fact that government programs are more labor intensive trade, whereas the construction of new infrastructure is much more dependant on material. Figure 17 displays the total number of direct jobs attributable to each investment category.

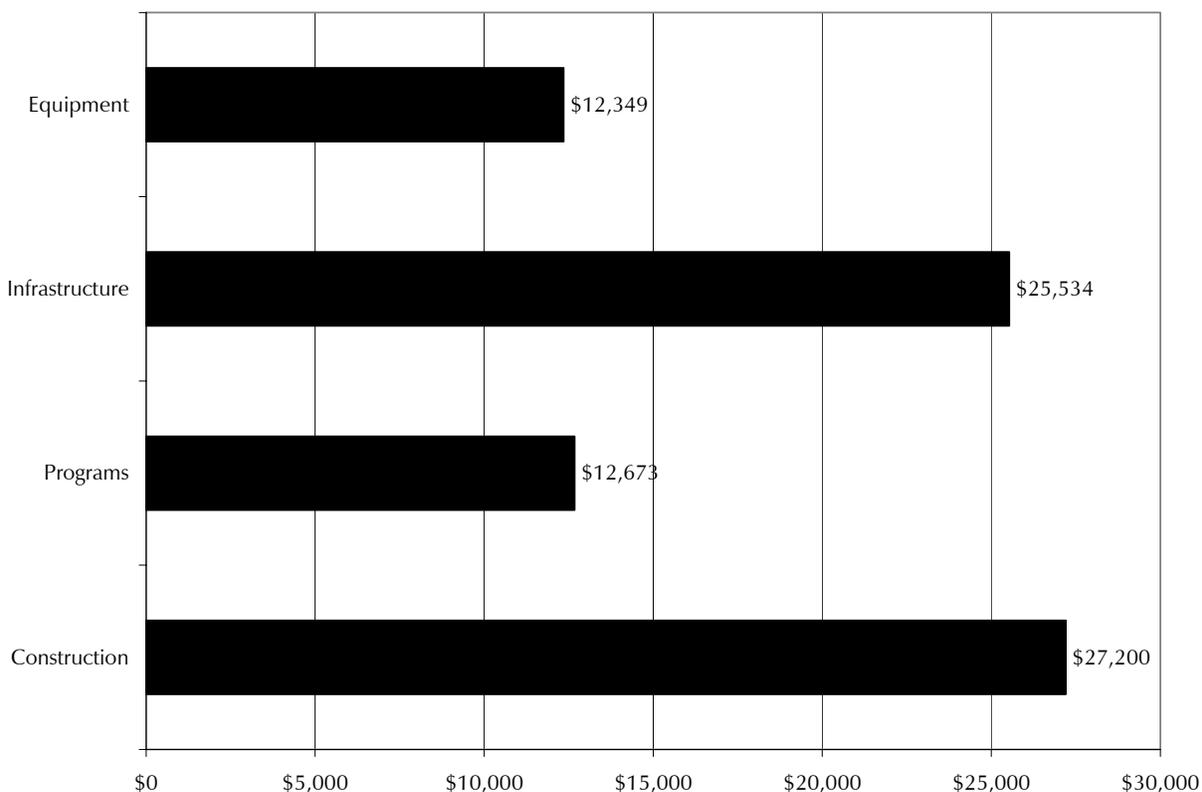
Figure 17: Direct Employment Attributable to the Spending of Riverboat-Related Revenue





The average wage for direct jobs associated with building or infrastructure-related construction are much higher than the average wages for equipment sales and programmatic expenditures. Figure 18 displays the average wage for direct jobs in each investment category.

