



The Daily Mail

The Catskill Daily Mail, July 5, 2008

Report: State's gambling take comprised 2.9% of budget in '06

By Tom Wanamaker

ALBANY — New York state takes in more than 10 percent of all state-sponsored gambling revenue nationwide and, in fiscal 2006, the state's take from the lottery, racinos, and pari-mutuel wagering comprised 2.9 percent of the state budget.

A recent study by the Nelson A. Rockefeller Institute of Government examining state gambling revenues between 1998 and 2007 found that while gambling revenues at state-sponsored facilities nationwide continues to generally rise, the overall jackpot may be poised to level off.

"For more than two decades, states saw lotteries and casinos as a bonanza of new dollars for education and other programs," the authors wrote. "Gambling revenue is now at an all-time high, but growth is slowing due to objections about social impacts and broader economic trends. From a fiscal perspective, state-sponsored gambling now resembles a blue-chip stock — reliably generating large amounts of cash, but no longer promising dramatic growth in revenue."

The bulk of New York's gambling revenue comes from its state lottery; in fiscal 2007, the state raked in almost \$2.36 billion. This includes funds generated at the state's eight "racinos," which are smaller casinos stocked with video lottery terminals at several of the state's horse racetracks.

New York has run a state lottery since 1967; racinos were legalized in 2001 with the first one opening in 2004 at Saratoga.

New York's racinos generated \$425.9 million in revenue in 2006, according to the 2007-08 edition

of the Indian Gaming Industry Report. This compares to \$298.6 million in 2005 and \$192.2 million in 2004.

As the Rockefeller Institute report addressed only state-sponsored gambling, it did not look at casinos owned by Indian tribes.

In 2006, the most recent year for which figures are available, New York's tribally owned casinos generated an estimated just over \$1 billion, according to the 2007-08 edition of the Indian Gaming Industry Report.

In 2006, New York received \$97.2 million in direct revenue sharing payments from the tribes, plus \$15.7 million in payments to cover regulatory costs. In 2005, the totals were \$78.5 million in revenue sharing and \$13.2 million in regulatory costs. In 2004, the totals were \$57.1 million in revenue sharing and \$9.6 million in regulatory costs.

Under the federal Indian Gaming Regulatory Act of 1988, the regulatory cost payments can be made mandatory, but the revenue sharing payments cannot.

Gov. David A. Paterson and legislative leaders last week announced legislation to allow casino developer Empire Resorts Inc. to develop a resort hotel in Monticello, Sullivan County. This operation, which will feature 3,000 video lottery terminals and a harness track, will generate "at least \$38 million toward state education," Empire said in a June 25 press release.

Over the past three years for which figures are available, 2004-06, Mighty M Gaming at Monticello has had 1,744, 1,576, and 1,587 video lottery terminals in play, respectively. According to a January 2007 report by HVS International, a hospitality consulting firm, the VLT win for each of these years was

\$32.3 million, \$68.1 million and \$76.5 million, respectively.

In a June 23 statement accompanying the legislation, Gov. Paterson said his “program bill will lower the tax rate on VLT revenue in return for a \$1-billion investment, a commitment to increase education funding and the creation of 2,000 permanent jobs.” Thus despite being allowing Empire to put more than 1,000 new VLTs into play at the new Monticello racino, the state’s share could end up being less than that in previous years as the company will pay at a lesser rate.

Despite all these millions of dollars, one observer feels that gambling may have passed its peak as a revenue source for state governments.

“Many states have turned to gambling revenue as a means of balancing budgets in recent years,” said Robert B. Ward, deputy director of the Rockefeller Institute and co-author of the gambling revenue study. “Gambling has been a fiscal winner for state governments, but the bonanza years may be ending. Continued resistance to gambling and softness in the industry mean that most states have to look elsewhere to solve this year’s budget problems.”

The Rockefeller Institute report is available online at: www.rockinst.org.