

**FIVE-YEAR LICENSE RENEWAL:
Trump Indiana, Inc.**

**Drew Klacik
Laura Littlepage
Seth Payton**

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

**Larry DeBoer
Purdue University**

July 2001

Table of Contents

Introduction	1
Project Development and Gaming Activities	2
Project Development Certificate Compliance	2
Gaming Activity	3
Impact of Gaming Activity on Tourism	3
Employment	11
Employment Certificate Compliance	11
Impact on Trump’s Workforce	11
Household Income Analysis	17
Economic and Fiscal Activity	18
Compliance	19
Tax Revenue	19
Incentive Payments	20
Fiscal Impact of Tax Revenues on Local Government	21
Overall Impact on Lake County	22
Fiscal Impact of New Employment	24
Fiscal Impact on Lake County	26
Fiscal Impact on City of Gary	27
Fiscal Impact on Gary Community School Corporation	28
Economic Benefits of Gaming-Related Taxes and Incentives	29
Other Issues	33
Summary of Findings	35
Appendix A: Methodology for Estimating Local Revenues and Costs	38
City and County Revenue Estimates	39
City and County Cost Estimates	40
School Corporation Revenue Estimates	43
School Corporation Cost Estimates	44



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 non-partisan 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 December 9, 1994, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for two riverboats to be docked in Gary, Indiana. Trump Indiana, Inc. (Trump) opened on June 11, 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 Trump's first five years of operation. The Certificate of Suitability (Certificate) was the agreement between Trump and the Indiana Gaming Commission that described the requirements Trump needed to fulfill to obtain its license.

The Certificate specified certain levels of project development and incentive payments to be made by Trump as well as specifying that Trump abide by agreements made with the city of Gary. Because this analysis had to be completed before Trump completed its fifth year of operations in June 2001, data for year five are shown through December 31, 2000. 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 Trump 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 third of ten analyses, one for each Indiana riverboat. The first, an analysis of Aztar, was completed in February 2001. The next three—Hammond Horseshoe Inc., Trump Casino and Majestic Star Casino—will be completed in summer 2001. Each additional report will allow an op-



portunity 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 2,990-passenger riverboat opened with 37,700 square feet of gaming space. An adjoining facility, developed jointly with Majestic Star, consists of a 90,000 square foot pavilion with 2,800 self-parking spaces and 650 valet parking spaces. This facility, called Buffington Harbor, was completed and opened with the launching of the riverboat. Trump and Majestic Star shared the cost of construction and continue to share the cost of maintenance and employees. Trump opened a 300-room hotel in September 1998, at a cost of \$17 million. 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 (referred to throughout as Certificate), Trump committed to spend approximately \$153 million on project development, in addition to pledging to the city of Gary other incentives totaling several million dollars. As of December 2000, Trump had spent approximately \$155.8 million, \$2.8 million more than agreed to in the Certificate for the development of the project. While Trump has exceeded the project total agreed to in the Certificate, they have not paid \$9.7 million towards a \$10 million commitment to renovate the Sheraton Hotel and another \$6.5 million towards infrastructure promised in the certificate. The city and developer entered into a second amendment to their development agreement in March 2001 that reallocates those dollars to two projects: a stadium project and a roadway project. The stadium project is the acquisition, construction and equipping of a professional baseball stadium. The roadway project is the construction of a freeway interchange and access roadway to service the city's Lake Michigan waterfront.

Trump has spent money locally for both capital and operating expenses as well as through sponsorships and contributions. As Table 1 illustrates, since opening, Trump has spent almost \$47.3 million locally (in Gary). Additionally, Trump has impacted the Gary area through hundreds of thousands of dollars in sponsorships and contributions to local area organizations such as YWCA of Gary, American Cancer Society, Christmas in April, Hoosier Boys Town, Lake County Gun Buyback, and Junedale Little League. This figure excludes the charitable contributions that were part of the local development agreement, which are discussed under Incentive Payments.

Table 1: Local Spending

	1996-97	1997-98	1999	2000	Total
Local Spending	\$1,100,000	\$7,100,000	\$19,500,000	19,568,098	\$47,268,098



GAMING ACTIVITY

The certificate did not require any specific levels of gaming activity by Trump. As Table 2 illustrates, Trump has had attendance of almost 16 million people since opening and gross gaming receipts of over \$600 million, for an average of \$38 per patron.

Table 2: Gaming Activity

Category	1996	1997	1998	1999	2000	Total/ Average
Attendance	2,468,993	3,431,049	3,576,732	3,485,580	3,008,799	15,971,152
Gross Gaming Receipts	\$81,357,080	\$129,306,985	\$137,775,520	\$138,743,940	\$119,163,915	\$606,347,440
\$ Per Patron per Cruise	\$33	\$38	\$39	\$40	\$40	\$38

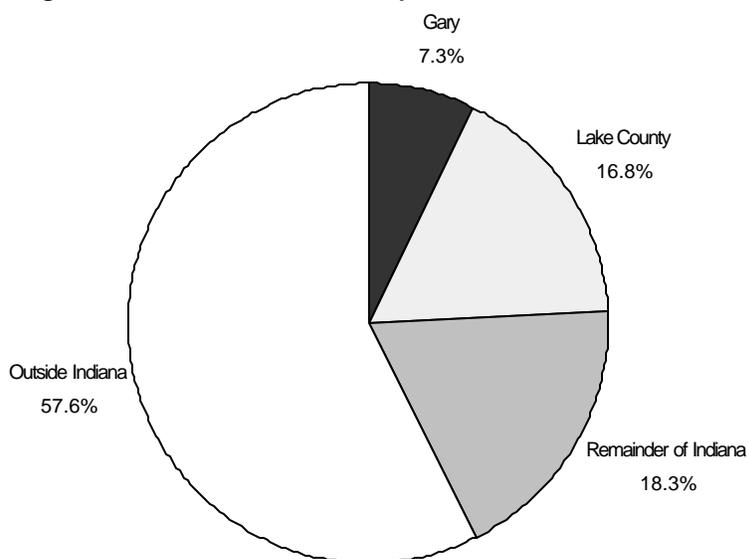
IMPACT OF GAMING ACTIVITY ON TOURISM

One argument for legalizing 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. This argument assumes that most of the casino visitors would be tourists and not local residents.



With the cooperation of Majestic Star and Trump, the center conducted face-to-face interviews with riverboat patrons over a four-day period in March 2001 in Buffington Harbor, a joint pavilion for the two riverboats. During the four-day period, the Center acquired a 262-patron sample.¹ In general, the estimated average distance traveled to the riverboat was 62 miles. As illustrated in Figure 1, over half (57.6 percent) of the patrons were from outside Indiana. Seventy-eight percent of the out-of-state interviewed patrons (45 percent of total sample) were from Illinois and 41 percent of out-of-state interviewees (24 percent of total sample) were from Chicago. Just over 7 percent of the interviewees were from the city of Gary, almost 17 percent were from the remainder of Lake County, and over 18 percent were from the remainder of Indiana.

Figure 1: Buffington Harbor Interviewees by Location

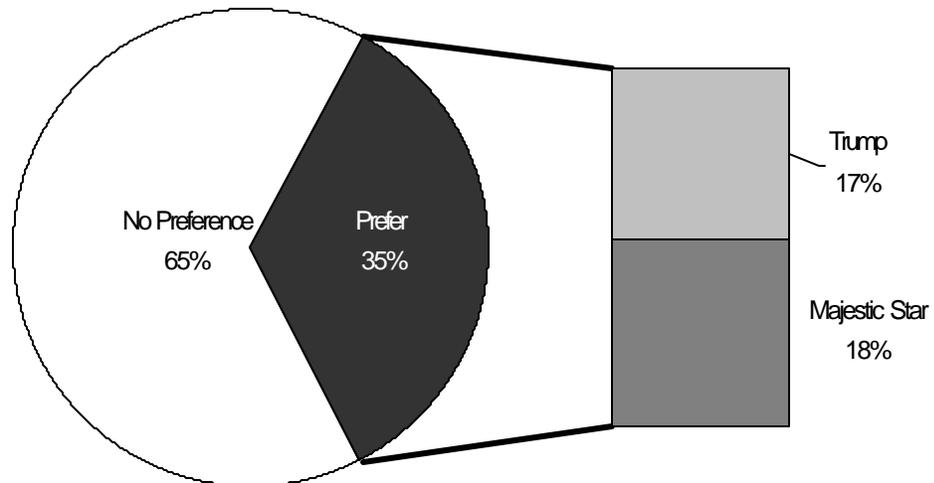


¹ While not a statistically representative sample, survey responses were consistent and provide information necessary to draw adequate conclusions.



During the interview, 51 percent of the interviewees (134 patrons) stated they were planning to board Trump and 48.9 percent (128) planned to board Majestic Star. Figure 2 indicates that, overall, 65 percent of the patrons did not have a preference for either riverboat; their decision was based on boarding times. Specifically, the riverboat they entered was the next riverboat to board after their arrival. The remaining 35 percent of patrons who preferred one riverboat over the other were split fairly evenly among the riverboats: 17 percent preferred Trump and 18 percent preferred Majestic Star. Many of these patrons' preferences were attributed to promotional activities (e.g. tournaments, coupons, and bus trip packages), atmosphere, and a belief of better luck and payoff.

