State of the States 2020

The AGA Survey of the Commercial Casino Industry

AMERICAN GAMING ASSOCIATION

VIXIO GAMBLING COMPLIANCE

A Message from the American Gaming Association

June 2020

Dear Gaming Industry Colleague:

I am pleased to present ***State of the States 2020: The AGA Survey of the Commercial Casino Industry***, the American Gaming Association's (AGA) signature research report and the definitive economic analysis of U.S. commercial gaming in 2019.

2019 marked another record-setting year for the commercial gaming segment. Helped in part by the expansion of legal sports betting, the commercial casino sector logged its fifth consecutive year of gaming revenue growth in 2019—surging 3.7 percent to $43.6 billion, a new historic high.

At the end of 2019, Americans never had a higher opinion of our industry and nearly half said they planned to visit a casino over the next year. Consumers saw gaming as providing innovative, cutting-edge entertainment while at the same time providing economic and social benefits to local communities. Legalized sports betting continued to spread to more consumers, having been legalized in nearly half of the states. We also began innovating around payment options to work toward offering consumers similar choices on the casino floor as they use in other parts of our hospitality businesses, and their daily life.

Since then, the COVID-19 crisis that erupted around the world in early 2020 has had a tremendous impact on our industry, employees, and suppliers. Within a span of 11 days, the commercial casino industry went from continued record-breaking growth to complete shutdown. The American gaming industry has never faced a bigger challenge.

But we have proven time and again that we are resilient. From the Great Recession and hurricanes to the tragedy of 1 October 2017, our industry has always rallied together with our communities and come out stronger on the other end. I'm certain the same will be true over the coming months as gaming reopens for business.

Importantly, we will be able to draw on 2019's strong foundation as the industry rebuilds. Last year, Arkansas became the 25th state to offer legal commercial casino gaming. Sports betting was being legalized at an unprecedented pace, with 20 states and the District of Columbia having passed legislation allowing consumers to bet on sports with legal, regulated operators.

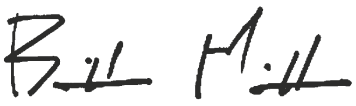
The AGA continues its important work as your advocate. Here in Washington, DC, we continue to cultivate Congressional champions from gaming communities and strengthen our voice on Capitol Hill. In states across the country, we are working with industry leaders and regulators to give operators and suppliers more flexibility in running their businesses and evolve regulation to meet the demands of our 21st century hospitality industry.

On a personal note, it has been a privilege to get to know many of you during my first year as the AGA's president and Chief Executive Officer. I learned extensively from you about the challenges our industry faces and implemented new approaches to how we work on your behalf to advance our shared priorities. By the time you read this, we will be moving into recovery from the comprehensive COVID-19 shutdowns, and working diligently, together, to get our industry, our communities, and our economy back on its feet.

With detailed information on the U.S. gaming market and financial performance data in all of the commercial gaming states, State of the States 2020 provides the most comprehensive economic guide to the commercial casino industry; I would like to thank our partners at VIXIO GamblingCompliance for their invaluable assistance in its creation.

I hope you will find this a useful reference and, as always, we value your continued feedback.

Sincerely,



William C. Miller, Jr.
President and CEO
American Gaming Association

Table of Contents

About This Report	**3**
Executive Summary | State of the Industry	**5**
Introduction | State of the States	**19**
Arkansas	21
Colorado	24
Delaware	27
Florida	30
Illinois	33
In Focus | Evolving Attitudes Toward the Casino Industry	**37**
Indiana	40
Iowa	44
Kansas	47
Louisiana	50
Maine	53
In Focus | Sports Betting	**56**
Maryland	59
Massachusetts	62
Michigan	66
In Focus | Tribal Gaming	**69**
Mississippi	72
Missouri	75
Nevada	78
New Jersey	81
New Mexico	85
In Focus | Responsible Gaming	**88**
New York	91
Ohio	95
Oklahoma	98
Pennsylvania	101
In Focus | Gaming Machines	**105**
Rhode Island	109
South Dakota	112
West Virginia	115
State Regulatory & Industry Contacts	**118**

About This Report

This report is designed to provide a comprehensive overview of the commercial casino industry in each of the 25 states with legal commercial casino gaming.

For each of the 25 jurisdictions, the report analyses gaming revenue and gaming taxes generated by commercial casino locations and certain affiliated operations for the calendar year 2019. In addition, the report provides an overview of the primary competition faced by casinos in each state and summarizes the year's major gaming policy discussions in those jurisdictions.

Tables at the beginning of this report provide a comparative summary of the main licensing, taxation, and responsible gaming requirements applied to casino and sports betting operators, as well as to suppliers of electronic gaming devices and table game equipment.

This report defines commercial casino locations as licensed land-based casinos, riverboat casinos, racetrack casinos (racinos), and jai alai frontons. It also includes casino locations in states such as Delaware, New York, Ohio, and Rhode Island that offer electronic gaming devices classified as video lottery terminals and are operated by commercial casinos under the authority of those states' lotteries.

This report incorporates gaming and gaming tax revenue from Arkansas for the first time, following implementation of a November 2018 state constitutional amendment to expressly authorize commercial casino gaming. For comparative purposes, prior-year revenue and tax totals have been adjusted to include statistics from pre-existing limited gaming operations at Arkansas racetracks.

For the purposes of identifying commercial casino location numbers, we do not include other forms of commercial gaming locations, such as bars, taverns or truck stops with electronic gaming devices, animal racetracks without gaming machines such as horse and dog tracks, instant racing terminal locations or off-track betting operations, lottery retail locations, tribal gaming locations as defined by the National Indian Gaming Commission, card rooms, or other locations at which gaming is incidental to the primary business.

State gaming and tax revenue totals do not include revenue and taxes from these non-commercial casino locations—with the exception of Nevada, due to its unique nature, which includes revenue and tax data from some locations offering gaming that is incidental to their primary business.

Also excluded from state gaming revenue and tax totals are monies derived from convenience locations with electronic gaming devices, such as video lottery terminals or video gaming terminals, in Illinois, Louisiana, Montana, Nevada, Oregon, South Dakota, and West Virginia. The competitive impact of each of the above operations, however, is noted where warranted.

State gaming revenue and tax totals do include internet gaming operations managed by commercial casinos or affiliated companies in New Jersey, Pennsylvania, Delaware, and Nevada. The totals also include all revenue from land-based and online sports betting in each of the states with commercial gaming that offer legal sports wagering and encompass retail and convenience sports betting where available. Due to reporting restrictions, commercial casino gaming and sports betting revenue does not include revenue derived from pari-mutuel betting on horse races at commercial casino race- and sportsbooks, except for such revenue derived at Nevada commercial casinos.

This report uses the term "electronic gaming device" to refer to the various types of gaming devices installed in casinos, commonly known as "slot machines." Although the general public may not differentiate between the various types of electronic gaming devices, there are often important regulatory and technological distinctions between them and specific legal definitions are applied to different categories of

devices in different states. State-specific terminology for electronic gaming devices includes video lottery terminals (VLTs), video gaming terminals (VGTs), video poker, and electronic gaming machines, among others.

All references to "gaming revenue" are used as a substitute for more specific financial terms— including "casino win," "adjusted gross receipts," "gross gaming revenue," and others—as reported by state regulatory agencies. Gaming regulatory agencies in each state report monthly and annual revenue differently and readers should consult those agencies' websites for further information.

In general, gaming revenue refers to the amount earned by commercial casinos after winnings have been paid out to patrons. Importantly, gaming revenue does not equate to profits earned by commercial casinos from their operations. Such revenue is earned before properties pay for various operating expenses, marketing, and employee salaries, as well as various taxes and fees, among other things.

Similarly, gaming tax revenue figures listed in the report reflect only specific gaming taxes paid by casinos out of monies won from patrons. They do not include various other taxes that apply to casinos as they do to most other businesses. They also do not include the federal excise tax of 0.25 percent generally applied to sports betting handle across most states. For the purposes of calculating state gaming tax revenue totals, reported tax figures include revenue directed to state and local governments and the specific casino revenue funds established by those entities, it also includes certain other taxes collected by state gaming regulators. Finally, gaming taxes include further mandatory allocations of gaming revenue from commercial casinos to non-government entities, such as problem gambling services, race purses, breeding programs, and other funds used to support local racing industries.

In certain states, gaming is operated under the authority of the state government, and a portion of casino revenue is then redistributed to private operators. Where this is the case, this report considers the effective tax rate applied to gaming operators to be the portion of gaming revenue retained by the state or its designated beneficiaries.

Information on supplier licensing in the table in this report is limited to those supplier entities that either manufacture electronic gaming devices or table game equipment, or distribute or otherwise sell them to casinos. In many states, additional licensing requirements are applicable to the suppliers of various other goods and services to casinos. Readers are advised to consult the websites of state gaming regulatory agencies for more specific information.

About the American Gaming Association

The American Gaming Association is the premier national trade group representing the $261 billion U.S. casino industry, which supports 1.8 million jobs nationwide. AGA members include commercial and tribal casino operators, as well as suppliers and other entities affiliated with the gaming industry. It is the mission of the AGA to achieve sound policies and regulations consistent with casino gaming's modern appeal and vast economic contributions.

www.americangaming.org

About VIXIO GamblingCompliance

VIXIO GamblingCompliance is the leading provider of independent legal, regulatory and business intelligence to the global gaming industry, based in London, Washington D.C. and Taipei. Through our subscription services and customized research solutions, we offer market participants, regulators, governments, and investors easily accessible and up-to-date information on market realities and a reliable and independent service to monitor legislative and regulatory developments.

www.gamblingcompliance.com

EXECUTIVE SUMMARY

State of the Industry

EXECUTIVE SUMMARY

State of the Industry

America's commercial casino industry enjoyed another record-setting performance in 2019, a year when annual direct gaming tax revenue generated for state and local governments surpassed $10 billion for the first-time ever.

Total nationwide consumer spending on casino gaming increased for a fifth straight year to reach a record $43.61 billion, up 3.7 percent from 2018.

Overall, 14 of the 25 states with commercial casinos reported record annual gaming revenue in 2019, reflective of strong local economies in many parts of the countries and the addition of sports betting in certain markets. Only four states reported lower casino gaming revenue in 2019 than the previous year.

Economic Impact

All-time highs in gaming revenue translated into a record $10.16 billion in direct gaming tax revenue paid to state and local governments by commercial gaming operations.

Notably, the $10.16 billion figure—an increase of 4.1 percent over 2018—reflects only specific state and local taxes that are applied directly to gaming activities. It does not include the billions more paid by the industry in the form of income, sales, and various other corporate taxes, nor does the total reflect payroll taxes paid by gaming operators and suppliers.

According to the most recent statistics from Oxford Economics, the U.S. commercial casino industry directly employed more than 361,000 people in 2017 and those employees earned more than $17 billion in wages, benefits and tips that year.

Overall, the gaming industry—including tribal operators and gaming suppliers—remains a major contributor to the wider U.S. economy, generating approximately $261 billion in total economic activity, including an estimated $52 billion worth of revenue to outside contractors and small businesses, while supporting an estimated 1.8 million jobs.

Tribal Gaming

Notably, the above gaming revenue and direct gaming tax totals do not include contributions from the 524 tribal casinos operating across 29 states.

Revenue figures for 2019 had not yet been released at the time of writing. However, figures for 2018 showed tribal casinos reaching a record total of $33.72 billion in annual gaming revenue.

The tribal casino gaming industry has reported revenue growth in every year since the Great Recession, and 2019 saw further signs of tribal gaming fulfilling its mission of helping sovereign Indian nations to advance their economic development, with various tribal-owned gaming entities even electing to compete alongside private gaming companies in commercial casino markets such as Pennsylvania, Arkansas, and Indiana.

Sports Betting

One obvious area of growth for the commercial gaming industry in 2019 came from the continued spread of legal sports betting in the wake of May 2018's U.S. Supreme Court ruling allowing all states to authorize wagering on sporting events.

By the end of 2019, 14 states were offering legal sports betting, up from eight at the start of year. A further six states, plus the District of Columbia, also legalized the activity during 2019 and were actively preparing to implement their laws as the year drew to a close.

Americans legally bet more than $13 billion on sports with regulated operators in 2019, almost double the equivalent total from the prior year. Sportsbook operators earned $908.9 million in sports betting revenue, versus $430.7 million in 2018.

Despite that impressive growth, the offshore, unregulated market for sports betting remains strong. The AGA continued to advocate throughout 2019 for states to adopt legislation and regulations that appropriately reflect the low-margin nature of sports wagering—in which approximately 95 percent of amounts wagered are returned to winning bettors—and allow legal operators to be competitive with offshore sportsbooks who pay no taxes or fees, and face no regulatory constraints whatsoever.

Notably, states with legal online and mobile sports betting outperformed those that continued to restrict lawful wagering to retail sportsbooks. Online sports betting accounted for more than 81 percent of annual sports wagering revenue in New Jersey, with Pennsylvania and Indiana quickly trending in a similar direction after those two states launched online sports betting in May and October respectively.

Responsible Gaming

Another area in sharp focus for the commercial casino gaming industry in 2019 was its strident commitment to responsible gaming.

The Responsible Gambling Collaborative (RG Collaborative), launched in 2018 to bring together industry, advocacy, and academic voices, continued its work in 2019 by developing a first-ever set of guiding principles for fostering responsible gaming and mitigating problem gambling. An accompanying study by the RG Collaborative also found that not all states spend their allocated tax revenue on responsible gaming initiatives as intended by state law.

Going forward, the RG Collaborative will continue to coordinate efforts to ensure states and gaming operators implement responsible gaming programs and policies that are proven to be effective.

American Attitudes to Casino Gaming

During the quarter-century since the AGA was formed, the U.S. commercial casino industry has transformed into a major economic force within the wider leisure, entertainment, and tourism sectors, with a presence in exactly half the states across the country.

AGA polling demonstrates how Americans have also developed an increasingly favorable view of the industry as more and more patrons have frequented casinos and their wide variety of entertainment offerings. Approximately 105 million Americans are estimated to have visited a casino in the past year, versus 53 million in 2001, according to 2019 AGA polling data. A majority of them were attracted by shows, restaurants, or other amenities, rather than gaming offerings, and around a quarter visited a casino without gambling at all.

Overall, 86 percent of Americans consider gaming to be a fully acceptable form of entertainment, while 71 percent recognize the casino industry's role as a job-creator.

Illegal Gaming

By paying billions of dollars in taxes, meticulously complying with state and federal laws, and whole-heartedly committing to responsible gaming, commercial and tribal casinos operate very differently than the still sizable market for illegal gambling prevalent in many states.

In 2019, various states struggled to contain a rapid proliferation of illegal gaming devices in bars, convenience stores, and other venues.

Going forward, the AGA and its partners will continue to highlight risks of unregulated gaming operations and commit to assisting state and local policymakers in developing effective strategies to eliminate them.

State By State Regulations, Taxes & Fees

	ARKANSAS	COLORADO	DELAWARE	FLORIDA	ILLINOIS	INDIANA
Statutory Funding for Responsible Gaming	No	2% of casino gaming revenue	$1 million or 1% of electronic gaming device revenue, whichever greater. $250,000 or 1% of table game revenue, whichever greater.	$250,000 per casino	Subject to annual appropriation	Riverboats: 3.33% of the supplemental wagering tax Racinos: $500,000 per licensee annually. Sports betting: 3.33% of tax revenue to the addiction services fund.
Statewide Self-Exclusion	No	No	Yes	Yes	Yes	Yes
Gambling Age	21	21	21	21	21	21
Smoke-Free (Y/N/Partial)	No	Yes	Yes	Yes	Yes	No
Complimentary Alcohol	Yes	Yes	No	No	No	No
Credit	Yes	No	Yes	No	Yes	Yes
Restrictions on Operating Hours	No	No	No	No	No	No
Number of Licenses Allowed	4	Unlimited	3	8*	20	13*
Number of Casinos	3	33	3	8	10	13
Effective Tax Rate	13% on the first $150 million in casino gaming revenue, 20% thereafter	Graduated rate ranging from 0.25% on casino gaming revenue up to $2 million to 20% on gaming revenue of more than 13 million.	57% on electronic gaming device revenue; 20% on table game revenue	35% on electronic gaming device revenue	Graduated rate ranging from 15% on casino gaming revenue up to $25 million to 50% on gaming revenue of more than $200 million	Riverboats: Graduated rate ranging from 15% on casino gaming revenue of up to $25 million to 40% on gaming revenue of more than $600 million. Land-based, with one exception, also pay a supplemental wagering tax of 3.5%. Racinos: 25% of revenue up to $100 million; 30% on revenue from $100 million to $200 million and 35% on revenue exceeding $200 million.
Casino License Renewal Term and Fee	Every 10 years $10,000	Every two years $3,700–$7,400	$3 million annually (Combined)	$2.25 million annually	License renewal every 4 years with $250,000 annual fee.	Riverboats: $5,000 annually; Racinos: $100 per electronic gaming device annually
Supplier License Renewal Term and Fee	$1,000 annually	Manufacturer/ Distributor: Every two years $3,700–$7,400	Gaming vendor: Every three years $4,000	$2,000 every three years	Supplier license: Every 4 years with $5,000 annual fee.	Supplier license $7,500 annually
Minimum Investment	No	No	No	No	No	No
Admissions Tax	No	No	No	No	Yes	No
Taxation of Promotional Credits (Y/N/Partial)	Yes	Yes	Partial	No	Partial	Partial
Withholdings on Winnings	Yes	Yes	No	No	Yes	Yes

Number of licenses allowed* = Assuming no additional racetracks open in the state.

State By State Regulations, Taxes & Fees *(continued)*

	IOWA	KANSAS	LOUISIANA	MAINE	MARYLAND
Statutory Funding for Responsible Gaming	Up to $6 million annually	2% of casino gaming revenue	1% of casino gaming revenue; max. $500,000 per facility.	Land-Based: 3% of electronic gaming device revenue. Racino: $100,000 from electronic gaming device revenue and 9% of table game revenue.	$425 per electronic gaming device and $500 per table game
Statewide Self-Exclusion	Yes	Yes	Yes	Yes	Yes
Gambling Age	21	21	21	21	21
Smoke-Free (Y/N/Partial)	No	No	Partial	Partial	Yes
Complimentary Alcohol	Yes	No	Yes	No	No
Credit	No	No	Yes	No	Yes
Restrictions on Operating Hours	No	No	No	No	No
Number of Licenses Allowed	Unlimited	4*	20*	2	6
Number of Casinos	19	4	20	2	6
Effective Tax Rate	Graduated rate ranging from 5% on casino gaming revenue up to $1 million to 22% on revenue of more than $3 million. Racinos: 22% or 24% depending on various conditions.	27% on casino gaming revenue (minimum)	Riverboats: 21.5% on casino gaming revenue, with additional taxes and fees applied by local governments. Racinos: around 36% on casino gaming revenue. Land-Based: either 21.5% on casino gaming revenue or an annual fee of $60 million, whichever is greater, plus rent and various other payments to local authorities.	Racino: 39% on electronic gaming device revenue and 1% on handle; 16% on table game revenue Land-Based: 46% on electronic gaming device revenue; 16% on table game revenue	40–61% on electronic gaming device revenue; 20% on table game revenue
Casino License Renewal Term and Fee	Land-based: $5 per person per facility capacity (min.$1,250); Racinos: $1,000 annually	Maximum initial term of 15 years	Riverboats: $100,000 annually Land-Based: Fees est. by management contract.	$80,000 annually	$3 million for every 500 electronic gaming devices; 15-year initial license term
Supplier License Renewal Term and Fee	Distributor: $1000 annually; Manufacturer: $250 annually	Gaming Supplier Certification is valid for two years. No licensing fees.	Manufacturer: $15,000 annually; Supplier: $3,000 annually	Slot machine distributor: $75,000 annually; Table games distributor: $1,000 annually; Gambling service vendor: $2,000 annually	Manufacturer: $5,000 annually; Distributor: $1,000 annually
Minimum Investment	No	Yes	No	No	Yes
Admissions Tax	No	No	Yes	No	No
Taxation of Promotional Credits (Y/N/Partial)	Partial	No	Yes	Yes	Partial
Withholdings on Winnings	Yes	Yes	Yes	Yes	Yes

Number of licenses allowed* = Assuming no additional racetracks open in the state.

State By State Regulations, Taxes & Fees *(continued)*

	MASSACHUSETTS	MICHIGAN	MISSISSIPPI	MISSOURI	NEVADA
Statutory Funding for Responsible Gaming	At least $5 million annually	$2 million annually	Subject to annual appropriation	0.5% of casino admission fees	$2 per electronic gaming device
Statewide Self-Exclusion	Yes	Yes	Yes	Yes	No
Gambling Age	21	21	21	21	21
Smoke-Free (Y/N/Partial)	Yes	Partial	No	Partial	No
Complimentary Alcohol	Yes	Yes	Yes	No	Yes
Credit	Yes	Yes	Yes	Yes	Yes
Restrictions on Operating Hours	No	No	No	No	No
Number of Licenses Allowed	4	3	Unlimited	13	Unlimited
Number of Casinos	3	3	26	13	219
Effective Tax Rate	Casino-Resort: 25% on casino gaming revenue; Slot Parlor: 49% on electronic gaming device revenue	19% on casino gaming revenue	Graduated rate ranging from 4% on casino gaming revenue up to $50,000 per month to 8% on gaming revenue of more than $134,000 per month, plus additional host municipality license fee at an average rate of 3–4% on gaming revenue annually	21% on casino gaming revenue	Graduated rate ranging from 3.5% on casino gaming revenue up to $50,000 per month to 6.75% on gaming revenue of more than $134,000 per month
Casino License Renewal Term and Fee	$600 per electronic gaming device annually	$25,000 annually	Licenses valid 3 years but subject to annual fee of $5,000 and additional fee based on number of games offered	$25,000 annually	$250 per electronic gaming device as excise tax, plus additional $80 per device annually. Table games fees are dependent on the amount of games in operation.
Supplier License Renewal Term and Fee	Gaming Vendor: $15,000 every three years	Supplier:$5,000 annually	Manufacturer: $1,000 annually; Distributor: $500 annually	Supplier: $5,000 annually	Manufacturer: $1,000 annually; Distributor: $500 annually; Interactive gaming systems: $25,000 annually.
Minimum Investment	Yes	No	Yes	No	No
Admissions Tax	No	No	No	Yes	No
Taxation of Promotional Credits (Y/N/Partial)	No	Yes	Partial	Yes	No
Withholdings on Winnings	Yes	Yes	Yes	Yes	No

Number of licenses allowed* = Assuming no additional racetracks open in the state.

