

FIVE-YEAR LICENSE RENEWAL:
Grand Victoria Casino & Resort, LP

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INTRODUCTION

The Riverboat Gambling Act (Act), effective July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for 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 assist the Commission in analyzing the economic impact, fiscal impact, financial, management, and other factors considered 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 ten 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 teams for projects.

On June 30, 1995, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Rising Sun, Indiana. Grand Victoria Casino & Resort, LP (Grand Victoria), formerly Rising Sun Riverboat Casino & Resort, LLC commenced full-time gaming operations on October 4, 1996. The Act specifies that an owner's initial license expires five (5) years after the effective date of the license. This report is an analysis of Grand Victoria's first five years of operation. The Certificate of Suitability (Certificate) was the agreement between Grand Victoria and the Indiana Gaming Commission that described the requirements Grand Victoria needed to fulfill to obtain its license.

The Certificate specified certain levels of project development and incentive payments to be made by Grand Victoria as well as specifying that Grand Victoria abide by agreements made with the city of Rising Sun. Because the data for this



analysis were collected before the completion of Grand Victoria's fifth year of operations, in year five, data are shown for year five through July 31, 2001. 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 Grand Victoria'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 report is the fifth of ten analyses, one for each Indiana riverboat. The first, an analysis of Aztar was completed in February of this year. The next three, Empress, Trump, and Majestic Star were completed in July 2001. The sixth, Argosy, also will be completed in November 2001. Each additional report will allow an opportunity to refine the methodology, improve data collection, and compare and contrast riverboat performance and its impacts on local communities.



PROJECT DEVELOPMENT AND GAMING ACTIVITIES

The 2,700-passenger riverboat opened with 40,000 square-feet of gaming space. A facility consisting of a 201-room hotel, a 125,000-square-foot permanent pavilion, and 2,000 parking spaces opened on July 25, 1997, and a 1,100-seat events/showroom that is part of the permanent pavilion was opened on December 31, 1997. Construction of an 18-hole golf course was begun in the summer of 1998 and opened in the spring of 2000.

Project Development Certificate Compliance

In the Certificate of Suitability (referred to throughout as Certificate), Grand Victoria committed to spend approximately \$94.5 million on project development, in addition to pledging to the city of Rising Sun other incentives totaling several million dollars. As of July 31, 2001, Grand Victoria had spent approximately \$143 million, \$48.5 million more than agreed to in the Certificate for the development of the project.

Grand Victoria has spent money locally for both capital and operating expenses as well as through sponsorships and contributions. As Table 1 illustrates, since opening, Grand Victoria has spent almost \$16 million locally. Additionally, Grand Victoria has impacted the Rising Sun area through \$107,036 in sponsorships and contributions to local area organizations such as Greendale Life Squad, American Cancer Society, and several scholarships. It also sponsored several community events including the Greater Cincy Ohio River – Poker Run, SIDS Golf Tournament, and the Historic Downtown Program. In addition, Grand Victoria committed in-kind contributions worth \$254,925. This figure excludes the charitable contributions that were part of the local development agreement, which are discussed under Incentive Payments.

Table 1: Local Spending

	1996	1997	1998	1999	2000	2001 through 7/31/01	Total
Local Spending	\$1,675,768	\$4,097,549	\$4,003,741	\$2,924,198	\$1,975,507	\$1,137,772	\$15,814,534
Sponsorships & Contributions	\$240	\$12,055	\$40,428	\$29,145	\$22,149	\$3,019	\$107,036



Gaming Activity

The certificate did not require any specific levels of gaming activity by Grand Victoria. As Table 2 illustrates, Grand Victoria has had attendance of over 15 million people since opening and gross gaming receipts of almost \$669 million, for an average win of \$44 per patron per cruise.

Table 2: Gaming Activity

Category	1996	1997	1998	1999	2000	2001 through 7/31/01	Total
Attendance	646,504	3,065,971	3,724,605	3,241,349	3,101,284	1,577,955	15,357,668
Gross Gaming Receipts	\$30,864,431	\$143,138,474	\$163,549,332	\$144,388,890	\$152,166,994	\$65,643,319	\$668,887,009
\$ Per Patron per Cruise	\$48	\$47	\$44	\$45	\$49	\$42	\$44

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 at the riverboat casino. It also was assumed that most of the casino visitors would be tourists and not local residents.

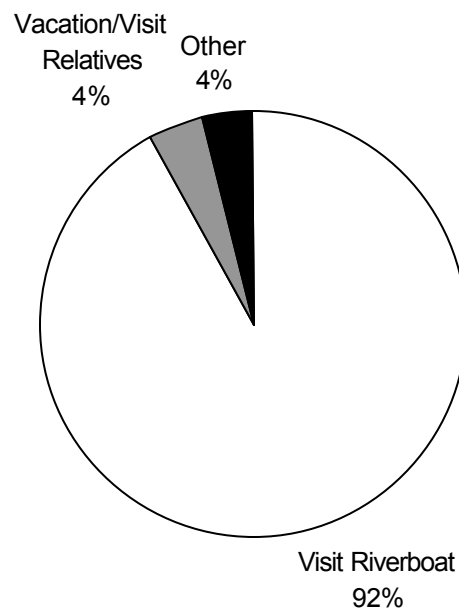
With the cooperation of Grand Victoria, the Center conducted face-to-face interviews with riverboat patrons over a four-day period in July 2000 (Friday through Monday) in the riverboat pavilion. During the four-day interview period, the Center acquired a 116-patron sample. According to the survey data, the average distance traveled to the riverboat was 118 miles. Less than 1 percent of the interviewees were from Rising Sun or Ohio County, 35 percent were from the remainder of Indiana, and just over 64 percent were from outside Indiana (43 percent from Ohio).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 Rising Sun. Figure 1 indicates that 92 percent of the patrons stated that their main reason for traveling to Rising Sun was to visit the Grand Victoria casino. The remaining eight percent of interviewed patrons' primary reason for visiting Rising Sun was for vacation, conducting business, visiting relatives, or playing golf.

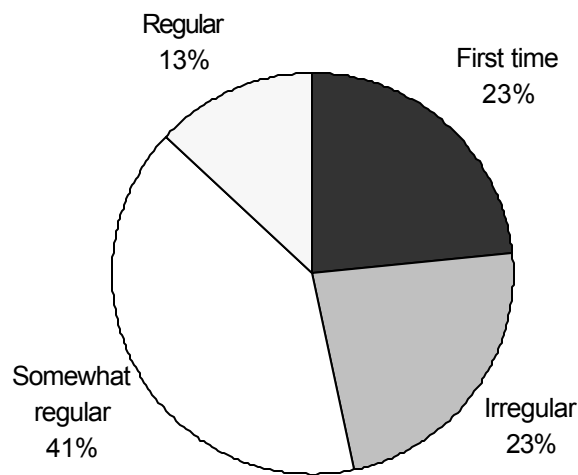
Figure 1: Grand Victoria Patrons' Reason for Visiting Rising Sun





The patrons also were asked how often they visit Grand Victoria. 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, patrons of the riverboat were more likely to visit the riverboat somewhat regularly (41 percent). Forty-six percent of the interviewees visit Grand Victoria irregularly (less than twice a year).

Figure 2: Regularity of Patron Visits to Grand Victoria



First time visitor

- Visiting Grand Victoria for the first time

Irregular visitor

- Visit Grand Victoria less than once a year
- Visit Grand Victoria one or two times a year

Somewhat regular visitor

- Visit Grand Victoria every couple months
- Visit Grand Victoria once a month

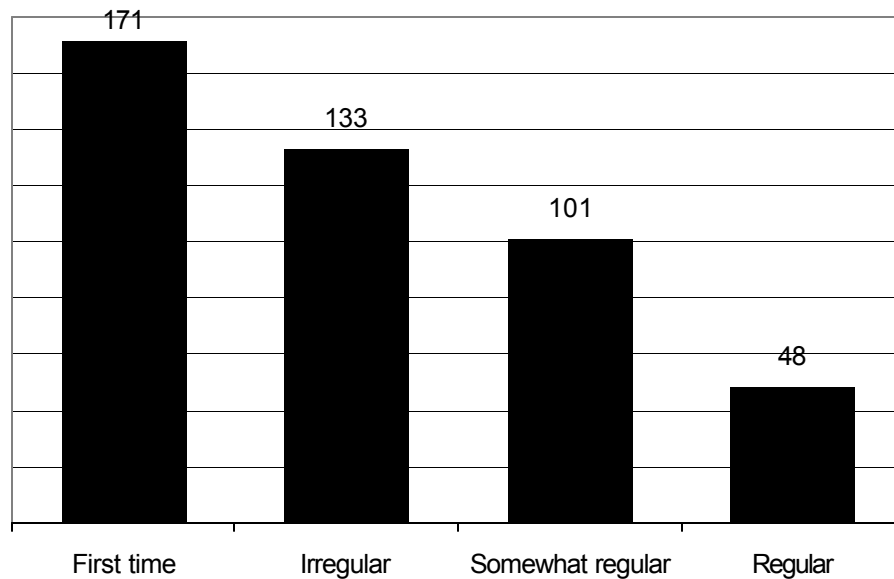
Regular visitor

- Visit Grand Victoria once a week
- Visit Grand Victoria two to three times a week
- Visit Grand Victoria everyday



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 171 miles to 48 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 Grand Victoria



As stated previously, 92 percent of the interviewed patrons were in Rising Sun specifically to visit the riverboat. In addition, each patron was asked how long he or she planned to stay in Rising Sun during his or her visit. Table 3 indicates that 22 of the 116 interviewed patrons (19 percent) stayed in Rising Sun over eight hours. Those patrons who stayed for more than one 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 (average 223 miles) was over two times greater than those who stayed less than eight hours (average 85 miles).

Table 3: Time Spent in Rising Sun

	Number of Patrons	Proportion of Respondents	Average Miles Traveled
8 Hours or Less	94	81%	85
9 to 24 Hours	5	4%	73
1 to 4 Days	17	15%	223
Total Sample	116	100%	118





Table 4 shows the proportion of residents who visited other attractions or patronized other businesses relative to total time each patron spent downtown. As indicated, 35 percent of the sample visited attractions other than Grand Victoria. However, a majority of the patrons explained that the other businesses they would be visiting were in the riverboat pavilion. The patrons who stayed in Rising Sun longer were more likely to visit other downtown amenities and businesses.