Figure 18: Average Employee Earnings Attributable to Spending of Riverboat-Related Revenue



Indirect and Induced Economic Benefits

Indirect and Induced impact is generated as businesses directly contracted to work on specific projects to purchase goods and services from other businesses as well as when individuals whose job and income is directly attributable to the spending of local gaming related taxes and incentives spend their wages in the local community. For example, one of the new jobs may be an employee of a firm providing working on a construction project attributable to gaming-related tax and incentive revenue paid by Belterra and spent by the Switzerland County. As the worker and his or her family eats at local restaurants, shops in local stores, purchases a new automobile, and makes home improvements, those expenditures and all other local expenditures generate additional economic activity. Similarly, the firm working on the construction project needs to purchase materials, supplies, and perhaps equipment from other businesses. As with the employee, when purchased locally, the firm's expenditures produce additional economic benefits. These benefits are known as the indirect benefits. Then as the firms and workers who indirectly benefit from the expenditure of tax and incentive spending by Switzerland County and the local community foundation spend their money, it generates additional economic activity. These additional rounds of economic activity are known as the induced benefits. As the spending of nearly \$40 million in tax and incentive payments works its



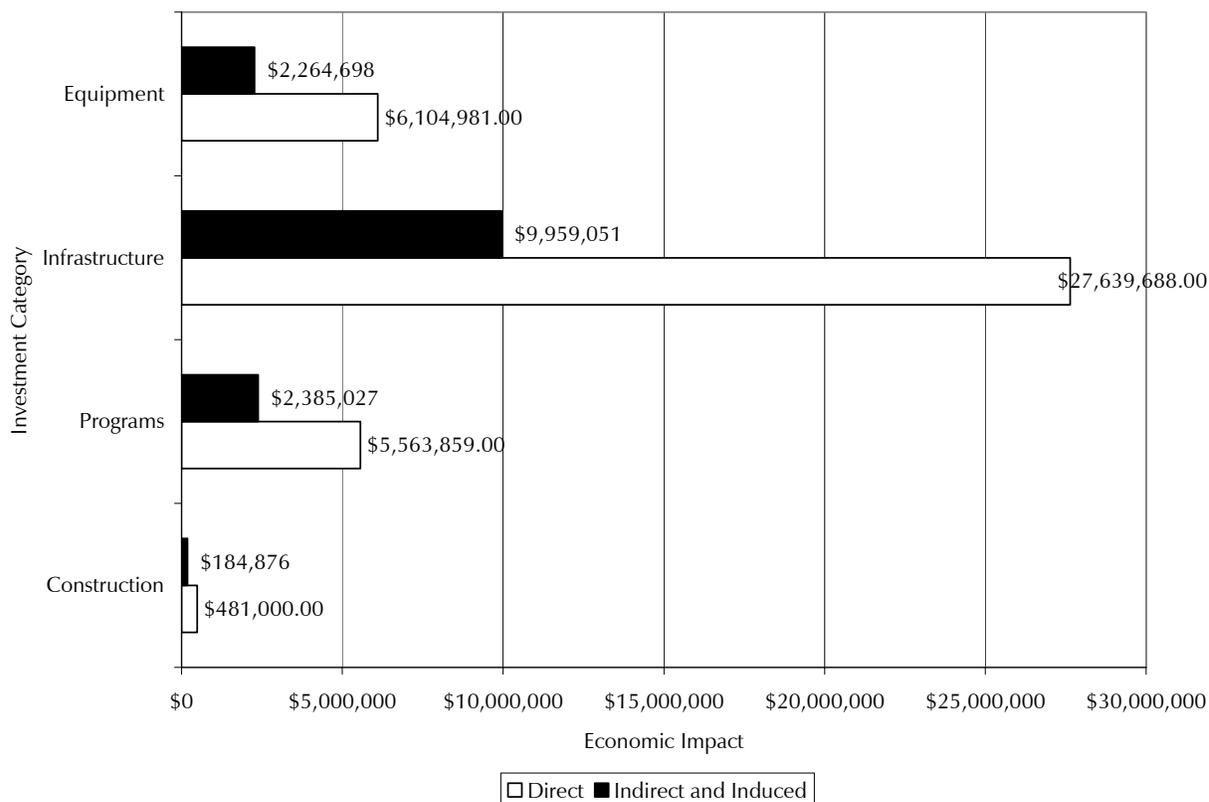
way through the local economy (Switzerland, Jefferson, Ripley, Dearborn, and Ohio counties), it generates additional economic benefits above and beyond those generated at the firms that receive gaming related contracts and revenues .

The indirect and induced economic benefit of the spending of gaming-related local tax and incentive payments made by Belterra is estimated to have generated an additional:

- \$14,793,652 in indirect economic activity
- \$ 4,339,088 in indirect employee compensation
- 212 indirect new jobs (full-time equivalents).