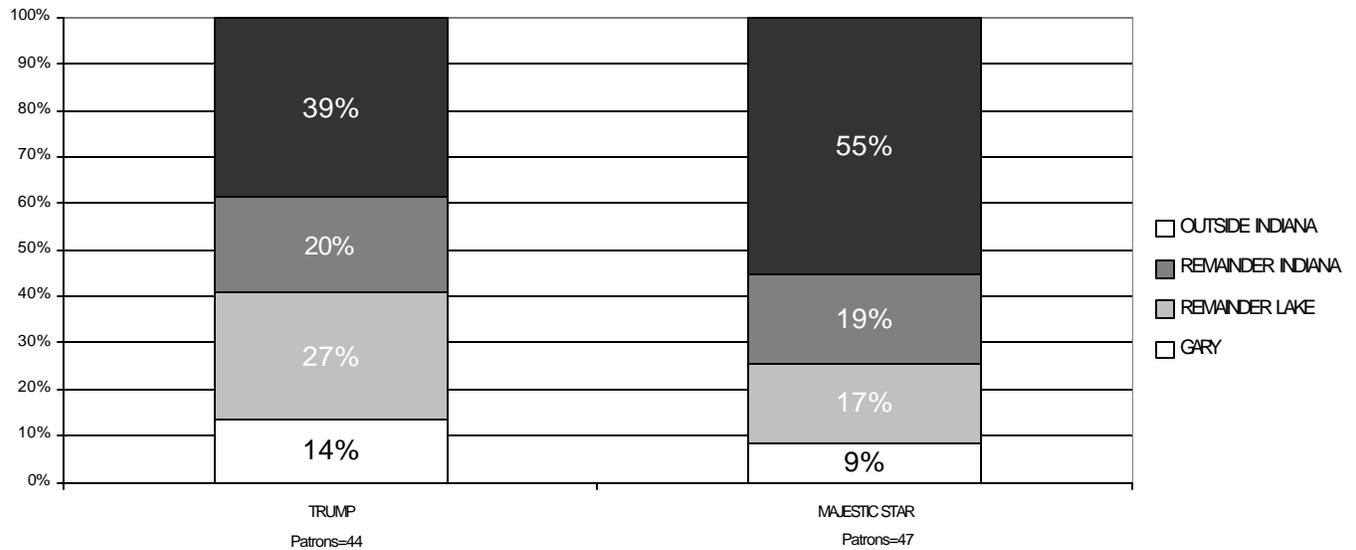
Figure 2: Preference Versus No Preference





As mentioned previously, most the patrons interviewed at Buffington Harbor were not residents of Indiana. Figure 3 shows that for those who had a boat preference, a higher percentage of those who preferred Majestic Star were from out of state, while more of those who preferred Trump were from Indiana.

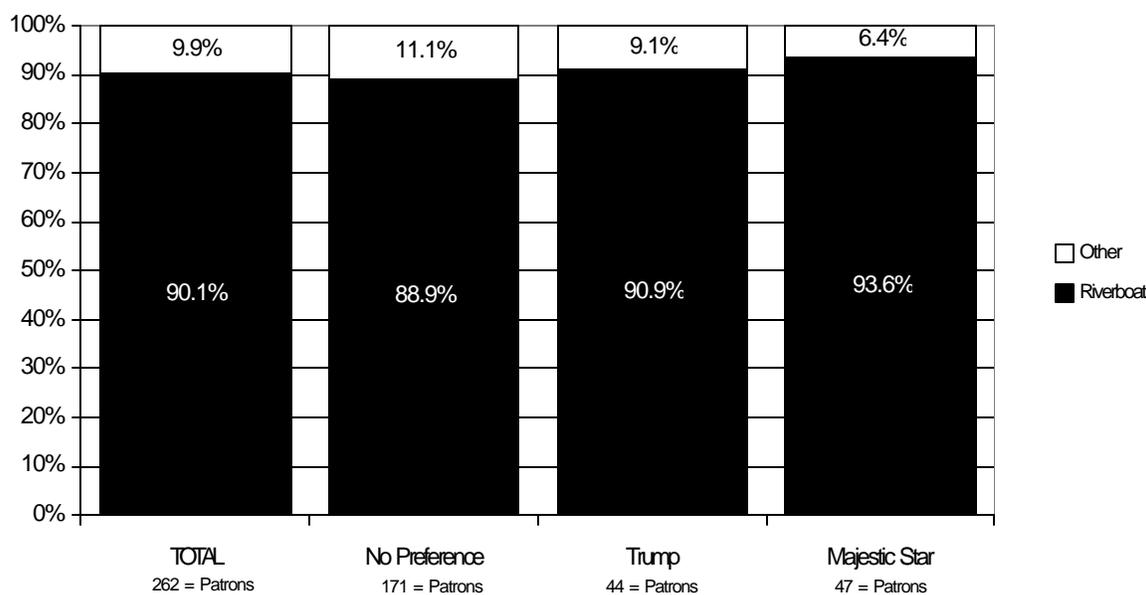
Figure 3: Boat Preference by Patron Resident Location





In order to take credit for increasing tourism in Gary, a riverboat would have to draw tourists from outside the city that would not have otherwise visited the area. To test that assumption, each interviewed patron was asked to provide his or her main reason for traveling to Gary. Figure 4 indicates that 90 percent of all interviewed stated that the main reason for traveling to Gary was to visit the riverboat. The proportion who visited Gary specifically to visit the riverboat remained fairly consistent, whether they preferred one particular riverboat or had no preference, ranging between 88.9 percent and 93.6 percent. Those interviewees who were visiting Gary for reasons other than visiting the riverboats were visiting the area for business, or to visit relatives.

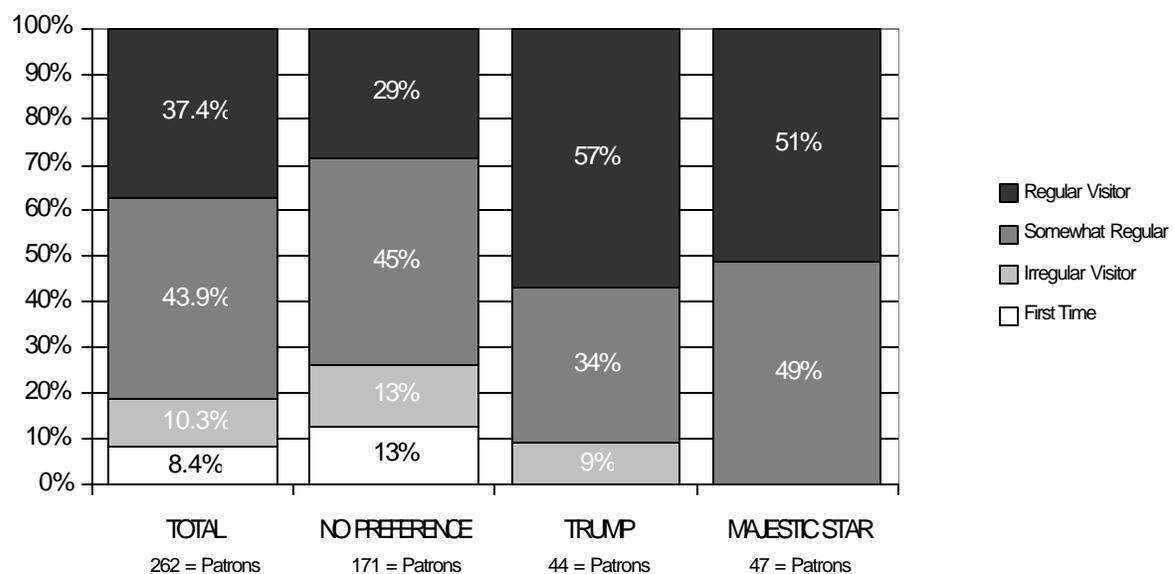
Figure 4: Patrons' Reason for Visiting Gary by Preference





The riverboat patrons also were asked how often they visit the Gary riverboats. Specifically, each respondent was asked how often he or she visited Majestic Star or Trump. Figure 5 divides respondents into four broadly categorized groups: first time visitor, irregular visitor, somewhat regular visitor, or regular visitor. As shown, most of the patrons visited the riverboats somewhat regularly or regularly (43.9 percent and 37.4 percent, respectively). Interviewees who preferred one riverboat to another were more likely to visit more regularly.

Figure 5: Regularity of Patrons by Preference



First Time Visitor

- Visiting the riverboat(s) for the first time

Irregular Visitor

- Visit the riverboat(s) less than once a year
- Visit the riverboat(s) one or two times a year

Somewhat Regular Visitor

- Visit the riverboat(s) every couple months
- Visit the riverboat(s) once a month

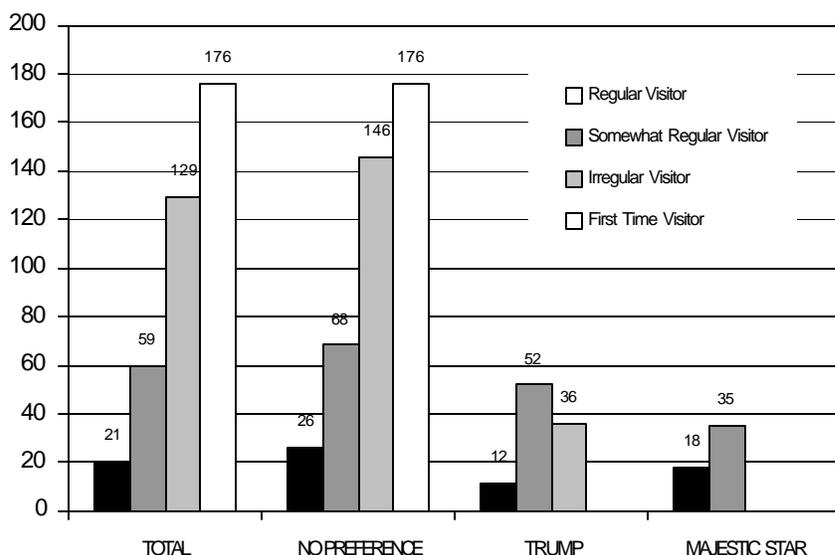
Regular Visitor

- Visit the riverboat(s) once a week
- Visit the riverboat(s) two to three times a week
- Visit the riverboat(s) everyday



Figure 6 illustrates the average estimated distance traveled to visit the riverboats by the regularity of visits and riverboat preference. In general, the average distance traveled to Buffington Harbor consistently decreased from 176 miles to 21 miles as regularity of visits increased. The average distance traveled was greater for those patrons who did not have a riverboat preference (80 miles) than for those with a preference (23 miles).

Figure 6: Average Miles Traveled by Regularity of Visits



Though nearly all of the respondents (90 percent) reported that they were visiting Gary specifically to visit a riverboat, it is interesting to examine the amount of time they were in the area. Table 3 indicates that 87 percent of the total sample was visiting the Gary area for less than 8 hours. Approximately 9 percent of the respondents (24 respondents) planned on staying in the Gary area for more than 24 hours. Consistently, respondents who planned on staying longer periods of time traveled farther distances.