State By State Regulations, Taxes & Fees *(continued)*

	NEW JERSEY	NEW MEXICO	NEW YORK	OHIO	OKLAHOMA
Statutory Funding for Responsible Gaming	$600,000 annually plus $250,000 per internet gaming licensee	0.25% of casino gaming revenue	Subject to annual appropriation	Land-Based: 2% of casino gaming revenue; Racinos: 0.5% of gaming revenue	No
Statewide Self-Exclusion	Yes	Yes	Yes	Yes	No
Gambling Age	21	21	Land-Based: 21; Racinos: 18	21	18
Smoke-Free (Y/N/Partial)	No	No	Yes	Yes	No
Complimentary Alcohol	Yes	No	Yes	No	No
Credit	Yes	No	No	Yes	No
Restrictions on Operating Hours	No	Yes	Land-Based: No Racinos: Yes (May operate no more than 20 hours a day)	No	No
Number of Licenses Allowed	Unlimited	6	13*	11*	2*
Number of Casinos	9	5	12	11	2
Effective Tax Rate	9.25% on casino gaming revenue; 17.5% on internet gaming revenue	46.25% on electronic gaming device revenue	Land-Based: 37%–45% on electronic gaming device revenue; 10% on table game revenue. Racinos: average 65% on electronic gaming device revenue	Land-Based: 33% on casino gaming revenue Racinos: 33.5% on electronic gaming device revenue	Graduated rate ranging from 35% on casino gaming revenue up to $10 million to 50% on gaming revenue of more than $70 million
Casino License Renewal Term and Fee	License renewal every 5 years; fee of $500 per electronic gaming device annually.	$4,000 and $25 per electronic gaming device annually.	Land-Based: $500 per electronic gaming device and table game annually. Racinos: N/A	Land-Based: $1.5m license fee every three years; Racinos: $10,000 every three years.	$50,000 annually
Supplier License Renewal Term and Fee	Gaming related casino service industry enterprise: $5,000 every 5 years	Manufacturer: $2,000 annually; Distributor: $400 annually	Investigation fees	Gaming-related vendor: $15,000 every three years	Manufacturer: $10,000 annually; Distributor: $5,000 annually
Minimum Investment	Yes	No	Yes	Yes	No
Admissions Tax	No	No	No	No	No
Taxation of Promotional Credits (Y/N/Partial)	Partial	Yes	Yes	No	Yes
Withholdings on Winnings	Yes	Yes	Yes	Yes	Yes

Number of licenses allowed* = Assuming no additional racetracks open in the state.

State By State Regulations, Taxes & Fees *(continued)*

	PENNSYLVANIA	RHODE ISLAND	SOUTH DAKOTA	WEST VIRGINIA
Statutory Funding for Responsible Gaming	$2 million or 0.2% of casino gaming revenue, whichever greater, plus additional $3 million	Min. $100,000 in aggregate annually	Up to $30,000 transferred annually from state gaming fund	Subject to annual appropriation of $150,000–$500,000, in amount determined by the commission.
Statewide Self-Exclusion	Yes	Yes	No	Yes
Gambling Age	21	18	21	21
Smoke-Free (Y/N/Partial)	Partial	Partial	Yes	No
Complimentary Alcohol	Yes	Yes	Yes	Yes
Credit	Yes	Partial	No	Yes
Restrictions on Operating Hours	No	No	No	No
Number of Licenses Allowed	13	2	Unlimited	5*
Number of Casinos	12	2	22	5
Effective Tax Rate	Land-Based/Racinos: 55% on electronic gaming device revenue; 16% on table game revenue. Internet gaming revenue: 54% on virtual electronic gaming device-type games; 16% on virtual table games/poker.	68.85–74% on electronic gaming device revenue; 17%–19% on table game revenue	9% on casino gaming revenue	53.5% on electronic gaming device revenue; 35% on table game revenue
Casino License Renewal Term and Fee	Casinos/Racinos: $1.5 million every five years; Casino-resorts: $150,000 every five years.	N/A	$200 and $2,000 per device annually	$500,000–$2.5 million annually
Supplier License Renewal Term and Fee	Initial fees for Manufacturers: $170,000; Suppliers: $85,000; Internet Gaming Operators: $1 million. Renewal fees every 5 years Manufacturers: $150,000; Suppliers: $75,000; Internet Gaming Operators: $100,000	Gaming Vendor: $750 annually	Manufacturer or Distributor: $1,000 first year, $250 annual renewal	Manufacturer: $10,000 annually; Supplier: $100 annually
Minimum Investment	No	No	No	No
Admissions Tax	No	No	No	No
Taxation of Promotional Credits (Y/N/Partial)	No	Partial	Yes	Partial
Withholdings on Winnings	Yes	Yes	No	Yes

Number of licenses allowed* = Assuming no additional racetracks open in the state.

Legal Status of Gambling Types in the U.S.

STATE	Commercial Casinos / Racinos	Tribal Casinos	Card Rooms	Electronic Gaming Devices*	iGaming	Single Game Sports Betting	Lottery	iLottery**	NOTES
Alabama	■[1]	■							Tribal casinos offer only Class II games
Alaska		■							Tribal casinos offer only Class II games
Arizona		■					■		
Arkansas	■					■	■		Mobile sports betting only legal at a casino property
California		■	■				■		
Colorado	■	■				■	■		Only limited-stakes gaming at commercial casinos; sports betting legal, but not active
Connecticut		■					■		
Delaware	■				■	■	■		Only VLTs & table games at racetracks; iGaming includes casino games and poker; online sports betting legal but not active
D.C.						■	■		Sports betting legal, but not active
Florida	■	■	■				■		Card rooms restricted to tribal casinos or racetracks
Georgia							■	■	
Hawaii									
Idaho		■					■		
Illinois	■			■		■	■	■	Sports betting legal, but not active
Indiana	■	■				■	■		Tribal casinos offer only Class II games
Iowa	■	■				■	■		
Kansas	■	■					■		
Kentucky				■			■	■	Instant racing terminals at racetracks
Louisiana	■	■		■			■		
Maine	■						■	■	iLottery includes only subscription services
Maryland	■						■		Only VLTs and table games at casinos & racetracks
Massachusetts	■						■		
Michigan	■	■			■	■	■	■	iGaming and sports betting legal, but not active; includes casino games and poker
Minnesota		■	■				■		
Mississippi	■	■				■	■		Mobile sports betting only available at a casino property
Missouri	■						■		

Note: There are several different forms of gaming that are permitted in various states under charitable gambling laws. The chart above does not attempt to detail the legal status of these operations in the U.S.

* Refers to electronic gaming devices, such as VGTs, VLTs, instant racing, or video poker machines, in non-casino locations.

** iLottery comprises online computer sales and/or mobile device sales as well as online subscription services.

[1] As of Nov. 2016, certain racetracks are permitted under county law to operate electronic bingo devices. For years, the legal status of these machines has been the subject of protracted dispute among state and local officials. For the purpose of this report, we do not consider Alabama to have commercial gaming.

■ Legal, but not active

Legal Status of Gambling Types in the U.S. *(continued)*

STATE	Commercial Casinos / Racinos	Tribal Casinos	Card Rooms	Electronic Gaming Devices*	iGaming	Single Game Sports Betting	Lottery	iLottery**	NOTES
Montana		■	■	■		■	■		Sports betting legal, but not active
Nebraska		■					■		
Nevada	■	■		■	■	■			iGaming includes only poker
New Hampshire						■	■	■	
New Jersey	■				■	■	■		iGaming includes casino games and poker
New Mexico	■	■				■	■		Electronic gaming devices legal, but currently limited to charitable gaming venues; Tribal sports betting is active but does not include online betting
New York	■	■				■	■	■	No mobile sports betting; iLottery includes only subscription services
North Carolina		■				■	■	■	Sports betting legal, but not active; iLottery includes only subscription services
North Dakota		■					■	■	iLottery includes only subscription services
Ohio	■						■		Racetracks only permitted to have VLTs
Oklahoma	■	■					■		
Oregon		■		■		■	■		Limited EGDs and instant racing terminals at racetracks
Pennsylvania	■			■	■	■	■	■	iGaming includes online casinos and poker
Rhode Island	■					■	■		
South Carolina							■		
South Dakota	■	■		■			■		Only limited-stakes gaming at commercial casinos
Tennessee						■	■		Online-only sports betting legal but not operational
Texas		■					■		Tribal casinos offer only Class II games
Utah									
Vermont							■		
Virginia				■			■	■	Instant racing terminals at racetracks; iLottery includes only subscription services
Washington		■	■				■		
West Virginia	■			■	■	■	■		iGaming legal, but not active; includes casino games and poker
Wisconsin		■					■		
Wyoming		■		■			■		Instant racing terminals at racetracks

Note: There are several different forms of gaming that are permitted in various states under charitable gambling laws. The chart above does not attempt to detail the legal status of these operations in the U.S.

* Refers to electronic gaming devices, such as VGTs, VLTs, instant racing, or video poker machines, in non-casino locations.

** iLottery comprises online computer sales and/or mobile device sales as well as online subscription services.

[1] As of Nov. 2016, certain racetracks are permitted under county law to operate electronic bingo devices. For years, the legal status of these machines has been the subject of protracted dispute among state and local officials. For the purpose of this report, we do not consider Alabama to have commercial gaming.

■ Legal, but not active

2019 State Sports Betting Regulations, Taxes & Fees

At the close of 2019, legal sports betting was offered in 14 states. Six states—Arkansas, New York, Iowa, Indiana, Oregon, and New Hampshire—launched sports betting during the course of the year.

STATE	Authorized Locations	Tax Rate	Mobile/ Online	Collegiate Restrictions	Initial License Fee	License Renewal Fee	League Data Mandate
Arkansas	Commercial casinos	13–20%	On property	None	None	None	No
Delaware	Commercial casinos and retail lottery outlets	50% (state share)	Statewide, but not active	In-state collegiate teams	None	None	No
Indiana	Commercial casinos, OTBs	9.5%	Statewide	No player prop bets on collegiate athletes	$100,000	$50,000 annually	No
Iowa	Commercial and tribal casinos	6.75%	Statewide	No player prop bets on in-state collegiate teams	$45,000	$10,000 annually	No
Mississippi	Commercial and tribal casinos	11–12% effective rate	On property	None	None	None	No
Nevada	Commercial casinos and other retail locations	6.75%	Statewide	None	$500	None	No
New Hampshire	Retail lottery outlets and other retail locations TBD	50% (state share)	Statewide	In-state collegiate teams	None	None	Partial (by contract)
New Jersey	Commercial casinos, Racetracks	Land-based: 9.75% Online: 14.25%	Statewide	In-state collegiate teams	$100,000	Min. $100,000 annually	No
New Mexico	Tribal casinos	N/A	No	None	None	None	No
New York	Commercial and tribal casinos	10%	No	In-state collegiate teams	None	None	No
Oregon	Lottery retail outlets, Tribal casinos	N/A	Statewide (lottery)	No collegiate events (lottery)	None	None	No
Pennsylvania	Commercial casinos, OTBs	36%	Statewide	None	$10 million	$250,000 every five years	No
Rhode Island	Commercial casinos	51% (state share)	Statewide	In-state collegiate teams	None	None	No
West Virginia	Commercial casinos	10%	Statewide	None	$100,000	$100,000 every five years	No

U.S. Gaming Locations By State *(as of Dec. 31, 2019)*

STATE	COMMERCIAL CASINOS			Tribal Casinos[i]	Card Rooms[ii]	Electronic Gaming Device Locations[iii]
	Land-Based Casinos	Riverboat Casinos[iv]	Racinos			
Alabama				3		
Alaska				2		
Arizona				26		
Arkansas	1		2			
California				77	86	
Colorado	33			2		
Connecticut				2		
Delaware			3			
Florida	5[v]		3	7	18	
Idaho				10		
Illinois		10				7,180
Indiana	3	8	2	1		
Iowa	16	1	2	4		
Kansas	4			6		
Louisiana	1	15	4	5		1,634
Maine	1		1			
Maryland	5		1			
Massachusetts	2		1			
Michigan	3			24		
Minnesota				40	2	
Mississippi	13	13		3		
Missouri		13				
Montana				13	127	1,095
Nebraska				5		
Nevada	219			4		1,978
New Jersey	9					
New Mexico			5	27		
New York	4		8[vi]	16		
North Carolina				3		
North Dakota				12		
Ohio	4		7			
Oklahoma			2	140		
Oregon				10		2,186
Pennsylvania	6		6			20
Rhode Island	2					
South Dakota	22			13		1,319
Texas				2		
Washington				36	44	
West Virginia	1		4			1,207
Wisconsin				27		
Wyoming				4		
TOTAL	**354**	**60**	**51**	**524**	**277**	**16,619**

[i] Tribal casinos with either Class II and/or Class III games, as listed by the National Indian Gaming Commission as of Dec. 31, 2019

[ii] Card rooms in states that do not have commercial casinos with poker facilities

[iii] Non-casino or card room locations with legally authorized electronic gaming devices, including but not limited to video lottery terminals and video gaming terminals

[iv] Casinos that are on or connected to a waterway, including in a moat

[v] Includes five jai alai frontons

[vi] Includes one land-based casino that offers only VLT machines, as opposed to full casino gaming

Commercial Casino Gaming Consumer Spend By State

2018 vs. 2019

In 2019, 21 of the 25 commercial gaming states reported increases in annual gross gaming revenue (GGR) from the previous year. The largest increase came in Massachusetts, reflecting the June opening of the state's second casino-resort just outside of Boston. The steepest decline came in Louisiana amid expanded competition in neighboring states. Fourteen states—Arkansas, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, New York, Ohio, Oklahoma, Pennsylvania, South Dakota and Rhode Island—recorded record gaming revenue.

STATE	2018	2019	% Change
Arkansas	$370,678,165	$426,491,562	15.06%
Colorado	$842,103,912	$833,668,376	–1.00%
Delaware	$432,512,143	$450,806,046	4.23%
Florida	$569,015,684	$574,651,569	0.99%
Illinois	$1,374,862,061	$1,354,404,565	–1.49%
Indiana	$2,240,835,178	$2,247,037,933	0.28%
Iowa	$1,467,332,138	$1,486,793,913	1.33%
Kansas	$408,573,550	$416,172,056	1.86%
Louisiana	$2,561,460,458	$2,459,825,344	–3.97%
Maine	$143,733,223	$145,189,299	1.01%
Maryland	$1,746,364,081	$1,757,055,709	0.61%
Massachusetts	$273,072,584	$718,534,899	163.13%
Michigan	$1,444,099,784	$1,454,274,694	0.70%
Mississippi	$2,142,059,922	$2,201,333,096	2.77%
Missouri	$1,754,466,296	$1,729,489,588	–1.42%
Nevada	$11,917,370,000	$12,031,501,000	0.96%
New Jersey	$2,903,477,507	$3,468,633,795	19.46%
New Mexico	$235,445,003	$244,083,751	3.67%
New York	$2,587,743,241	$2,730,982,540	5.54%
Ohio	$1,863,936,633	$1,941,485,831	4.16%
Oklahoma	$139,606,077	$140,855,958	0.90%
Pennsylvania	$3,251,196,919	$3,384,392,576	4.10%
Rhode Island	$656,548,911	$668,428,118	1.81%
South Dakota	$106,323,642	$110,276,037	3.72%
West Virginia	$623,764,685	$630,042,458	1.01%
TOTAL	$42,056,581,797	$43,606,410,713	3.7%

SOURCE: State Gaming Regulatory Agencies

Commercial Casino Direct Gaming Tax Revenue By State

2018 vs. 2019

During 2019, commercial casinos paid a total of $10.16 billion in direct gaming taxes to state and local governments across the country. In general, state tax totals reflected underlying trends in state gaming revenue. However, in certain cases, there was a divergence between gaming revenue and tax revenue due to the relative performance of higher and lower-taxed games. The $10.16 billion total reflects only taxes applied to direct gaming revenue and certain other taxes paid to state gaming regulators and does not include the billions more paid by the commercial casino industry as a result of income, sales, property, and other corporate taxes.

STATE	2018	2019	% Change
Arkansas	$66,722,070	$65,474,302	–1.87%
Colorado	$125,525,944	$123,326,340	–1.75%
Delaware	$207,812,131	$208,356,827	0.26%
Florida	$199,155,488	$201,128,050	0.99%
Illinois	$462,169,020	$455,202,183	–1.51%
Indiana	$599,639,668	$592,989,475	–1.11%
Iowa	$321,868,206	$323,988,513	0.66%
Kansas	$110,333,019	$112,366,455	1.84%
Louisiana	$607,684,130	$584,685,568	–3.78%
Maine	$57,970,062	$58,430,451	0.79%
Maryland	$709,982,321	$727,038,283	2.40%
Massachusetts	$109,449,657	$216,101,474	97.44%
Michigan	$349,629,374	$355,699,329	1.74%
Mississippi	$257,622,472	$261,571,646	1.53%
Missouri	$446,511,944	$436,603,732	–2.22%
Nevada	$850,617,016	$969,277,054	13.95%
New Jersey	$276,542,672	$349,825,100	26.50%
New Mexico	$108,893,314	$112,888,733	3.67%
New York	$1,101,631,865	$1,144,533,062	3.89%
Ohio	$622,621,927	649,910,271	4.38%
Oklahoma	$63,096,638	$63,752,349	1.04%
Pennsylvania	$1,478,160,340	$1,510,787,361	2.21%
Rhode Island	$322,090,358	$329,573,741	2.32%
South Dakota	$14,707,960	$14,900,924	1.31%
West Virginia	$289,969,398	$287,845,568	–0.73%
TOTAL	$9,760,406,994	$10,156,256,791	4.06%

SOURCE: State Gaming Regulatory Agencies

Top 20 U.S. Commercial Casino Markets

2019

In 2019, the top 15 commercial casino markets by total gaming revenue maintained their previous rankings, but there was significant jostling for positions between the 16 and 20th largest markets. The downtown Las Vegas market overtook Shreveport/Bossier City, which saw a 2.5 percent decline in 2019 revenue, for the 16th largest market. Meanwhile, the Pittsburgh/Meadowlands area surpassed New Orleans, another Louisiana market which saw declining gaming revenues in 2019, for the 19th spot on the list.

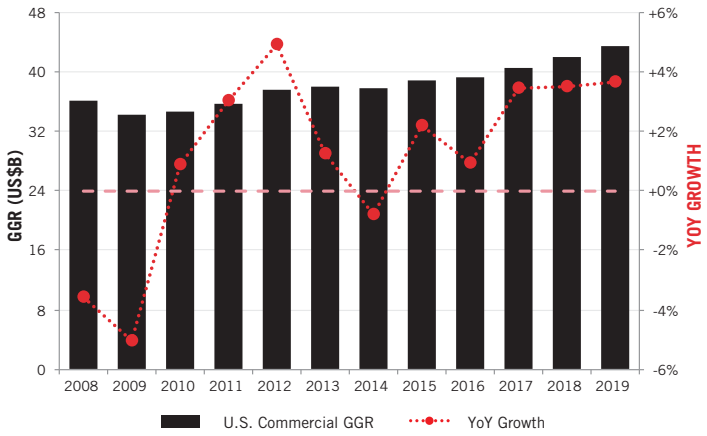
	Market	State(s)	2019 Revenue	Last Ranking
1	Las Vegas Strip	NV	$6.59B	1 —
2	Atlantic City	NJ	$2.70B	2 —
3	Chicagoland	IL/IN	$1.94B	3 —
4	Baltimore-Washington DC	MD/WV	$1.88B	4 —
5	New York City	NY	$1.49B	5 —
6	Detroit	MI	$1.45B	6 —
7	Philadelphia	PA	$1.33B	7 —
8	Gulf Coast	MS	$1.32B	8 —
9	St. Louis	MO/IL	$1.02B	9 —
10	The Poconos	PA	$932M	10 —
11	Lake Charles	LA	$882M	11 —
12	Boulder Strip	NV	$862M	12 —
13	Kansas City	MO/KS	$791M	13 —
14	Reno/Sparks	NV	$765M	14 —
15	Black Hawk/Central City	CO	$717M	15 —
16	Downtown Las Vegas	NV	$685M	17 ▲
17	Shreveport/Bossier City	LA	$660M	16 ▼
18	Cincinnati	OH/IN	$621M	18 —
19	Pittsburgh/Meadowlands	PA	$618M	20 ▲
20	New Orleans	LA	$602M	19 ▼

SOURCE: Gambling Compliance, State Gaming Regulatory Agencies

Annual U.S. Commercial Gaming Revenue

2008 to 2019

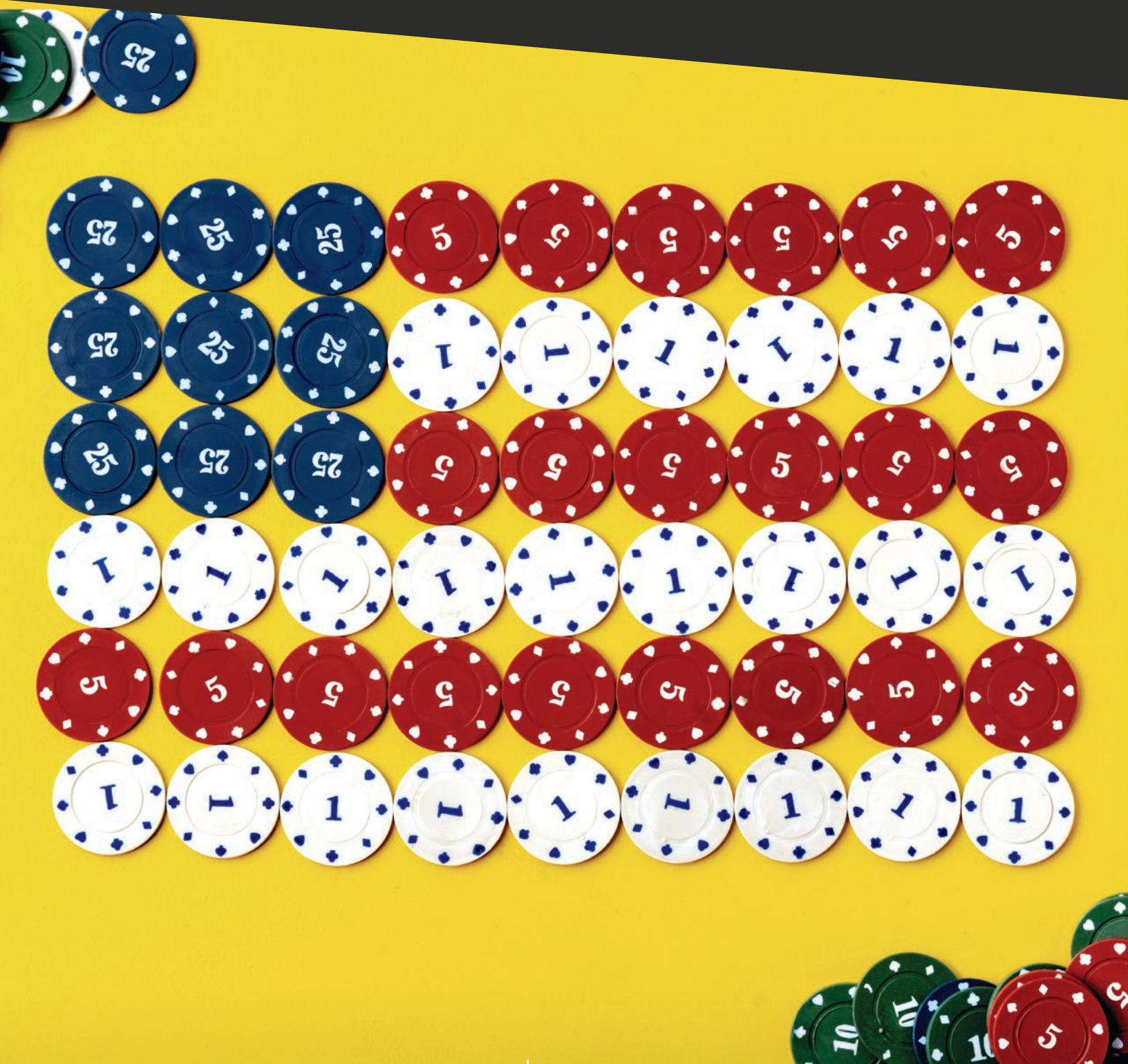
The U.S. commercial casino industry reported record annual gaming revenue of $43.61 billion in 2018, continuing the steady growth rate seen since 2017.