The largest generator of indirect and induced economic activity was infrastructure spending where direct expenditures of \$27.6 million generated nearly \$10 million of additional indirect and induced economic activity. In total the initial expenditure of nearly \$40 million of gaming related tax and incentive revenue on programs and non-profit operations related activity produced an additional \$14.8 million of economic activity within the five-county region. Figure 19 provides the total amount of direct and indirect and induced economic activity attributable to each investment category.

Figure 19: Direct, Indirect and Induced Economic Benefits

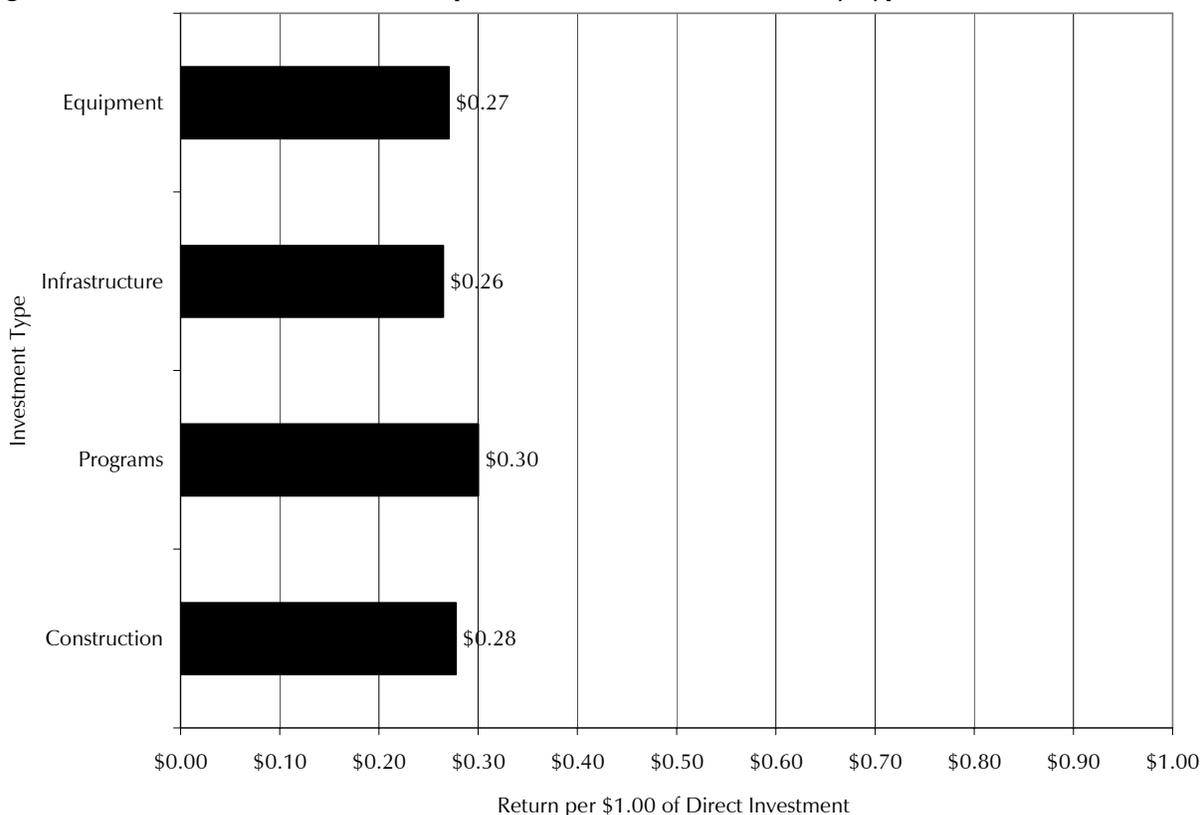


Because of the large amount of direct spending on infrastructure, this investment category generated the most indirect and induced economic activity; however it was not the most efficient producer of