Table 4: Time in Rising Sun and Visitation of Other Attractions

	Number of Patrons	Visited Other Attractions	Average Miles Traveled
8 Hours or Less	94	13%	85
9 to 24 Hours	5	40%	73
1 to 4 Days	17	94%	223
Total Sample	116	35%	118



EMPLOYMENT

Grand Victoria did not identify specific hiring goals for minorities, local or Indiana residents in its application. As of July 31, 2001, three percent of Grand Victoria's employees were minorities, 26 percent were from Ohio County and 82 percent were from Indiana.

Employment Certificate Compliance

As Table 5 indicates, as of July 31, 2001, Grand Victoria employed 1,455 persons in the casino and hotel, below their five-year average of 1,924. Since opening, Grand Victoria has paid over \$190 million in wages. Full- and part-time employees receive benefits that include health care coverage and vacation time.

Table 5: Employment and Wages

Category	1996	1997	1998	1999	2000	2001 through 7/31/01	Average/Total
Employment	1,796	2,326	2,105	2,072	1,790	1,455	1,924
Total Wages, Tips & Benefits	\$9,285,028	\$37,136,890	\$43,054,196	\$39,713,524	\$42,247,395	\$18,831,062	\$190,268,095

Impact on Grand Victoria's Workforce

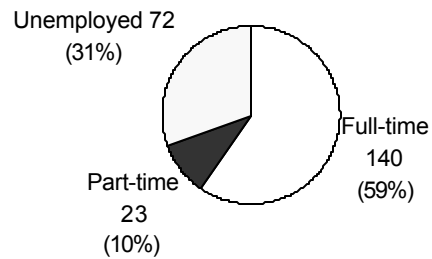
In testimony given to the Indiana Gambling Impact Study Commission in 1999, proponents of legal gaming asserted that gaming-related employment offers the chronically unemployed and under-employed an opportunity to establish a work record and skill set that may lead to even greater economic opportunity. Those who oppose legal gambling questioned the validity of this assertion and claimed that gambling-related jobs are often dead-end positions, plagued by high turnover rates. As part of the five-year analysis, current Grand Victoria employees were asked to complete a survey of their past and current work history, including questions about the learning and skill-building opportunities presented to them. This analysis is based on 239 surveys received from the 1,455 total employees at the Grand Victoria riverboat casino. The results and conclusions are limited to the 239 respondents, who may or may not be typical of all employees.



Previous Employment Status

As shown in Figure 4, 31 percent of the current Grand Victoria employees who responded to the survey were unemployed immediately prior to beginning work at the riverboat. Fifty-nine percent had full-time jobs. The average wage of those employed at full-time jobs prior to beginning work at the Grand Victoria was \$22,021.

Figure 4: Employment Status Prior to Beginning Work at Grand Victoria

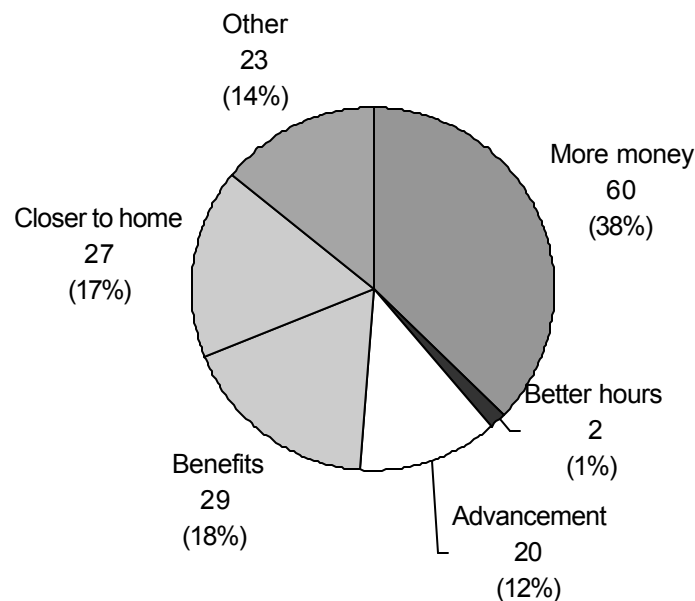




Reasons for Leaving a Job to Accept Employment at Grand Victoria

As shown in Figure 5, for 163 survey respondents who left full- or part-time positions to begin work at the Grand Victoria, the principal reason for accepting employment at the Grand Victoria was more money (38 percent). Improved benefits (18 percent) and closer to home (17 percent) were the second and third most common reasons for beginning work at the Grand Victoria. Two employees did not identify a reason. The most common prior occupations of employees who left full- or part-time positions to begin work at the Grand Victoria were either service jobs (25 percent) or retail jobs (13 percent).

Figure 5: Why Previously Employed Accepted Job at Grand Victoria

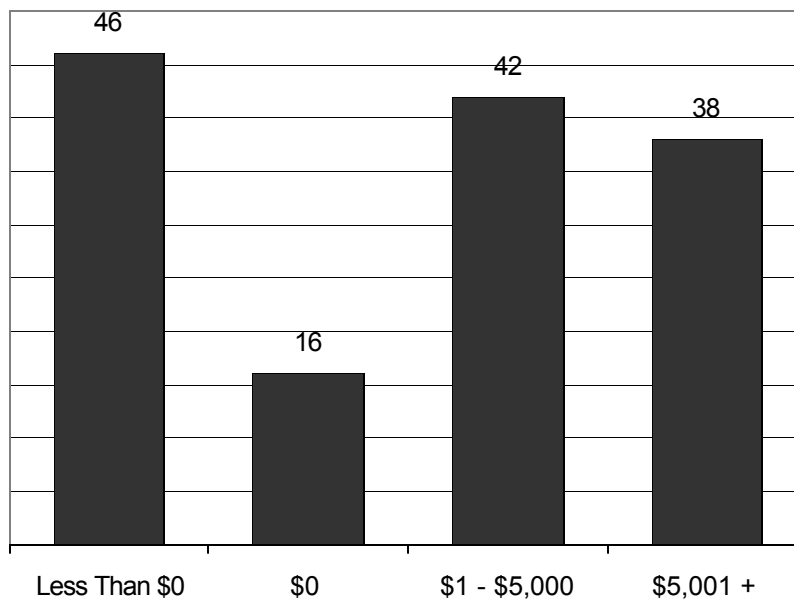




Change in Annual Wages Upon Beginning at Grand Victoria

Of the 239 survey respondents, 142 provided information that compared previous wages to starting wages at the Grand Victoria. As shown in Figure 6, 62 of those 142 employees (43 percent) experienced either no change or a decline in wages after beginning work at Grand Victoria. Fifty-seven percent received a raise of some sort with nearly half of those receiving an increase in pay gaining more than \$5,000. The average change in wages for the 142 employees reporting a previous wage and a Grand Victoria starting wage, was \$1,748 more in the first year at Grand Victoria than in the last year at their previous job.

Figure 6: Change in Annual Wages from Previous Job to Starting at Grand Victoria

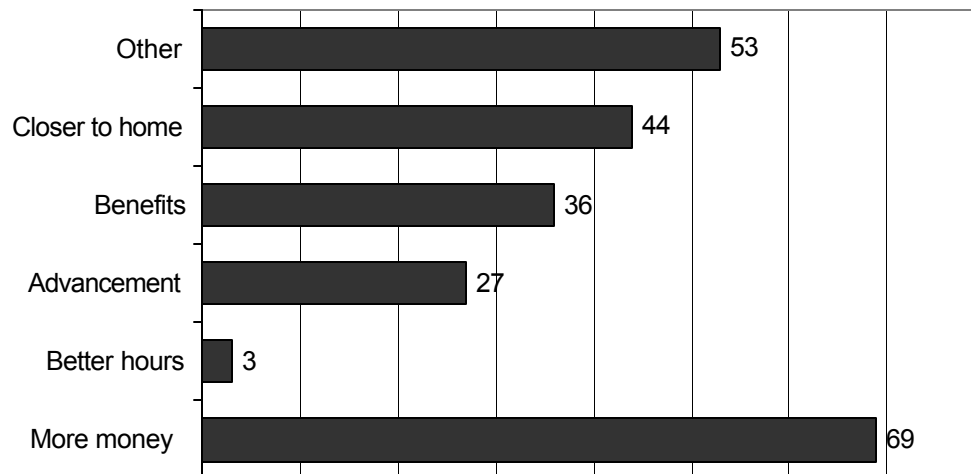




Reason for Beginning Employment at Grand Victoria

As shown in Figure 7, while 69 (30 percent) of the 233 employees who responded with a primary reason for beginning work at Grand Victoria identified more money as their motivation, other reasons were nearly as important. A work location closer to home received 19 percent of the total responses, improved benefits received 15 percent, and a better chance to advance received 12 percent of all responses.

Figure 7: Primary Reason for Beginning Employment at Grand Victoria (All Respondents)

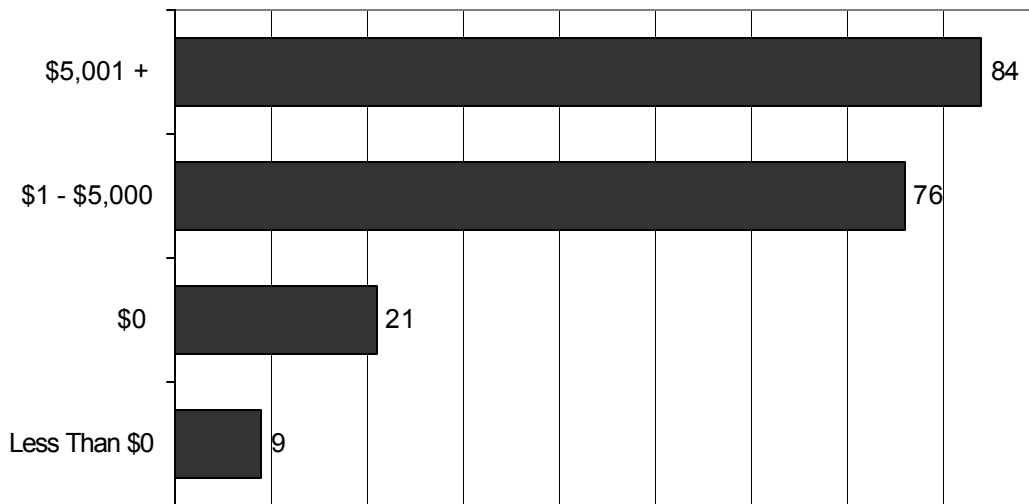




Grand Victoria Employment History

Figure 8 shows that 160 of the 190 (84 percent) survey respondents reporting current and beginning wages at Grand Victoria have experienced an increase in wages over the period. Only 30 (16 percent) of the 190 workers experienced a decline or no increase in annual wages since beginning employment at the Grand Victoria. The average increase for all employees reporting both wages was \$6,071 over the period. The median increase for all employees reporting both current and beginning wages at Grand Victoria was \$4,269. Over the same period, per capita income in Indiana grew by \$3,295. The income of all Grand Victoria workers responding to the survey grew by an average of 22.7 percent while per capita income in Indiana grew by about 15 percent.