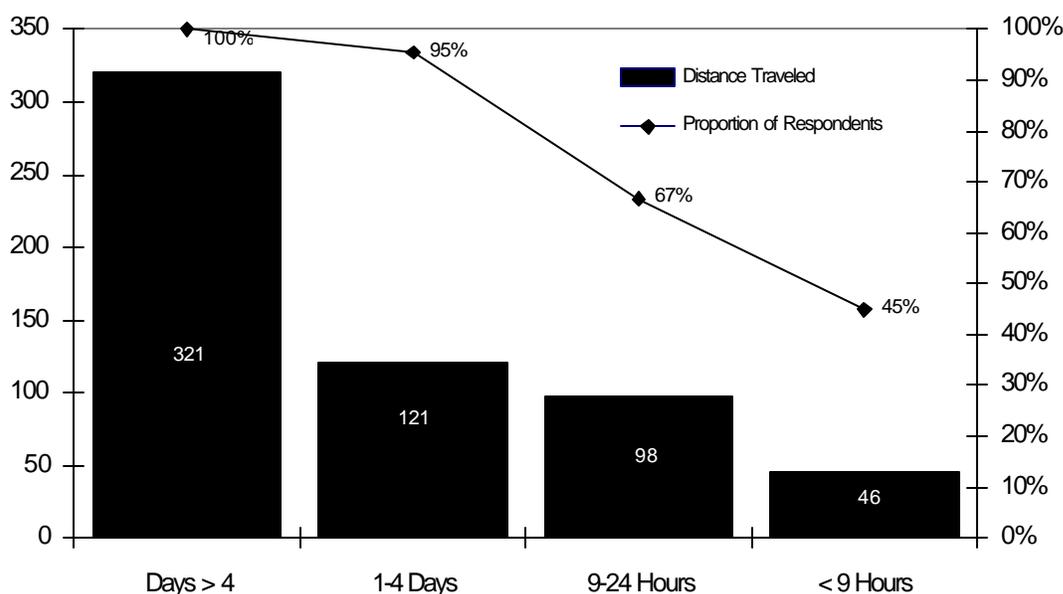
Table 3: Time Spent in Gary

	Number of Patrons	Proportion of Total	Distance Traveled
< 8 Hours	229	87.4%	51
8-24 Hours	9	3.4%	128
1-4 Days	22	8.4%	142
> 4 Days	2	0.8%	321



The importance of time spent in Gary lies in the presumption that the longer patrons of the riverboat stay in the Gary area, the more likely they are to patronize other business and attractions in the area. Fifty percent of the respondents planned on doing something else while in Gary, such as stay in a hotel, eat out, or shop. A common response was that they would most likely be eating in the Buffington Harbor pavilion. However, as shown in Figure 7, respondents who stayed in the Gary area longer were more likely to do something else in the area. Specifically, most of the respondents who stayed more than 24 hours reported staying in a hotel in the area. It is reasonable to assume that many of those respondents stayed in the Trump Hotel. Patrons who stayed longer and reported, “doing something else” in the Gary area also traveled farther distances on average.

Figure 7: Respondents Who Reported Patronizing Other Businesses



While many of the patrons of the Buffington Harbor pavilion planned to visit both riverboats (42 percent), few planned to visit other Indiana riverboats (besides Trump and Majestic) on their current trip. Forty-six percent of the patrons planning to board Trump were also planning or had already visited Majestic Star. Thirty-eight percent of the Majestic Star patrons planned to visit or had visited Trump on their current trip.

Only 6 percent of all interviewed Buffington Harbor patrons (11 respondents) planned to visit other Indiana riverboats. Two percent of the patrons planned to visit Horseshoe (formerly Empress), located in Hammond (Lake County), and 4 percent planned to visit Harrah’s, located in East Chicago (Lake County). Interestingly, 10 of the 11 interviewees who planned to visit riverboats other than Trump or Majestic Star also planned to visit both Trump and Majestic Star. None of the patrons planned to visit more than 3 riverboats. Most of the patrons (58 percent) who planned to visit other riverboats (specifically, Harrah’s or Horseshoe) were from outside of Indiana. Of the nine patrons



who planned to visit three riverboats on this trip, only one patron was from Lake County. Seven of the patrons visiting three riverboats reside outside of Indiana.

EMPLOYMENT

In its application, Trump's goal was to employ 52 percent female employees, 70 percent minority employees, and 90 percent employees from Lake County. In addition, with the issuance of the riverboat license in Gary, it was expected that the riverboat would have positive employment impacts on people joining its workforce.

EMPLOYMENT CERTIFICATE COMPLIANCE

As of December 2000, 61 percent of Trump employees were women, 70 percent were minorities, and 82 percent were residents of Lake County. Trump exceeded its goal for hiring women, met its goal for hiring minorities, but fell short of its ambitious goal for hiring 90 percent Lake County residents. With the low unemployment rate in Lake County, Trump's efforts to recruit Lake County workers, and competition from three other riverboats for employees, it seems as if Trump has hired close to the maximum percent of Lake County residents possible.

As Table 4 indicates, as of December 31, 2000, Trump employed 1,170 persons in the casino (including half of Buffington Harbor employees), below their five-year average of 1,222. For 2000, salaries and wages were \$28.6 million, including tips to dealers (but not to bar and wait staff). Since opening, Trump has paid over \$137 million in wages. Full- and part-time employees receive benefits that include health care coverage and vacation time.

Table 4: Employment and Wages

Category	1996	1997	1998	1999	2000	Total/ Average
Employment	1,279	1,253	1,238	1,171	1,170	1,222
Total Wages, Tips & Benefits	\$18,345,118	\$30,813,620	\$29,484,657	\$29,884,868	\$28,567,285	\$137,095,548

IMPACT ON TRUMP'S WORKFORCE

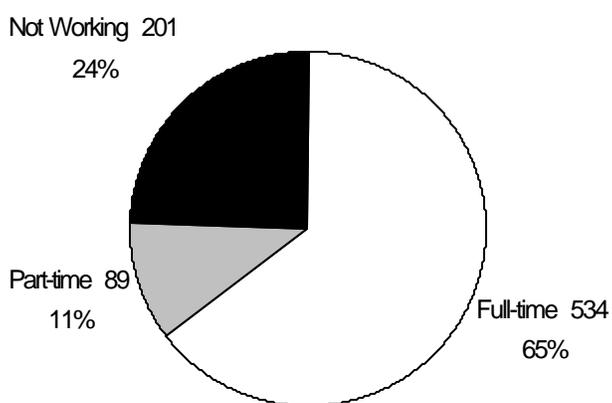
In testimony given to the Indiana Gambling Impact Study Commission in 1999, proponents of legal gaming asserted that gaming-related employment offers the chronically unemployed and under-employed an opportunity to establish a work record and skill set that may lead to even greater economic opportunity. 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 Trump 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 831 surveys received from the 1,170 total employees at



the Trump riverboat.² The results and conclusions are limited to the 831 respondents, who may or may not be typical of all employees.

As shown in Figure 8, 24 percent of current Trump employees were unemployed immediately prior to beginning work at the riverboat. Nearly two-thirds had full-time jobs.

Figure 8: Employment Status Prior to Beginning Work at Trump Casino

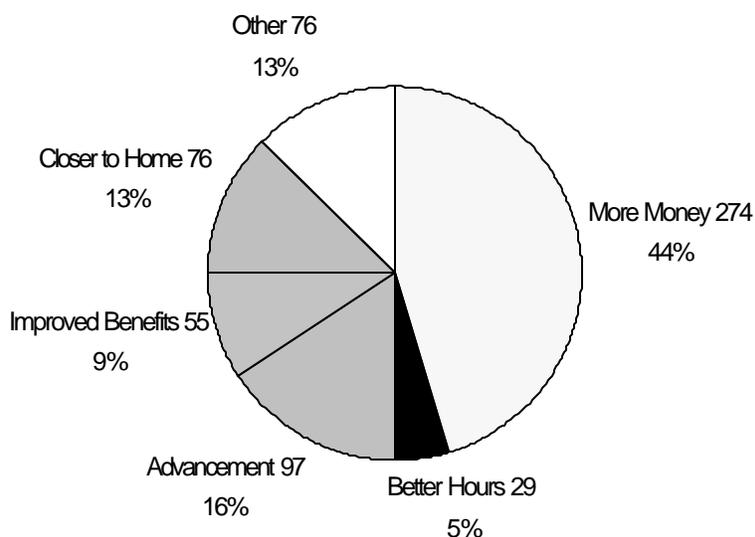


² While the 71 percent response rate far exceeds the return rate for either of the two previous casinos, the data must still be interpreted as the opinion of those who responded rather than scientifically indicative of all employees.



As shown in Figure 9, for those who left full- or part-time positions to begin work at Trump, the principal reason for accepting employment at Trump was more money (44 percent). Better advancement opportunities (16 percent) and closer to home (13 percent) were the second and third most common reasons for beginning work at Trump. The most common prior occupations of employees who left full- or part-time positions to begin work at Trump were either service jobs (41 percent) or retail jobs (21 percent).