additional economic activity. Not-for-profit and government programs generated 30 cents of indirect and induced economic activity for every direct dollar spent, making it the most efficient producer of indirect and induced economic activity. Each of the direct spending or investment categories has a different rate of return within the five-county region. Figure 20 displays indirect and induced benefit generated by the expenditure of \$1.00 in each investment category. The share of indirect benefit varies because different types of expenditures engender different local spending behaviors. For example, if there are few providers of cement within the five county region then the increased demand for such items may result in purchases being made outside the impact area, when this occurs dollars leave (or leak out of) the local economy and the spending of those leaked dollars in other regions generates no additional economic benefits for the regional economy. While the immediate rate of return is highest for programs and not-for-profit operations (30 cents of indirect impact per \$1.00 of public investment) many studies indicated that the long-term benefits of public investments in infrastructure, facility construction and capital equipment investment will produce greater long-term impacts including higher wages, more jobs, and increased property value.

Figure 20: Indirect and Induced Benefit per \$1.00 of Direct Investment by Type of Investment





The large amount of infrastructure investment also results in infrastructure spending being the largest generator of indirect and induced jobs. The 141 indirect and induced jobs attributable to infrastructure may or may not be created in businesses directly involved in infrastructure construction. For example a job could be created at an accounting firm that provides support services to a firm that received money to pour the cement for a sidewalk, it is also possible that another job could be at a fast food restaurant and be attributable to the spending by those employed by the firm running the festival. Figure 21 displays the total number of indirect and induced jobs attributable to each investment category.