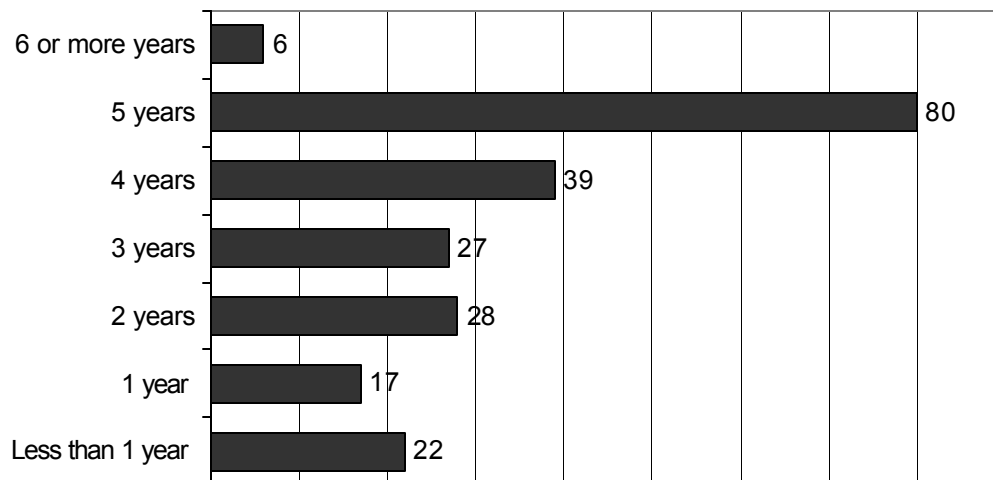
Figure 8: Change in Annual Wages Since Beginning Employment at Grand Victoria





The average length of employment at the Grand Victoria by survey respondents was three years and nine months. The median length of employment by survey respondent was four years and three months. As shown in Figure 9, 80 workers or 37 percent of all respondents have worked at the Grand Victoria for the five years it has been open. Six employees report that they have worked for Grand Victoria longer than the casino has been open; while this may be a reporting error it also is possible that these employees transferred from another Hyatt operation.

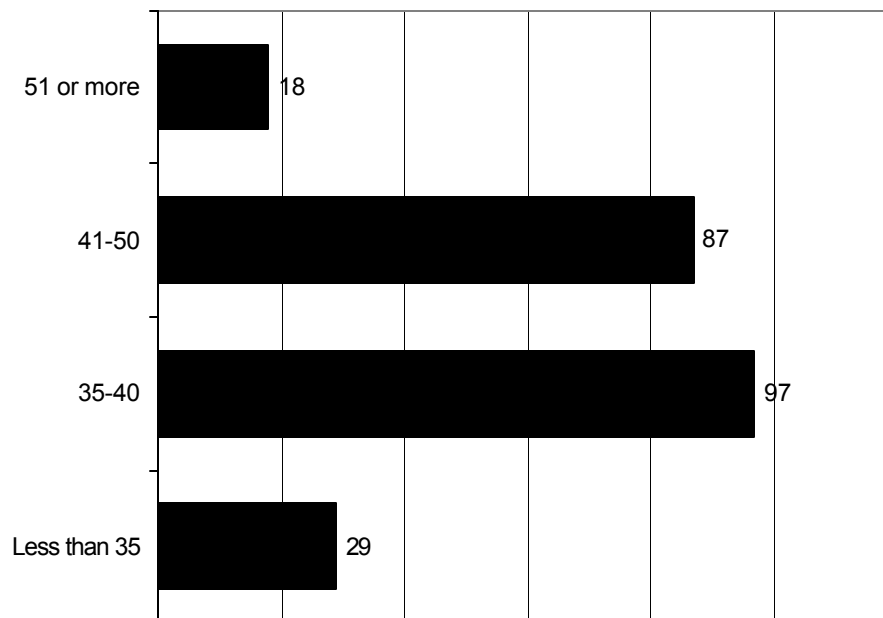
Figure 9: Years Worked at Grand Victoria by Number of Respondents





Eighty percent of the Grand Victoria employees responding to the survey are full-time employees working between 35 and 50 hours per week. As shown in Figure 10, only 29 (12.5 percent) worked less than 35 hours a week. While it is possible that those who work full-time were more likely to return surveys, the vast majority of respondents are employed by Grand Victoria on a full-time basis.

Figure 10: Hours Worked Per Week by Grand Victoria Employees



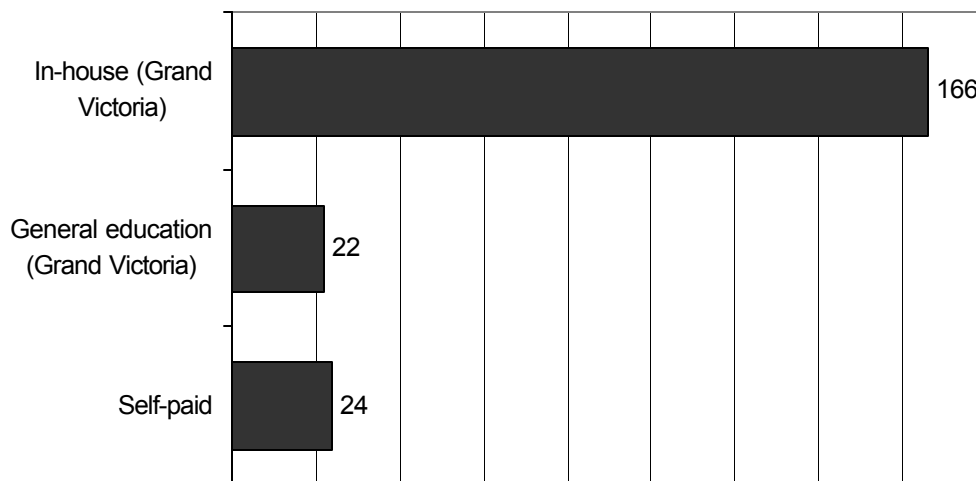
Twenty-five survey respondents report moving from renting to homeownership since beginning work at the Grand Victoria and an additional 23 percent (54) report undertaking a major home remodeling project.



Employee Training and Skill Building

While the data on wages and employment show that Grand Victoria employees are experiencing improved economic conditions, training and skill enhancement are key levers to continued growth and opportunity. Grand Victoria provides a wide variety of job-related training programs for its staff. Each new hire experiences a two-day orientation-training program. Other programs provided by Grand Victoria include training in guest services, safety, employee relations, table games, and awareness of drug, alcohol, and problem gaming. Grand Victoria also has a tuition reimbursement program that has approved 44 applications and provided \$13,038 in reimbursement funds. Figure 11 shows that while most employees received job-related training, few Grand Victoria employees are accessing skill-building opportunities beyond those directly related to their duties at the casino. Only 22 (9 percent) received general skill-building training paid by the Grand Victoria and only 24 (10 percent) sought additional skill-building opportunities of their own.

Figure 11: Training and Skill Building of Grand Victoria Employees



Furthermore, while 69 percent of the high school graduates received in-house job-related skill building from the Grand Victoria, only five percent of the high school graduates report receiving any general education or skill-building classes paid for by Grand Victoria and five percent report paying for skill-building or general education courses themselves. The figures are slightly higher for those reporting some college education, with 16 percent receiving general education or skill-building paid by Grand Victoria and 21 percent paying for those efforts on their own. Twelve percent of those with college degrees reported receiving skill-building training paid by Grand Victoria. Twelve percent of the college graduates



responding reported paying for additional skill building. With the information gathered from this survey, there are no means to determine if these results are a result of employee decisions, lack of availability, or other factors.



ECONOMIC AND FISCAL ACTIVITY

Between 1996 and 2001, the Grand Victoria casino paid \$88 million in local taxes and voluntary negotiated contributions. The \$66 million in local tax revenue has been distributed to the city of Rising Sun and Ohio County. Revenue sharing agreements have resulted in tax revenue being distributed to 15 cities and towns and Switzerland County. Over the same time period, the Grand Victoria has paid \$22 million in negotiated contributions to the city of Rising Sun, the Ohio County Convention and Visitors Association, and the Rising Sun Regional Foundation.

In addition to the gaming-related taxes, Grand Victoria also generates traditional local tax revenues, principally property taxes on the boat as well as other new facilities. The presence of the casino and its patrons creates additional costs for local government. For example, the boat and the accompanying change in traffic patterns and volume may require new infrastructure or more frequent maintenance and increased traffic control costs. The influx of new visitors may require additional public safety expenditures. Riverboat casino employees may choose to relocate within the community and pay new taxes (principally property) and demand new infrastructure and services, including police protection and schools. The fiscal impact of Grand Victoria is determined by comparing the additional tax revenues attributable to the casino to the service and infrastructure costs. If added revenue exceeds costs, the fiscal impact is said to be positive. If the added revenues fall short of costs, the fiscal impact is negative.

While there is much discussion and controversy regarding the economic benefits of the gaming industry, little attention has been focused on the economic benefits generated by the spending of local revenue generated from the gaming industry. The Indiana Gambling Impact Study Commission found that those who support legalized gaming claim economic benefits such as new jobs at the casino, millions of dollars of private investment for gaming facilities, accompanied by spin-off benefits generated by visitors to and suppliers of the facilities. Those who question the economic benefits generated by the gaming industry claim that much of the spending is done by local residents and represents redirected rather than new dollars for the local economy. Opponents also claim that profits are exported to the corporate headquarters of the local casino and that there is no evidence of new visitor spending beyond the gaming facility.

This debate ignores the economic contributions made by the spending of tax revenue generated from gaming facilities for local government. The manner in which local governments choose to invest the local gaming revenue has immediate and long-term impacts for the local economy. The immediate benefit occurs as additional government spending works its way through the local economy. The long-term benefit is determined by how well the spending contributes to the long-term economic competitiveness of the local economy.