SOURCE: State Gaming Commissions

INTRODUCTION

State of the States



America's commercial casino industry reported total gross gaming revenue of $43.61 billion in 2019, an increase of 3.7 percent over 2018, according to data published by state regulatory agencies.

Overall, 21 of the 25 states with commercial casinos reported gains in revenue from 2018, reflecting strong macroeconomic trends in most parts of the country, as well as the addition of sports betting and internet gaming in several states.

Massachusetts (+163.1%) reported the largest year-over-year percentage increase in total commercial gaming revenue in 2019, following June's opening of a major new casino-resort just outside of Boston and the first full year of operations for a property in Springfield.

Elsewhere, strong growth in sports betting and internet gaming saw **New Jersey** (+19.5%) report its highest gaming revenue total in a decade, while the launch of table games, sports betting, and the opening of a new casino provided a handsome boost to the **Arkansas** (+15.1%) gaming market.

Recent launches of sports betting operations helped three markets that have struggled for growth in recent years–**Delaware** (+4.2%), **Indiana** (+0.3%), and **West Virginia** (+1.0%)—all reported revenue increases in 2019.

Meanwhile, a first full-year of sports wagering also boosted the gaming markets of **Mississippi** (+2.8%) and **Rhode Island** (+1.8%), allowing the latter to grow in spite of the expanded competition in neighboring Massachusetts.

In 2019, total sports betting revenue across the U.S., including state lottery operations in Delaware and Oregon but excluding those of tribal casinos in a handful of states, was $908.9 million, more than double the equivalent of $430.7 million in 2018. Meanwhile, revenue from internet gaming in New Jersey, Pennsylvania, and Delaware amounted to $519.9 million, versus $301.3 million the prior year.

Growth was not confined to those emerging segments of the U.S. gaming market, however. Across the 23 states that report separate revenue statistics for electronic gaming devices and table games, revenue from electronic gaming devices grew 2.8 percent year-over-year to approximately $29.55 billion, while table game revenue increased 2.4 percent to $8.75 billion.

Of the four states that reported lower revenue totals in 2019, the sharpest decline was seen in **Louisiana** (–4.0%). Commercial casinos in **Illinois** (–1.5%), meanwhile, continued to suffer from the expanded competition presented by electronic gaming devices located in the state's bars, taverns, and other non-casino venues.

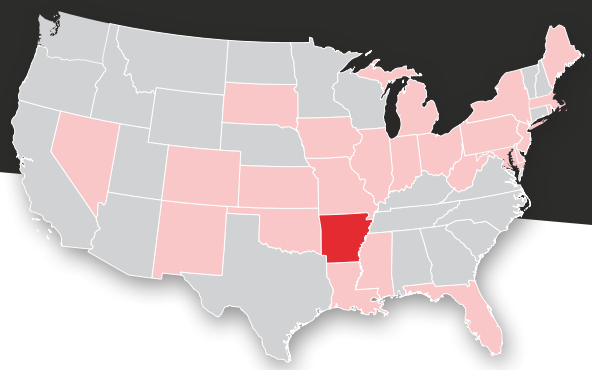
Consistent with previous years, **Nevada** (+1.0%) remained by far the largest gaming state by casino gaming revenue in 2019, a year that saw statewide annual gaming revenue surpass $12 billion for the first time since 2007.

In terms of direct gaming tax revenue, however, operators in **Pennsylvania** once again paid more than any of the other 24 states with commercial gaming. The state's dozen casinos generated more than $1.5 billion in gaming tax revenue for the year, almost $400 million more than casinos in **New York**.

As a whole, annual direct state gaming tax revenue paid by America's commercial casino gaming industry surpassed $10 billion for the first time in 2019. The tax total of $10.16 billion was up more than four percent from 2018.

Arkansas

Total statewide commercial casino gaming revenue was $426.5 million in 2019, the first year of full casino operations in Arkansas after a successful constitutional referendum in November 2018.



NUMBER OF COMMERCIAL CASINOS
3

REGULATORY AUTHORITY
Arkansas Racing Commission

CASINO FORMAT
Land-Based Casinos; Racinos

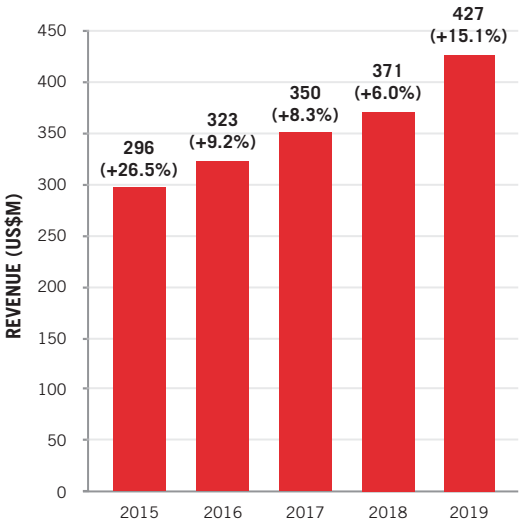
GROSS CASINO GAMING REVENUE 2019
$426.5M

NOTABLE FORMS OF GAMING
Sports Betting

GAMING TAX REVENUE 2019
$65.5M

Arkansas: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Arkansas Department of Finance and Administration

Market Overview

Arkansas offers commercial casino gaming at two racinos and one land-based casino, each of which operates electronic gaming devices and table games.

In 2018, voters approved a state constitutional amendment to allow casino gaming at the state's two racetracks, Oaklawn Park and Southland Park, as well as at two new facilities located in Jefferson and Pope counties. Prior to the constitutional amendment, gaming operations at the two tracks were restricted to electronic gaming devices offering games of skill or games determined by the outcome of historical horse races. Casino gaming is regulated by the Arkansas Racing Commission.

Casino gaming commenced at both the rebranded Southland Casino Racing and Oaklawn Racing Casino Resort in April 2019. In September, Saracen Casino Resort opened a temporary gaming facility in Pine Bluff, Jefferson County. A fully developed casino-resort is scheduled to open in 2020. At the end of 2019, a process to award Arkansas' fourth and final casino license in Pope County was still pending.

The two newly authorized land-based casinos were required by Arkansas' constitutional amendment to pay upfront license fees of $250,000; however, no additional fee was required for the two racetracks to upgrade their operations and become racinos.

Because Arkansas' constitution defines casino gaming to include wagering on sports events, all four properties are also eligible to offer sports betting within their facilities. Sports betting was launched at Oaklawn Racing Casino Resort in July 2019 and at Saracen Casino Resort's temporary casino in October.

Market Performance

Total statewide commercial casino gaming revenue hit $426.5 million in 2019, an increase of 15.1 percent against the prior year, when Arkansas' gaming operations were limited to specific types of electronic gaming devices at racetracks.

Partly reflecting the opening of a third casino gaming location, revenue from electronic gaming devices increased by 7.8 percent to $399.5 million.

Meanwhile, table games generated $25.7 million in revenue during their first nine months of operation in Arkansas, while sports betting accounted for $1.3 million of the state's overall gaming revenue total for 2019.

Gaming Tax Distribution

In accordance with 2018's state constitutional amendment, Arkansas commercial casinos are subject to a graduated tax on their gaming revenue, including from sports betting. Casino revenue up to $150 million is taxed at a rate of 13 percent, while a 20 percent rate is applied to any revenue above that amount. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, Arkansas casinos and racinos generated approximately $65.5 million in direct gaming tax revenue, a slight decrease of 1.9 percent from 2018. Notably, prior to April 2019, Arkansas' two racetracks paid gaming tax at a higher rate of 18 percent of their revenue generated from "electronic games of skill."

Under Arkansas' constitution, 55 percent of casino gaming tax revenue is allocated to the state's General Revenue Fund, from which funds are appropriated each year for education, public safety and various other purposes. A further 27.5 percent of tax revenue is distributed to the cities and counties that host casinos, with the remainder used to supplement race purses at the state's two racetracks.

Competitive Landscape

With the license for a land-based casino in Pope County to be awarded, Arkansas' gaming landscape has yet to be fully redrawn after the state's November 2018 constitutional referendum.

In addition to competition among the newly authorized casinos and racinos, Arkansas gaming operators also compete with various casinos in neighboring states.

Southland Casino Racing in West Memphis competes directly with several casinos in Tunica, Mississippi for patrons from the Memphis metropolitan area that straddles Tennessee, Arkansas and Mississippi. The new Saracen Casino Resort, meanwhile, will be located roughly 100 miles away from Mississippi riverboat casinos in Greenville and Lula.

There are also several large-scale tribal casino-resorts located just across Arkansas' western border in Oklahoma.

Policy & Regulatory Review

Expansion

After approval of a constitutional referendum in November 2018, the Arkansas Racing Commission moved quickly to implement casino gaming.

In February 2019, the commission approved a set of regulations to govern the operation of casino gaming as well as the licensing of operators, suppliers and key management staff, among other things.

Regulators opened licensing processes in May to award casino licenses for locations in Jefferson and Pope counties. In June, the racing commission issued a license to the Quapaw Nation of Oklahoma to develop its $350 million Saracen Casino Resort project in Pine Bluff. The Quapaw tribe was the lone applicant for the Jefferson County license.

The Pope County license proved more problematic, however. In June, the Arkansas Racing Commission rejected all five applications for the license because none of them included a formal endorsement from a local elected official currently in office, as required by state law.

The commission reopened the licensing process in August, but was targeted with a lawsuit from a citizens' group in Pope County claiming its regulations do not authorize the regulator to stage a second licensing round following the rejection of initial applications.

Sports Betting

In July, Arkansas became the ninth state to offer legal single-game sports wagering when a sportsbook was opened at Oaklawn Park Casino Resort.

In February, the Arkansas Racing Commission was formally asked by the athletic directors of five Arkansas universities to prohibit certain types of wagers involving college athletes and require sportsbooks to cooperate in any integrity provisions. Specific provisions addressing the colleges' concerns were not included in the final regulations adopted by the commission, which broadly mirror those of Nevada.

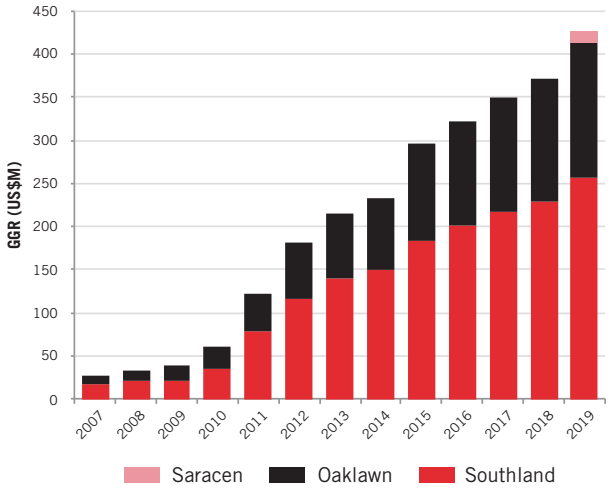
Under state law, wagers can only be placed within one of the four casinos and racinos authorized by the constitution, although regulations do allow for bets placed via patrons' mobile devices when on-property.

Like Nevada, Mississippi, and New York, Arkansas taxes sports betting revenue at the same rate as other casino games. Other states have passed specific legislation to address sports wagering and established a separate tax rate to that applied to electronic gaming devices or table games.

Arkansas Commercial Gaming Revenue

2007 to 2019

Southland Casino Racing remained Arkansas' largest commercial casino in 2019, the racino securing a 60.5 percent market-share despite expanded competition.



SOURCE: Arkansas Department of Finance and Administration

Colorado

In 2019, total statewide commercial casino gaming revenue was $833.7 million, representing a 1.0 percent decrease from the market's previous record total in 2018.

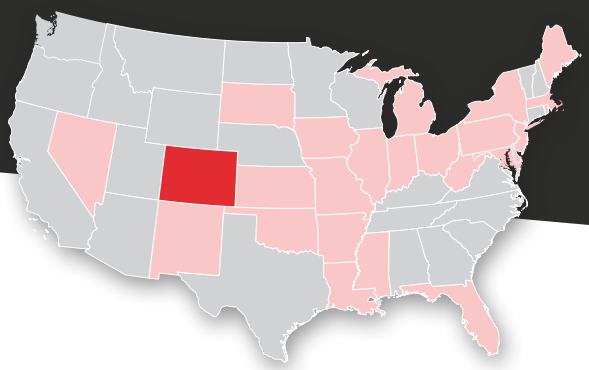
NUMBER OF COMMERCIAL CASINOS
33

GROSS CASINO GAMING REVENUE 2019
$833.7M

CASINO FORMAT
Land-Based Casinos

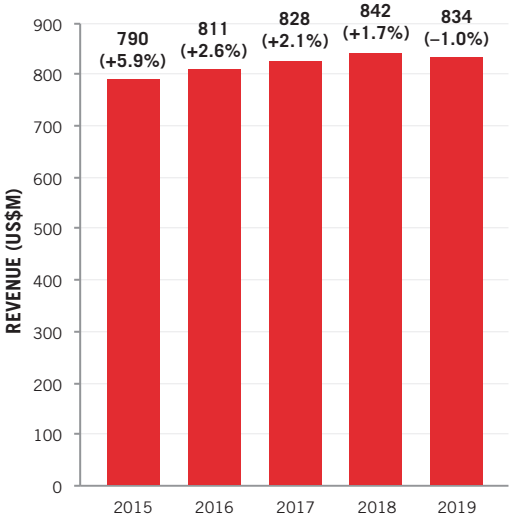
GAMING TAX REVENUE 2019
$123.3M

REGULATORY AUTHORITY
Colorado Division of Gaming; Colorado Limited Gaming Control Commission



Colorado: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Colorado Department of Revenue

Market Overview

Colorado offers commercial casino gaming at 33 facilities in three historic towns—Black Hawk, Central City, and Cripple Creek—which were approved for gaming by voters in a 1990 statewide ballot initiative. The first three casinos opened in 1991 with strict restrictions on betting amounts and operating hours. Each of the casinos operate both electronic gaming devices and table games. There is no statutory limit on the number of commercial casinos that may operate across the three towns eligible to host casino gaming in Colorado.

Commercial casinos are regulated by the Colorado Division of Gaming, which is supported by the Colorado Limited Gaming Control Commission—a five-member regulatory body appointed by the governor. The Commission is responsible for communicating the rules and regulations governing limited gaming in Colorado, setting gaming tax rates, and issuing all gaming licenses in the state.

Colorado continues to be one of just two states, along with South Dakota, that subjects its commercial casinos to limits on maximum wagers for traditional casino games. A successful ballot measure in 2008, however, relaxed some of the state's gaming restrictions by permitting additional table games,

including craps and roulette, establishing a higher single-bet limit of $100, and extending operating hours.

In 2019, Colorado enacted legislation to authorize sports betting at commercial casinos and via statewide mobile platforms. Sports betting was expected to go live during the course of 2020.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $833.7 million, down 1.0 percent against 2018.

Total statewide revenue from electronic gaming devices was $727.8 million, down 0.6 percent relative to 2018, while table game revenue was $105.9 million, down 3.8 percent.

2019 was the first year of declining gaming revenue in Colorado since 2014, reflecting a decline in Black Hawk—by far the largest of the three Coloradan cities eligible to host casino gaming.

Gaming revenue in Black Hawk was $613.4 million in 2019, down 1.6 percent compared to the prior year. In contrast, gaming revenue in Cripple Creek was $140.6 million, up 0.5 percent, while gaming revenue in Central City was $79.7 million, up 0.9 percent.

Gaming Tax Distribution

Colorado Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
$0–$2M	0.25%
$2M–$5M	2%
$5M–$8M	9%
$8M–$10M	11%
$10M–$13M	16%
$13M+	20%

Colorado applies a graduated tax to commercial casino gaming revenue, ranging from 0.25 percent on revenue up to $2 million, to 20 percent on gaming revenue of more than $13 million.

Although Colorado's gaming regulator is responsible for establishing gaming tax rates on an annual basis, the current schedule has not changed since 2013. That is, in part, due to the passage of Amendment 50 in 2008, which required statewide voter approval for any increase in gaming tax rates beyond the levels in place at that time.

In 2019, Colorado commercial casinos generated $123.3 million in gaming tax revenue, down 1.8 percent compared to the prior year.

All gaming tax revenues, including license and application fees, are placed in the Limited Gaming Fund. After deducting a typical amount of around $17 million to cover state costs associated with gaming oversight and regulation, the remaining money is distributed according to the following formula:

- 50 percent to the "state share," which funds grant programs that benefit higher education, tourism, and select industries in Colorado
- 28 percent to a fund dedicated to historic preservation and restoration
- 12 percent to the two counties that host commercial casinos
- 10 percent to the three historic cities that host commercial casinos

Competitive Landscape

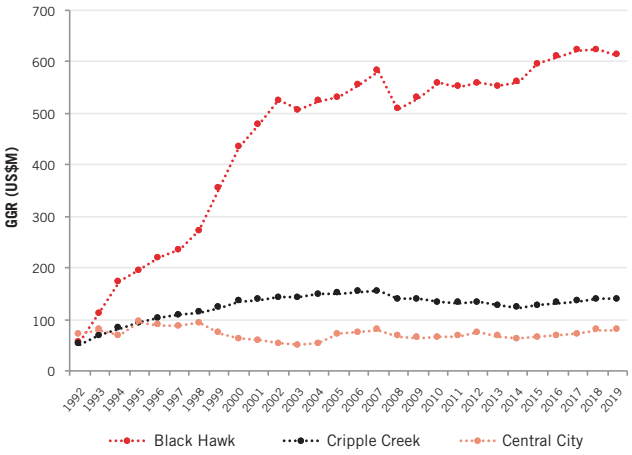
Commercial casinos face some competition from two tribal casinos in the southern part of Colorado, which are not regulated or taxed by the state. Still, with nearly 300 miles of sparsely populated land between the closest commercial and tribal casinos, the market overlap is minimal.

The competitive environment for Colorado's commercial casinos is likely to remain stable in the near term, with the addition of sports wagering expected to boost both revenue and visitation in the coming years. A 2014 ballot initiative to expand gaming at Colorado racetracks was heavily defeated by voters, and there have not been any additional proposals to explore the issue again since that referendum.

Colorado: Annual Gaming Revenue By Location (US$M)

1992 to 2019

Although Black Hawk remained by far the largest of Colorado's three commercial casino gaming markets in 2019, it was the only market that reported a decline in revenue for the year.



SOURCE: Colorado Division of Gaming

Policy & Regulatory Review

Sports Betting

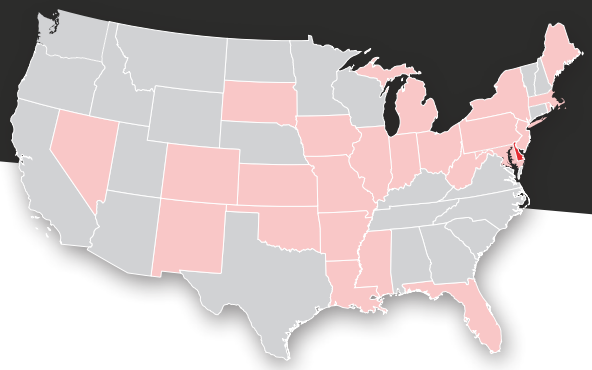
In May 2019, Gov. Jared Polis (D) signed legislation authorizing Colorado's commercial casinos to apply for licenses to offer retail sports betting in their land-based casino venues and online via interactive sports wagering platforms available to players across the state.

Because the legislation created a new tax to be applied against sports betting revenue, it also had to be approved by voters in a statewide referendum. In November, a slim majority of 51.4 percent of Coloradan voters approved Proposition DD to tax and regulate sports betting. Notably, the referendum was the first to be held exclusively on sports wagering since May 2018's U.S. Supreme Court ruling overturning the federal prohibition.

Less than three weeks after the ballot, the Colorado Limited Gaming Control Commission approved an initial set of regulations enabling casinos and technology providers to submit license applications. The regulator also convened a series of meetings with stakeholders to craft more specific implementing rules that will govern retail and online sportsbook operations, which were expected to be launched in 2020.

Delaware

In 2019, total statewide commercial casino gaming revenue was $450.8 million, up 4.2 percent. The year-over-year increase was driven, in part, by a full-year of sportsbook operations at the state's casino venues.