Figure 21: Indirect and Induced Jobs

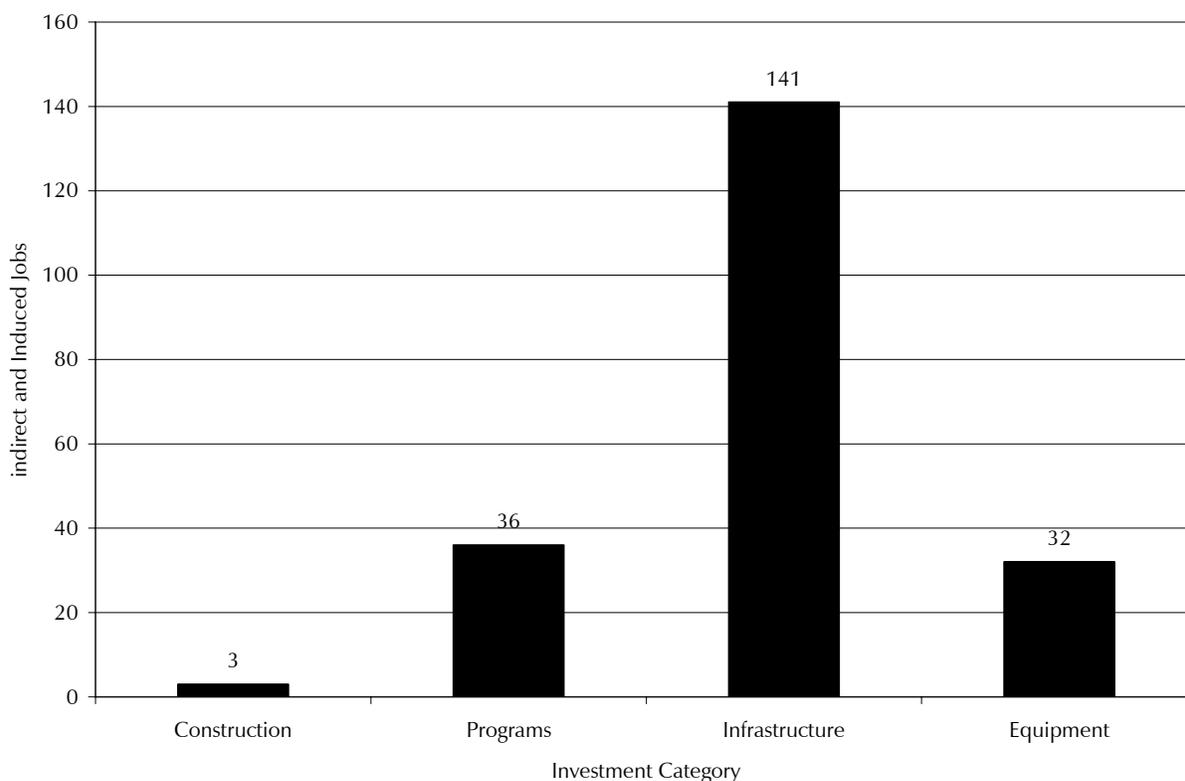
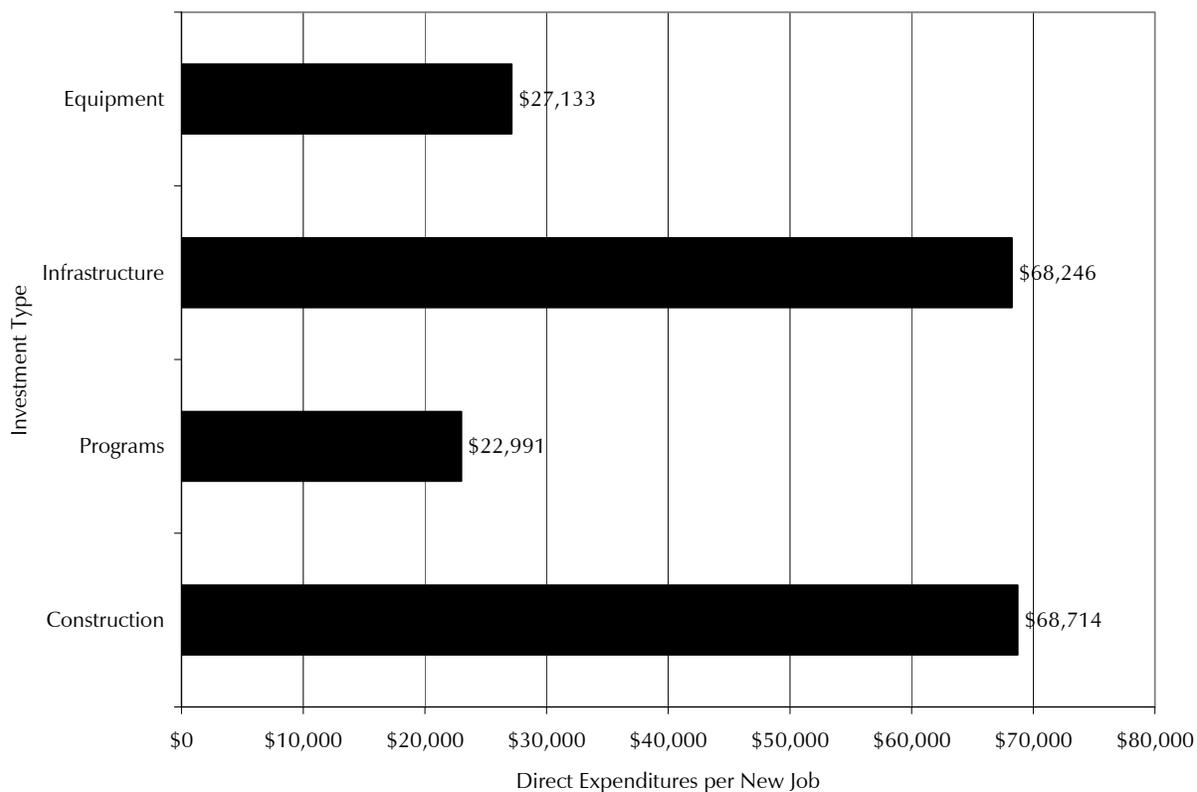




Figure 22 displays the amount of direct expenditures by the category of investment required to produce a new (either direct or indirect) job in the five-county region. Much of the variance is attributable to the varying degree of labor intensity by investment category. It is important to understand that while it only requires \$22,991 of direct expenditures to create a new job associated with a not-for-profit or government program as compared to over \$68,000 to create a job associated with construction or infrastructure investments the these jobs produces a much higher annual wage than does a job associated with a program expenditure.

Figure 22: Direct Expenditures per New Job Created





The infrastructure investment category generated over \$2.9 million of the \$4.2 million of indirect and induced employee compensation. Similarly to indirect and induced jobs, these wages could be paid to individuals employed in the same investment category as the direct expenditure as well as all other sectors of the economy. Figure 23 displays the amount of indirect and induced wages attributable to each investment category.