This chapter of the analysis discusses the following:

- **Compliance:** documents compliance with mandatory tax payments and voluntary contributions
- **Fiscal Impact:** analyzes the new gaming-related costs and revenues generated by Grand Victoria for taxing units in Rising Sun
- **Economic Benefits:** identifies the immediate economic benefits generated by local gaming-related tax payments and voluntary contributions

Compliance

Tax Revenue

There are two sources of direct gaming revenue: the gaming tax, which is 20 percent of gross gaming revenues, and the admission tax, \$3 per admission. The city of Rising Sun receives one-quarter of the gaming tax and \$1 per admission. The county also receives \$1 per admission. The third dollar collected is split several ways by the state. Other revenues collected as a result of the gaming facility being located in the community include property taxes, sales taxes, and food and beverage taxes. The direct gaming revenues have had at least two impacts on the local community. The first type of impact we examine is the overall fiscal impact on local governments in Rising Sun and Ohio County, which is discussed in the Fiscal Impact of Tax Revenues on Local Government section. The second type is the economic impact that additional spending has generated. The impact of the additional spending is discussed in the Economic Benefits of Gaming-Related Taxes and Incentives section.



As Table 6 illustrates, Grand Victoria has paid almost \$125 million in direct taxes to the state of Indiana since it opened. According to Grand Victoria, additional sales taxes were paid on the lease/purchase of the Grand Victoria II riverboat in the amount of \$1,882,665.

Table 6: State Direct Taxes ²

Category	1996	1997	1998	1999	2000	2001 through 7/31/01	Total
Gaming Tax (State share)	\$4,792,376	\$21,434,273	\$24,620,117	\$21,708,440	\$22,855,976	\$10,033,529	\$105,444,711
Admission Tax (State share)	\$646,504	\$3,065,971	\$3,724,605	\$3,241,349	\$3,101,284	\$1,577,955	\$15,357,668
Sales and Use Tax	N/R	\$846,008	\$1,256,686	\$973,228	\$692,846	\$285,243	\$4,054,011
TOTAL	\$5,438,880	\$25,346,252	\$29,601,408	\$25,923,017	\$26,650,106	\$11,896,727	\$124,856,390

In addition, as Table 7 shows, Grand Victoria has paid over \$68 million in direct taxes (gaming, admission, and property taxes) to the local area (city and county) since it opened.

Table 7: Local Direct Taxes²

Category	1996	1997	1998	1999	2000	2001 through 7/31/01	Total
Gaming Tax (City share)	\$1,597,459	\$7,144,758	\$8,206,706	\$7,236,147	\$7,618,659	\$3,344,510	\$35,148,239
Admission Tax (County share)	\$646,504	\$3,065,971	\$3,724,605	\$3,241,349	\$3,101,284	\$1,577,955	\$15,357,668
Admission Tax (City share)	\$646,504	\$3,065,971	\$3,724,605	\$3,241,349	\$3,101,284	\$1,577,955	\$15,357,668
Property Tax	\$0	\$81,463	\$603,494	\$751,567	\$844,737	\$307,746	\$2,589,006
TOTAL	\$2,890,467	\$13,358,163	\$16,259,410	\$14,470,412	\$14,665,964	\$6,808,166	\$68,452,581

² Source: Grand Victoria Casino & Resort



Rising Sun and Ohio County each share one-half of the admission tax revenue received from admissions to Grand Victoria. Originally, each quarter, two counties and 14 municipalities received a portion of the proceeds from the admission tax, with the formula for revenue sharing based on population: the greater the population, the more money the government will receive. Ripley and Switzerland counties were part of this plan, as were the following municipalities: Aurora, Dillsboro, Greendale, Moores Hill, St. Leon, and West Harrison (Dearborn County); Holton, Milan, Napoleon, Osgood, Sunman, and Versailles (Ripley County); and Patriot and Vevay (Switzerland County). It should be noted that Switzerland County and its municipalities received funds until the fifth Ohio River certificate of suitability was awarded to Pinnacle (now known as Belterra) in Switzerland County. Pursuant to the original revenue-sharing agreement, these entities no longer receive revenue-sharing funds. The only exception is Patriot, which, per the original agreement, received half of its original allocation until the Switzerland County boat opened. In addition, the only Dearborn County municipality that continues to receive revenue is Aurora, which now receives half of its original allocation. Through June 30, 2001, Rising Sun has shared \$5.5 million while Ohio County has shared \$5.6 million. (They allocate administrative costs differently).

Incentive Payments

The largest impact of Grand Victoria in the Rising Sun area (outside of taxes) has been through incentive payments. These payments are the result of agreements that were made with the city of Rising Sun as part of their application process. In its Certificate of Suitability, Rising Sun agreed to provide incentive payments, as detailed below. The Rising Sun Regional Foundation was created in 1994 by the city of Rising Sun and Ohio County in conjunction with the development of the Grand Victoria Casino & Resort by the Hyatt Corporation. The Grand Victoria makes a \$1 contribution to the foundation for each embarking passenger to its riverboat casino. Since October 1996 when the Grand Victoria began its operations, it has contributed a total of \$15.4 million to the foundation. The foundation has made a total of \$10.1 million in grants, including \$1,167,780 in specific local matching grants that assisted in leveraging some \$17,363,157 from other funding sources for 23 major capital and infrastructure projects for local units of government in a four-county area. The foundation also has created a \$4 million Permanent Reserve Fund, the generated income from which is to be used for future grantmaking purposes.



As Table 8 illustrates, Grand Victoria is on or ahead of schedule with its incentive payments and has provided almost \$23 million in incentive payments. While several incentives were completed in years one and three, the largest, the \$1 per admission that goes to the Rising Sun Regional Foundation, will continue.

Table 8: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amt. Paid Through 7/31/01	Status
Rising Sun Redevelopment Commission	\$3,500,000	City of Rising Sun	\$3,500,000	Complete year 3
Community Park	\$500,000	City of Rising Sun	\$500,000	Complete year 3
Rising Sun/Ohio County Convention, Tourism, & Visitors Bureau	\$300,000	City of Rising Sun	\$300,000	Complete year 1
Contribution to Rising Sun Regional Foundation	\$1 per admission, no limit	City of Rising Sun	\$15,357,668	Current
Road improvement advance (loan to Rising Sun)	Up to \$4,000,000	City of Rising Sun	\$689,372	City has paid back loan through a reduction in admission tax
Road improvements	Up to \$2,500,000	Indiana Department of Transportation	\$2,500,000	Complete year 1
Reimbursement for legal, financial, and consulting fees	Up to \$112,500	City of Rising Sun	\$112,500	Complete year 1
TOTAL			\$22,959,540.00	

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 analysis applies recognized fiscal impact methods, described in Appendix A, to assess the impact of the Grand Victoria riverboat on the budgets of Ohio County,



the city of Rising Sun, and the Rising Sun-Ohio County Community Schools for the year 2000. The analysis for each unit shows the effect on the unit's budget for this single year. Assessments, tax rates, and appropriations levels change only gradually from year to year. This means that the results for the most recent year are typical, representative of all the years since the advent of the riverboat, and likely to be representative of years in the near future.

Overall Impact on Ohio County

Table 9 shows total assessed value³ in the assessment years 1988, 1994, and 2000 (that is, assessed values for taxes payable in 1989, 1995, and 2001). For Indiana as a whole, assessed value grew more slowly in 1994-2000 than it did in 1988-94. This is primarily because the 1980s saw more inflation in construction costs than the early 1990s. The 1989 reassessment increased taxable values more than did the 1995 reassessment. In Ohio County, however, the impact of the riverboat is seen easily. Assessed value grew considerably faster in the second period compared to the first. In percentage terms, Ohio County assessed value grew three times as fast as Indiana assessed value during the 1994-2000 period. As of 2000, the riverboat accounted for almost one-third of the county's assessed value.

Table 9: Assessed Value in Assessment Year, Ohio County, 1988-2000 (\$000)

	1988	1994	2000	Avg. Annual % Change	
				1988-94	1994-00
Ohio County	13,424	21,452	45,451	8.1%	13.3%
Indiana	28,507,022	43,028,074	55,869,930	7.1%	4.4%

³Assessed value is the dollar value placed on real and personal property by local assessors, for property tax purposes. Real property is land and buildings (and, in Indiana, riverboats). Personal property is business equipment and inventories.



The riverboat is Ohio County's major employer, with almost 1,300 employees in 2000. This figure represents 44 percent of total employment in Ohio County. Table 10 shows that county employment grew less than one percent per year between 1988 and 1994, but that the growth rate increased to 17.3 percent per year over 1994 to 1999, an increase of 1,608 employees. During this same period, Indiana average annual growth remained constant at 1.9 percent per year. Most of Ohio County's growth occurred in 1996 and 1997, when the riverboat began operation. Employment actually fell slightly from 1998 to 1999.

Table 10: Place-of-work⁴ Employment in Ohio County, 1988-98

	1988	1994	1999	Avg. Annual % Change	
				1988-1994	1994-1999
Ohio County	1,255	1,315	2,923	0.8%	17.3%
Indiana	2,953,581	3,314,850	3,645,725	1.9%	1.9%

Ohio County's per capita income is less than the state average (Table 11). As with employment, growth in real per capital income was much faster after 1994 than before. Indiana as a whole also experienced more rapid income growth after 1994, but the increase was nearly twice as great in Ohio County.

Table 11: Personal Income per capita in 2000 Dollars, Ohio County, 1988-99

	1988	1994	1999	Avg. Annual % Change	
				1988-1994	1994-1999
Ohio County	17,015	18,851	23,474	1.7%	4.5%
Indiana	22,731	24,579	27,633	1.3%	2.4%

⁴ Employees who work in Ohio County, regardless of place of residence.



As shown in Table 12, Ohio County has experienced almost no population growth between 1988 and 1994, while Indiana's population increased 0.7 percent per year. Since 1994, Ohio County's population has grown at the same rate as Indiana's, slightly less than one percent per year. Ohio County's population increased by 308 people between 1994 and 2000.

Table 12: Population in Ohio County, 1988-2000

	1988	1994	2000	Avg. Annual % Change	
				1988-1994	1994-2000
Ohio County	5,304	5,315	5,623	0.0%	0.9%
Indiana	5,523,679	5,745,626	6,080,485	0.7%	0.9%

Table 13 shows school enrollment. Here we rely on Indiana Department of Education data on public enrollment for the Rising Sun-Ohio County Community Schools. The Grand Victoria riverboat is within the borders of this school corporation. The local school corporation enrolled 34 more pupils in 2001 than it did in 1994. The 1988-94 period saw a decrease of 34 pupils, so enrollment in 2001 was unchanged from 1988. Enrollment growth in the local school district was slightly faster than the rate in Indiana over the 1994-2001 period.