NUMBER OF COMMERCIAL CASINOS

3

CASINO FORMAT

Racinos

NOTABLE FORMS OF GAMING

Internet Gaming; Sports Betting

REGULATORY AUTHORITY

Delaware Lottery; Delaware Division of Gaming Enforcement

GROSS CASINO GAMING REVENUE 2019

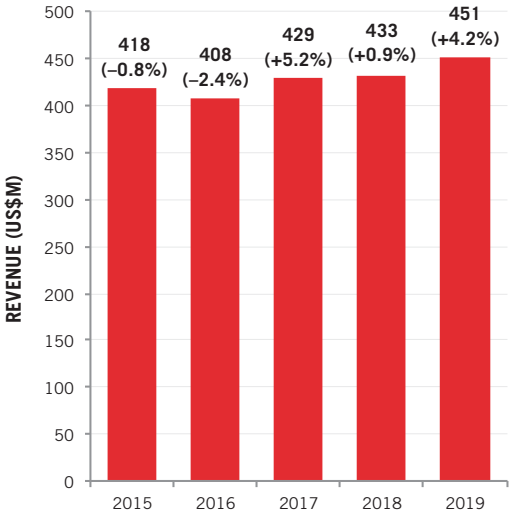
$450.8M

GAMING TAX REVENUE 2019

$208.4M

Delaware: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Delaware Lottery

Market Overview

Delaware offers commercial casino gaming at three racinos, each of which operates electronic gaming devices, table games, sports betting, and internet gaming.

The racinos, which opened in 1995 and 1996, are operated under the authority of the Delaware Lottery, with the Division of Gaming Enforcement responsible for performing licensing investigations and law enforcement matters related to casino gaming. Each racino is limited to a maximum of 2,500 electronic gaming devices, but can apply for approval to operate up to 1,500 additional machines.

In 1994, the Delaware legislature approved the Horseracing Redevelopment Act, which authorized racetracks to install electronic gaming devices. Table games and limited sports betting (parlay wagers on professional football games) were approved by the legislature in 2009 and 2010, respectively. Internet gaming was approved in 2012.

After a U.S. Supreme Court ruling overturned federal prohibitions on expanded sports wagering, Delaware racinos in June 2018 expanded their sports betting operations to include a full range of single-game and proposition wagers on all sports, not just professional football. Alongside full

sportsbook operations at racinos, the Delaware Lottery also offers football parlay cards at certain retail outlets, including liquor and grocery stores.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $450.8 million, up 4.2 percent against 2018.

Total statewide revenue from electronic gaming devices was $366.0 million, up 3.9 percent against 2018, while table game revenue came in at $55.4 million, essentially the same as the prior year. Combined sports betting revenue from racinos' sportsbook operations and sports lottery parlays was $25.9 million, an increase of 16.7 percent compared with 2018.

Internet gaming revenue increased by 38.5 percent but remained a minor component of the state's gaming market, contributing $3.6 million in total revenue in 2019.

Gaming Tax Distribution

Delaware's commercial casinos are subject to an effective tax rate of approximately 57 percent on their gross revenue from electronic gaming devices and a 20 percent tax on their gross table game revenue, both inclusive of payments used to subsidize race purses.

The effective taxation structure applied to internet gaming offerings is roughly the same as the structure applied to the equivalent games at racinos. However, racinos are entitled to a share of internet gaming revenue only after the total amount generated in any year surpasses $3.75 million.

Meanwhile, Delaware racinos and sports lottery retailers retain approximately 35 percent of revenue from sports betting. The state keeps 50 percent of revenue left over after payment of commissions to providers of the Delaware Lottery's sports betting system and risk-management services.

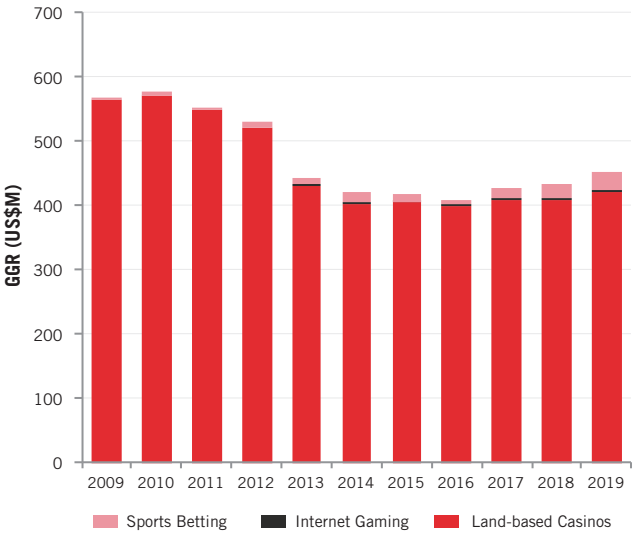
In 2019, Delaware's racinos and sports lottery retailers generated total gaming tax revenue of approximately $208.4 million, up 0.3 percent versus 2018. Notably, 2019 marked the first full year with a lowered tax rate applied to table game revenue, from 33.9 percent to 20 percent, which took effect in July 2018.

Of the total tax revenue generated by commercial gaming operations in 2019, approximately $165 million was returned to Delaware's General Fund. Monies in the fund are appropriated annually for various purposes, including public and higher education, health and social services, and public safety. An additional $43 million was allocated to Delaware's racing industry for the purpose of supplementing race purses.

Delaware Commercial Gaming Revenue

2009 to 2019

Sports betting accounted for 5.8 percent of commercial gaming revenue in Delaware in 2019, while internet casino games comprised less than 1 percent of overall revenue.



SOURCE: Delaware Lottery

Competitive Landscape

For more than a decade, Delaware racinos have battled a significant expansion of gaming competition in neighboring Maryland, New Jersey, and Pennsylvania.

In accordance with a 2017 gaming expansion law, Pennsylvania saw the launch of several new gaming offerings in 2019. These included the rollout of electronic gaming devices (VGTs) at truck-stops, as well as internet gaming and online sports betting. Pennsylvania regulators also continued the process to license new satellite casino venues, including one proposed casino in Morgantown, some 40 miles north of the Delaware border.

Delaware Park Casino, located near Wilmington, will also face extra competition in 2020 upon the opening of a second downtown Philadelphia casino in the city's stadium district.

Policy & Regulatory Review

Fantasy Sports

In June 2019, Gov. John Carney (D) signed a bill to permanently authorize fantasy sports contests in Delaware. A state law enacted in 2017 initially established a regulatory framework for fantasy sports, but included a sunset date of July 1, 2019 when the regime would expire.

The 2019 legislation removed the expiry date, authorized the issuance of temporary registrations for fantasy sports operators, and codified the tax rate applied to fantasy contest revenue at 15.5 percent. Previously, registered fantasy operators were required to pay a minimum annual license fee of at least 15.5 percent of their revenue from Delaware residents.

Sports Betting

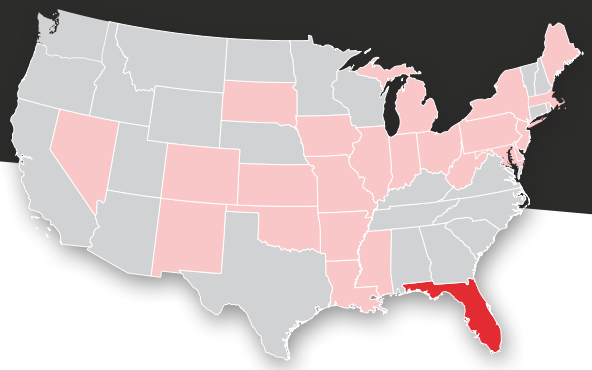
Another piece of legislation enacted in June authorized the director of the Delaware Lottery to establish a list of individuals who should be prohibited from participating in sports betting at racinos and sports lottery locations.

Persons to be excluded from sports wagering include those convicted of crimes related to sports betting in Delaware or any other jurisdiction, as well as any individuals considered to pose a threat to the integrity, financial stability or reputation of the Delaware Lottery.

Similar restrictions in effect prior to 2019 already authorized the lottery to exclude criminals or disreputable individuals from entering a racino or participating in internet gaming.

Florida

In 2019, total statewide commercial casino gaming revenue was $574.7 million, up 1.0 percent. It was the Florida market's tenth consecutive year of growth.



NUMBER OF COMMERCIAL CASINOS

8

CASINO FORMAT

Land-based Casinos; Racinos

NOTABLE FORMS OF GAMING

Jai Alai Betting

REGULATORY AUTHORITY

Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering

GROSS CASINO GAMING REVENUE 2019

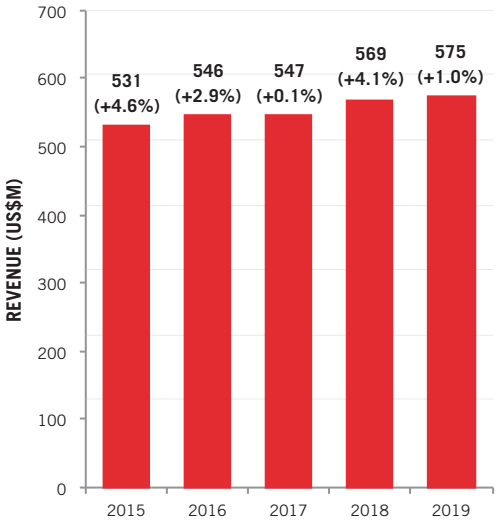
$574.7M

GAMING TAX REVENUE 2019

$201.1M

Florida: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Florida Division of Pari-Mutuel Wagering

Market Overview

Florida offers commercial casino gaming at eight properties, each of which is limited to the operation of electronic gaming devices. The five land-based casinos and three racinos are regulated by the Florida Department of Business and Professional Regulation.

In 2004, voters amended the Florida Constitution to allow electronic gaming devices at eligible pari-mutuel wagering facilities in Broward County and Miami-Dade County, subject to voter approval in those counties. Broward voters approved commercial casino operations in 2005 and Miami-Dade voters followed suit in 2008. The first Broward casino, Gulfstream Park, opened in 2006, and the first in Miami-Dade, Magic City Casino, opened in 2009.

To qualify for a casino license, a property must have been in existence in 2004, when the state constitutional amendment was enacted, and also have conducted live racing or jai alai games during calendar years 2002 and 2003.

Commercial casinos are limited to a maximum of 2,000 electronic gaming devices each and are required to pay an annual licensing fee of $2 million plus a $250,000 regulatory fee to help fund Florida's compulsive gambling program.

As a result of a 2018 constitutional amendment, any further expansion of commercial casino gaming in Florida must be initiated by a citizens' ballot initiative and approved by voters in a statewide referendum.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $574.7 million, up 1.0 percent against 2018. Notably, statewide gaming revenue has risen every year, with the exception of the height of the Great Recession in 2009, since the inception of commercial casino gaming in Florida in 2006.

2019 growth was not spread evenly across Florida's eight commercial casino gaming properties. While Big Easy Casino saw a significant increase in revenue in its first full year since an April 2018 reopening after major refurbishments, gaming revenue at the Gulfstream Park and Pompano Park racinos decreased relative to the prior year.

Gaming Tax Distribution

Florida's commercial casinos are taxed at a rate of 35 percent on electronic gaming device revenue.

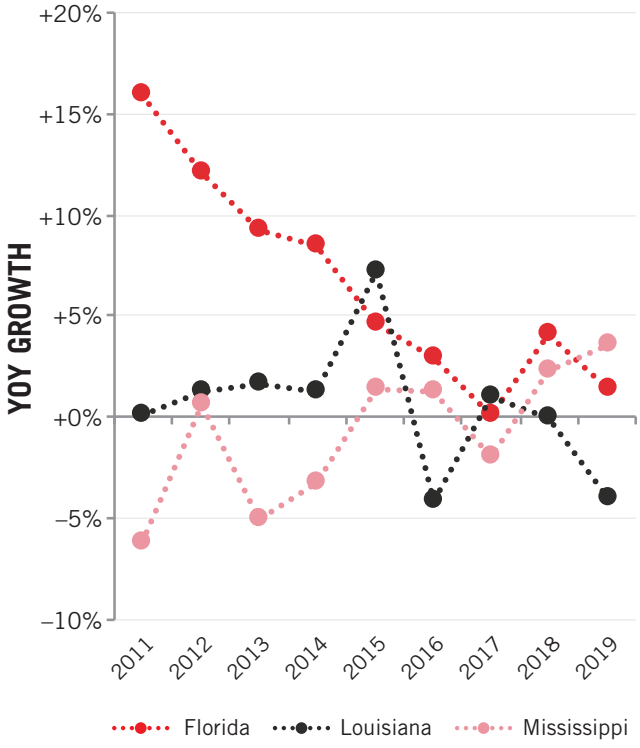
In 2019, Florida commercial casinos generated total tax revenue of $201.1 million, up 1.0 percent from 2018.

Under Florida law, all tax revenue from commercial casinos is deposited into Florida's Educational Enhancement Trust Fund (EETF). The fund was established in 1986 to allocate annual revenue from the then-newly created Florida Lottery for Florida school districts, public colleges and universities. Additional sums are also used to provide financial aid to Florida students. Each year, the Florida Legislature determines which programs are funded and at what level under the EETF.

Florida, Louisiana and Mississippi: Year-on-Year Change in Commercial GGR

2011 to 2019

In 2019, gaming revenue growth in Florida lagged behind that of Mississippi for the first time in over a decade, in part due to the first full-year of sports betting operations in the Magnolia State.



SOURCE: FL Division of Pari-Mutuel Wagering, LA Gaming Control Board, MS Gaming Commission

Competitive Landscape

Florida's commercial casinos face significant competition from the state's seven tribal casinos. In accordance with federal court rulings and a 2010 gaming compact, only the Seminole Tribe's casinos may offer house-banked card games, specifically blackjack and baccarat, in addition to electronic gaming devices. Ball and dice games, such as live roulette and craps, are not permitted at either commercial or tribal casinos.

Card rooms at racetracks and jai alai frontons outside of Miami-Dade and Broward counties also offer gaming, but are limited to the operation of non-banked card games, such as poker. Live table games, including roulette and craps, are also available on some "cruise ships to nowhere" that depart from several points along Florida's coast. These games are not subject to state regulation as they are operated in international waters.

Despite discussion of various proposals in the legislature to expand gaming, Florida's gaming landscape has remained largely stable for the past decade. A state constitutional change endorsed by voters in November 2018 means any expansion of commercial casino gaming must now originate from a citizen-led initiative and be approved in a statewide ballot. Notably, the referendum requirement would not apply to any expansion of tribal gaming.

Policy & Regulatory Review

Tribal Gaming

The dynamics of Florida's gaming landscape shifted in May 2019 when the Seminole Tribe announced it would suspend revenue-sharing payments to the state from its tribal casinos.

The move came after a federal court held in 2018 that the tribe was no longer obliged to make the payments worth some $350 million annually, because state authorities violated the terms of a 2010 tribal-state gaming compact by failing to stop commercial gaming establishments from offering certain types of house-banked card games.

Following the court ruling, the Seminole Tribe agreed to continue making the payments through the end of Florida's 2019 legislative session, with a view to negotiating and approving a new gaming compact. Negotiations over a new agreement that would include craps and roulette, as well as sports betting at tribal casinos and other venues, occurred during the 2019 session but legislation reflecting the terms of a new compact was never formally introduced for ratification by lawmakers.

Racing

In September, a Florida court upheld a 2018 ruling by state gaming regulators that allowed Calder Casino near Miami to cease offering live horse races and replace its racing operations with a jai-alai fronton.

The Florida Thoroughbred Breeders' Association argued Calder Casino was obligated to continue offering pari-mutuel wagering on horse races in order to remain eligible for a casino license. However, the Florida appellate court ruled that nothing in state law requires a casino licensee to maintain the same form of pari-mutuel wagering that originally qualified it to host electronic gaming devices.

Calder Casino is not the Florida casino only to cease live racing in recent times. The Big Easy Casino in Broward County stopped offering greyhound racing in late 2018, following approval of a state constitutional amendment that will ban all live greyhound racing in Florida by the end of 2020. The ban allows Florida dog tracks to keep their gaming operations without offering races.

Illinois

In 2019, total statewide commercial casino gaming revenue was $1.35 billion, down 1.5 percent. The market's decline occurred during a year when the state legislature enacted a major expansion of gaming.

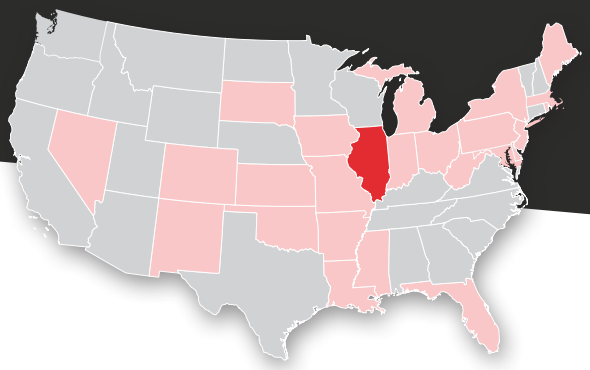
NUMBER OF COMMERCIAL CASINOS
10

GROSS CASINO GAMING REVENUE 2019
$1.35B

CASINO FORMAT
Riverboat Casinos

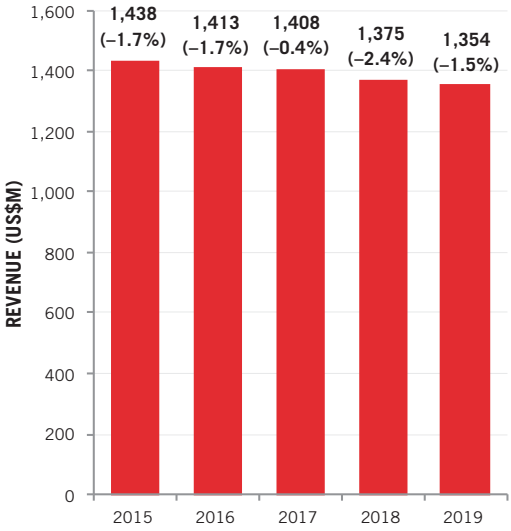
GAMING TAX REVENUE 2019
$455.2M

REGULATORY AUTHORITY
Illinois Gaming Board



Illinois: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Illinois Gaming Board

Market Overview

Illinois offers commercial casino gaming at 10 riverboat casinos, which are regulated by the Illinois Gaming Board (IGB).

In 1990, the Illinois legislature approved the Riverboat Gambling Act, which authorized the Gaming Board to grant up to 10 casino licenses. Illinois' first casino, Argosy Casino Alton, opened in 1991. The state's most recent casino, Rivers Casino in Des Plaines, opened in 2011.

The Riverboat Gambling Act originally allowed each casino to operate up to 1,200 gaming positions—covering both electronic gaming devices and table games—at a maximum of two riverboat vessels docked at a single specified site. Under new legislation enacted in 2019, however, casinos now may apply for approval from the IGB to offer up to 2,000 positions and to move to land-based facilities adjacent to their established riverboats.

Among numerous other provisions, the 2019 legislation authorized up to six new land-based casinos in different areas of the state, while also permitting Illinois racetracks to apply for licenses to become racinos offering electronic gaming devices and table games. Each of the existing and forthcoming casinos and racinos were further authorized to offer land-based and online sports betting.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.35 billion, down 1.5 percent against 2018.

Electronic gaming device revenue was $1.06 billion, down 1.5 percent relative to 2018, while statewide table game revenue was $297.1 million, down 1.2 percent.

Notably, 2019 was the Illinois commercial casino market's seventh straight year of contracting revenue since electronic gaming devices (specifically video gaming terminals, or VGTs) were deployed in retail locations, such as bars and taverns, in 2012. In 2019, total annual revenue from non-casino VGTs continued to grow by double-digits, hitting $1.68 billion versus $1.50 billion in 2018.

Gaming Tax Distribution

Illinois Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
$0–$25M	15%
$25M–$50M	22.5%
$50M–$75M	27.5%
$75M–$100M	32.5%
$100M–$150M	37.5%
$150M–$200M	45%
$200M+	50%

Illinois applies a graduated tax to commercial casino gaming revenue, ranging from 15 percent on gaming revenue up to $25 million, to 50 percent on gaming revenue of more than $200 million. Illinois also imposes an admissions tax of $2 per patron at Jumers Casino and $3 at all other casinos.

In 2019, Illinois commercial casinos generated total gaming tax revenue of approximately $455.2 million, down 1.5 percent against 2018.

Of that amount, roughly $377.0 million was paid to the state government with the majority of state tax revenue then redistributed to Illinois' Education Assistance Fund that supports public education programs. Approximately $78.2 million in taxes was generated for local governments that host casinos.

Competitive Landscape

Enactment of a sweeping gaming bill in June 2019 means the Illinois market is in a state of flux, with the 10 established commercial casinos set to face a significant increase in competition in future years.

The legislation authorized up to six new land-based casinos, including one to be located in the City of Chicago. Illinois' three established racetracks will also be permitted to become racinos, while one additional racetrack/racino may be approved in Chicago's southern suburbs.

Combined with the potential expansion of established commercial casinos, the new law allowed for up to 25,700 new gaming positions across casino and racino venues, as well as at Chicago's two airports.

Meanwhile, already fierce competition faced by commercial casinos from electronic gaming devices in retail establishments is also set to intensify as a result of the new law.

In 2009, the legislature approved the Video Gaming Act, which authorized retail establishments, such as restaurants, bars and truck stops, in participating municipalities to each operate up to five limited-stakes electronic gaming devices (VGTs). The first VGTs became operational in 2012 and the market has since ballooned with annual VGT revenue now surpassing that of Illinois' 10 established commercial casinos.

June 2019's gaming expansion law authorized all licensed VGT venues to install a sixth device, with large truck stops able to offer up to 10 machines. VGTs were also permitted to offer higher maximum bets and jackpots.

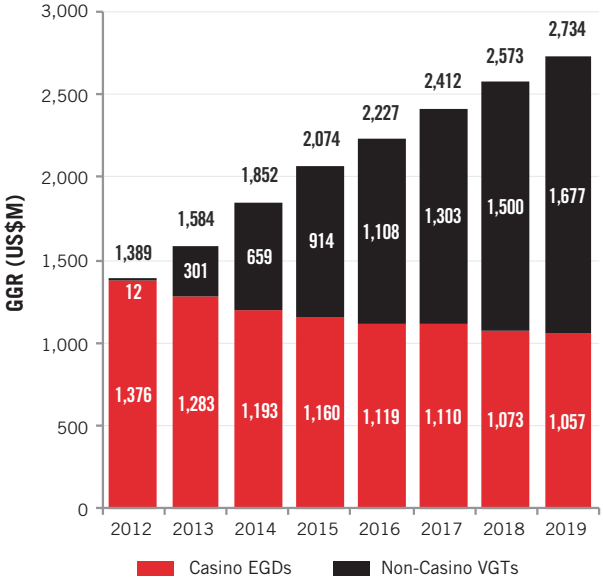
At the end of 2019, there were 33,294 VGTs installed at 7,180 convenience venues in Illinois, up from 30,694 VGTs and 6,773 venues at the close of 2018.