Figure 23: Indirect and Induced Wages

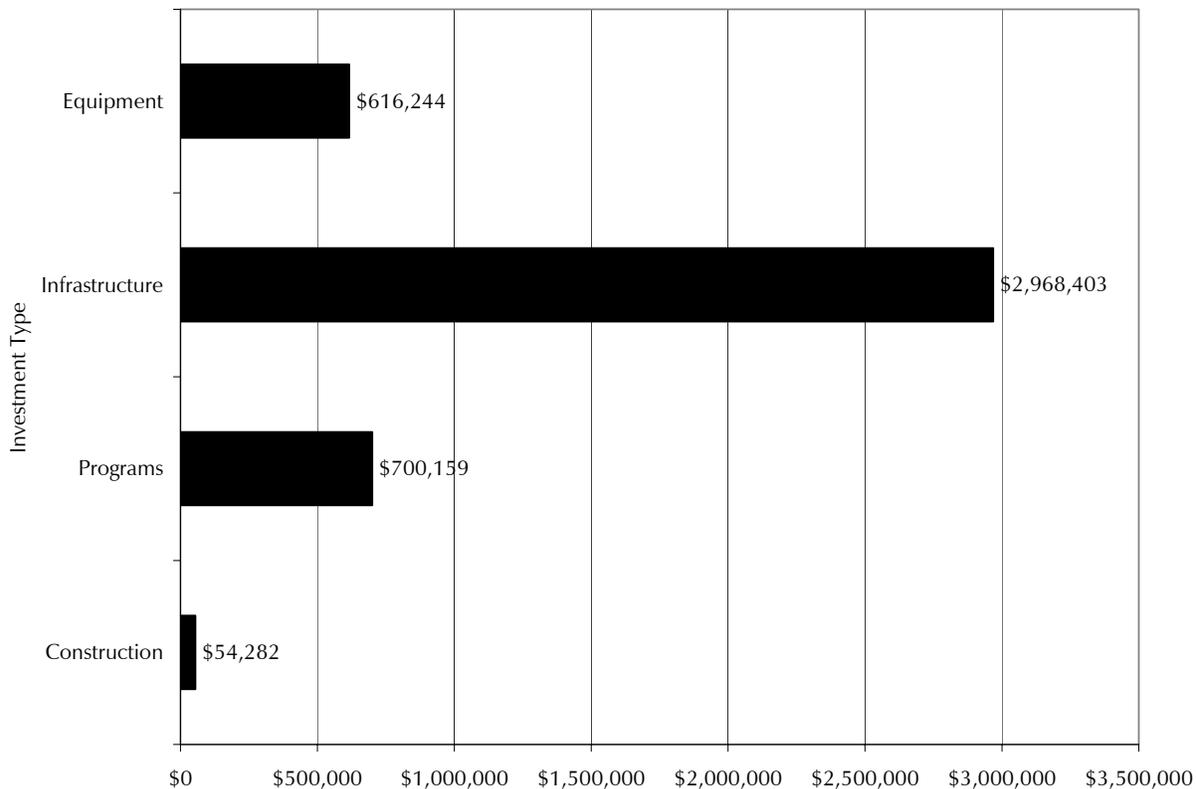
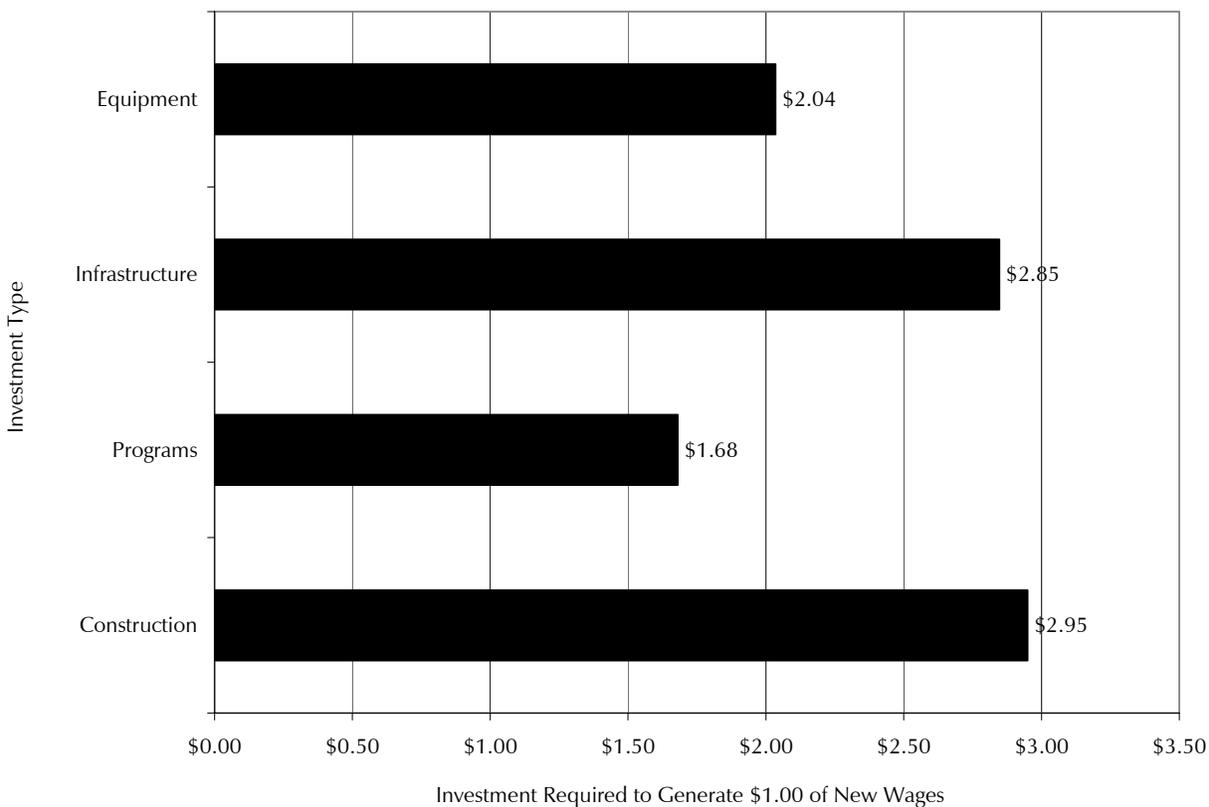