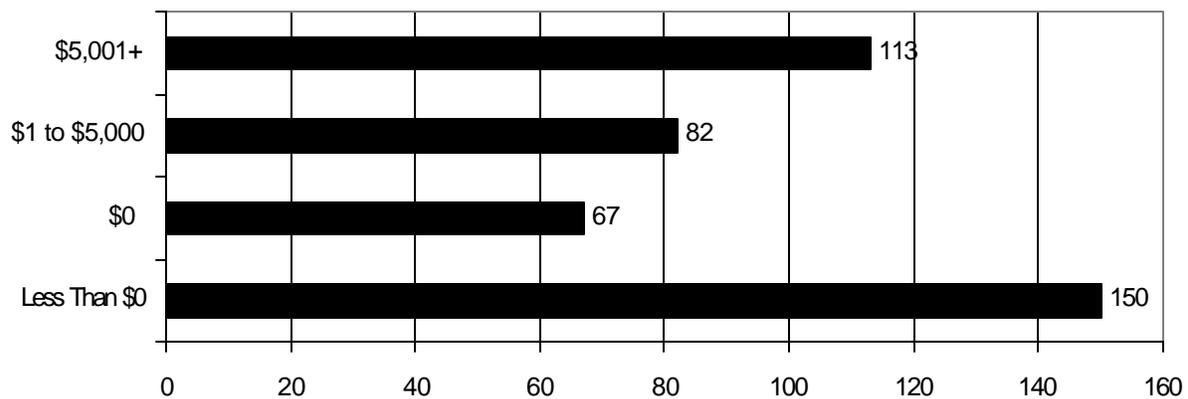
Figure 9: Why Previously Employed Accepted Job at Trump Casino





Of the 831 survey respondents, 412 provided information that compared previous wages to starting wages at Trump. As shown in Figure 10, 217 of those 412 employees experienced either no change or a decline in wages after beginning work at Trump. Fifty-eight percent (111) of the 195 workers who experienced a wage increase identified increased wages as the primary reason for accepting a job at Trump. The average increase experienced when starting at Trump, for the 412 employees reporting at previous wage and a Trump starting wage, was \$21 more in the first year at Trump than in the last year at their previous job. For the 195 employees reporting an increase in wages, the average increase when starting work at Trump was \$7,652.

Figure 10: Total Increase in Annual Wages from Previous Job to Start at Trump Casino





As shown in Figure 11, 42 percent of those surveyed said more money was the principal reason for beginning work at Trump. Surprisingly, 78 of those who reported a decline in wages stated that increased wages was the principal reason for accepting employment at Trump. While this is a somewhat surprising result, the most common response of those experiencing either no change or a reduction in earning when beginning employment at Trump was better opportunities for advancement. This suggests that many of these individuals accepted a temporary reduction in wages while anticipating improved future earnings. Overall, improved opportunities for advancement was the second most common reason for accepting employment at Trump.

Figure 11: Reason for Beginning Employment at Trump Casino
(All Respondents)

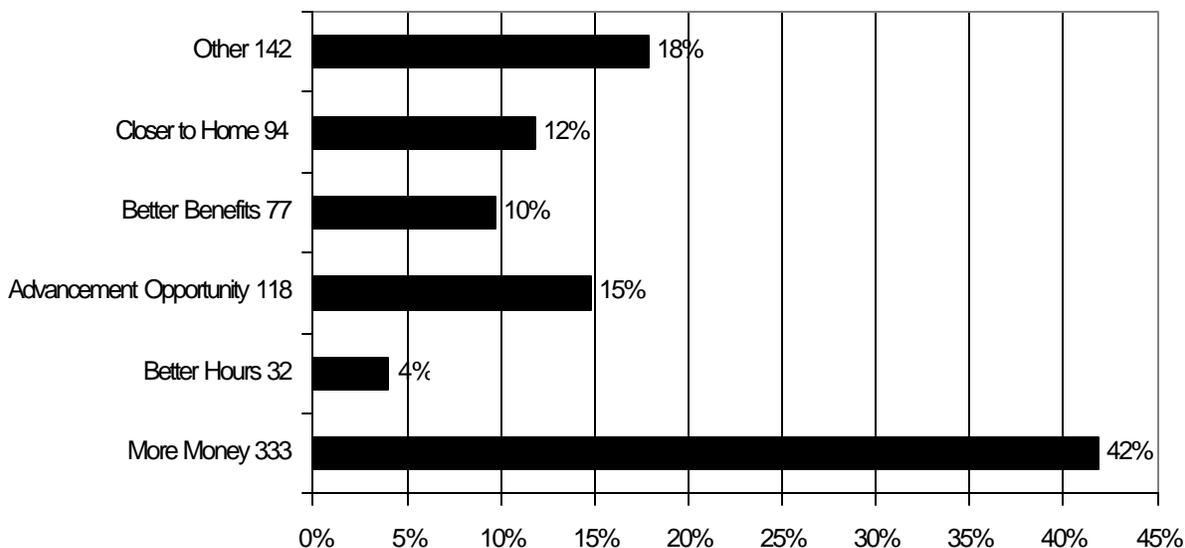
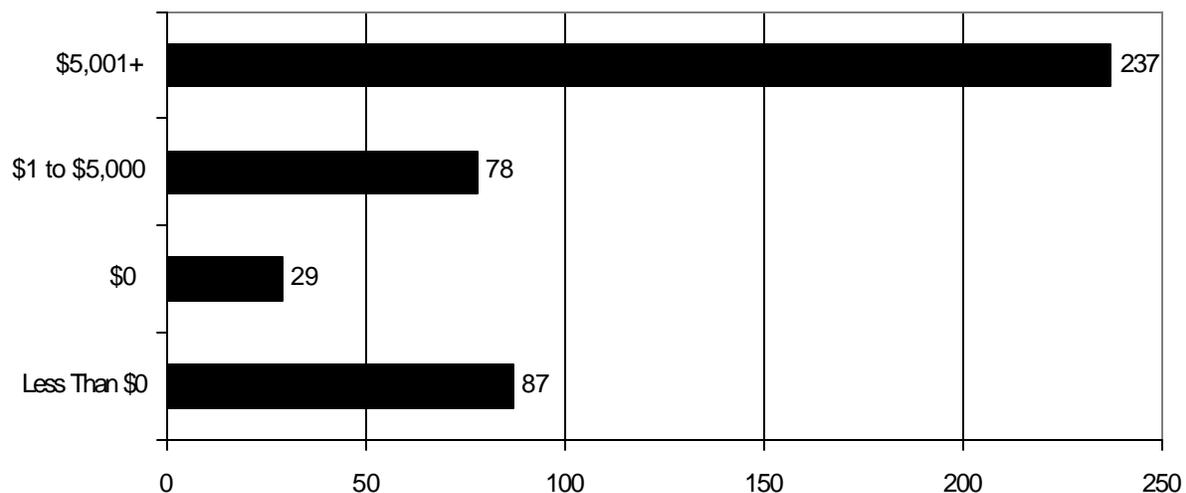




Figure 12 shows that 73 percent of all Trump employees reporting current and beginning wages at Trump have experienced an increase in wages over the period. Only 22 (19%) of the 116 workers who experienced a decline or no increase in wages stated that more money was the principal reason for beginning employment at Trump Casino. This seems to confirm the notion that long-term opportunity was the primary motivation for those who initially did not experience an increase in wages. The average increase for all employees reporting both wages was \$6,214 over the time period. The median increase for all employees reporting both current and beginning wages at Trump was \$6,170.

Figure 12: Total Increase in Annual Wages from Prior Wage to Current Wage at Trump Casino

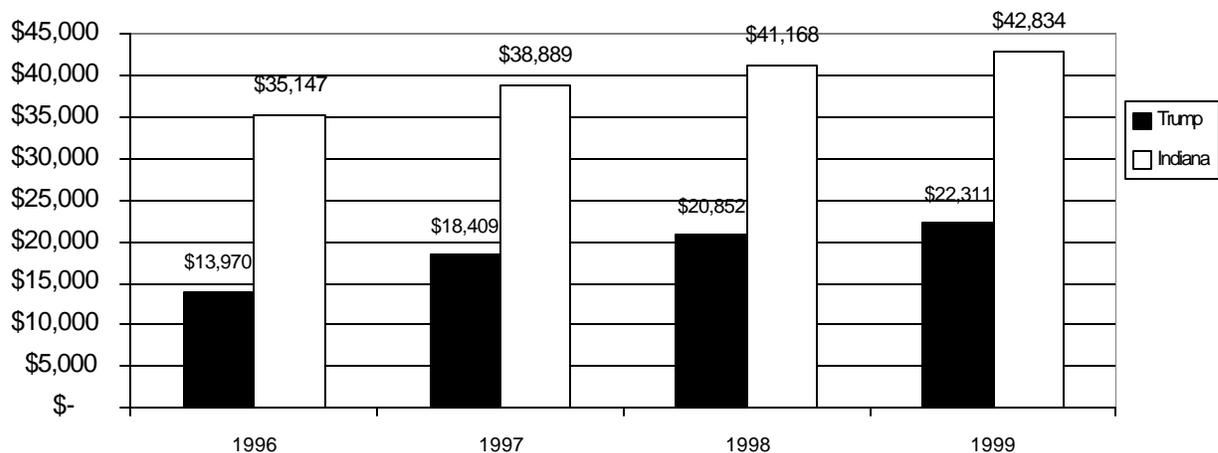




HOUSEHOLD INCOME ANALYSIS

The average taxable household income for Trump workers increased from \$22,007 (686 households) in 1996 to \$29,190 (889 households) in 1999. As shown in Figure 13, the median or mid-point household income for Trump households increased from \$13,970 in 1996 to \$22,311 in 1999. During the same period, the median household income in the state of Indiana increased from \$35,147 to \$42,834.³

Figure 13: Median Household Income Comparison: Trump and Indiana Households



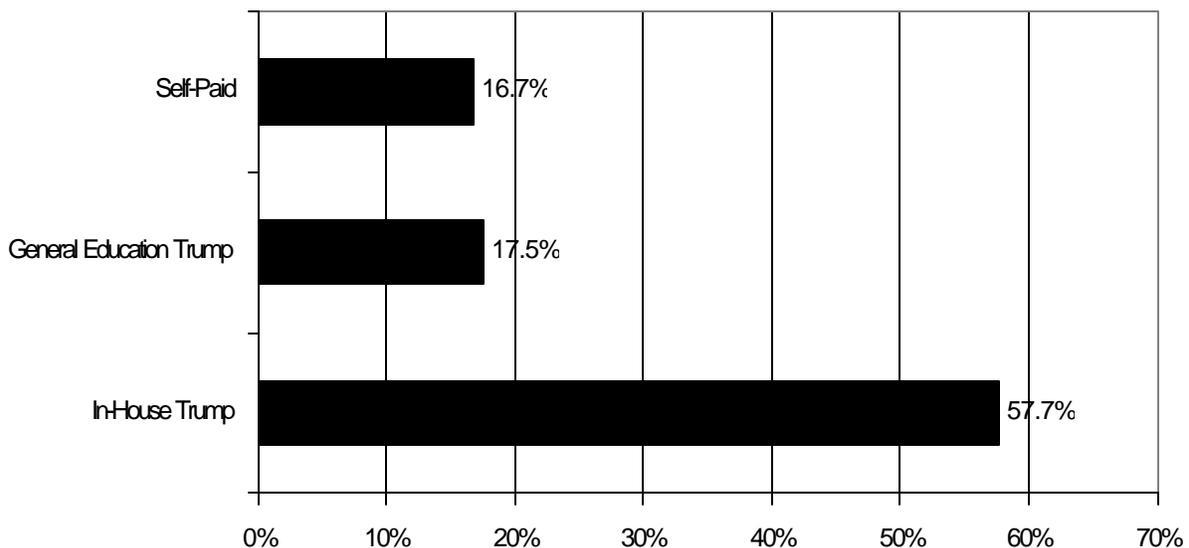
The comparison shows that Trump household incomes, while trailing the state as a whole, are growing faster than the Indiana household income in dollar amount (a Trump gain of \$8,342 to an Indiana gain of \$7,686) and rate of change (Trump household income grew by 60 percent compared to Indiana's 22 percent gain). When the analysis is limited to the 486 Trump households that reported data for both 1996 and 1999, the average per household increase over the period is \$8,548. While not all of the increase in household income likely comes from riverboat casino employees, household income in households with riverboat employees is growing at a faster rate than for other Indiana taxpayers.