Outside of Illinois, several commercial casinos compete directly with rival properties in neighboring states. For instance, casinos in the Chicago area face competition from a trio of properties in northwestern Indiana. Two of those Indiana casinos began offering sports betting in 2019, gaining a headstart on their Illinois competitors. Meanwhile, two casinos in southwestern Illinois compete directly with properties in Missouri for customers from the St. Louis market.

Illinois: Electronic Gaming Device Revenue

2012 to 2019

Commercial casinos have reported a decline in revenue from electronic gaming devices each year since video gaming terminals were launched at Illinois bars, truck stops and other convenience locations starting in 2012.



SOURCE: Illinois Gaming Board

Policy & Regulatory Review

Expansion

After Gov. J.B. Pritzker (D) signed a major gaming package into law in June, regulators at the IGB wasted little time in implementing the sweeping expansion envisioned by the legislation.

Two of Illinois' three established racetracks submitted applications to become racinos before the late August deadline established by the new law. In October, the IGB received ten applications for the five new casino licenses designated for the cities of Aurora, Rockford and Waukegan, and for Cook and Williamson counties.

Less clear at the close of 2019 was the fate of the proposed casino in the City of Chicago. In August, an independent consultant submitted a report to the IGB concluding the Chicago casino was not commercially feasible due to the elevated tax rate it was subject to. In November, Illinois lawmakers deliberated over amendments to June's gaming law that would lower the tax rate. However, they ultimately did not pass a bill before the legislature adjourned, leaving the issue to be revisited in 2020.

Sports Betting

The sweeping gaming expansion bill enacted in June meant Illinois joined eight other states in enacting legislation to authorize sports wagering during 2019.

Under the law, land-based sports betting will be allowed not only at established and forthcoming casinos and racinos, but also within the vicinity of major sports arenas with a minimum capacity of 17,000. Illinois Lottery retailers are also eligible to participate in a pilot program involving wagering kiosks limited to parlay bets.

Casinos and racetracks are also permitted to offer online sports betting, with patrons required to register their wagering accounts in-person at tracks and casinos for the first 18 months following the awarding of sports wagering licenses. Once that 18-month period expires, casinos may register patrons remotely, and up to three

online-only sports betting licenses may be awarded to allow additional operators to join the market.

In another notable provision, Illinois' law will require sports betting operators to use official data provided by sports leagues in order to settle certain types of wagers. Illinois was the second of three states to include an official data requirement in a sports betting law enacted in 2019, following Tennessee and preceding Michigan.

Regulatory Reform

In addition to casino expansion and sports betting, the sweeping bill signed by Gov. Pritzker in June made a variety of other changes to Illinois' gaming laws.

Among other things, the legislation will establish a lower tax rate for table games offered by commercial casinos. Under pre-existing law, casinos pay the same graduated tax on both electronic gaming device and table game revenue, despite significantly higher operating costs associated with the latter offering that involves human dealers.

June's law will establish a new maximum tax rate of 20 percent for table game revenue, to take effect as soon as the first of Illinois' newly authorized casinos commences operations.

Elsewhere, the new law required the IGB to use multiple independent testing services to certify electronic gaming devices and other equipment used in casinos. It also made a series of changes to the ethical requirements on lawmakers and regulators.

IN FOCUS

Evolving Attitudes Toward the Casino Industry

© Images-USA / Alamy Stock Photo

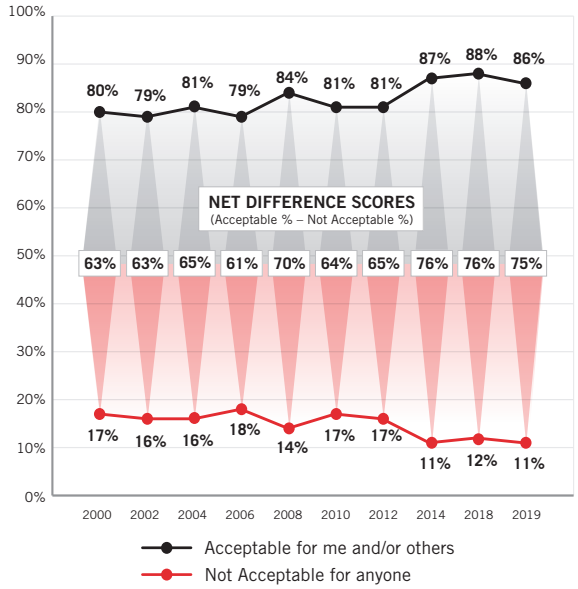
The American Gaming Association's upcoming 25th anniversary provides a worthwhile opportunity to reflect on the growth of the U.S. casino industry over the last quarter century. As the industry has evolved, Americans' behavior and attitudes towards it have also changed, according to a review of AGA's public opinion studies since the mid-1990s.

In 1998, the inaugural edition of the *State of the States* reported that annual U.S. commercial casino gaming revenue totaled $19.7 billion across 14 states. Today, commercial casinos operate in 25 states and generate in excess of $43 billion in annual gaming revenue. Taking into account tribal casinos, there were nearly 1,000 casinos in 41 states in 2019. This growth coincided with, and was certainly boosted by, the American public's increased appreciation for gaming as a mainstream form of entertainment. The net difference score between acceptable and not acceptable grew from +63 percent in 2000 to +75 percent in 2019—a nearly 20 point increase.

Survey findings also indicate that more Americans are not just accepting of casino gaming, more Americans are participating than ever before. In a nationally representative poll commissioned by the AGA in 2019, 44 percent of respondents said they visited a casino in the past year, matching the highest level ever measured by association research. Extrapolated across the U.S. population aged 21 and older, this suggests casinos attracted more than 105 million unique guests last year, which does not account for increased visitation coming from abroad. By comparison, an estimated 53.1 million Americans visited a casino in the previous year when the AGA first started measuring casino visitation levels in 2001.[1]

Recent polling also confirms what market observers and other industry participants have noticed for years, namely that casinos are increasingly becoming multi-faceted entertainment destinations attracting guests with a host of memorable experiences beyond the casino floor. In fact, according to AGA's 2019 study, one-in-four casino visitors said they did not gamble during visits over the past year, and a majority (55%) noted they were drawn more by non-gaming entertainment options as opposed to the games on the casino floor (39%).

The Increasing Acceptability of Casino Gambling in America



Not only have Americans' positive views of casino gaming improved over the past two decades, but also the percentage of those holding less favorable opinions of the industry have declined meaningfully. These shifts have led to AGA's most recent national surveys showing the largest acceptable/unacceptable gaps since the AGA began tracking this question.

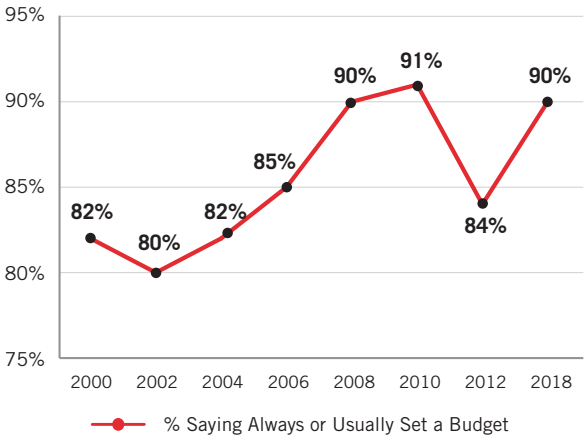
[1] 2001 data are defined as trips for gambling purposes. 2019 figures represent visits both for gambling or other reasons.

At a time when more Americans are visiting casinos than ever before, a look back at AGA's historical data offers some welcome news in the area of responsible gaming as well. National surveys first fielded in 2001 show that overwhelming majorities of casino-goers have—and continue to—set and stick to a budget when they gamble, and that these trends have clearly continued to improve over time.

In addition to these trends, AGA's longitudinal data on Americans' attitudes toward casino gaming suggest there are a number of factors driving people's increasingly favorable perceptions of the industry.

First, the public undoubtedly recognizes the economic benefits the casino industry continues to deliver to communities across the country. Over the course of five national surveys conducted between 2000 and 2006, roughly three-in-four (72%–76%) Americans agreed with the statement that, "A casino can be an important part of a community's entertainment and tourism options." More recent findings from polls conducted in 2014 and 2018 dovetail with these earlier studies,

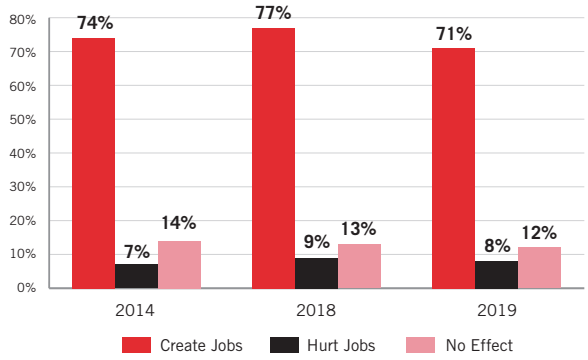
Americans Increasingly Practice Responsible Gaming



Note: In 2010 and 2012, results are the percentage of respondents who responded "yes" to setting a budget.

There is an increasing body of research suggesting that as populations grow accustomed to having casinos in their midst, people commonly adapt to this environment and moderate their behavior over time. The survey findings here may be reflective of this adaptation effect.

Does the Casino Industry Do More to Create Or Hurt Jobs?



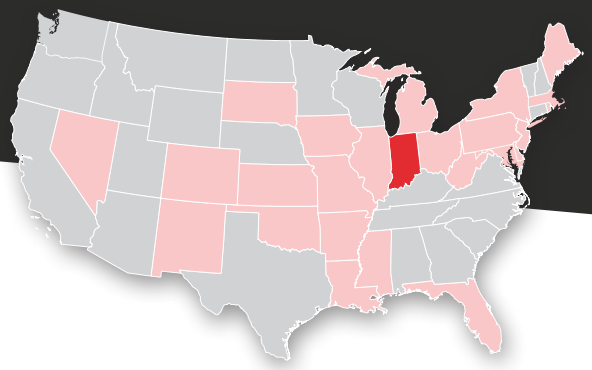
where clear majorities (59% and 60%, respectively) said they think casinos help the economies where they are located.

Correlated to this view of casinos' positive economic impacts, Americans also give the industry high marks for its role as a major employer across the country. As the chart below demonstrates, over the course of the last three national studies fielded by the AGA, roughly nine to 10 times more people think casinos do more to create jobs than to hurt job creation in communities where they operate.

While the last two decades have certainly been a transformative period for the U.S. casino industry, the long term future looks bright as well. The introduction of sports betting at many casino properties across the country is likely to broaden their appeal and draw an important new segment of the population through their doors. The industry's continued investment in cutting-edge technologies, driving both new games on the casino floor as well as unique experiences off it, will likely go a long way in continuing to attract the next generation of customers. The AGA will continue to study and benchmark Americans' attitudes in the years ahead and looks forward to reporting on what we hope will be an equally exciting and promising era for the industry.

Indiana

In 2019, total statewide commercial gaming revenue was $2.25 billion, up slightly on the prior year and reflective of the launch of sports betting in September.



NUMBER OF COMMERCIAL CASINOS
13

CASINO FORMAT
Land-Based Casinos; Riverboat Casinos; Racinos

NOTABLE FORMS OF GAMING
Sports Betting

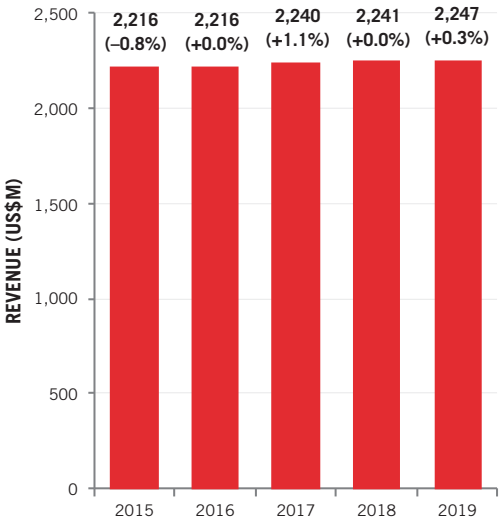
REGULATORY AUTHORITY
Indiana Gaming Commission

GROSS CASINO GAMING REVENUE 2019
$2.25B

GAMING TAX REVENUE 2019
$593.0M

Indiana: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Indiana Gaming Commission

Market Overview

Indiana offers commercial casino gaming at eight riverboat casinos and three land-based casinos, each of which operates electronic gaming devices, table games and sports betting. In addition, there are two racinos that in 2019 were limited to the operation of electronic gaming devices and sports wagering. All 13 commercial casinos are regulated by the Indiana Gaming Commission (IGC).

In 1993, the Indiana legislature approved the Riverboat Gambling Act, which authorized the IGC to grant up to 10 casino licenses. Indiana's first commercial casino, Tropicana Evansville, opened in 1995. Legislation authorizing an 11th commercial casino within a "historic hotel district" was approved in 2003, paving the way for the opening of French Lick Resort Casino in 2006.

As part of a tax relief effort, the state legislature authorized the installation of up to 2,000 electronic gaming devices at each of Indiana's two racetracks in 2007. Under legislation passed in 2015 and later amended in 2019, racetracks were approved to also install live-dealer table games, but not until an earliest possible date of January 1, 2020.

In addition to allowing table games at racinos, the legislature has relaxed various other restrictions applied to commercial casinos in recent years. In 2011, legislation passed allowing for riverboat casinos to become permanently moored crafts. In 2015, the Riverboat Gambling Act was amended again to allow riverboat casinos to move onto dry land adjacent to their home docks. Since then, two casinos have moved their entire operations on land, while five others have installed certain gaming and sports wagering operations in adjoining land-based facilities.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $2.25 billion, up 0.3 percent from 2018.

The increase reflected the addition of sports wagering to the Indiana gaming market, offsetting a continued decline in annual revenue from traditional casino games.

Revenue from electronic gaming devices was $1.86 billion, down 1.5 percent versus the prior year, while table game revenue was $341.6 million, down 2.1 percent. Meanwhile, revenue from approximately four months of land-based and online sports betting operations was $41.6 million, with the retail channel accounting for approximately 55.8 percent of the total.

Gaming Tax Distribution

Indiana Riverboat Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
$0–$25M	15%
$25M–$50M	20%
$50M–$75M	25%
$75M–$150M	30%
$150M–$600M	35%
$600M+	40%

Indiana applies a graduated tax to riverboat casino gaming revenue, ranging from 15 percent on gaming revenue of up to $25 million, to 40 percent on gaming revenue of more than $600 million.

Riverboat casinos are also subject to a supplemental wagering tax, which is capped at a maximum of 3.5 percent of total gaming revenue as of mid-2019. The supplemental tax was enacted by the legislature in 2017 to replace a fee that was formerly applied on casino admissions.

Racinos are taxed at a rate of 25 percent on revenue up to $100 million; 30 percent on revenue between $100 million to $200 million; and 35 percent on revenue exceeding $200 million.

Meanwhile, all land-based and online sports betting operated by casinos, racinos and their affiliates or partners is taxed at 9.5 percent of revenue. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, commercial casinos paid a total of $593.0 million in taxes, down 1.1 percent from 2018.

The lower total, despite an increase in underlying gaming revenue, was a result of revenue growth being driven by sports wagering, which is subject to a lower tax rate than electronic gaming devices or table games. Sports betting generated tax revenue of approximately $3.9 million following its launch in September 2019.

Pursuant to state law, the majority of gaming tax revenue is held in Indiana's General Fund and used for general state budgetary purposes. Additional allocations are made to Indiana's horse racing industry, problem gambling services, and to local city and county governments, among other things.

Competitive Landscape

Indiana's commercial casinos operate in a fiercely competitive midwest market, with both in- and out-of-state competition set to increase in future years as a result of new legislation passed in 2019.

In northwestern Indiana, casinos that already compete with various Illinois casinos located in the Greater Chicago area face the prospect of several new casinos to be located within the City of Chicago itself as well as in the city's northern and southern suburbs. The venues were among 10 new casinos and racinos authorized in Illinois under a bill enacted in June.

Meanwhile, the northwest Indiana market will itself be reconfigured thanks to a bill passed by the Indiana legislature in 2019. The new legislation allowed two of the market's four riverboat casinos to be relocated—the first to a fully land-based venue within the same city of Gary; the second to Vigo County in western Indiana, some 150 miles farther south.

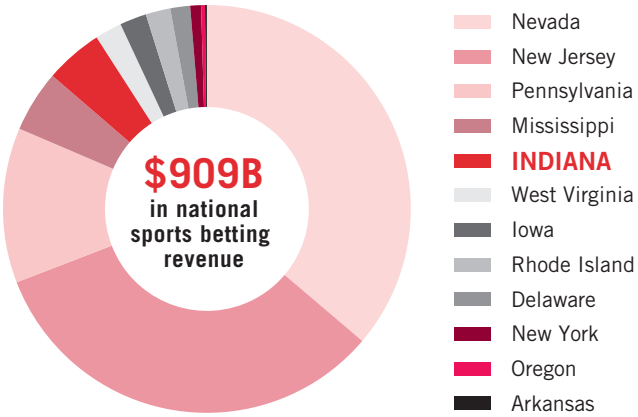
Elsewhere, the two racinos in Indianapolis are set to begin live-dealer table games starting in 2020. There is also the prospect of expanded operations at Indiana's lone tribal casino—Four Winds Casinos—in South Bend. The tribal casino owned by the Pokagon Tribe opened in January 2018 featuring electronic gaming devices offering only Class II games. However, the tribe acknowledged in 2019 that it had begun discussions over a compact that would allow Class III devices and table games at the casino.

Elsewhere, riverboat casinos in southeastern Indiana compete with a trio of Ohio casinos and racinos serving the Greater Cincinnati market. Tropicana Evansville and other casinos in southeastern and southern Indiana have also faced additional competition in recent years from the rollout of historical horse racing devices at racing venues in Kentucky.

United States: Gross Sportsbook Revenue By State

2019

Retail and online sportsbooks generated $41.6 million in total sports betting revenue since launching in September and October, respectively, making Indiana the fifth largest sports betting market in 2019 despite only four months of operations.



SOURCE: State regulators

Policy & Regulatory Review

Sports Betting

In May, Gov. Eric Holcomb (R) signed a bill adding Indiana to the roster of states legalizing sports wagering since the U.S. Supreme Court overturned a federal ban in 2018.

Indiana's legislation allows land-based sports wagering in commercial casinos and racinos, as well as at off-track betting outlets (OTBs) affiliated with racinos. Casinos and racinos also may each offer online sports betting via a maximum of three branded platforms—or "skins" —operating under their licenses.

The IGC adopted implementing regulations for sports betting in August, with the first bets placed in land-based sportsbooks in early September. Online sports betting was launched one month later. At the close

of the year, retail sports betting was offered at nine casinos, both racinos, and at three OTBs. Five online sportsbooks were also operational.

Regulatory Reform

In addition to sports betting, the legislation signed by Gov. Holcomb in May included several other provisions to reconfigure Indiana's gaming market.

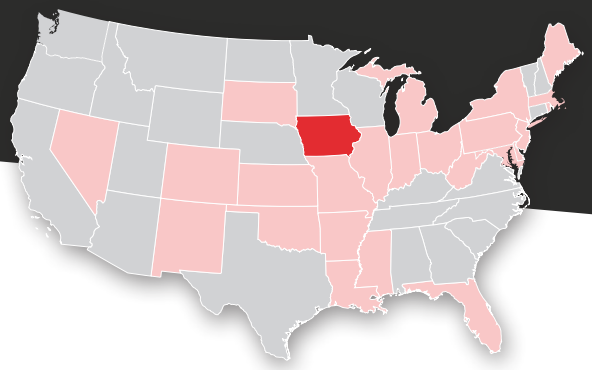
Among other things, the bill authorized the closure and relocation of the two Majestic Star riverboat casinos in Gary. One of the casinos will be moved to an onshore location in Gary, with the license for the second facility switched to Vigo County, subject to approval by local voters. In November, Vigo County passed a referendum consenting to a new casino, allowing the IGC to start a licensing process.

Elsewhere, the bill increased the maximum number of casinos or racinos that could be owned by any single operator from two to six. It also accelerated the rollout of table games at racinos from mid-2021 to January 2020.

Finally, the bill will lower tax rates applied to riverboat casinos and racinos from 2021, while also increasing the amount of tax-free promotional credits that casinos may extend to patrons.

Iowa

In 2019, total statewide commercial casino gaming revenue was $1.49 billion, up 1.3 percent. The year-over-year increase came after the launch of sports betting in August.



NUMBER OF COMMERCIAL CASINOS
19

CASINO FORMAT
Land-Based Casinos; Riverboat Casinos; Racinos

NOTABLE FORMS OF GAMING
Sports Betting

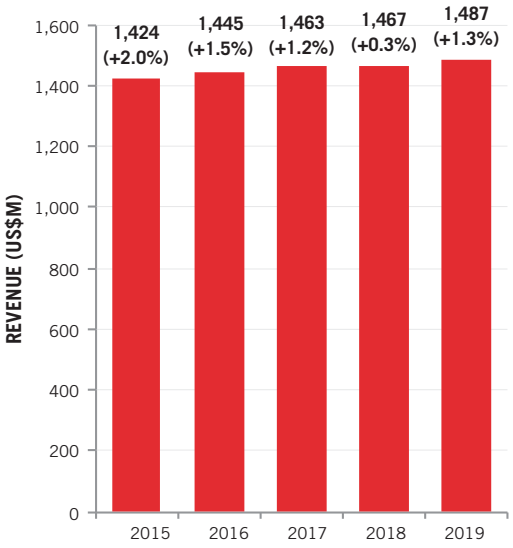
REGULATORY AUTHORITY
Iowa Racing and Gaming Commission

GROSS CASINO GAMING REVENUE 2019
$1.49B

GAMING TAX REVENUE 2019
$324.0M

Iowa: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Iowa Racing and Gaming Commission

Market Overview

Iowa offers commercial casino gaming at 16 land-based casinos, one riverboat casino, and two racinos. The 19 properties, all of which operate electronic gaming devices, table games, and sports betting, are regulated by the Iowa Racing and Gaming Commission (IRGC).