Figure 24 displays the amount of direct expenditures required to produce \$1 of new direct and indirect local wages. This amount varies because wages vary by type of investment as a result of industry sectors having differing wage versus material and capital equipment expenditure rates. For example, the program category is labor intensive and requires only \$1.68 in investment to generate \$1.00 in wages. Construction and infrastructure projects, which tend to be material intensive, require over \$2.80 of investment to generate \$1.00 of new wages.

Figure 24: Direct Expenditures per \$1 of New Employee Compensation





Long-Term Economic Benefits of Gaming Related Taxes and Incentives

The long-term economic benefits of the spending of gaming related taxes and incentives should result in a more economically competitive local economy. For example, road and traffic control infrastructure investments that reduce the time costs related to transportation should reduce the cost of business operation and the provision of new services might improve the perceived quality of life and make the area a more attractive place to live. While eight years is not likely a long enough period to substantially change the local economy, most counties in the study area have seen per capita income increase at a faster rate than the Indiana state-wide average and two counties have seen their unemployment rate relative to the Indiana state-side average drop dramatically.³

³ Of course there are many other factors also affect the employment rate and wages.



OTHER ISSUES

According to Belterra, 35 lawsuits have been filed against them since opening; 13 were filed by patrons (mostly slip and falls), one was filed by a family member of a man killed while driving a golf cart near Belterra, 20 were filed by employees and one was a breach of contract with a supplier.

Belterra has made efforts to minimize the negative impacts of gambling. All new employees watch a video "Compulsive Gambling: Red Flags and Referrals". This training helps employees identify possible compulsive gamblers among patrons and employees. Belterra has created a brochure "Know your Limits" which is makes available on its property. Belterra is a member of both the Indiana and Kentucky Council on Compulsive Gambling.