³ Estimate based on annual percent increase in total income in Indiana.



While the data on wages and employment show that Trump employees are experiencing improved economic conditions, training and skill enhancement are key levers to continued growth and opportunity. Figure 14 shows that few Trump employees are accessing skill-building opportunities beyond those directly related to their duties at the casino. Furthermore, 14 percent of high school graduates report receiving any general education or skill-building classes paid for by Trump and 7 percent report paying for any skill-building or general education courses. The figures are slightly higher for those reporting some college education, with 21 percent receiving general education or skill building paid by Trump and 21 percent paying for those efforts on their own. 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.

Figure 14: Training and Skill Building of Trump Casino Employees



ECONOMIC AND FISCAL ACTIVITY

From its opening in 1996 through the end of 2000, Trump has paid local governments approximately \$62 million in gaming-related taxes (admissions and wagering taxes) and has voluntarily contributed an additional \$33 million to projects in Lake County. Of the \$62 million in gaming-related taxes, nearly \$46 million was distributed to the city of Gary and the remaining \$16 million was paid to Lake County. All the voluntary contributions included in this analysis were made to organizations within the city of Gary.

In addition to the gaming-related taxes, Trump 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 Trump 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 chose 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 Trump for taxing units in Gary; and
- **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 Gary 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. One is the eco-



conomic impact that additional spending has generated. The impact of the additional spending is discussed in the *Impact of Tax Revenues on Local Economy* section. The second type of impact we examine is the overall fiscal impact on local governments in Gary and Lake County, which is discussed in the *Fiscal Impact of Tax Revenues on Local Government* section.

As Table 5 illustrates, Trump has paid almost \$108 million in direct taxes to the state of Indiana since it opened.

Table 5: State Direct Taxes

Category	1996	1997	1998	1999	2000	Total
Gaming Tax ⁴ (State Share)	\$12,203,562	\$19,396,048	\$20,666,328	\$20,811,591	\$17,872,196	\$90,949,724
Admission Tax ⁴ (State Share)	\$2,468,993	\$3,431,049	\$3,576,732	\$3,485,580	\$3,008,799	\$15,971,152
Sales and Use Tax ⁵	\$38,439	\$279,782	\$64,358	\$155,286	\$269,455	\$807,320
TOTAL	\$14,710,994	\$23,106,879	\$24,307,418	\$24,452,457	\$21,150,450	\$107,728,196

In addition, as Table 6 shows, Trump has paid almost \$68 million in direct taxes (gaming, admission, and property taxes) to the local area (city and county) since it opened.

Table 6: Local Direct Taxes

Category	1996	1997	1998	1999	2000	Total
Gaming Tax ⁴ (City Share)	\$4,067,854	\$6,465,349	\$6,888,776	\$6,937,197	\$5,957,399	\$30,316,575
Admission Tax ⁴ (County Share)	\$2,468,993	\$3,431,049	\$3,576,732	\$3,485,580	\$3,008,799	\$15,971,152
Admission Tax ⁴ (City Share)	\$2,468,993	\$3,431,049	\$3,576,732	\$3,485,580	\$3,008,799	\$15,971,152
Property Tax ⁵	\$0	\$1,500,000	\$1,288,460	\$1,907,584	\$2,098,893	\$5,294,937
TOTAL	\$9,005,840	\$14,827,447	\$15,330,700	\$15,815,941	\$14,073,890	\$67,553,816

Incentive Payments

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

⁴ Source: Indiana Gaming Commission

⁵ Source: Trump Casino Corporation



As Table 7 illustrates, Trump is on or ahead of schedule with its incentive payments and has provided over \$33 million in incentive payments. While several incentives were completed in years one and two, and others are ending in year five or six (the amounts reallocated to the stadium and roadway projects), two will continue into the future (the scholarship donation and the additional wagering taxes).

Table 7: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amt. Paid Through 12/31/00	Status
Developer's payment	\$2,500,000 ⁶	City of Gary	\$2,705,000	Paid October 6, 1995
Developer's payment (ninety days after opening)	\$2,500,000 ⁶	City of Gary	\$2,500,000	Paid September 11, 1996
Renovation of the Sheraton Hotel	\$10,000,000 ⁶	City of Gary	\$0	\$ reallocated to stadium and roadway projects
Police substation	\$2,000,000 ⁶	City of Gary	\$451,410	\$ reallocated to stadium and roadway projects
Off-site development	\$6,500,000 ⁶	Road/Utility improvements	\$1,857,177	\$ reallocated to stadium and roadway projects
Additional wagering taxes (3% plus 1% of AGR)	3% plus 1% of AGR	City of Gary	\$24,387,974	Ongoing
Donation to Trump Foundation	\$1 million in Year 1, \$100,000 each year thereafter	Trump Foundation scholarships	\$1,300,000	Ongoing
Donation of police cars	\$250,000 ⁶	Police Dept.	\$246,950	Completed Year 1
TOTAL			\$33,448,510	

FISCAL IMPACT OF TAX REVENUES ON LOCAL GOVERNMENT

Riverboat casinos affect the revenues and costs of the local governments 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

⁶These amounts are included in the development agreement as part of the total \$153 million commitment. They are shown here to accurately reflect the incentive payments to the city of Gary.



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 assessment of the Trump riverboat on the budgets of Lake County, the city of Gary and the Gary Community School Corporation 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 Lake County

Table 8 shows total assessed value⁷ in the assessment years 1988, 1994, and 1999 (that is, assessed values for taxes payable in 1989, 1995, and 2000). There are four riverboats in Lake County, so these data show the impacts of all four. Like Indiana as a whole, Lake County assessed value grew more slowly in 1994-99 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. However, before the riverboats arrived, Lake County's assessed value growth lagged the state's. After the riverboats arrived, Lake County's assessed value growth was nearly identical to the state's. It may be that the advent of the riverboats increased assessed value growth in Lake County, relative to Indiana as a whole.

Table 8: Assessed Value in Assessment Year, Lake County, 1988-99 (000s)

	1988	1994	1999	Avg. Annual % Change	
				1988-94	1994-99
Lake County	1,938,133	2,700,650	3,476,149	5.7%	4.3%
Indiana	28,507,022	43,028,074	55,869,930	7.1%	4.4%

The riverboats are major employers, with more than 6,000 employees in Lake County in 1999. This figure represents about 2.4% of total employment in Lake County. Table 9 shows that Lake County employment grew only 0.8% per year between 1988 and 1994, but that the growth rate doubled to 1.6% per year from 1994-98. During this same period, Indiana average annual growth remained constant at 1.9% per year. Lake County employment is more dependent on cyclically sensitive manufacturing than is the state as a whole, so the 1990s expansion may account for this increase in employment growth. The 1988-94 period included a recession. But the increase in Lake County employment growth also may be due to the riverboats. The total increase in employment from 1994

⁷ Assessed 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.



to 1998 was 15,100. Riverboat employment of 6,000 would account for more than a third of this growth.

Table 9: Place-of-work⁸ Employment in Lake County, 1988-98

				Avg. Annual % Change	
	1988	1994	1998	1988-94	1994-98
Lake County	220,998	232,110	247,210	0.8%	1.6%
Indiana	2,953,581	3,314,850	3,576,683	1.9%	1.9%

Lake County's per capita income is slightly less than the state average (Table 10). 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, but the growth increase was not as great as in Lake County. Again, this may be due to the cyclical characteristics of Lake County's economy, but it may also be due to the riverboats.

Table 10: Personal income Per Capita in 1999 Dollars, Lake County, 1988-98

				Avg. Annual % Change	
	1988	1994	1998	1988-94	1994-98
Lake County	22,526	23,529	26,146	0.7%	2.7%
Indiana	22,731	24,579	26,583	1.3%	2.0%

As shown in Table 11, Lake County has experienced slow population growth over the past 12 years. Population has grown slightly more slowly since 1994, compared to the 1988-94 period. Indiana's population growth has exceeded Lake County's, and during 1994-2000 Indiana's population growth rate increased slightly.

Table 11: Population in Lake County, 1988-2000

				Avg. Annual % Change	
	1988	1994	2000	1988-94	1994-99
Lake County	472,081	481,836	484,564	0.3%	0.1%
Indiana	5,523,679	5,745,626	6,080,485	0.7%	0.9%

Table 12 shows school enrollment. Here we need not rely on countywide data, but can look at the Gary Community School Corporation. The Trump and Majestic riverboats are within the borders of this school corporation. Gary Community School Corporation enrollment has declined at rapid rates over the whole 1988-2000 period. Declines after 1994 were faster than before. The corporation enrolled 4,498 fewer pupils in 2000 than it did in 1994. During this same period Indiana's overall enrollment increased slightly.

⁸ Employees who work in Lake County, regardless of place of residence.