In 1989, Iowa became the first state to legalize riverboat casinos with the passage of the Excursion Gambling Boat Act. The first three of Iowa's riverboats—Casino Belle, The President, and Diamond Lady—opened on April 1, 1991.

The installation of electronic gaming devices at racetracks was authorized in 1994, while table games were approved in 2005. Iowa's first racino, Bluffs Run Casino in Council Bluffs (now the Horseshoe Council Bluffs), opened in 1995.

Iowa's commercial casinos and racinos were authorized to offer land-based and online sports betting by a law passed by the legislature in May 2019.

For commercial casinos to operate in Iowa, a sponsoring charitable organization must partner with a gaming operator under an agreement that sees an average of 3 percent of casino gaming revenue distributed to the charitable organization. Racetracks, meanwhile, must be licensed to conduct

pari-mutuel wagering in order to qualify for a license to offer casino games.

There are no statutory limits on the number of commercial casinos that may operate in Iowa. However, counties seeking to host a casino or racino must secure the approval of a majority of its residents via a county-wide referendum. A second voter referendum to re-approve the casino license is required eight years after initial approval.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.49 billion, up 1.3 percent against 2018.

The growth came despite a decline in revenue from electronic gaming devices, long the backbone of Iowa's casino market. In 2019, electronic gaming device revenue was $1.31 billion, down 0.4 percent. In contrast, revenue from table games was $162.1 million, up 3.4 percent.

After launching in August, land-based and online sportsbooks generated a total of $19.3 million in sports betting revenue during 2019. Online sports betting accounted for approximately 44 percent of the revenue total, notably lower than the ratio of other states such as New Jersey and Pennsylvania where, unlike in Iowa, in-person registration of online wagering accounts is not required.

Gaming Tax Distribution

Iowa Land-Based and Riverboat Casino Gaming Tax

GAMING REVENUE	TAX RATE APPLIED
$0–$1M	5 percent
$1M–$3M	10 percent
$3M+	22 percent

In Iowa, riverboat and land-based casinos are subject to a graduated tax rate on electronic gaming device or table game revenue that ranges from 5 percent to 22 percent. Racino gaming revenue, meanwhile, is taxed at 22 percent or 24 percent, depending on various conditions, including prior-year revenue and whether the racino has a riverboat casino in its host county.

Sports betting revenue in Iowa is subject to a state tax of 6.75 percent, the lowest rate in the country, alongside Nevada. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, Iowa's commercial casinos generated total gaming tax revenue of $324.0 million, up 0.7 percent from the prior year. Notably, the lower growth rate in tax collections relative to gaming revenue can be attributed, in part, to the addition of revenue from sports betting, which is subject to a lower tax rate than other casino games.

Of the 2019 total, approximately $293 million was distributed to the state General Fund and allocated to various beneficiaries, including the Rebuild Iowa Infrastructure Fund, the Iowa Skilled Worker & Job Creation Fund, and the state's Environment First Fund.

Additional state tax payments were used to help service state debts incurred through various projects including flood rebuilding and mitigation, prison construction, and bridge safety. Meanwhile, approximately $14.7 million was redirected to the local governments of cities and counties that host casinos.

Competitive Landscape

Iowa was one of the first states to legalize commercial casinos outside Nevada and New Jersey. Since then, neighboring states Illinois, Missouri, and South Dakota have all begun operating commercial casinos, while Minnesota, Nebraska, and Wisconsin house more than 70 tribal gaming facilities, making for a competitive Midwest gaming market.

Iowa's commercial casinos also compete with various tribal casinos located within the state's borders. The Meskwaki Bingo Casino, owned and operated by the

Sac and Fox Tribe, is surrounded by four of the six largest cities in Iowa, including Des Moines and Cedar Rapids. Two other tribal casinos in Iowa, as well as three tribal casino properties located on the Nebraska side of the border, all compete with the Hard Rock Casino in Sioux City. Meanwhile, The Ponca Tribe of Nebraska's Prairie Flower Casino competes with Iowa commercial casinos in Council Bluffs.

Elsewhere, casinos in eastern Iowa continue to face growing competition from electronic gaming devices (VGTs) in Illinois retail venues. Under a major gaming expansion bill enacted in 2019, Illinois bars and other venues licensed to offer VGTs will each be permitted to install one additional device, for a maximum of six per venue.

Policy & Regulatory Review

Sports Betting

Iowa was one of nine states to enact sports betting legislation in 2019.

Under a law signed by Gov. Kim Reynolds (R) in May, each of Iowa's casinos and racinos became eligible to apply for licenses to operate physical sportsbooks in their facilities. Casinos and racinos are also authorized to offer online sports betting via a maximum of two platforms, or "skins," each.

Regulations for sports wagering were adopted by the IRGC in July 2019, with sportsbook operations launching one month later. By the end of the year, each of Iowa's 19 commercial casinos had opened physical sportsbooks, while five online betting platforms were also live in the state.

Fantasy Sports

Alongside sports betting, the bill signed by Gov. Reynolds in May also established a regulatory framework for online fantasy sports contests.

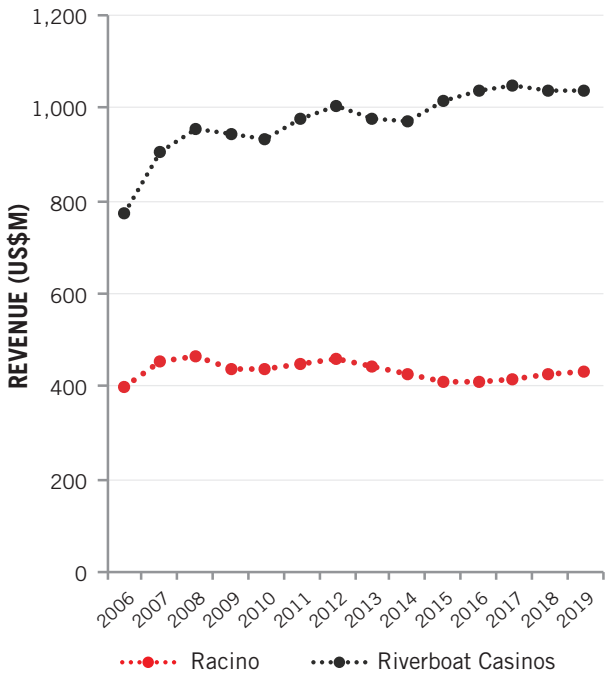
The new law requires fantasy sports operators to be licensed by the IRGC, comply with various consumer protection requirements, and pay an annual fee of up to $5,000 plus a 6.75 percent tax on their revenue from Iowan players.

The new legislation was especially significant because Iowa was one of a small handful of states where popular fantasy sports contests have been considered to be unambiguously illegal under state gambling laws. At the end of 2019, a total of 20 states including Iowa had passed specific laws to legalize fantasy sports.

Iowa Annual Gaming Revenue By Location Type

2006 to 2019

While Iowa's riverboat and land-based casinos accounted for more than 70 percent of total statewide gaming revenue in 2019, racinos were responsible for overall growth of the market. Racino electronic gaming device and table game revenue increased 0.4 percent versus the prior year, as casinos saw their equivalent revenue shrink by 0.2 percent.



SOURCE: Iowa Racing and Gaming Commission

Kansas

In 2019, total statewide commercial casino gaming revenue was $416.2 million, up 1.9 percent. With a full complement of four casinos operational for two full years now, the Kansas market is entering a phase of maturity.

NUMBER OF COMMERCIAL CASINOS

4

CASINO FORMAT

Land-Based Casinos

REGULATORY AUTHORITY

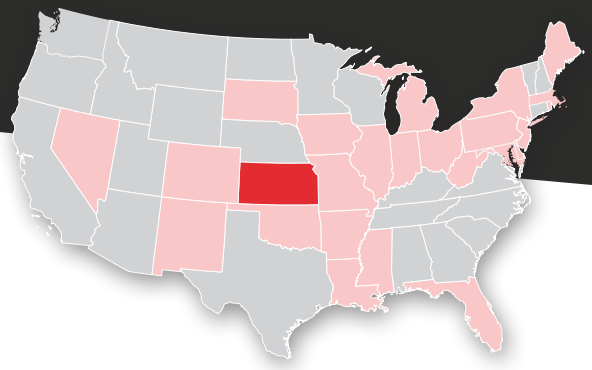
Kansas Racing and Gaming Commission

GROSS CASINO GAMING REVENUE 2019

$416.2M

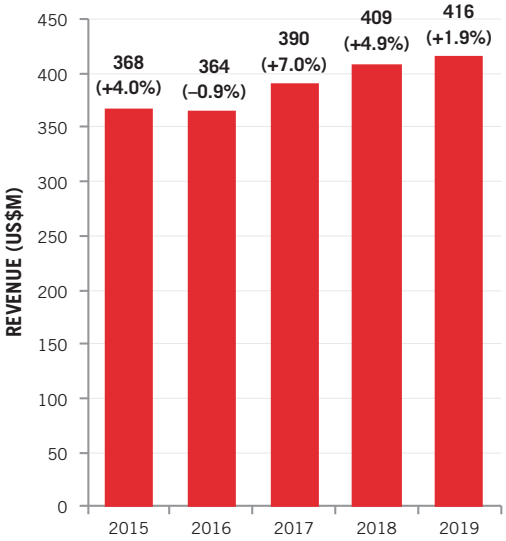
GAMING TAX REVENUE 2019

$112.4M



Kansas: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Kansas Racing and Gaming Commission

Market Overview

Kansas offers commercial casino gaming at four state-owned casinos, which are developed and managed by private companies. The casinos, each of which operate electronic gaming devices and table games, are regulated by the Kansas Racing and Gaming Commission (KRGC).

In 2007, the legislature approved the Kansas Expanded Lottery Act, which authorized the creation of four "lottery gaming facilities," one in each of the four designated gaming zones throughout the state. The state's first commercial casino, Boot Hill Casino, opened in 2009, and its most recent, Kansas Crossing Casino, opened in 2017.

Private casino developers that were contracted to build the commercial casinos and manage their operations were subject to an upfront "privilege fee" of $25 million for casinos in the state's northeastern and south-central gaming zones, and $5.5 million for casinos in the southeastern and southwestern zones.

Kansas law also allows for the operation of electronic gaming devices at racetracks, although no tracks are currently in operation. The Kansas Lottery is responsible for considering

and approving any proposed racino contracts, and the county where any proposed racino is located must have approved gaming via a public vote.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $416.2 million, up 1.9 percent against 2018. While the figure was a record annual total, it also represented a slowing down of growth since the opening of the Kansas market's fourth and final commercial casino in 2017.

Total statewide revenue from electronic gaming devices was $366.7 million, up 2.5 percent from 2018, but table game revenue was $49.5 million, down 2.8 percent.

Growth was not spread evenly across Kansas' four commercial casinos in 2019. While Hollywood Casino, Kansas Star Casino and Kansas Crossing Casino all saw modest increases, revenue at Boot Hill Casino in southwestern Kansas fell by 1.2 percent versus the prior year.

Gaming Tax Distribution

Kansas' commercial casinos are required by statute to pay a minimum tax rate of 27 percent on gaming revenue, which includes a minimum 22 percent payment to the state, 3 percent to local governments and 2 percent to fund problem gambling treatment. While three of the four casinos pay 27 percent, a new management contract between the Kansas Lottery and Boot Hill Casino took effect in 2019 that increased the state's share of revenue from that casino by an additional 2 percent. Other contracts include provisions allowing for higher tax rates to be applied if revenue exceeds a certain threshold.

In 2019, Kansas' commercial casinos generated total gaming tax revenue of $112.4 million, up 1.8 percent from 2018.

Per Kansas law, the state portion of gaming tax revenue is distributed to the state's Expanded Lottery Act Revenues Fund. Appropriations from the fund are determined annually at the direction of the state legislature. In 2019, funds were allocated for state debt reduction, public employees retirement liabilities, and an initiative to increase the number of engineering graduates at Kansas universities.

Competitive Landscape

With commercial casinos now built in all four authorized gaming zones, no additional casino openings are expected in Kansas in the near term.

Although the state's last racetrack was shuttered in 2009, there have been consistent legislative efforts since then to revive the industry by allowing tracks to install electronic gaming devices and lowering the gaming tax rates that would be applied to racino operations. So far, however, all of those efforts have failed.

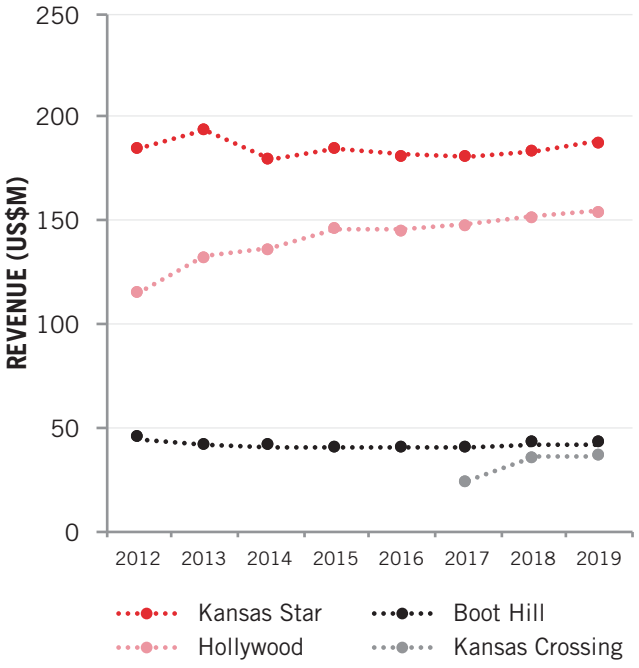
Kansas' six tribal gaming locations, all situated in the northeastern corner of the state, compete with Hollywood Casino at Kansas Speedway located just outside of Kansas City. Hollywood Casino also competes with four Kansas City-area casinos on the Missouri side of the border.

Meanwhile, Kansas Crossing Casino competes with several tribal casinos in northeastern Oklahoma, including one casino owned by the Quapaw Tribe and located on the Kansas state line.

Kansas Gaming Revenue By Casino

2012 to 2019

Kansas Star Casino remained the most lucrative of the state's four casino properties in 2019, accounting for 44.8 percent of statewide gaming revenue versus 44.5 percent the prior year. Together with Hollywood Casino, Kansas' two largest properties accounted for 81.5 percent of the market.



SOURCE: Kansas Racing and Gaming Commission

Policy & Regulatory Review

Regulatory Reform

In July, the KRGC moved to update its technical regulations for electronic gaming devices and other casino equipment that have faced criticism for being out-dated.

Existing KRGC regulations reference technical standards that date back to 2007 and which have since been updated on several occasions by the independent certification service that developed them. A 2015 report by Kansas' state auditor called for the KRGC to update its regulations to align with more current standards that are applied in other jurisdictions.

New regulations recommended for approval in 2019 will grant the KRGC more flexibility to update its technical requirements in the future without undergoing a formal rulemaking process. They will also require regulators to consult with gaming operators and suppliers before updating the standards.

Sports Betting

Several bills to legalize sports betting were introduced in the Kansas House and Senate in 2019. However, despite a series of hearings, none of the bills was advanced out of committee before the legislature adjourned in May.

Key points of debate among lawmakers included whether the Kansas Lottery should be authorized alongside casinos to directly operate sports wagering via its retailer network and through an online platform. Legislative discussions are expected to continue in 2020.

Louisiana

In 2019, total statewide commercial casino gaming revenue was $2.46 billion, down 4.0 percent on the prior year amid expanded competition in neighboring states.

NUMBER OF COMMERCIAL CASINOS

20

CASINO FORMAT

Land-Based Casinos; Riverboat Casinos; Racinos

REGULATORY AUTHORITY

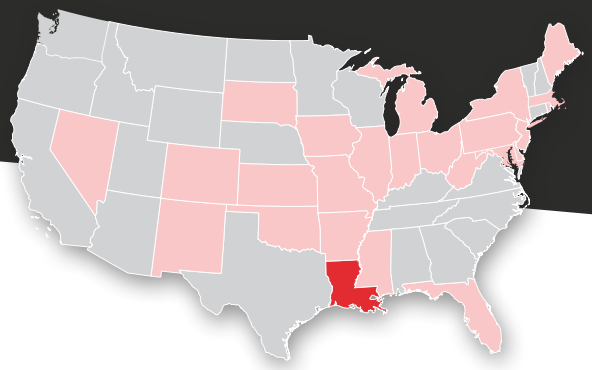
Louisiana Gaming Control Board

GROSS CASINO GAMING REVENUE 2019

$2.46B

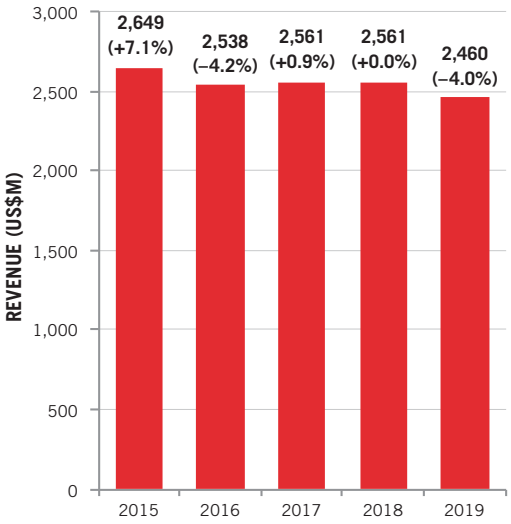
GAMING TAX REVENUE 2019

$584.7M



Louisiana: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Louisiana Gaming Control Board

Market Overview

Louisiana offers commercial casino gaming at 15 riverboat casinos and one land-based casino, each of which operates electronic gaming devices and table games. Four racinos—limited to offering electronic gaming devices—are also operational. All 20 properties are regulated by the Louisiana Gaming Control Board (LGCB).

Commercial casino gaming was first authorized in 1991, when the Louisiana legislature passed a law allowing a maximum 15 riverboat casinos, either sailing or permanently moored on specific waterways in different areas of the state. The following year, legislation passed authorizing a single land-based casino in downtown New Orleans. Harrah's New Orleans Hotel and Casino opened in 1999 and operates under the terms of a contract originally awarded by a local development board. Racinos were approved by the legislature in 1997.

In 2018, the state legislature passed a law to allow riverboat casinos to move to larger, land-based facilities within close proximity of their original vessels, subject to the approval of specific investment plans by the LGCB. Under state law, riverboat casinos may offer no more than 2,365 gaming positions—composed of the number of electronic gaming devices and table-game seats on their gaming floors.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $2.46 billion, a decline of 4.0 percent on the prior year.

Commercial gaming revenue declined year-over-year in each region of the state.

Riverboats and racinos in the Lake Charles region—Louisiana's largest gaming market—reported combined total revenue of $881.9 million, down 6.2 percent.

Commercial casinos in the Baton Rouge area saw revenue decline 9.7 percent to $231.1 million, as gaming venues continued to feel the impact of a citywide smoking ban introduced in May 2018.

Elsewhere, revenue reported by the six riverboat casinos and one racino in the Shreveport/Bossier market of northwestern Louisiana was $660.0 million, down 2.5 percent compared to 2018. However, revenue declines were far less pronounced among racinos and the land-based casino in New Orleans, where combined revenue of $602.0 million was down less than 1 percent relative to 2018.

Gaming Tax Distribution

Revenue from each type of commercial casino establishment in Louisiana—riverboat casinos, racinos, and the New Orleans land-based casino—is subject to a different tax structure.

Riverboat casinos pay a maximum effective tax rate of 27.5 percent, composed of a state gaming tax of 21.5 percent of revenue plus additional local taxes which vary according to location.

Racino revenue is taxed at an effective rate of about 36 percent. That rate comprises an 18 percent contribution to the Louisiana horse racing industry taken off the top, with the remaining revenue subject to a state tax of 18.5 percent and local taxes of 4 percent.

The New Orleans land-based casino pays the greater of either a 21.5 percent tax on gaming revenue or an annual fee of $60 million. The land-based casino must also remit rent and various other payments to local authorities, as established under its operating contract.

In total, Louisiana's commercial gaming properties generated tax revenue of $584.7 million in 2018, down 3.8 percent from the previous year.

In accordance with state law, the majority of gaming tax revenue is remitted to Louisiana's General Fund. From there, funds are appropriated at the direction of the legislature and used to pay for public education, public retirement systems, highway construction, and fire and police protection, among other things.

In addition, the state's horse racing industry received approximately $62.6 million in 2019 from taxes on racinos' gaming revenue.

Competitive Landscape

With the opening of the Golden Nugget in Lake Charles in 2014, all available riverboat licenses have been awarded and no additional commercial casino licenses may be issued without voter approval through a statewide referendum.

Various Louisiana commercial casinos are reliant upon out-of-state visitation for a portion of their revenue. For instance, riverboat casinos in the Lake Charles area draw many players from the Houston area, while those in the Shreveport/Bossier region compete with tribal casinos located in southeastern Oklahoma for customers from the Dallas–Fort Worth area as well as from southwestern Arkansas.

Casinos in southeastern Louisiana also compete with commercial casinos in the Gulf Coast region of neighboring Mississippi that draw a significant proportion of their patrons from across the border. Notably, casinos in Mississippi are able to offer sports betting, whereas competing facilities in Louisiana cannot under current state law.

Meanwhile, Louisiana's commercial casinos compete with five tribal casinos scattered throughout the state. There are also more than 12,900 electronic gaming devices offered in Louisiana at 1,634 non-casino locations, such as bars, restaurants, truck stops, and off-track betting parlors. In 2019, total statewide revenue from gaming devices in such locations was $623.8 million, up 4.7 percent from the year prior.

Policy & Regulatory Review

Riverboat Casinos

Legislation enacted in 2018 authorized the state's 15 riverboat casinos to move to new land-based facilities up to 1,200 feet inland from their dockside location.

The LGCB adopted more specific regulations in May 2019 governing the application process and what criteria riverboat casinos need to meet in order to be approved to become land-based facilities.

In December, Isle of Capri Casino near Lake Charles became the first of Louisiana's riverboat casinos to receive approval from the LGCB to relocate to a larger, land-based facility. The land-based Isle of Capri Casino will be more than twice the size of the original riverboat, with room for a greater number of electronic gaming devices and table games, plus additional restaurant space.