Table 13: School Enrollment in Rising Sun- Ohio County Community Schools, 1988-2001

	1988	1994	2001	Avg. Annual % Change	
				1988-1994	1994-2001
Rising Sun-Ohio County Schools	1,027	993	1,027	-0.6%	0.5%
Indiana	964,462	962,653	988,691	0.0%	0.4%

The arrival of the riverboats clearly increased assessed value and employment in Ohio County, and may well have accelerated real per capita income. Compared to the increase in employment of 1,608 since 1994, however, the increases in population and enrollment have been small. Population has increased by 308, and enrollment by just 34, since 1994. It appears that most of the new employees, riverboat and others, must be commuting from outside the county. The new employees are generally not relocating in the county, nor are they bringing their children to the school corporation. This is important from a fiscal impact perspective. Local revenues are more closely related to assessed value, employment, and income. These three have grown more rapidly since 1994. Local costs are more closely related to population and school enrollment. Population grew somewhat more rapidly after 1994, and school enrollment merely regained its



earlier 1988 level. In general, though, the two indicators of added costs did not increase substantially. This suggests that the riverboats had a positive fiscal impact.

Fiscal Impact on Ohio County

The riverboat adds \$14.1 million in new assessed value (AV) to the county. The county's cumulative fund property tax rate adds \$49,592 in new revenue to the county budget. The added riverboat AV is so large relative to what had existed in the county that the maximum levy limit is increased for operating purposes. The operating levy tax rates generate \$36,776 in added revenue to the budget, and \$201,047 in tax savings. The riverboat produces some added operating revenue by increasing the maximum amount the county can raise with the property tax. It also forces some property tax relief—the tax savings imply that a dollar of added riverboat tax is offset by a dollar decline in taxes paid by existing taxpayers. The welfare rate generates \$59,382 in tax savings. Welfare appropriations are determined by state rules, and this analysis assumes that the advent of the riverboat does not change the number of eligible recipients. The added riverboat taxes for welfare are offset by lower welfare taxes on existing taxpayers. Ohio County has no debt service tax rate.

Ohio County has adopted the County Adjusted Gross Income Tax (CAGIT), at a rate of one percent. New taxable income is created by new riverboat employees residing in the county, and by pay increases existing residents receive when they take new riverboat jobs. The riverboat is estimated to have increased Ohio County taxable income by \$6.9 million. The county receives added revenue from this tax based on its share in the countywide property tax levy. The estimated increase in CAGIT revenue is \$38,561. Part of CAGIT revenue must be used for property tax relief, so \$3,938 of this revenue is counted as tax savings. The remaining \$34,623 is added to the county budget. Other revenues include motor vehicle excise taxes, charges and fees, and additional miscellaneous revenue. The sum paid by the riverboat and its employees is \$22,420. Overwhelmingly, the largest revenue source attributed to the riverboat is the admissions taxes received by the county, which total \$3.1 million.

Using the two cost estimate methods described in Appendix A, the added costs to Ohio County from the Grand Victoria riverboat are estimated at \$140,982 and \$160,394. The two methods produce very similar added cost estimates. Fiscal impact is calculated as the added revenues less the added costs of a development. For the county, eight different fiscal impact calculations were performed. Detailed results are presented in Table A1 in Appendix A. When riverboat admissions taxes are included, the fiscal impact is overwhelmingly positive, approximately \$3.3 million. The added revenue is far more than the added costs. This is true if only added revenues without tax savings are counted, or if total revenues are counted, and it is true under either estimate of added costs.



This analysis also calculated four fiscal impacts with the riverboat taxes excluded: each of the cost estimates, with only added non-riverboat tax revenue and with total non-riverboat tax revenue. We calculated the fiscal impact without the added revenue from the riverboat because county riverboat tax revenues primarily have been assigned to capital improvements. Tax savings can be turned into added revenues through several avenues, including new bond issues (debt service), tax increment financing, and added cumulative fund rates. All of these, however, raise revenue for capital improvements. How are added operating costs to be funded? The county might have difficulty funding the added operating costs—sheriffs officers' wages, road maintenance, park maintenance and so forth—because virtually all the added revenue from the riverboat is devoted to capital improvements.

The fiscal impacts using only added revenue without riverboat admissions tax are near zero—revenues exceed costs by \$2,429 using one cost estimate; costs exceed revenues by \$16,984 using another cost estimate. Without the riverboat revenues or tax savings, the county approximately breaks even.

Fiscal Impact on City of Rising Sun

As stated above for Ohio County, the property tax on the riverboat provides little added revenue to the city of Rising Sun. The added \$14.1 million in riverboat assessed value is taxed at the city's operating fund rates, which generates \$312,265 in tax revenue. In Rising Sun, as in Ohio County, the added riverboat AV is enough to increase the city's maximum levy. This means the riverboat tax revenue is split between tax savings and added revenues. Tax savings are added riverboat taxes that reduce taxes paid by existing residents. Added revenues are taxes that the city can add to its budget. The riverboat adds \$9,922 to the city budget, and provides existing taxpayers with \$302,343 in tax savings.

Ohio County's CAGIT income tax generates \$10,675 in total revenue for Rising Sun. Of this amount, \$9,585 is added revenue to the budget, and \$1,090 replaces property taxes for tax savings. Other revenues include motor vehicle excise taxes, charges and fees, and sum to \$12,243. Again, riverboat wagering and admissions taxes are by far the largest source of additional revenue, \$10.7 million. Costs are calculated for the city using methods described in Appendix A. Added costs are estimated to be \$152,000.

The detailed results for the city are presented in Table A2 in Appendix A. Even more than for the county, the fiscal impacts including riverboat taxes are overwhelmingly positive, \$10.9 million. The annual tax revenue from the riverboat far exceeds the added costs.

If both riverboat taxes and tax savings are excluded, however, the fiscal impact is negative at \$120,251. This represents a potential problem with operating costs. Riverboat revenues primarily have been assigned to capital improvements. Tax



savings can be turned into new revenues, but only for capital improvements. Some of the added costs may be for non-capital expenses: wages for new police officers and firefighters, road maintenance, and so forth. The added operating revenue from non-property tax revenue sources may not cover these added costs.

Fiscal Impact on Rising Sun-Ohio County Community Schools

School corporation finances differ from county and city finances. They operate under different sets of property tax controls. A major source of revenue is state aid, distributed by a complex formula. School corporations do not receive riverboat taxes directly, but do collect property taxes on riverboat assessed value.

This analysis is based on assessments, tax rates, appropriation levels, enrollment, and the school funding formula for the year 2000. The analysis shows the effect on the school corporation's budget for the single year 2000. Assessments, tax rates, appropriations levels, enrollment, and the school formula change only gradually from year to year. This means that the results for the most recent year are typical, representative of all the years since the advent of the riverboat, and likely to be representative of years in the near future. School corporation revenue estimates are primarily based on property taxes and state aid. A detailed discussion of the methodology is included in Appendix A.

Most of the property taxes paid on the \$14.1 million in Grand Victoria riverboat assessed value become added revenue for the school corporation. Added revenue from property taxes amounts to \$566,916. Only the debt service fund creates tax savings. The debt repayment schedule is unchanged by the added assessed value, so the rate required to raise these payments falls. This results in \$85,240 in tax savings to existing taxpayers. Other revenues are relatively small in comparison, totaling \$27,326 in added revenue.

State aid decreases by \$244,668. Assessed value per pupil is increased by the advent of the riverboat. This reduces the amount paid to the school corporation in per-pupil aid. Enrollment figures for the Rising Sun-Ohio County Community Schools imply a relatively small increase in enrollment from the riverboat. The increase in enrollment is not enough to offset the drop in per-pupil aid, so total state aid falls. In total, the school corporation realizes \$349,573 in added revenue, \$434,813 in total, including tax savings.

Added costs are estimated on a per-pupil basis, and total \$322,989. The detailed estimates for the school corporation are presented in Table A3 in Appendix A. Statewide survey results imply that riverboat employees brought about 104 new pupils to the schools. However, during the 1994-2001 period, school enrollment in the district increased by only 34 (see Table 13). This implies that without the riverboat, the enrollment would have fallen. This might have generated some cost savings. But it also means that prior to the riverboat's arrival, the school corporation was providing services to only 34 fewer pupils than it is now. New



riverboat pupils merely replaced some lost enrollment. It is defensible to count the costs of added enrollment as the per pupil costs of the added 34, not an additional 104.⁵

For the school corporation the fiscal impact of the Grand Victoria riverboat is positive. When only added revenue is counted, the fiscal impact is positive at \$26,584. When tax savings are counted as well, the fiscal impact is positive \$111,824. Either way, the evidence shows that added revenues have exceeded added costs.

Economic Benefits of Gaming-Related Taxes and Incentives

Between 1996 and 2001, the Grand Victoria riverboat casino has paid approximately \$88 million in local taxes and voluntary negotiated contributions. The \$66 million in local tax revenue has been distributed to the city of Rising Sun and Ohio County. Revenue sharing agreements have resulted in tax revenue being distributed to 15 cities and towns and Switzerland County. Over the same time period the Grand Victoria has paid \$22 million in negotiated contributions to city of Rising Sun, the Ohio County Convention and Visitors Association, and the Rising Sun Regional Foundation. The analysis of the economic benefits of the spending of local gaming-related taxes and incentives is limited to the expenditures of the Rising Sun Regional Foundation, the city of Rising Sun, and Ohio County. The shared revenue spent by other cities, towns, and Switzerland County is not included. It should also be noted that the Rising Sun Regional Foundation is dedicating revenue to interest earning endowments and this unspent, though invested, revenue also is not included in the analysis. In addition, the city of Rising Sun has used \$25 million of their revenues to purchase investments.

⁵ It may be that school corporations see their costs reduced with lower enrollment, at the same rate as costs increase when enrollment rises. If so, the added enrollment from the riverboat means that costs fell less than they could have. More likely, however, is that school corporations do not see their costs reduced with lower enrollment to the same degree that costs increase with higher enrollment, at least in the short run. For example, debt service must be paid whether enrollment grows or declines. Empty buildings must still be maintained, and the school corporation may reduce class sizes rather than dismiss teachers in proportion to the enrollment decline. If this is the case, then the impact on costs of a smaller decline in enrollment is less than the impact of a similar sized increase in enrollment. Put another way, a school corporation with declining enrollment may have the capacity to handle new pupils with less added cost, because the facilities and teachers to educate these new pupils are already in the budget. It should also be noted that in 1988 Rising Sun-Ohio County Community Schools had the same enrollment it has now. It may have had the capacity to provide education for the 34 new pupils without significant cost increases.