Table 12: School Enrollment in Gary Community School Corporation, 1988-2000

	1988	1994	2000	Avg. Annual % Change	
				1988-94	1994-00
Gary Community	27,673	24,150	19,652	-2.2%	-3.4%
Indiana	962,653	964,462	988,064	0.0%	0.4%

The arrival of the riverboats may well have increased assessed value, employment and real per capita income in Lake County. There seems to have been little impact on population and school enrollment in Gary Community Schools, however. From a fiscal impact perspective, this is important. Local revenues are more closely related to assessed value, jobs and income. Employment and income have grown more rapidly since 1994; the drop in assessed value growth was less in Lake County than in Indiana after 1994. Local costs are influenced most by population and school enrollment. Population did not grow more rapidly after 1994, and Gary Community School enrollment actually fell more rapidly after the riverboats arrived. These broad indicators suggest that the riverboats had a positive fiscal impact. The Gary Community School Corporation enrollment decline probably implies that the school corporation has excess capacity, meaning that the educational needs of any new pupils brought to the corporation by riverboat employees have been met by existing teachers and facilities.

Fiscal Impact of New Employment

In addition to the survey discussed previously, Gambling Impact Study Commission, mailed surveys in the fall of 1999 to 1,750 riverboat employees representing seven of the nine riverboats.⁹ Employees were randomly sampled using payroll information. Seventy-four employees had relocated, decreasing the sample to 1,676. Four hundred and fifty-seven questionnaires were returned, for a response rate of 27.3 percent. For the Trump riverboat, 224 valid surveys were mailed, and 45 were returned, for a response rate of 20.1 percent.

⁹ The tenth Indiana riverboat began operation in 2000 in Switzerland County.



Table 13 shows the location of employees before and after they were hired by the riverboats. There were 39 usable survey responses from the Trump riverboat in Gary for this question. Of the 39 responses, eight relocated upon becoming riverboat employees, while 31 did not relocate. Of those who relocated, four moved into Lake County, while four moved into a neighboring county.

Table 13: Location of Employee Residence Prior to Employment

	Host County		Non-Host Area		Total	
	# of Employees	% Total	# of Employees	% Total	Total	Percent
New	4	10.3%	4	10.3%	8	20.5%
Existing	24	61.5%	7	17.9%	31	79.5%

Host: County in which riverboat is located
 Non-Host Area: Surrounding area
 New: Employee moved from outside area to obtain employment
 Existing: Employee was a resident in area prior to employment

Thirty-one employees is, of course, a very small sample. However, our confidence in these results rises because similar results were found for all Indiana riverboats surveyed. In the statewide sample of 448 usable responses, only 22% relocated, while 78% did not. The results for Trump employees are nearly identical to the state total.

Extrapolating the survey results to all 1,261 Trump employees, 10.3 percent or 130 moved from elsewhere to Lake County, and 61.5 percent or 776 existing county residents took new jobs with the riverboat. The remainder live outside Lake County.

The survey asked how many children in the employee's household were enrolled in public school. Of the 45 respondents, 34 said they had no school-age children. Eleven respondents answered that they had a combined total of 21 children in school (Table 14). This is 0.47 children per employee, or one child per 2.1 employees. The results in Table 13 implied that there were 130 employees new to Lake County. If all of these employees live in the Gary Community School Corporation, it would see an added enrollment of 61 pupils.

Table 14: School-age Children

Number of Children	# of Employees
0	34
1	5
2	4
3	1
5	1
Total Children	21



The survey also asked about housing construction. Only one of the Trump survey respondents reported living in a residence built since 1996. It appears that riverboat employees have built few new houses.

Fiscal Impact on Lake County

The Trump and Majestic boats are located next to one another. Many county services delivered to one are in effect delivered to the other. The costs to the county of these two riverboats are interrelated, and it is best to treat their fiscal impacts together.

The Trump and Majestic riverboats add \$17.2 million in new assessed value (AV) to the county. The county's cumulative fund property tax rate adds \$26,536 in new revenue to the county budget. The operating and welfare rates generate \$802,543 in new revenue. However, the added riverboat AV is not enough to change the maximum levy limit on property tax levies for operating purposes. In effect, the riverboats produce no added operating revenue—each dollar of added riverboat tax is offset by a dollar decline in taxes paid by existing taxpayers. The same is assumed to be true for welfare. Welfare appropriations are determined by state rules, and we assumed 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. The debt service rate generates \$12,868 in revenue, but again, this is offset by declines in property tax payments by existing taxpayers. Debt service payments remain constant when assessed value rises, so the debt service tax rate declines. These tax savings from the operating, welfare and debt service rates do not provide additional revenue to county, but they do have a fiscal impact upon the citizens of Lake County, who pay lower property taxes than they would have without the riverboats.

Lake County is one of only seven Indiana counties without a local income tax. Other revenues include motor vehicle excise taxes, charges and fees, and additional miscellaneous revenue. The annual sum paid by Trump is \$34,371. Overwhelmingly, the largest revenue source attributed to the riverboat is the admissions taxes received by the county, which total \$6.6 million.

Using the two cost estimate methods described in Appendix A, the center estimated costs imposed on local government by the riverboat developments. The two results are similar, ranging from \$246,675 to \$373,166.

Fiscal impact is determined by calculating 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 \$6 to \$7 million per year*. The added revenue is far more than the added costs. This is true whether we counted only added revenues without tax savings, or if we counted total revenues. The center also found a positive economic impact under either estimate of added costs.

We also calculated the fiscal impacts with the riverboat taxes excluded. These calculations were performed because county riverboat tax revenues have been assigned to capital improvements, leaving no additional budgeted revenues for added operating costs. Calculations were performed for each of the cost estimates: one based on non-riverboat tax revenue alone and the other on both



non-riverboat tax revenue and riverboat-related tax savings. 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 are *negative*—costs exceed added revenues slightly, ranging from a negative fiscal impact of \$185,768 to \$312,259.¹⁰

Fiscal Impact on City of Gary

As stated above for Lake County, the property tax on the Trump and Majestic riverboats provide little added revenue to the city of Gary. The added \$17.2 million in riverboat assessed value in 1999 is taxed at the city's operating rate, which generates \$1,552,359 in tax revenue. However, because the added riverboat AV is not enough to increase the three-year average AV growth rate above five percent, the city's maximum levy is unchanged by the advent of the riverboats. Every dollar of property tax paid by the riverboats is offset by a dollar of property tax saved by existing taxpayers. While this does not provide additional revenue to city of Gary, it does have a fiscal impact upon the citizens of Gary, who pay lower property taxes than they would have without the riverboats. The city's cumulative fund rate does add revenue to the city budget, to the amount of \$19,215.

Lake County has no local income tax. Other revenues sum to \$45,437. Again, riverboat wagering and admissions taxes are by far the largest source of additional revenue, \$21 million. Costs were calculated for the city using methods described in Appendix A, arriving at an estimated cost of \$462,994.

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: \$19 million to \$21 million per year*. The annual tax revenue from the Trump and Majestic riverboats far exceeds the added costs.

If both riverboat taxes and tax savings are excluded, however, the fiscal impact is *negative* at \$398,342. Again, this represents a potential problem with operating costs. Riverboat revenues 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 the income tax and other sources may not cover these added costs.¹¹

¹⁰ The negative fiscal impact without the added riverboat revenue may be overstated, for two reasons. First, some of the added costs that might be generated by the riverboat and its employees are capital costs, such as new patrol cars, new roads, and other new infrastructure. The riverboat revenue will more than cover these costs. Second, Lake County is home to two riverboats in addition to Trump and Majestic. The costs of delivering similar services to four boats are unlikely to be twice the cost of delivering services to two boats. Such "economies of scale" would reduce the cost impact of each boat individually.

¹¹ Again, more than for the county, this negative fiscal impact may be overstated. Not all of the new Trump and Majestic employees live in Gary, though this analysis makes that assumption. Further, new Census population results show that



Fiscal Impact on Gary Community School Corporation

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 values.

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. Two independent methods of estimating costs are used for the expenditure side of the analysis. A detailed discussion of the methodology is included in Appendix A.

For the county and the city, it makes little sense to split the fiscal impacts of the Trump and Majestic riverboats. A great many of the costs imposed by these riverboats are on-site, and since the boats are so close to one another, costs are reduced by economies of scale. Not so with the fiscal impacts on schools. The costs to Gary Community Schools increase with added enrollment, and are imposed at the school corporation's facilities. The fiscal impact analysis for the Gary Community School Corporation thus considers the Trump riverboat alone.

Most of the property taxes paid on the \$8.9 million in Trump riverboat assessed value become added revenue for the school corporation. Added revenue from property taxes amounts to \$642,617. Only the debt service fund creates tax savings to existing taxpayers. The debt repayment schedule is unchanged by the added assessed value, so the rate required to raise these payments falls. This results in \$56,726 in tax savings to existing taxpayers. Other revenues are relatively small in comparison, totaling \$17,160 in added revenue.

Overall, state aid to Gary schools increases by \$69,721 due to the Trump riverboat. The riverboat increases the assessed value per pupil which reduces the amount paid to the school corporation in per-pupil aid. However, the estimated increase in enrollment from the new resident Trump riverboat employees is large enough to offset this per-pupil drop, creating the aid increase. In total, the

Gary's population fell by almost 14,000 between 1990 and 2000. While the advent of the riverboat probably added population to the city, ten years ago the city was providing services to many more people. Even with the riverboat, fewer people were being served in 2000 than in 1990.

It would be defensible, then, to count the added population costs at zero. One might argue that the city would have saved more in costs without the riverboat's employees, if costs fall when population drops. But it is hard to see how the riverboat's employees could have increased costs given the overall population decline.

Without the added people, the negative fiscal impact drops to \$109,751, due entirely to the extra costs imposed directly by the two riverboats. Some of these will be capital costs, which can be covered by riverboat taxes, so any negative fiscal impact on operating costs would be smaller still.



school corporation realizes \$731,878 in added revenue, and a positive economic impact of \$788,604, including tax savings.