Sports Betting

The Louisiana Senate voted in April 2019 to pass a bill authorizing sports betting at riverboat casinos, racinos and the land-based casino in New Orleans, pending approval by local voters in each of the parishes where the casinos are located.

The bill died in the House, however, when it was rejected by a committee in May and lawmakers failed to resuscitate it before the end of the legislative session in early June.

In a related development, legislation to tax and regulate online fantasy sports contests failed to win approval in the Senate despite passing the Louisiana House. Voters in 47 of 64 Louisiana parishes approved fantasy sports during a November 2018 referendum.

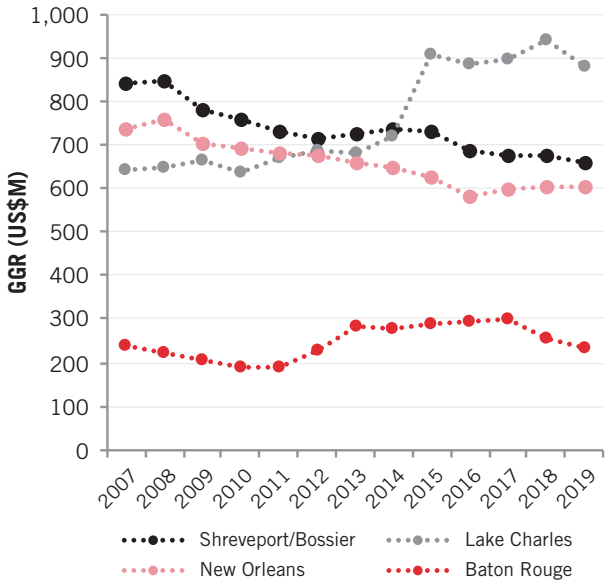
One factor cited for the failure to pass both sports betting and fantasy sports legislation in 2019 was reported opposition by operators of electronic gaming devices in Louisiana bars, truck stops, and other non-casino venues, who would not be eligible to offer sports wagering.

The proposals are expected to be revived in 2021, the next year when the Louisiana legislature will be able to pass tax- and revenue-raising bills.

Louisiana Casinos: Annual GGR By Region

2007 to 2019

Each of Louisiana's main commercial gaming markets saw a decline in revenue in 2019, with revenue in the Lake Charles market—the state's largest—falling by 6.2 percent versus the prior year.



SOURCE: Louisiana Gaming Control Board

Licensing

In June 2019, Gov. John Bel Edwards (D) signed a bill extending the operating contract for the Harrah's New Orleans land-based casino until 2054. The original contract, first agreed in 1994, had been set to end in July 2024.

The new law requires Harrah's New Orleans to make $325 million in capital investments over a five-year period. The land-based casino must also pay a $25 million upfront fee to state and city governments and commit to a higher minimum annual tax payment.

Maine

In 2019, total statewide commercial casino gaming revenue was $145.2 million, up 1.0 percent, reflecting a return to growth at Maine's oldest commercial casino facility.

NUMBER OF COMMERCIAL CASINOS

2

CASINO FORMAT

Land-Based Casinos; Racinos

REGULATORY AUTHORITY

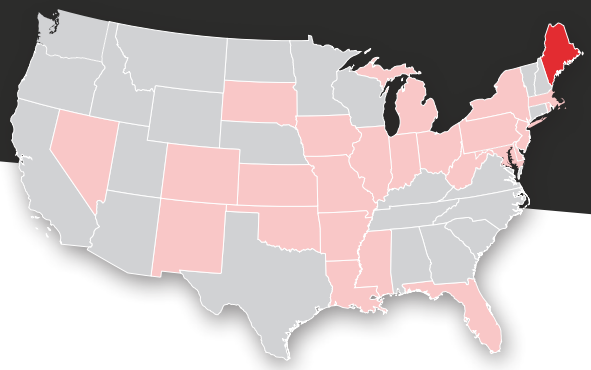
Maine Gambling Control Board

GROSS CASINO GAMING REVENUE 2019

$145.2M

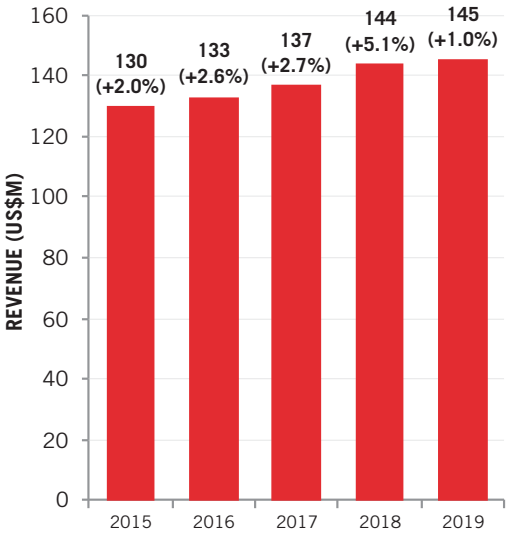
GAMING TAX REVENUE 2019

$58.4M



Maine: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Maine Gambling Control Board

Market Overview

Maine offers commercial casino gaming at one land-based casino-resort and one racino. Both properties offer electronic gaming devices and table games and are subject to oversight by the Maine Gambling Control Board (MGCB).

Commercial casino gaming was first authorized in 2003 after voters approved a statewide referendum allowing the installation of electronic gaming devices at racetracks. The MGCB was established in 2004 and the state's first casino opened at Bangor Raceway—what is now Hollywood Casino Bangor—the following year.

In 2011, Hollywood Casino received legislative and voter approval to add table games to its gaming floor. Maine's second casino, located in Oxford County, was authorized via a separate voter referendum held in 2010 and operations began two years later in 2012.

Under Maine's regulatory framework, a maximum of two commercial casino gaming facilities may be operated after approval in a local referendum. There is also a statewide cap of 3,000 electronic gaming devices, with the allocation split evenly between the two properties.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $145.2 million, up 1.0 percent compared to 2018.

Despite being one of the smallest commercial gaming markets in the U.S. in terms of number of properties and annual revenue, Maine has seen positive growth every year but one since the opening of its two casinos in 2005 and 2012.

Electronic gaming devices at Maine's two commercial gaming properties generated a total of $118.8 million in revenue in 2019, up 0.6 percent on the prior year. Meanwhile, table game revenue was $26.4 million, up 2.3 percent.

Reversing a trend of recent years, Hollywood Casino Bangor posted year-over-year growth in 2019, while Oxford Casino posted lower revenue. In total, Oxford Casino generated revenue of $94.6 million in 2019, down 1.0 percent, while Hollywood Casino reported $50.6 million in revenue, up 4.8 percent compared with the previous year.

Gaming Tax Distribution

Maine's two commercial casinos are subject to different tax rates. Hollywood Casino, as a racino property, pays 39 percent of electronic gaming device revenue and 1 percent of handle in taxes, while Oxford Casino, as a standalone casino, is subject to a tax rate of 46 percent on electronic gaming device revenue. Both casinos pay 16 percent of their table game revenue in taxes.

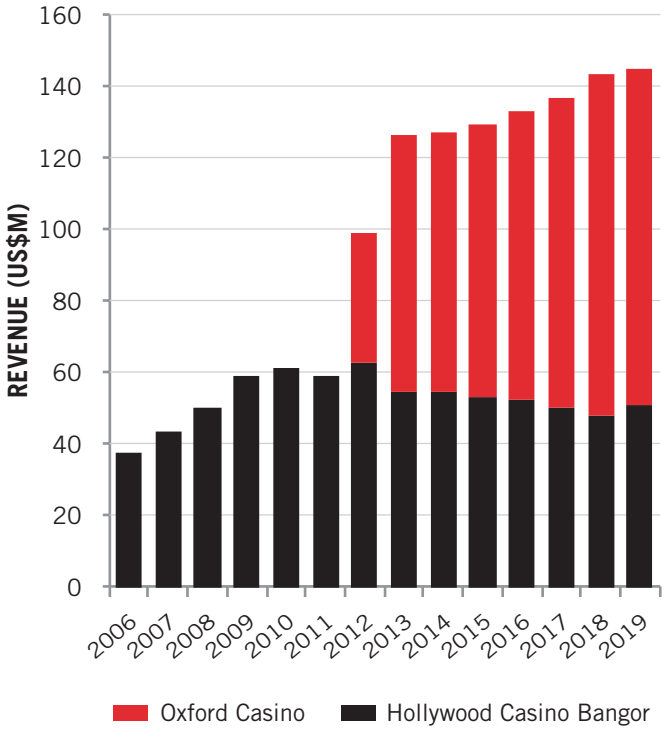
In 2019, Maine's commercial casinos generated total gaming tax revenue of $58.4 million, up 0.8 percent from 2018. The slightly slower growth in tax revenue compared to gaming revenue reflected the contrasting performance of the higher-taxed Oxford Casino versus the lower-taxed Hollywood Casino.

The biggest recipient of gaming tax dollars in Maine is higher education via the funding of scholarships to state and community colleges. Gaming tax revenue is also used to support health care, agriculture, the state's horse racing industry, and the local governments that host commercial casinos. An additional beneficiary is a state fund established in 2000 to provide prevention-related services and other healthcare programs for Maine families.

Maine: Annual Gaming Revenue by Casino

2006 to 2019

While remaining the smaller of Maine's two commercial casinos in 2019, Hollywood Casino Bangor was able to grow its market-share for the first time since Oxford Casino opened its doors in 2012.



SOURCE: Maine Gambling Control Board

Competitive Landscape

Maine's commercial casinos operate at the outer edge of a New England market that has been reshaped in recent years by Massachusetts' 2011 approval of up to four commercial casino properties.

In June 2015, Plainridge Park Casino—a slots parlor in Plainville—became the first Massachusetts casino to open. MGM Springfield opened in August 2018 and Encore Boston Harbor began operations in June 2019. Whether Massachusetts will license a fourth casino has not yet been determined.

While there are currently no tribal casinos in Maine, several tribes have sought approval from state lawmakers and voters, via a referendum, to build casinos on reservation land. All of these efforts have so far been unsuccessful.

Maine's two commercial casinos also compete for gaming dollars with two harness racing tracks and four off-track betting locations where pari-mutuel wagering and advance deposit wagering are permitted.

In 2020, they will also face added competition from the rollout of legal sports betting in neighboring New Hampshire. Mobile sports wagering was launched in New Hampshire in late December 2019, while a minimum of four and maximum of ten land-based sportsbooks are set to open starting in early 2020.

Policy & Regulatory Review

Sports Betting

In June 2019, the legislature voted to pass a bill authorizing land-based and online sports betting. However, Gov. Janet Mills (D) declined to act on the bill during an allotted period of time following the end of the state's 2019 legislative session, delaying a final decision on sports betting until January 2020.

If enacted, the bill would allow land-based sports betting at Maine's two commercial casinos, as well as at racetracks, off-tracking betting parlors and facilities operated by the state's federally recognized Indian tribes. Each of those entities could apply for separate licenses to offer online sports wagering, as could companies already licensed to operate online betting in other U.S. jurisdictions.

The eligibility of operators to obtain licenses to offer online sports betting without requiring a partnership with a casino or other gaming interest in Maine was one point of friction during legislative debate on the bill. Commercial casinos indicated a preference for online sportsbook brands to require a local partner, similar to the regimes of New Jersey, Pennsylvania, and most other states.

Regulatory Reform

The MGCB made several changes to Maine's casino gaming regulations in 2019.

In December, the board proposed a new set of rules to authorize and govern the offering of promotional credits via player reward cards. In July, the MGCB updated its regulations on licensing and record-keeping. Regulators also acted to delete references to obsolete technologies from its minimum internal control standards.

IN FOCUS

Sports Betting

© Jason Ogulnik / Alamy Stock Photo

2019 was a monumental year for legal sports betting in the United States. During the first full-year of expanded legal, regulated sports betting, gaming became ingrained in the fabric of professional sports leagues and teams after a decades-long adversarial relationship between the sports and gaming industries.

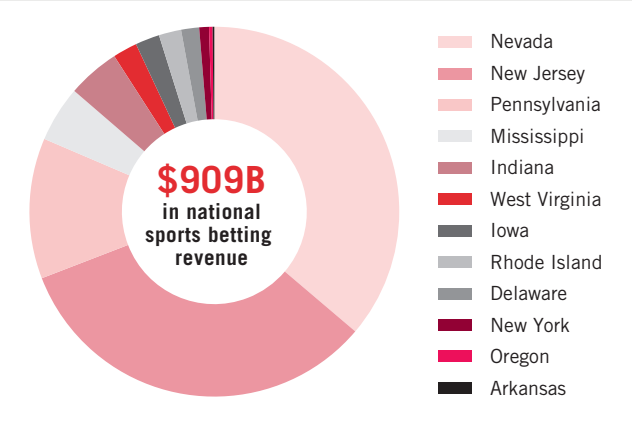
2019 kicked-off with the NFL designating Caesars Entertainment as the league's first official casino sponsor, granting Caesars the right to use NFL trademarks within its casino-resort properties across the U.S. and in the United Kingdom. Prior to that deal, the NFL had loosened marketing rules to allow individual teams to enter into marketing partnerships with casinos so long as those partnerships did not extend to sports betting. "Our approach is a bit of festina lente; take your time, but be aggressive as you go," said Christopher Halpin, the NFL's chief strategy and growth officer, during an appearance at an industry conference in November. As the sport that draws the highest television ratings in the U.S. and attracts the largest percentage of betting handle, the NFL's full buy-in on legal sports betting became a significant domino to fall.

In 2019, major leagues and teams continued to embrace the new era of legal sports wagering across America by negotiating nearly three-dozen official partnerships with casino and sportsbook operators. These relationships expanded beyond partnerships in many cases. For the first time ever, many states passed laws allowing for sportsbooks inside of professional sports arenas.

Most notably, the District of Columbia law enacted in May 2019 authorized sports wagering at D.C.'s four main sports arenas, among other locations. Illinois also passed legislation authorizing sports wagering within the vicinity of seven sports arenas. Monumental Sports, the owner of Washington Wizards, Capitals, and their home, Capital One Arena, announced a ground-breaking partnership to establish a William Hill-branded retail sportsbook at the arena in Downtown DC—the first of its kind.

United States: Sportsbook Revenue Split by State

2019



SOURCE: State regulators

Unsurprisingly, the first full year since the U.S. Supreme Court ruling saw significant revenue growth in legal sports wagering across America.

Americans wagered $13.04 billion on sports in commercial casinos in 2019—more than double the $6.58 billion legally wagered in 2018. After bringing in more than $430.7 million in revenue in 2018, total revenue from sports betting in 2019 topped $908.9 million nationwide, including with state lottery operators in Delaware and Oregon. These figures don't include sportsbooks in tribal casinos in Mississippi, New Mexico, New York, and Oregon.

Of note, even with more options to bet nationally, Nevada reported that its handle was up more than six percent to $5.3 billion, marking 10 straight years of record growth.

Mobile continued to play a major role in sports betting's evolution. New Hampshire, Tennessee, and Washington, DC, previously closed to casino gaming, have embraced sports betting on a mobile platform. In New Jersey and Pennsylvania, both early sports betting adopters, mobile wagering regularly makes up approximately 80 percent of the market and year-over-year mobile revenue is up considerably every month.

More states got in on the action in 2019. At the start of the year, eight states offered legal, single-game sports betting. By December, this grew to a total of 14 states with legal sports betting, as sportsbooks went live in Arkansas, Indiana, Iowa, New Hampshire, New York, and Oregon.

It was also another transformational year at the legislative level. In total, nine states (Colorado, Illinois, Indiana, Iowa, Michigan, Montana, New Hampshire, North Carolina, Tennessee) plus the District of Columbia and Puerto Rico enacted legislation to authorize sports wagering.

On the legislative front, sports leagues continued to advocate for policy measures that would financially benefit themselves. Although most states continued to shun league proposals for a royalty—or "integrity fee"—based on the amount wagered on their games, some states enacted mandates regarding data, information-sharing, and input into permitted bet types.

After meeting heavy resistance to the concept of a royalty, a coalition of the NBA, MLB, and PGA Tour abandoned the request and shifted towards asking legislators to mandate the use of leagues' "official data" to settle wagers. In May 2019, Tennessee became the first state to adopt legislation that includes a requirement for sportsbook operators to purchase official league data to settle in-play wagers from the league or its authorized data providers, with leeway for regulators to waive the requirement only if official data is not made available on "commercially reasonable terms."

By the end of 2019, both Illinois and Michigan passed laws with comparable data requirements. Similarly, Colorado and Indiana's legislative frameworks gave sports leagues a direct line to regulators regarding allegedly risky bet types, allowing leagues to petition for such bet types to be disallowed.

Meanwhile, new laws or regulations in Colorado, Indiana, Iowa, and Tennessee restricted proposition bets on the individual performance of college athletes, reflecting a policy preference of the National Collegiate Athletic Administration (NCAA).

Finally, throughout 2019, certain sports leagues also asked for real-time access to sportsbooks' anonymized bet-level data to assist leagues in monitoring for suspicious betting patterns. By the end of the year, only Tennessee had granted that policy request, although regulators in Illinois may also require real-time information sharing under certain conditions.

With more than a dozen states offering legal sports betting, substantial progress in the relationship between the sports and gaming industries, and steps taken toward having gaming facilities within actual sports venues, the first full year of expanded legal sports betting was truly remarkable.

Maryland

In 2019, total statewide commercial casino gaming revenue was $1.76 billion, up 0.6 percent. The modest increase reflects the maturation of Maryland's commercial gaming market since the state's sixth and final casino opened in 2016.

NUMBER OF COMMERCIAL CASINOS

6

CASINO FORMAT

Land-Based Casinos; Racinos

REGULATORY AUTHORITY

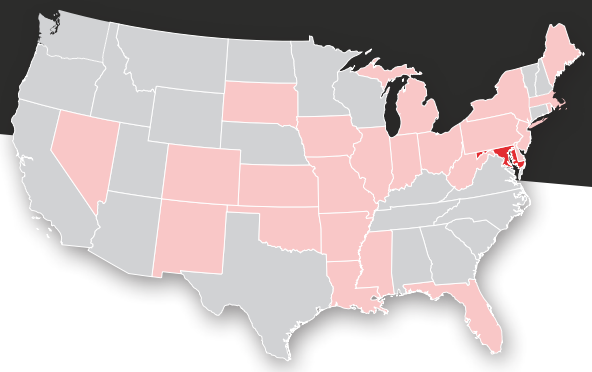
Maryland Lottery and Gaming Control Agency; Maryland Lottery and Gaming Control Commission

GROSS CASINO GAMING REVENUE 2019

$1.76B

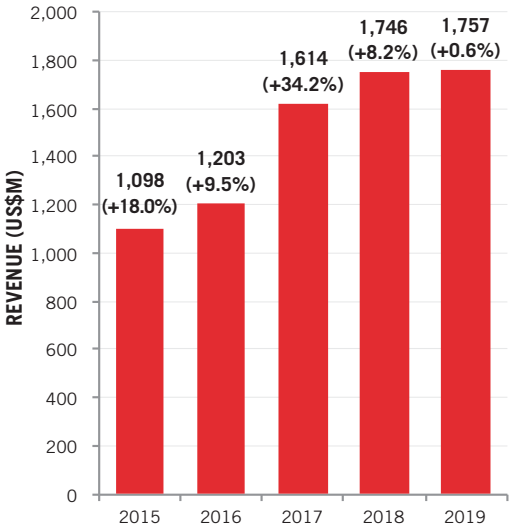
GAMING TAX REVENUE 2019

$727.0M



Maryland: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Maryland Lottery and Gaming Control Agency

Market Overview

Maryland offers commercial casino gaming at five land-based casinos and one racino, each of which operates electronic gaming devices and table games. The casinos are regulated by the Maryland Lottery and Gaming Control Agency (MLGCA), which relies on a seven-member advisory commission to determine the outcome of licensing investigations and oversee internal controls and law enforcement matters related to the facilities.

Commercial casino gaming was first approved in 2008 when Maryland voters passed a constitutional amendment allowing a total of five casinos limited to electronic gaming devices. The state's first casino—Hollywood Casino Perryville—opened in 2010.

The market expanded in 2012 when lawmakers and voters authorized table games at all casino properties as well as a license for a sixth commercial casino in Prince George's County, near Washington D.C. The sixth casino, MGM National Harbor, opened in December 2016.

In accordance with the 2012 expanded gaming law, Maryland's six commercial casinos can house no more than a combined

16,500 electronic gaming devices. There are also limits on the number of electronic gaming devices at individual casinos in different parts of the state.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.76 billion, up 0.6 percent compared to 2018.

The modest growth reflected a decline in table game revenue, which historically has represented a higher proportion of overall commercial casino gaming revenue in Maryland relative to other states. In 2019, table game revenue was $618.7 million, down 5.4 percent versus 2018. In contrast, revenue from electronic gaming devices was $1.14 billion, up 4.2 percent.

Electronic gaming devices accounted for approximately 65 percent of total gaming revenue in Maryland in 2019, compared with a national average of around 77 percent.

Although MGM National Harbor remained the third most lucrative commercial casino outside Nevada in 2019, the property suffered its first annual decline in revenue since opening in 2016. The casino's annual gaming revenue fell 0.3 percent to $707.0 million. Elsewhere, Horseshoe Casino in Baltimore saw revenue fall by 9.8 percent to $237.9 million, but Live! Casino & Hotel—situated along the Baltimore-Washington corridor—reported a 3.9 percent increase to $600.9 million.

The Greater Baltimore-Washington D.C. commercial gaming market, which also includes Hollywood Casino in West Virginia, remained the fourth largest in the country in 2019, behind only the Las Vegas Strip, Atlantic City, and Chicagoland.

Top 20 U.S. Commercial Casinos by Gaming Revenue

2019

Despite suffering its first ever decrease in annual gaming revenue, MGM National Harbor remained the third most lucrative commercial casino in the U.S. outside Nevada in 2019. Maryland's Live! Casino & Hotel remained in seventh position.