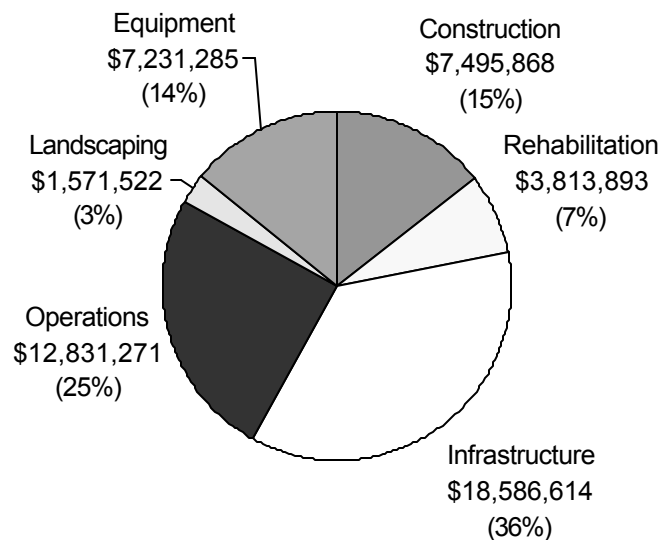


Total Spending

As Figure 12 illustrates, gaming-related tax and incentive-related revenue has been spent on:

- Infrastructure (primarily road improvements)
- Landscaping (primarily park improvements)
- Construction of new facilities (fire stations, senior citizen housing, and many other public facilities)
- Capital equipment (police and fire vehicles and equipment, computers for schools and government, telecommunications equipment, and many other types of equipment)
- Operations (job training, comprehensive planning, not-for-profit assistance, the arts, youth services, and many others)
- Rehabilitation (a variety of public and not-for-profit buildings, including improved access for the disabled)

Figure 12: Total Spending of Riverboat -Related Tax and Incentive Payments





Total Benefits

From 1996-2000, the total short-term economic benefit provided by the tax and negotiated incentive payments of the casino was nearly \$69 million. The analysis does not include revenue shared with 14 cities, towns, and Switzerland County. It also does not include the incentive revenue the Rising Sun Regional Foundation is dedicating to interest earning endowments or \$25 million that the city of Rising Sun has used to purchase investments.

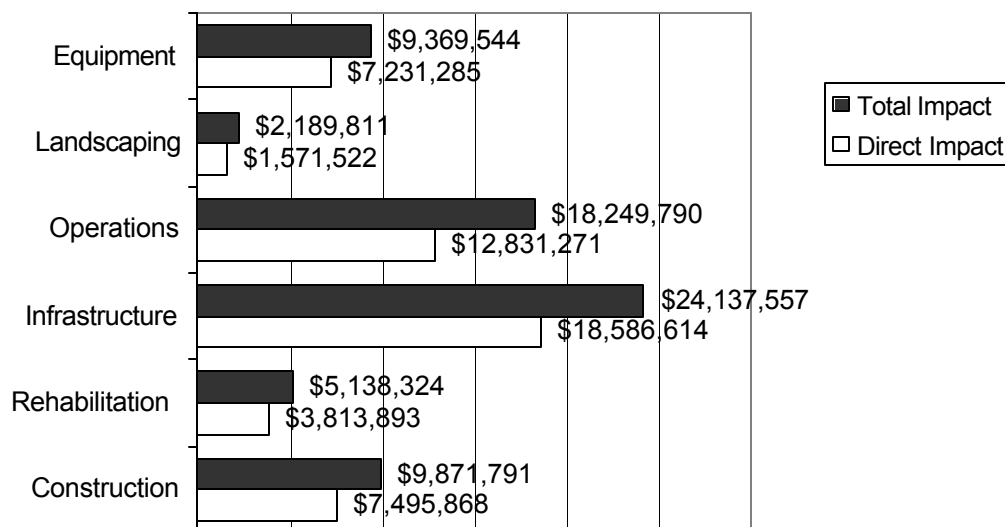
How the tax dollars are spent determines both the short and long term economic benefits generated within the local economy. The short-term benefits are the immediate result of the spending—principally the new jobs, wages, and business generated as spent tax dollars work their way through the local economy. The long-term benefits are related to the degree to which the spending supports or develops competitive advantages in the local economy. These long-term benefits are not immediately measurable. However, if the tax dollars are spent wisely they will support the local economy for many years. The economic impact analysis also cannot measure the contributions made to the quality of life in southeastern Indiana by the Rising Sun Regional Foundation's many contributions to the schools, governments, police and fire departments, and not-for-profits operating in the area. For example, while the input-output model can measure the jobs, wages, and other economic benefits related to the expansion of computer technology in a school it cannot measure the impact on the lives of the individual students privileged to use the new equipment.



Economic Benefit by Type of Expenditure

In Figure 13, the direct impact bars represent gaming-related tax and negotiated incentive payment expenditures by Rising Sun, Ohio County, and the Rising Sun Regional Foundation. For example, approximately \$18.5 million was spent on infrastructure improvements, principally roads. The total impact bars represent the full economic benefit of local spending decisions as they work their way through the economy. For example, the \$18.5 million spent on infrastructure results in a total economic benefit of \$24.1 million in Dearborn, Ohio, Ripley, and Switzerland counties.⁶

Figure 13: Economic Contribution of Spending of Riverboat-Related Revenue



⁶ These counties were selected because the Rising Sun Regional Foundation has made grants in each one.



Each type of expenditure provides a different measurable level of immediate local benefits. For example, each dollar spent for government (consultant) and not-for-profit operations results in the highest return: an additional 42 cents of economic activity. Each dollar spent on equipment purchases results in the lowest return: an additional 29 cents of economic activity. The average return for all expenditures is 34 cents of additional economic activity.⁷

The rate of return offers local officials one perspective from which to evaluate the benefits of investing gaming-related tax revenues. However, the rate of return provides only a short-term perspective, with the benefit ending soon after the last dollar is spent. From a long-term perspective, the value of the investment must consider the lasting value of improvements made. Thus, while the immediate return on operations exceeds that of construction and infrastructure, the lasting benefit of improved roads may outweigh the immediate benefits of operations. From this perspective, the key questions that must be answered by local officials revolve around the degree to which the investments contribute to the economic competitiveness of local firms, the local workforce, and the area's quality of life.

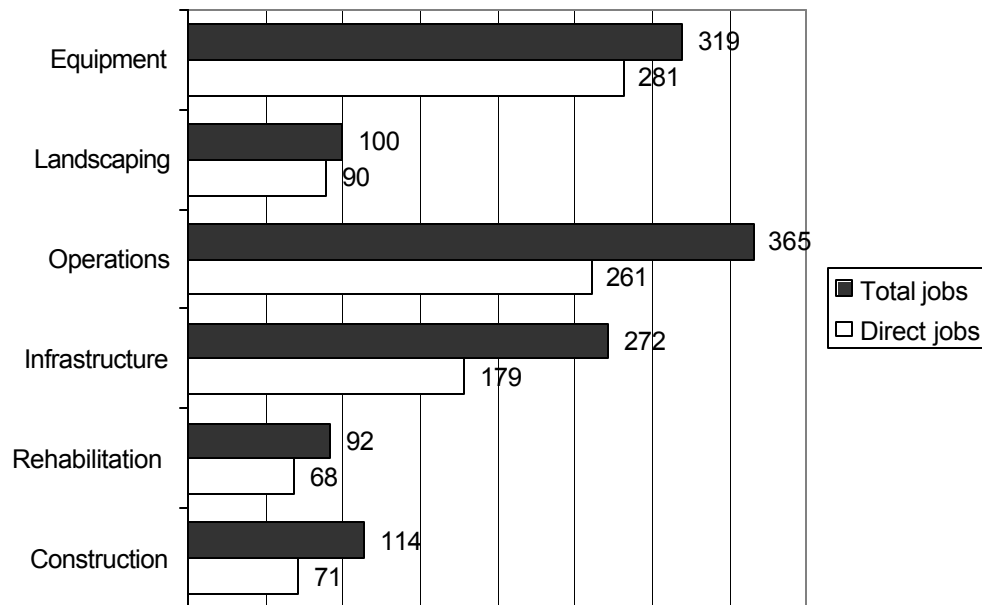
⁷ The low rate of return, relative to previous reports, is a result of the relatively small local economy and the fact that much economic activity is likely exported to Cincinnati and northern Kentucky. For example, when a riverboat employee purchases a car or goes out to dinner in Kentucky or Ohio, that spending is not part of the economic benefit in the four county area. Similarly, when the casino purchases goods and services from suppliers in Kentucky or Ohio, that economic benefit also is not captured.



Jobs Created

Figure 14 displays the number of jobs attributable to each category of investment made with gaming-related tax revenue. There were 1,262 total jobs generated in the four-county area as a result of the spending of gaming-related revenue. Spending on government and not-for-profit operations produced the largest number of jobs (365). Each new job represents an annual full-time equivalent measure of employment. For example, one individual employed for four years while working at a not-for-profit senior citizen center represents four jobs.

Figure 14: Total Employment Attributable to the Spending of Riverboat Related Revenue

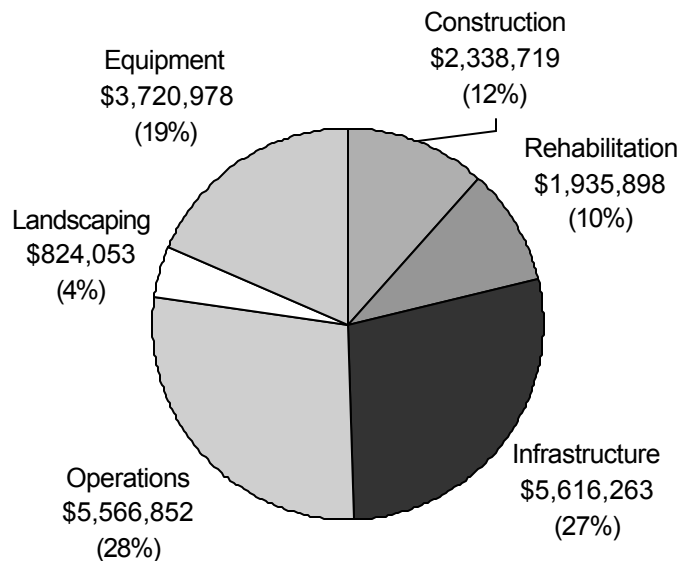




Wages Generated

Figure 15 shows the total gaming-related earnings generated in the four-county area. Since the Grand Victoria began operations, Rising Sun, Ohio County, and the Rising Sun Regional Foundation's spending of gaming-related revenue produced \$20 million in wages. Infrastructure-related wages were the largest single category (\$5.6 million) and government and not-for-profit operations produced \$5.5 million in total wages. While there were nearly 90 more operations-related jobs created, infrastructure-related wages averaged \$20,600 per job while not-for-profit operations averaged only \$15,200 per job.