In May of 2002, Belterra Casino Resort began its Voluntary-Exclusion Program. Any individual could elect to have him/her permanently evicted from the Casino Vessel. The Program advised all participants that Belterra will remove each participant's name from all marketing lists, remove all check cashing privileges and revoke all credit privileges for each participant. There was purposely no mechanism within the Program whereby an individual could remove him/herself from the Program List. This policy reflected the philosophy that once an individual has admitted to having a gambling problem, similar to any other compulsive addiction, the addiction is always present. Since opening, 222 guests have requested self-exclusion.

Belterra's security department is using a card verifier that is programmed to read government-issued driver licenses issued in North America. It displays the age and date of birth and can also detect altered, fraudulent, or expired identification. Even with this system, which screened 274,479 identifications, 186 people were turned away for being under 21 and 179 were arrested or evicted. (Table16)

Table 16: Belterra' Efforts to Prevent Underage Gambling

Category	Opening -2001	2002	2003	2004	2005 through 7/31	Total
Number of IDs verified	10,175	49,111	67,395	91,238	56,560	274,479
Number of patrons turned away – under age 21	52	29	45	32	28	186
Number of arrests/evictions		8	69	75	27	179



SUMMARY OF FINDINGS

Project Development Certificate Compliance

- As of July 31, 2005, Belterra had spent \$302.3 million, more than double the amount agreed to in the Certificate for the development of the project (\$148 million).
- Since 2000, Belterra has spent \$15.6 million locally.
- Belterra has contributed \$1.9 million to local area organizations.

Gaming Activity

- Belterra has had attendance of over 9.4 million people since opening and gross gaming receipts of \$588.8 million, for an average of \$63 of casino win per patron per cruise.

Impact of Gaming Activity on Tourism

- According to a patron survey, most (61 percent) of Belterra patrons were regular or somewhat regular visitors.
- According to the survey, 88 percent of the patrons stated that their main reason for traveling to Switzerland County was to visit Belterra.
- According to the survey, 50 percent of the patrons planned to stay in Switzerland County for more than eight hours, a higher percent than at other southern Indiana casinos.

Employment Certificate Compliance

- As of July 31, 2005 Belterra had employment of 1,277 persons, slightly above their five-year average of 1,245. Since opening Belterra has paid \$161.4 million in wages.
- As of July 31, 2005 57 percent of Belterra employees were women and 7 percent were minorities. Approximately 44 percent were from Switzerland County and 66 percent were from Indiana.

Impact on Belterra Workforce

- According to a survey of employees, before beginning employment with Belterra, approximately 36 percent of employees were either not working or working part-time.
- Respondents who had been previously employed indicated that they had worked at another casino, in the service sector or the retail sector.
- Approximately 26 percent reported moving from rental housing to homeownership while employed at Belterra.
- The average length of employment at Belterra was two years and nine months.
- Of those who did not report receiving health insurance, 24 percent indicated that it was because they could not afford it. Only 28 percent of respondents (134) indicated that they participated in the retirement plan.



Tax Revenue Collected

- Belterra has paid almost \$120 million in direct taxes to the state of Indiana since it opened.
- Belterra has paid over \$47 million in direct taxes to the local area since it opened.

Incentive Payment Certificate Compliance

- Belterra is on schedule with its incentive payments and has provided \$12.8 million in incentive payments.
- While all the fixed incentives were completed in year one, the largest, the contingent incentives, will continue into the future, unless the local development agreement is reopened in the light of state tax law developments.

Fiscal Impact of Tax Revenues on Local Government

- In total, the fiscal impact of the Belterra riverboat on Switzerland County and the South Switzerland Community School Corporation is positive; total added revenues greatly exceed total added costs.

Economic Benefits of Gaming-Related Taxes and Incentives

- The total economic benefit produced through the spending of Belterra local gaming revenue was over almost \$55 million.
- Local area employment attributable to this economic benefit was 879 jobs with earnings of over \$16 million.

Other Issues

- In an effort to prevent underage gambling, Belterra has verified over almost 275,000 identifications. In addition, it has turned away 186 patrons and arrested or evicted 179 for false identification and/or being under age 21.
- Belterra has a voluntary self-exclusion program and since opening, 222 guests have requested self-exclusion.