Added costs are estimated on a per-pupil basis, and total \$705,278. The detailed estimates for the Gary Community School Corporation are presented in Table A3 in Appendix A. Using the survey results, it is estimated that the riverboat's new resident employees added 61 children to school enrollment. However, during the 1994-2000 period, school enrollment in Gary Community Schools fell by about 4,500 (see Table 12). This implies that without the riverboat, the decrease would have been more. But it also means that prior to the riverboat's arrival, the school corporation was providing services to many more pupils than it is now. New riverboat pupils merely replaced some lost enrollment. It is defensible to count the costs of added enrollment at zero.¹²

For the Gary Community School Corporation, under either cost assumption the fiscal impact of the Trump riverboat is *positive*. Under the first assumption, including riverboat pupils as new enrollment to be served at added cost, the fiscal impact is \$27,000 without tax savings, \$83,000 with tax savings. Under the second assumption—no new enrollment—the fiscal impact is \$730,000 without tax savings, \$790,000 with tax savings. The fiscal impact is positive under either assumption, but especially so if the Gary School Corporation has the excess capacity to serve the few new riverboat pupils at little or no extra cost.

ECONOMIC BENEFITS OF GAMING-RELATED TAXES AND INCENTIVES

Between 1996 and 2000, the Trump Casino has paid approximately \$79 million to the city of Gary in local taxes and voluntary negotiated contributions. Over the same time period the Majestic Star has paid \$59 million in taxes and negotiated contributions to the city of Gary. The analysis does not include more than \$77 million of local gaming taxes paid to Lake County by Trump, Majestic Star and the other Lake County riverboats and distributed to other Lake County governments.

The city of Gary places all gaming-related revenue, including taxes and negotiated contributions from both casinos, into one fund. As a result, this study cannot separately address the economic benefit of each individual boat. These accounting practices also make it impossible to isolate the economic benefits derived from the tax payments or the negotiated contributions. Thus the study

¹² First, 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.

Second, it may be 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.

A third approach is to estimate the added costs of enrollment at zero. Despite the influence of the riverboat, enrollment in Gary Community School Corporation declined. Declining enrollment does not add to costs.

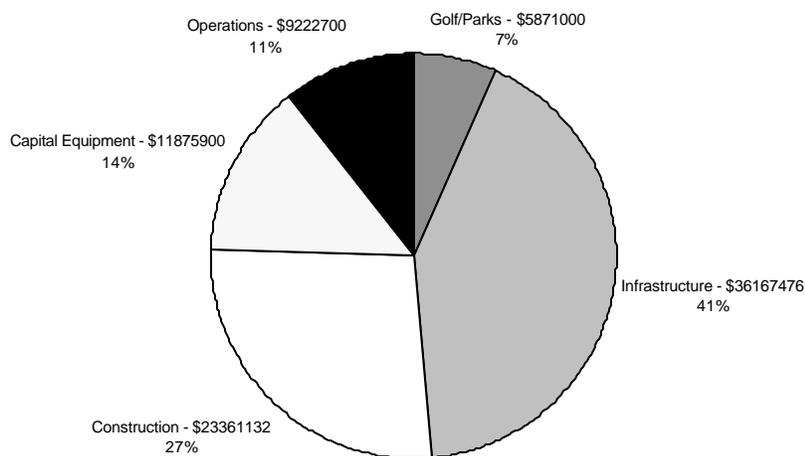


analyzes the aggregate benefit derived from the tax payments and negotiated contributions of both boats.

As Figure 15 illustrates, the city of Gary has spent this revenue on:

- Infrastructure (primarily road improvements);
- Recreation, golf course and park improvements;
- Construction and demolition, airport, marina, baseball stadium, public safety building, and the rehabilitation of senior citizens housing;
- Capital equipment, police vehicles and telecommunications equipment; and
- Operations, training, not-for-profit assistance, and youth services.

Figure 15: Total Spending of Riverboat Related Tax and Incentive Payments by Gary



From 1996-2000, the total short-term economic benefit provided by the tax and negotiated incentive payments of the two casinos was nearly \$140 million. The analysis does not include more than \$77 million of local gaming taxes paid to Lake County by Trump, Majestic Star and the other Lake County riverboats and distributed to other Lake County governments. Also not included is nearly \$9 million of judgment revenue.

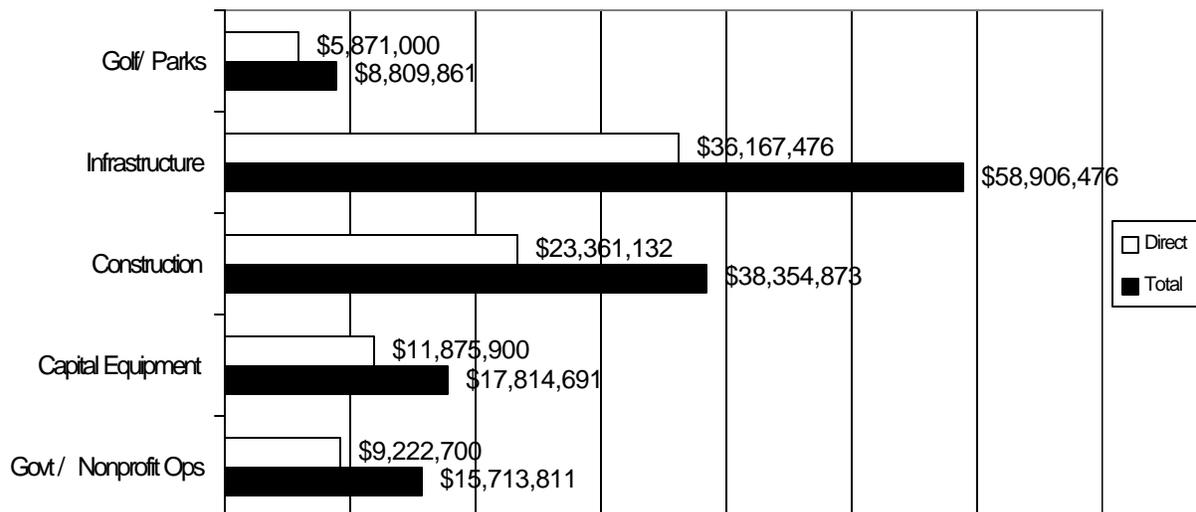
How the tax dollars are spent determines both the short and long term economic benefits generated within the local economy. The short-term benefits are the immediate result of the spending—principally the new jobs, wages, and business generated as spent tax dollars work their way through the local economy. 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 immedi-



ately measurable. However, if the tax dollars are spent wisely they will support the local economy for many years.

In Figure 16, the “direct” bars represent gaming related tax and negotiated incentive payment expenditures by the city of Gary. For example, approximately \$5.9 million was spent by the city of Gary for golf course and park improvements. The “total” bars represent the full economic benefit of Gary’s spending decisions as they work their way through the local economy. For example, Gary’s \$5.9 million expenditure on park and golf course improvements results in a total economic benefit of \$8.8 million in Lake County.

Figure 16: Economic Contribution of Gary's Spending of Riverboat-Related Revenue



Each type of expenditure provides a different level of local benefits. For example, each dollar spent for government (consultant) and not-for-profit operations results in the highest return: an additional 70 cents of economic activity. Each dollar spent on golf course and park improvement results in the lowest return: an additional 50 cents of economic activity. The average return for all expenditures is 61 cents of additional economic activity.

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 invest-



ments contribute to the economic competitiveness of local firms, the local workforce, and the area's quality of life.

Figure 17 displays the number of jobs attributable to each category of investment made with gaming-related tax revenue. There were 2,091 total jobs generated in Lake County as a result of Gary's spending of gaming-related revenue. Spending on streets and other infrastructure produced the largest number of jobs (666). Each new job represents an annual full-time equivalent measure of employment. For example, one individual employed for four years while working on street repair represents four jobs.

Figure 17: Total Employment Attributable to the Spending of Riverboat Related Revenue by Gary (1996-2000)

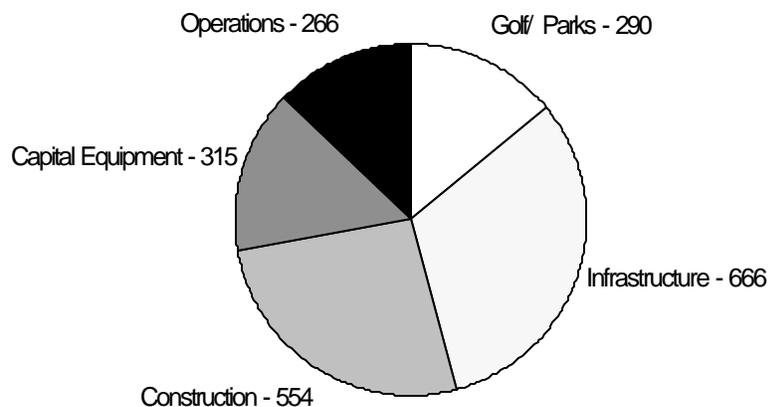
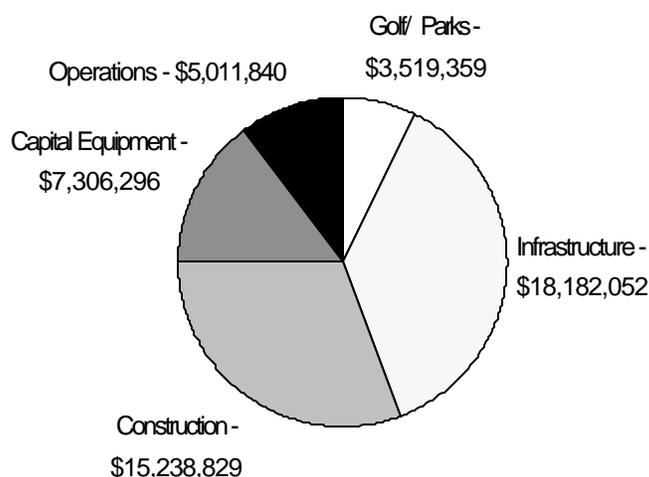




Figure 18 shows the total gaming-related earnings generated in Lake County by Gary's investment. Since Trump and Majestic Star Casino began operations, \$49 million in wages was produced by Gary's spending of gaming-related revenue. Infrastructure-related wages were the largest single category (\$18 million), principally as a result of the large amount of investment in this area. The jobs associated with infrastructure and construction have the highest average wage (approximately \$27,000), the lowest average wage is park and landscaping related (\$12,000).