Figure 15: Total Employee Earnings Attributable to Spending of Riverboat-Related Revenue



The Rising Sun Regional Foundation

The creation of the Rising Sun Regional Foundation commands special attention as a local innovation. While the immediate result of the establishment of the foundation is to suppress the short-term economic impact of gaming-related incentive and local tax revenues (as a result of spending less gaming-related revenue), the lasting long-term contributions of the foundation to the local economy and quality of life



may be more important and less transitory. Furthermore, the relatively small local economy and tax base may serve to magnify the non-measurable contributions resulting from gaming-related expenditures and negotiated contributions. For example, compared to the previous reports (Aztec, Trump, Horseshoe, and Majestic Star) local government spent a higher share of gaming-related revenue on equipment and operations than any other local community. While in most areas these types of investments are thought to have less long-term impact than investments in infrastructure and building, it appears that in this case these equipment and operations expenditures are significantly raising the service delivery standard of the organization receiving the funds. For example, fire departments are purchasing state of the art life saving equipment and schools are upgrading technology. The raising of these standards might be thought of as the basic quality of life items that are necessary prerequisites or building blocks that must be in place for the local area to compete for and attract the private investment. For without this basic infrastructure the region is not likely to successfully compete for household and corporate investments that may be attracted by investment in roads, sewers, and public buildings that other gaming communities are making. The establishment of the Rising Sun Regional Foundation should ensure that quality of life investments can be made in southeastern Indiana for the foreseeable future.



OTHER ISSUES

According to Grand Victoria, 42 lawsuits were filed against them since 1996, 20 by employees, 17 by patrons for personal injury and five commercial. According to a phone interview with the chief of the Rising Sun police, the main increase in crime in the area that can be attributed to the riverboat is an approximately 25 percent increase in alcohol-related crimes, (driving under the influence, public intoxication, etc.). He also pointed out that they have had an approximately 400 percent increase in traffic through the area. Given that level of traffic, the increase is not as much as might have been predicted.

Grand Victoria has made efforts to minimize negative impacts. Grand Victoria promotes awareness of problem gambling through signs at casino entrances, ATM machines, and ticketing windows, as well as through print information on all tickets and collateral materials. Grand Victoria has presented seminars to employees on compulsive gambling and distributed materials to employees to enhance their awareness of problem gambling. Grand Victoria provides an employee assistance program for compulsive gambling and their medical insurance covers compulsive gambling. Grand Victoria has a voluntary self-eviction program for individuals who wish to be banned from the facility. Upon request, they are removed from all mailings and promotions, their credit limit, if any, is reduced to zero, and their check cashing privileges are revoked. If they are identified on the boat, they are subject arrest for trespassing. Individuals are barred for a minimum of 180 days.

As Table 14 indicates, in an effort to prevent underage gambling, Grand Victoria has verified almost 100,000 identifications. Since 1998, they have turned away more than 175 patrons who were under 21 and 1,053 who were lacking identification.

Table 14: Grand Victoria's Efforts to Prevent Underage Gambling

	1997	10/98-12/98	1999	2000	2001 through 7/31/01	Total
Number of IDs verified	NA	9518	17,010	28,063	45,389	99,980
Number of patrons turned away – under 21	NA	44	51	54	26	175
Number of patrons turned away – no ID	NA	52	118	338	545	1,053



SUMMARY OF FINDINGS

Project Development Certificate Compliance

- As of July 31, 2001, Grand Victoria had spent \$143 million, \$48.5 million more than agreed to in the Certificate for the development of the project.
- Since opening, Grand Victoria has spent \$15.8 million locally.
- Grand Victoria has contributed \$107,036 to local area organizations.

Gaming Activity

- Grand Victoria has had attendance of 15.3 million people since opening and gross gaming receipts of \$668.9 million, for an average of \$44 per patron.

Impact of Gaming Activity on Tourism

- According to a survey of patrons, two-thirds of those who visited Grand Victoria were from outside of Indiana, with 43 percent from Ohio.
- Most (92 percent) of patrons stated that their main reason for traveling to Rising Sun was to visit the riverboat.
- More than half of the riverboat patrons surveyed were frequent visitors, visiting the riverboat either somewhat regularly (41 percent) or regularly (13 percent).
- The patrons who visit the riverboat more frequently are more likely to live closer to the riverboat.
- Only 19 percent of the patrons planned to stay in Rising Sun for more than eight hours.
- According to a survey, 35 percent of the respondents indicated that they planned to shop, eat out, or visit other Rising Sun businesses and/or attractions. A common response was that they would be eating in a restaurant in the pavilion.

Employment Certificate Compliance

- As of July 31, 2001, Grand Victoria employed 1,455 persons, below their five-year average of 1,924. For 2000, salaries and wages were \$42.2 million, including tips to dealers (but not to bar and wait staff). Since opening Grand Victoria has paid more than \$190 million in wages.
- As of July 31, 2001, three percent of Grand Victoria employees were minorities, 26 percent were from Ohio County and 82 percent were from Indiana.

Impact on Grand Victoria's Workforce



- According to a survey of employees, before beginning employment with Grand Victoria, approximately 41 percent of employees were either not working or working part-time.
- When all respondents were asked to select one reason for taking a job with Grand Victoria, 30 percent chose more money as the primary reason, 19 percent chose to begin work at Grand Victoria because it was closer to home, and 15 percent chose improved benefits.
- According to a survey, the average increase in annual wages from their previous job was \$1,748.
- According to a survey, the average increase in wages for employees since they began work at Grand Victoria is \$4,269 over that time period.
- The average length of employment reported was three years and nine months.
- Seventy-one percent of all respondents reported receiving training related to their position at Grand Victoria. Only 9 percent received general or basic skill training, either from Grand Victoria or reimbursed by Grand Victoria.

Tax Revenue Collected

- Grand Victoria has paid almost \$125 million in total direct taxes to the state of Indiana since it opened.
- Grand Victoria has paid over \$68 million in total direct taxes to the local area since it opened.

Incentive Payment Certificate Compliance

- Grand Victoria is on or ahead of schedule with its incentive payments having provided more than \$23 million in incentive payments to the city of Rising Sun.
- Several incentives were completed in years one and three, but the largest, the \$1 per admission that goes to the Rising Sun Regional Foundation, will continue.

Fiscal Impact of Tax Revenues on Local Government

- In total, the fiscal impact of the Grand Victoria riverboat on Ohio County, the city of Rising Sun and the Rising Sun-Ohio County Community Schools is positive: total added revenues greatly exceed total added costs.
- In the city and county, most of the admissions and wagering tax revenues from the riverboat are devoted to capital projects. There is little doubt that any infrastructure requirements imposed on these units by the riverboat are met with this added revenue. For the county, the fiscal impacts using only added revenue without riverboat admissions tax are near zero. However, the fiscal impact analysis implies that for the city, the revenue that actually can be



added to the budget may not be enough to meet the added operating costs that the riverboat and its employees may create.

- The school corporation receives no riverboat taxes, but the added revenue from property taxes and state aid are added to its budget, for the most part. The positive impact results from the relatively small increase in enrollment, compared to the large increase in assessed value.

Economic Benefits of Gaming-Related Taxes and Incentives

- The total economic benefit produced through the spending of Grand Victoria's local gaming-related revenue was approximately \$69 million.
- Local area employment attributable to this economic benefit was 1,262 jobs with earnings of \$20 million.



Other Issues

- Grand Victoria, in an effort to prevent underage gambling, has verified almost 100,000 identifications from 1998 through 2001. Grand Victoria turned away 175 patrons for being under 21, and 1,053 for lacking proper identification.



**APPENDIX A:
METHODOLOGY FOR ESTIMATING LOCAL REVENUES AND COSTS**



City and County Revenue Estimates

The first step in revenue modeling was to obtain the assessed value (AV) of each riverboat project. Local assessors and personnel from the Indiana State Board of Tax Commissioners aided in this effort. Assessments were obtained for 1999 pay 2000, that is, the assessed values of March 1, 1999, upon which year 2000 tax payments were based. The real and personal property assessed value for the many parcels owned by the riverboats were summed. The value of the land prior to its purchase by the riverboat companies was used to estimate the AV before construction. The incremental AV, found by subtracting the pre-development AV from the total of developed lots, avoids double-counting revenues that would have been collected in the absence of development. Deductions and exemptions were then subtracted from the incremental AV to produce the added net taxable AV.

A jurisdiction's AV could also increase if riverboat employees construct new homes. Statewide survey results show that few riverboat employees are living in homes constructed since 1995. The analysis assumes that three new homes were constructed, with market values averaging \$113,000. The ratio of assessed value to market value is assumed to be 0.21, and deductions are subtracted to calculate added residential assessed value.

In Indiana, property tax revenue is not simply the product of the local rate and the taxable AV. Property tax controls limit the amount of revenue that can be raised. For civil jurisdiction (non-school) operating funds, the state places a ceiling on the amount of property taxes that can be raised, called the maximum levy. In almost every jurisdiction, the maximum levy rises by five percent per year, no matter what changes occur in AV. Thus, in most cases added AV will not increase the amount of operating fund tax revenue that is collected by civil jurisdictions-the levy would have increased by five percent in any case. Exceptions occur when a project is so large relative to existing assessed value that it causes the three-year average of AV growth to exceed five percent. This occurs in the smaller riverboat jurisdictions such as the city of Rising Sun and Ohio County. In both these jurisdictions the maximum levy is increased by the advent of the riverboat, over what it would have been without the riverboat.

If AV rises by a greater proportion than the levy, the tax rate will fall. Existing taxpayers receive tax reductions. The fiscal impact of a development must be divided into two parts: added revenue to the local government, and tax savings to existing taxpayers.

Non-operating funds operate under different rules. The welfare fund is not subject to the same controls as the operating fund, yet new welfare revenue is unlikely to be raised by the addition of new AV. Welfare expenditures are typically targeted to meet specific needs, determined by state eligibility rules and court mandates. It is assumed that the welfare levy does not change with the added AV, so the welfare portion of the property tax rate falls. Again, this produces tax savings for existing



taxpayers, because the higher AV means the welfare bill can be paid with a lower tax rate.

The property tax cumulative funds are subject to specific rate controls, rather than levy controls; so new AV will be taxed at the current rate. Added AV produces new revenue for jurisdiction cumulative funds. The revenue raised by the cumulative fund property tax is simply the product of the rate and the new development's AV. The amount of annual debt service is usually fixed by the conditions of the bond sale. Added AV decreases the tax rate required to raise this debt service, so it produces tax savings for existing taxpayers.

There are several other categories of local government revenue, including income taxes, motor vehicle excise taxes, license and permit fees, fines, and other miscellaneous sources. There are three local income taxes available to Indiana civil governments, known as the County Adjusted Gross Income Tax (CAGIT), the County Option Income Tax (COIT), and the County Economic Development Income Tax (CEDIT or EDIT). Ohio County uses CAGIT at a rate of one percent. Revenues are collected on a countywide basis, and then divided among local units based on shares in the countywide property tax levy. Part of CAGIT revenue is dedicated to property tax relief. This amount is counted as tax savings in this analysis.

All cars, light trucks, and motorcycles are subject to Indiana's motor vehicle excise tax. Statewide employee survey results were used to estimate the number of new vehicles brought into the jurisdiction by riverboat employees. The total amount of excise tax is calculated using the excise tax schedule. Some state aid is tied to excise tax collections, and this amount was added to excise tax collections. The county, city, and school corporation each receive a fraction of this countywide revenue, based approximately on that unit's share in countywide property taxes.

Charges, fines, fees, and other revenues are assumed to be directly linked to population increase, so an average costing method of estimating the revenue is employed. Two categories of data, charges and fees and other revenues, were collected from Indiana's Local Government Database. The amounts collected were divided by the most recent jurisdiction population estimates. These per capita amounts were multiplied by the number of new residents to obtain added revenue estimates. The riverboat projects themselves are assumed to generate no additional charges and fees.

The largest revenue impact of a riverboat, of course, are the riverboat taxes paid to the county and city governments. The school corporation does not receive riverboat taxes.

City and County Cost Estimates

In the analysis of the county, several methods are used. Regression equations were estimated to show the effects of changes in employment and population on



appropriations. Each 10 percent increase in population is found to increase appropriations by about 7.5 percent. Population measures the demands of county residents for county services. Each ten percent increase in employment is found to increase appropriations by about 0.8 percent. Employment is "place-of-work" employment, that is, the number of full- and part-time employees of firms in the county, regardless of where those employees live. This variable is used to indicate the level of commercial/industrial development in the county, which also places demands on county services.

Riverboats increase population and employment. The percentage increase in population and employment, times the regression coefficients, yields the percentage increase in appropriations. City data on employment are not available, so the regression method cannot be used for the Rising Sun fiscal impact. Another set of methods used to calculate the added local government costs of riverboats for civil governments are labeled "FIA methods," for "fiscal impact analysis methods." These are derived from the techniques presented by Burchell and Listokin in their 1978 classic Fiscal Impact Handbook. Per capita appropriations are calculated for the county and city, by dividing total appropriations by jurisdiction population. The added population resulting from the riverboat is then multiplied by per capita appropriations to estimate the costs of added people.

The FIA method used for the riverboat itself is called proportional valuation. In its simplest form, this method attributes a share of existing appropriations to the costs imposed by existing commercial/industrial property, equal to the share of commercial/industrial real assessed value in total real assessed value. If, for example, a county spends one million dollars a year, and real commercial/industrial property is 15 percent of real assessed value, \$150,000 would be assigned as costs due to existing commercial/industrial property. A new development's real assessed value is taken as a percentage of existing commercial/industrial real assessed value. This percentage is multiplied by the appropriations attributed to existing commercial/industrial property, to give the estimated cost impact of the new development. For example, if the new development is 10 percent of existing commercial/industrial real AV, it is estimated that commercial/industrial costs will rise by 10 percent, or \$15,000 in this example.

Burchell and Listokin refined this method to recognize that a small number of large commercial/industrial parcels are less expensive to serve than a large number of small commercial/industrial parcels. Economies of scale and location are the reasons. One multi-lane road serving a big development costs less than many two-lane roads serving many small developments. Police protection may be provided more cheaply to a single large location than to many small, scattered locations.

Burchell and Listokin's refinement coefficients reduce costs attributed to existing commercial/industrial firms the larger is the average commercial/industrial parcel compared to the average parcel overall. They reduce costs attributed to the new



development the larger is the development compared to existing average commercial/industrial parcel. The refinement coefficients were based on a review of a large number of commercial/industrial cost studies.



Table A1: Fiscal Impact Estimates for Ohio County

Revenues		Added Revenue (\$)	Tax Savings (\$)	Total (\$)	
	Property Tax	86,368	260,428	346,796	
	Operating	36,776	201,047	237,823	
	Welfare	-	59,382	59,382	
	Cumulative	49,592	-	49,592	
	Debt Service	-	-	-	
	Local Income Tax	34,623	3,938	38,561	
	Other Revenues	22,420	-	22,420	
	Riverboat Taxes	3,101,284	-	3,101,284	
	TOTAL	3,244,694	264,367	3,509,061	
Costs		FIA Methods	Regression		
		TOTAL	140,982	160,394	
		Fiscal Impacts (Revenues less added costs)		Added Revenue Only (\$)	Total (\$)
			FIA Methods	3,103,713	3,368,079
			Regression	3,084,300	3,348,666
		Fiscal Impacts w/o Riverboat Taxes		Added Revenue Only (\$)	Total (\$)
			FIA Methods	2,429	266,795
			Regression	(16,984)	247,382

Table A2: Fiscal Impact Estimates for Rising Sun

Revenues		Added Revenue (\$)	Tax Savings (\$)	Total (\$)	
	Property Tax	9,922	302,343	312,265	
	Operating	9,922	302,343	312,265	
	Welfare	-	-	-	
	Cumulative	-	-	-	
	Debt Service	-	-	-	
	Local Income Tax	9,585	1,090	10,675	
	Other Revenues	12,243	-	12,243	
	Riverboat Taxes	10,719,943	-	10,719,943	
	TOTAL	10,751,693	303,433	11,055,126	
Costs		FIA Methods			
		TOTAL	152,000		
		Fiscal Impacts (Revenues less added costs)		Added Revenue Only (\$)	Total (\$)
			FIA Methods	10,599,692	10,903,125
		Fiscal Impacts w/o Riverboat Taxes		Added Revenue Only (\$)	Total (\$)



		Revenue	Total
	FIA Methods	(120,251)	183,182



School Corporation Revenue Estimates

Schools receive most of their revenue from two sources, property taxes and state aid. Property tax impacts may be calculated as the existing tax rate times the new assessed value. For debt service, the levy is assumed to remain the same, since it is based on the fixed debt repayment schedule. Added assessed value reduces the rate required to raise this part of the levy, producing tax savings.

The majority of state funding comes in the form of the Basic Grant. The Basic Grant is calculated using a complicated formula requiring specific information concerning past and current enrollment, tax rates, and the assessed value and revenues of the school district over the past few years. Other grant programs include the At-Risk Grant, the ADA Flat Grant, the Special Education Grant, the Academic Honors Grant, and the Vocational Education Grant.

Using the actual state aid formula to calculate riverboat fiscal impact introduces a number of intractable problems. For example, the previous year's tax levy and state aid level are elements in the current year's formula calculation. To isolate the impact of the riverboat, presumably the previous year's figures should not include the riverboat's influence. Of course, for the aid calculation in 2000, the 1999 levy and aid figures did include the riverboat's influence, and were themselves the results of calculations that included the levy and aid figures for 1998. Further, go back more than two years and the formula calculations themselves are different.

As an alternative, state aid per pupil can be modeled with reasonable accuracy using a simpler "foundation" formula:

State Aid per pupil = Target Spending per pupil - (Target Tax Rate x AV per pupil).

The result is multiplied by enrollment to give total state aid. The formula implies that as assessed value per pupil increases, state aid per pupil decreases. More state aid is delivered to school corporations with lower wealth per pupil. In addition, as enrollment increases, state aid increases. Thus, any new development that increases both AV and enrollment may increase or decrease state aid, depending on the values of target spending and the target tax rate, and on the relative increase in AV and enrollment.

Regression analysis can be used on data for 2000 to reduce the actual formula distribution of aid to this simpler form. The result is the formula

State Aid per pupil = \$5,279 - (0.0301 x AV per pupil).

The 0.0301 figure is the target tax rate, and means \$3.01 per \$100 assessed value. Each added \$1,000 AV per pupil reduces aid per pupil by about \$30. This formula allows a calculation of the effect of the riverboat on state aid. The riverboat adds assessed value, the new resident riverboat employees' children add enrollment.



This alters AV per pupil, and hence state aid per pupil. The new state aid per pupil times enrollment is the estimate of the riverboat's impact on total aid.

School Corporation Cost Estimates

School corporation costs are estimated using the service standard method. This method asks what added expenditures would have been needed to maintain the existing level of service given the additional enrollment. The pupil-teacher ratio is the best indicator of service standard available, though of course it does not fully capture the level of educational service provided. If new development brings higher enrollment, new teachers must be hired to maintain the current class size. The number of new teachers to be hired equals new enrollment divided by current class size. The result is multiplied by the school corporation's average teacher salary.

Capital expenses deal with the expansion of physical facilities, including the building of new schools or expansion of existing structures. Students across all school districts typically require similar facilities, so the standard chosen to represent capital costs is building area per student. According to Indiana's 1995 School Construction Benchmark Committee report, the amount of space required by the average student is 150 square feet. The report also sets the cost of physical expansion at \$100 per square foot.

It is important to note that while the other categories of costs in this model are annual costs, capital expenses are a long-term investment. Local government bonds finance expansion of school facilities and the costs are amortized over a several years. It is assumed that the school corporation will finance the capital expense with a 20-year bond at the current state and local bond interest rate of 5.03 percent (as of September 2001, according to the Federal Reserve Board). Multiplying the additional enrollment by the service standard for required facility space gives the necessary area of expansion. The total cost of this expansion is calculated at \$100 per square foot. The annual annuity payment to finance this total cost is calculated over 20 years at 5.03 percent.



Other school operating expenditures include a myriad of categories, such as nursing services, food preparation, transportation, and building maintenance. These are summed and divided by enrollment to yield a per pupil average. This average is multiplied by the increase in enrollment to estimate added other costs.

Table A3: Fiscal impact estimates for Rising Sun Ohio School Corporation

Revenues		Added Revenue (\$)	Tax Savings (\$)	Total (\$)
	Property Tax	566,916	85,240	652,155
	General Fund	398,776		398,776
	Debt Service Fund	-	85,240	85,240
	Capital Projects Fund	81,139	-	81,139
	Transportation Fund	85,592	-	85,592
	Other Funds	1,409		1,409
	Other Own-Source Revenues	27,326	-	27,326
	Other Taxes	18,664	-	18,664
	Charges and Fees	6,534		6,534
	Other Revenues	2,128		2,128
	State Aid	(244,668)	-	(244,668)
	TOTAL	349,573	85,240	434,813
Costs		Per Pupil		
	TOTAL	322,989		
	Fiscal Impacts		Added Revenue Only (\$)	Total (\$)
		Per Pupil	26,584	111,824