Figure 18: Total Employee Earnings Attributable to Gary's Spending of Riverboat Related Revenue



OTHER ISSUES

According to Trump, 34 lawsuits filed against them since 1996 are still pending, 10 by employees and 24 by patrons. According to Gary's Chief of Police, Trump's presence has not contributed to any additional criminal activity in the neighborhood surrounding the riverboat.

Trump has made efforts to minimize negative impacts. Trump 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. Trump has presented seminars to employees on compulsive gambling and distributed materials to employees to enhance their awareness of problem gambling. Trump also contracts with a third party provider of employee assistance programs, which maintains a qualified problem gambling therapist on its staff. Trump has a self-eviction program for individuals who wish to be banned from the facility. Upon request, they are removed from all mailings and promotions. If they are identified on the boat, they are escorted off. Once an



individual requests self eviction, Trump considers it permanent unless they have successfully petitioned for readmittance.

As Table 15 indicates, in an effort to prevent underage gambling, Trump has verified over 179,000 identifications. Since 1998, they have turned away more than 6,571 patrons who were under 21 or lacking identification.

Table 15: Trump's Efforts to Prevent Underage Gambling

	1996	1997	1998	1999	2000	Total
Number of I.D.s verified	NA	NA	65,832	53,802	59,457	179,091
Number of patrons turned away – under 21 or no ID			2,525	1,574	2,472	6,571
Patrons evicted or ejected			173	138	64	375
Patrons arrested			12	25	12	49



SUMMARY OF FINDINGS

Project Development Certificate Compliance

- As of December 2000, Trump had spent \$155.8 million, \$2.8 million more than agreed to in the Certificate for the development of the project.
- While Trump has exceeded the project total agreed to in the Certificate, they have not paid \$9.7 million towards a \$10 million commitment to renovate the Sheraton and another \$6.5 million towards infrastructure promised in the certificate. The city and developer entered into a second amendment to their development agreement in March 2001 that reallocates those dollars to two projects: a baseball stadium project and a waterfront roadway project.
- Since opening, Trump has spent \$47.3 million locally.

Gaming Activity

- Trump has had attendance of almost 16 million people since opening and gross gaming receipts of \$606.3 million, for an average of \$38 per patron.

Impact of Gaming Activity on Tourism

- According to a survey of patrons, more than half of those who visited Trump or Majestic Star were from outside of Indiana.
- Of those patrons, 65 percent did not have a preferred riverboat, but instead chose a boat based on a convenient boarding time.
- Over 90 percent of patrons state that their main reason for traveling to Gary was to visit the riverboat.
- Most riverboat patrons surveyed were frequent visitors, visiting the riverboat either somewhat regularly (43.9 percent) or regularly (37.4 percent).
- The patrons who visit the riverboat more frequently are more likely to live closer to the riverboat.
- Only 13 percent of the patrons planned to stay in Gary for more than eight hours.
- According to our survey, 50 percent of the respondents indicated that they planned to shop, eat out or visit other Gary businesses and/or attractions. A common response was that they would be eating in a restaurant in the pavilion.

Employment Certificate Compliance

- As of December 31, 2000, Trump employed 1,170 persons (including Buffington Harbor), below their five-year average of 1,222. For 2000, salaries and wages were \$28.6 million, in-



cluding tips to dealers (but not to bar and wait staff). Since opening Trump has paid more than \$137 million in wages.

- As of December 2000, 61 percent of Trump employees were women, 70 percent were minorities, and 82 percent were from Lake County.
- Trump exceeded its goal for hiring women, met its goal for hiring minorities, but fell short of its ambitious goal for hiring 90 percent Lake County residents. With the low unemployment rate in Lake County, Trump's efforts, and competition from three other riverboats for employees, it seems as if Trump has hired close to the maximum percent of Lake County residents possible.

Impact on Trump's Workforce

- According to our survey of employees, before beginning employment with Trump, approximately 35 percent of employees were either not working or working part-time.
- When respondents were asked to select one reason for taking a job with Trump, 44 percent chose more money as the primary reason, 16 percent chose better opportunities for advancement, and nearly 13 percent chose to begin work at Trump because it was closer to home.
- According to our survey, the average increase in wages for employees since they began work at Trump is \$6,214 over that time period.
- The average annual household income for all households including Trump workers increased from \$22,007 (686 households) in 1996 to \$29,190 (889 households) in 1999.
- When the data is limited to the 486 households reporting income in both 1996 and 1999, the average per household increase over the period is \$8,548.
- Nearly 58 percent of all respondents report receiving training *related to their position* at Trump. Only 17.5 percent received general or basic skill training, either from Trump or reimbursed by Trump.

Tax Revenue Collected

- Trump has paid almost \$108 million in direct taxes to the state of Indiana since it opened.
- Trump has paid almost \$68 million in direct taxes to the local area since it opened.

Incentive Payment Certificate Compliance

- Trump is on or ahead of schedule with its incentive payments having provided more than \$33 million in incentive payments to the city of Gary.



- While several incentives were completed in years one and two, and others are ending in year five or six (the amounts reallocated to the stadium and roadway projects), two will continue into the future (the scholarship donation and the additional wagering taxes).

Fiscal Impact of Tax Revenues on Local Government

- In total, the fiscal impact of the Trump riverboat on Lake County, the city of Gary and the Gary Community School Corporation 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. However, the fiscal impact analysis implies that for both the city and county, 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 Trump's local gaming-related revenue was approximately \$140 million.
- Local area employment attributable to this economic benefit was 1,679 jobs with earnings of \$49 million.

Other Issues

- Trump, in an effort to prevent underage gambling, has verified over 179,000 identifications from 1998 through 2000. Trump turned away 6,571 patrons for being under 21 or 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. The survey results for Trump employees show that few are living in homes constructed since 1995. The analysis assumes that four new homes were constructed, with market values averaging \$140,000. 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. In the city of Gary and Lake County, the riverboat assessed value is not big enough to raise three-year average AV growth above five percent. In both these jurisdictions the maximum levy is unchanged by the advent of the riverboat.

If AV rises but the levy does not, 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). Lake County is one of only seven remaining counties that have not adopted a local income tax.

All cars, light trucks, and motorcycles are subject to Indiana's motor vehicle excise tax. The 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 Gary 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. The next step takes the new development's real assessed value 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.

This is why the Trump and Majestic riverboats must be analyzed together. Analyzed separately, the sum of the estimated costs of the two riverboats would exceed the costs of the two riverboats taken together, and so make fiscal impact appear less positive or more negative.

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: Trump Fiscal impact estimates for Lake County (2000)

Revenues		Added Revenue (\$)	Tax Savings (\$)	Total (\$)
	Property Tax		26,536	815,411
Operating		-	402,123	402,123
Welfare		-	400,420	400,420
Cumulative		26,536	-	26,536
Debt Service		-	12,868	12,868
Local Income Tax		-	-	-
Other Revenues		34,371	-	34,371
Riverboat Taxes		6,628,896	-	6,628,896
TOTAL		6,689,803	815,411	7,505,214
Costs		FIA Methods	Regression	
	TOTAL	246,675	373,166	
Fiscal Impacts (Revenues less added costs)			Added Revenue Only (\$)	Total (\$)
		FIA Methods	6,443,128	7,258,539
		Regression	6,316,637	7,132,048
Fiscal Impacts w/o Riverboat Taxes			Added Revenue Only (\$)	Total (\$)
		FIA Methods	(185,768)	629,643
		Regression	(312,259)	503,152



Table A2: Trump Fiscal impact estimates for Gary (2000)

Revenues		Added Revenue (\$)	Tax Savings (\$)	Total (\$)
	Property Tax		19,215	1,552,359
Operating		-	1,552,359	1,552,359
Welfare		-	-	-
Cumulative		19,215	-	19,215
Debt Service		-	-	-
Local Income Tax		-	-	-
Other Revenues		45,437	-	45,437
Riverboat Taxes		19,432,108	-	19,432,108
TOTAL		19,496,760	1,552,359	21,049,119
Costs		FIA Methods		
	TOTAL		462,994	
Fiscal Impacts (Revenues less added costs)			Added Revenue Only (\$)	Total (\$)
		FIA Methods	19,033,766	20,586,125
Fiscal Impacts w/o Riverboat Taxes			Added Revenue Only (\$)	Total (\$)
			Revenue	Total
		FIA Methods	(398,342)	1,154,017

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:

$$\text{State Aid per pupil} = \text{Target Spending per pupil} - (\text{Target Tax Rate} \times \text{AV per pupil}).$$

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

$$\text{State Aid per pupil} = \$4,741 - (0.024 \times \text{AV per pupil}).$$

The 0.024 figure is the target tax rate, and means \$2.40 per \$100 assessed value. Each added \$1,000 AV per pupil reduces aid per pupil by about \$24. This formula may be tested by using Gary Community School Corporation's year 2000 AV per pupil in the formula, \$62,528, calculating the result and multiplying by enrollment. The result produces a total state aid estimate that is within one-third of one percent of actual total state aid.

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 average 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 5.1 percent (as of February 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 5.1 percent.

Other school operating expenditures include a myriad of categories, such as nurse 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: Trump Fiscal impact estimates for Gary Community School Corporation (2000)

Revenues	Added Revenue (\$)		Tax Savings (\$)	Total (\$)
	Property Tax	642,617		56,726
General Fund	440,779			440,779
Debt Service Fund	-		56,726	56,726
Capital Projects Fund	104,395		-	104,395
Transportation Fund	96,539		-	96,539
Other Funds	903			903
Other Own-Source Revenues	17,160		-	17,160
Other Taxes	2,379		-	2,379
Charges and Fees	3,720			3,720
Other Revenues	11,061			11,061
State Aid	69,721		-	69,721
TOTAL	731,878		56,726	788,604
Costs	Per Pupil			
	TOTAL	705,278		
Fiscal Impacts			Added Revenue Only (\$)	Total (\$)
		Per Pupil	26,600	83,326