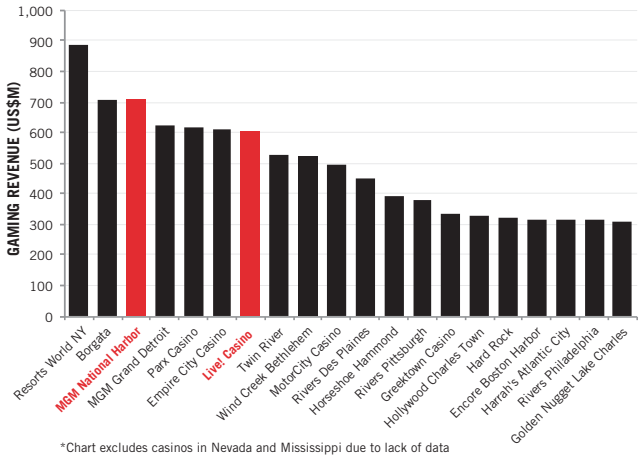


*Chart excludes casinos in Nevada and Mississippi due to lack of data

SOURCE: GCRS estimates, State Gaming Commissions

Gaming Tax Distribution

Maryland's commercial casinos pay some of the country's highest tax rates on proceeds from electronic gaming devices—between 40 and 61 percent, depending on the specific casino.

Meanwhile, table games are taxed at 20 percent. In addition to taxes on revenue, casinos must pay an annual assessment of $425 per electronic gaming device and $500 per table game to help fund responsible gambling programs.

Overall in 2019, Maryland's commercial casinos generated total gaming tax revenue of $727.0 million, up 2.4 percent from 2018. The higher growth in gaming tax revenue relative to underlying casino gaming revenue reflected the contrasting performance of electronic gaming devices versus lower-taxed table games during the course of the year.

Of the gaming tax total, approximately $452.6 million was distributed to Maryland's Education Trust Fund, which supports public education and construction of new schools, including public colleges, throughout the state. In addition, approximately $62 million was distributed in the form of local impact grants and contributions to local governments.

The remaining tax revenue supported the state's horse racing industry, responsible gaming initiatives, and the state general fund.

Competitive Landscape

Maryland's six commercial casinos operate in an increasingly competitive Mid-Atlantic region that includes properties in Delaware, eastern Pennsylvania and New Jersey. The state's three largest casinos—MGM National Harbor, Live! Casino, and Horseshoe Casino Baltimore—also compete with Hollywood Casino in Charles Town, West Virginia, for customers in the Baltimore–Washington D.C. metro area.

Regional competition intensified in 2019 with the launch of internet gaming and electronic gaming devices at select truck stops in Pennsylvania, with several new mini-casinos set to follow—including one venue situated near the Maryland border.

Meanwhile, expanded gaming has also started to gain traction in neighboring Virginia. Legislation passed by Virginia's General Assembly in 2019 would authorize up to five commercial casinos in designated cities, pending a second vote to enact the bill in 2020 following lawmakers' review of an official study on expanded gaming.

Although none of the five cities earmarked to host casinos is particularly close to a Maryland casino, the official study conducted on behalf of lawmakers raised the prospect of an additional casino venue in more populous northern Virginia.

Policy & Regulatory Review

eSports

In April 2019, Gov. Larry Hogan (R) signed a bill to clarify that competitive video-game tournaments—or eSports—are not prohibited by Maryland gaming laws.

Prior to 2019, video-game developers had frequently prohibited Marylanders from playing in online eSports contests offering cash prizes to winners. The new law specified that eSports events are permissible provided their outcomes are determined mainly by the skill of the participants.

The bill was amended during the legislative process to remove language that would have eliminated the possibility of players' wagering on the outcome of an eSports event.

Sports Betting

Maryland lawmakers conducted several hearings on sports betting in 2019 as they deliberated over various bills that were introduced during the legislative session.

No action was ultimately taken, however, with legislators instead postponing debate to 2020 when sports betting could potentially be placed on the November ballot for a statewide referendum.

New forms of gaming in Maryland must be approved by voters and proposals from some lawmakers to instead authorize sports betting as a new lottery offering—thus bypassing the referendum requirement—failed to pick up steam.

Another point of tension during 2019's discussions on sports wagering was whether Maryland should permit sportsbooks at racetracks as well as at commercial casinos.

Massachusetts

In 2019, total statewide commercial casino gaming revenue was $718.5 million, up 163.1 percent. The year-over-year increase reflected the first full 12 months of operations at MGM Springfield, as well as the opening of Greater Boston's first casino in June.

NUMBER OF COMMERCIAL CASINOS

3

CASINO FORMAT

Land-Based Casinos; Racinos

REGULATORY AUTHORITY

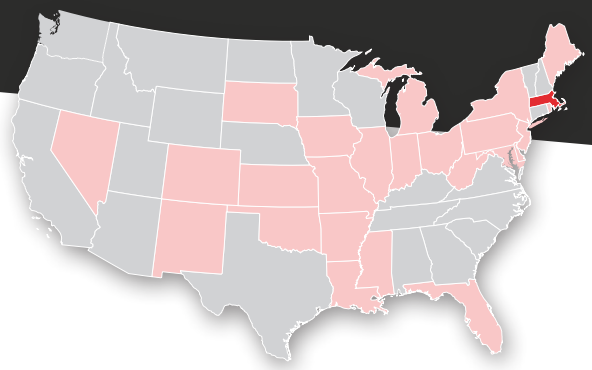
Massachusetts Gaming Commission

GROSS CASINO GAMING REVENUE 2019

$718.5M

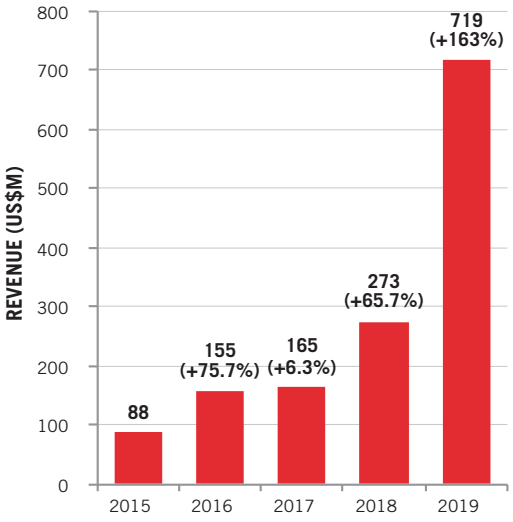
GAMING TAX REVENUE 2019

$216.1M



Massachusetts: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Massachusetts Gaming Commission

Market Overview

Massachusetts offers commercial casino gaming at two casino-resorts operating electronic gaming devices and table games and at one racino, which is restricted to electronic gaming devices.

In 2011, the legislature, after multiple failed attempts, passed a law authorizing commercial gaming at three casino-resorts in different regions of the state, plus an additional "Category 2" facility limited to electronic gaming devices. The law also established the Massachusetts Gaming Commission to issue licenses for the four properties and to regulate their operations.

The Category 2 license was awarded to Plainridge Park, a harness racing track in Plainville, which opened an adjoining casino in 2015. The first casino-resort license was awarded to MGM Resorts, which opened a two million-square-foot complex in Springfield in August 2018. Wynn Resorts won the third license and chose Everett, just north of Boston, as the host city for a $2.5 billion casino-resort. Wynn's Encore Boston Harbor casino-resort opened in June 2019.

The license for Massachusetts' fourth and final casino was designated under the 2011 law for the Mashpee Wampanoag Tribe to develop a tribal casino in the southeastern region

of the state. The project has stalled, however, due to successful legal challenges against the federal government's decision to acquire land for the Mashpee casino.

Massachusetts' commercial casino-resort operators were required to pay an upfront license fee of $85 million and invest a minimum of $500 million developing their facilities. Plainridge Park, which is limited to electronic gaming devices, was required to pay an initial license fee of $25 million and invest $125 million in new construction.

Market Performance

In 2019, total statewide commercial gaming revenue was $718.5 million, up 163.1 percent on the prior year. Notably, 2019 marked the first full year of operations at MGM Springfield, with the revenue total also reflecting six months of contributions from Encore Boston Harbor in Everett.

Statewide revenue from electronic gaming devices was $473.7 million, up 97.7 percent versus 2018. Meanwhile, revenue from table games surged to $244.8 million, an increase of over 600 percent.

Despite not opening until late June, Encore Boston Harbor was still the most lucrative of Massachusetts' three casino gaming properties in 2019. The casino, located less than five miles from downtown Boston, generated total gaming revenue of $313.9 million through the end of December. MGM Springfield and Plainridge Park Casino posted annual gaming revenue of $252.6 million and $151.9 million, respectively.

Gaming Tax Distribution

When Massachusetts authorized commercial casino gaming in 2011 it established different tax rates for its Category 1 (casino-resort) and Category 2 (slots parlor) licensees.

Whereas Plainridge Park, which holds the Category 2 license, is subject to a 49 percent tax on electronic gaming device revenue, MGM Springfield and Encore Boston Harbor are subject to a lower rate of 25 percent on both electronic gaming device and table game revenue. The lower overall rate reflects, in part, the greater staff cost involved in the hosting of live table games, as well as the larger amounts Category 1 licensees were required to invest to develop their casino-resorts. In addition to the taxes on revenue, all commercial casino facilities must pay a $600 annual fee for each of their electronic gaming devices.

In 2019, Massachusetts' three commercial casinos generated total gaming tax revenue of $216.1 million, up 97.4 percent from 2018. The lag in tax revenue growth as compared to gaming revenue reflected the lower tax rates paid by the newly opened MGM Springfield and Encore Boston Harbor casino-resorts, relative to Plainridge Park.

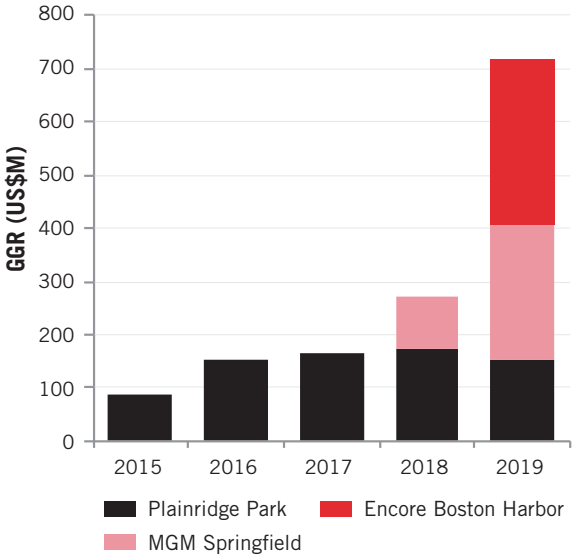
More than 80 percent of tax revenue generated by Plainridge Park is distributed to Massachusetts' Gaming Local Aid Fund, which was created under the 2011 gaming law to help support the budgetary needs of city and town governments across the state. The remaining tax revenue from Plainridge Park goes toward the state's horse racing industry.

Tax revenue from Massachusetts' casino-resorts is more broadly distributed. Beneficiaries include the Gaming Local Aid Fund, transportation and infrastructure projects, K–12 and higher education programs, a statewide economic development fund, and the horse racing industry, among other state and local community needs.

Massachusetts Annual Casino GGR

2015 to 2019

Despite not opening until June, Encore Boston Harbor immediately became Massachusetts' largest casino by total annual revenue in 2019. The casino-resort, operated by Wynn Resorts, was the eighth most lucrative commercial gaming property outside of Nevada during the second half of the year.



SOURCE: Massachusetts Gaming Commission

Competitive Landscape

While the opening in 2019 of Encore Boston Harbor means no new casino openings are on the near-term horizon in Massachusetts, the three commercial casino venues do face the prospect of expanded competition both within and beyond the state's borders.

The Mashpee Wampanoag Tribe's plans to develop a $1 billion tribal casino-resort in the city of Taunton, Massachusetts remained on hold at the end of 2019, following the federal government's move in 2018 to reverse its decision to acquire land for the project.

Still, Massachusetts' 2011 casino law does allow for the Massachusetts Gaming Commission to invite applications from other parties for a commercial casino-resort license in the southeastern region of the state if the Mashpee tribe remains unable to proceed with a tribal casino.

In Connecticut, meanwhile, a proposed casino within striking distance of the Massachusetts border, as approved by the legislature in 2017, is similarly on hold due to federal legal challenges against the project. The litigation was still ongoing at the end of 2019.

Massachusetts' commercial casinos already face significant out-of-state competition. To the south, Connecticut's two tribal casinos and Rhode Island's two commercial casinos compete with Massachusetts casino venues and have the advantage of customer databases that date back decades. In addition, both of Rhode Island's casinos opened sportsbooks at the end of 2018 before launching mobile sports wagering in 2019. Rhode Island's Twin River Casino, in particular, competes with Plainridge Park, located just 20 miles north, for customers from nearby Providence and Pawtucket.

Policy & Regulatory Review

Expansion

The fate of Massachusetts' third and final casino-resort license was in sharp focus at both state and federal level in 2019.

In May, the U.S. House of Representatives passed a bill placing land into federal trust for the Mashpee Wampanoag Tribe's tribal casino and dismissing all litigation to block the project. The bill was not taken up in the U.S. Senate before the end of the year, however.

In September, the Massachusetts Gaming Commission voted against a petition to reconsider its earlier rejection of an alternative application for a commercial casino in southeastern Massachusetts.

Although regulators determined that circumstances had not sufficiently changed since 2016 when they rejected a proposal for a commercial casino in the town of Brockton, commissioners did later resolve to open a formal consultation on the issue.

Sports Betting

In January 2019, six separate bills were introduced in the Massachusetts legislature to legalize sports betting, including one proposal by the administration of Gov. Charlie Baker (R) to legalize wagering on professional sports at land-based casinos and via online platforms.

Despite Gov. Baker including anticipated tax revenue from the legalization of sports betting in his proposed 2020 fiscal-year budget, lawmakers did not move to pass a bill during 2019, the first year of a two-year legislative session.

Instead, a joint committee of the Massachusetts House and Senate was charged with analyzing the different bills. The committee held public hearings on sports betting in May, with a view to developing a definitive piece of legislation for lawmakers to consider in 2020.

Michigan

In 2019, total statewide commercial casino gaming revenue was $1.45 billion, up 0.7 percent. The record total came in a year when Michigan lawmakers moved to legalize both internet gaming and sports betting.

NUMBER OF COMMERCIAL CASINOS

3

CASINO FORMAT

Land-Based Casinos

REGULATORY AUTHORITY

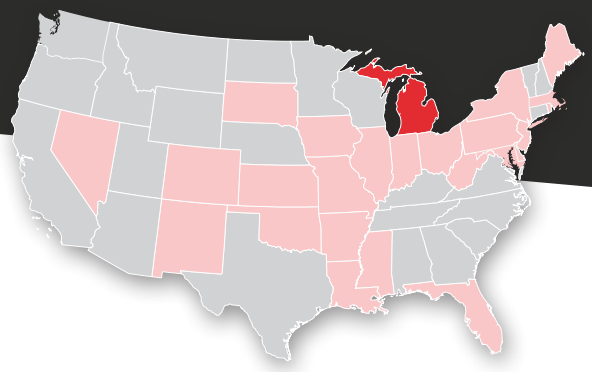
Michigan Gaming Control Board

GROSS CASINO GAMING REVENUE 2019

$1.45B

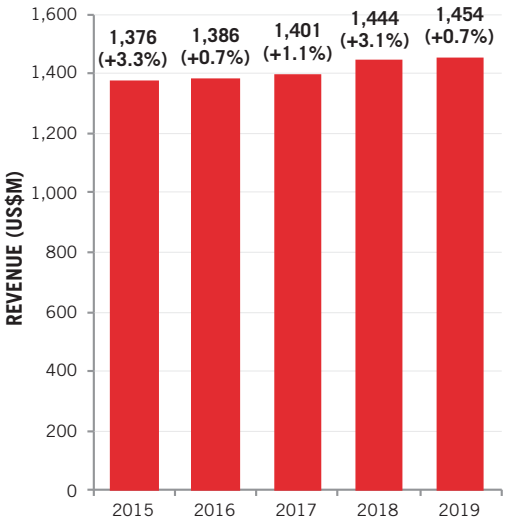
GAMING TAX REVENUE 2019

$355.7M



Michigan: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Colorado Department of Revenue

Market Overview

Michigan offers commercial casino gaming at three casinos, each of which operates electronic gaming devices and table games. The casinos are regulated by the Michigan Gaming Control Board (MGCB), which is also responsible for issuing operator and supplier licenses.

Commercial casinos were first authorized in 1996, when Michigan voters approved an initiative permitting a maximum of three casinos in Detroit. A state law passed the following year established rules to further govern the three commercial casinos.

Each of the casino operators opened temporary gaming facilities in 1999 and 2000. Since then, all three Detroit facilities have expanded to house other resort amenities, including hotel and meeting space.

In 2004, a successful ballot initiative made gaming expansion in Michigan significantly more difficult. The constitutional amendment required that any new commercial gambling facility, or the addition of electronic gaming devices at existing venues such as racetracks, must first receive the approval of a majority of voters both statewide and in the locality where gaming will take place.

In December 2019, an expanded gaming package was signed into law authorizing the state's commercial casinos and recognized Indian tribes to offer online sports betting and internet gaming. Operations will begin after the MGCB develops implementing regulations for both activities.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.45 billion, up 0.7 percent compared to 2018. It was the market's fifth consecutive year of growth and the highest gaming revenue total ever recorded, besting 2018's total.

Revenue from electronic gaming devices was $1.18 billion, up fractionally less than one percent on the prior year. Meanwhile, table game revenue rose to $278 million, a 2.2 percent increase against 2018.

Each of Detroit's three commercial casino properties reported a modest increase in revenue for the year. Michigan's largest casino, MGM Grand Detroit, posted $623.5 million in revenue, up 0.7 percent relative to 2018. Meanwhile, MotorCity Casino and Greektown Casino posted revenue gains of 0.8 percent and 0.6 percent, respectively.

Gaming Tax Distribution

Michigan commercial casino gaming revenue is taxed at 19 percent, with 10.9 percent directed to the host city (Detroit) and 8.1 percent allocated for the state. In addition to revenue-based taxes, casinos are required to remit annual services fees to state and municipal governments. The annual municipal services fee must be at least $4 million per casino.

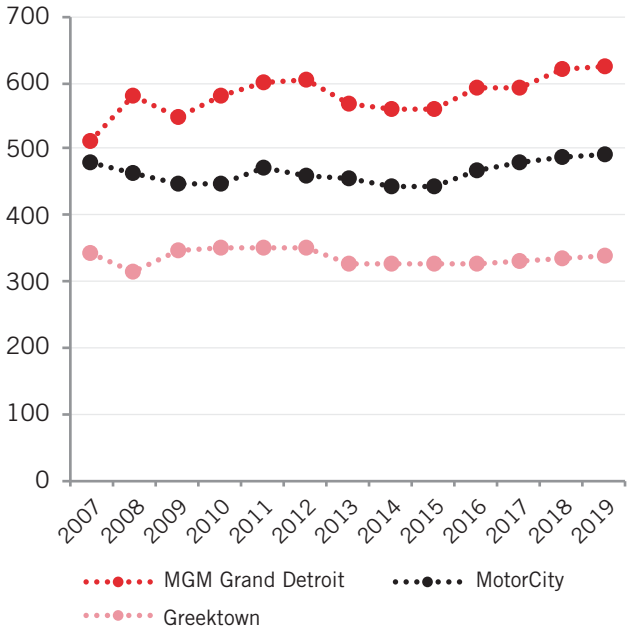
In 2019, Michigan's three commercial casinos generated estimated total gaming tax revenue of $355.7 million, up 1.7 percent from 2018.

The City of Detroit uses the gaming taxes it receives to fund a variety of public needs, including law enforcement, public safety programs, economic development and job creation programs, anti-gang and youth development programs, tax relief, and infrastructure improvements. Meanwhile, gaming tax revenue that the state receives is allocated to the Michigan School Aid Fund, which benefits K–12 public education.

Michigan: Annual Gaming Revenue by Location

2007 to 2019

MGM Grand Detroit remained the most lucrative of Michigan's commercial casinos in 2019, a year when all three properties saw a modest increase in revenue versus the prior year.



SOURCE: Michigan Gaming Control Board

Competitive Landscape

Due to the constitutional amendment passed in 2004, the number of commercial casinos in Michigan is not expected to change from the current total of three anytime soon.

The three Detroit facilities do face competition from Michigan's 24 tribal casinos, although the closest property is more than 100 miles away.

A more immediate competitive challenge comes from Caesars casino-resort in Windsor, Ontario located just minutes away from Detroit's casinos.

In addition, Hollywood Casino Toledo, located just 10 miles over the Ohio border, draws some of its business from Michigan residents. Meanwhile, Michigan's Pokagon Band of Potawatomi Indians opened a new casino in January 2018 on land just across the state border in South Bend, Indiana.

Policy & Regulatory Review

Sports Betting

In December 2019, Gov. Gretchen Whitmer (D) signed a package of gaming bills into law, including one bill to authorize online sports betting.

Land-based sports betting was not specifically authorized under the legislation. However, it is considered to fall under the general definition of a "gambling game" in Michigan's gaming act, and therefore may be offered at Detroit's commercial casinos without any expressly statutory change.

Among other things, the bill signed by Gov. Whitmer will allow each of the state's three commercial casinos and 12 Indian tribes to each offer online sports betting via one single platform, or "skin." Similar to laws also passed in Illinois and Tennessee in 2019, Michigan's legislation will require all operators to use the official data of sports leagues in order to offer in-play betting.

Michigan was the last of nine states to enact legislation authorizing sports betting in 2019.

Internet Gaming

Another bill signed by Gov. Whitmer in December 2019 made Michigan the sixth state to legalize internet gaming.

The legislation will allow the state's commercial casinos and Indian tribes to apply for separate licenses to offer online casino games and poker to players within Michigan's borders.

Notably, the enactment of the bill in December came almost exactly one year after a similar bill passed by the legislature was vetoed by outgoing Gov. Rick Snyder (R).

Similar to her predecessor, Gov. Whitmer, who took office in January 2019, raised concerns that internet casinos could cannibalize the state's revenue from its successful online lottery program. Under the final version of the bill passed by lawmakers, revenue from internet gaming will be taxed between 20 and 28 percent. The earlier version vetoed by former Gov. Snyder would have applied a state tax of 8 percent.

Regulatory Reform

Also in December 2019, Gov. Whitmer signed various amendments to the state's gaming act into law.

Among other things, legislation passed by lawmakers and approved by the governor streamlined licensing and reporting processes for gaming suppliers, while also lowering the licensing threshold for investors in gaming companies.

Online fantasy sports contests and online wagering on horse races were also legalized in Michigan for the first time.

IN FOCUS

Tribal Gaming

© Igor_Kopitilin / Shutterstock.com

Tribal gaming saw further growth in 2019 as Indian tribes continued a trend of looking to export their expertise into the commercial casino gaming industry, while also dipping their toes in the waters of legal sports betting.

At the end of 2019, there were 524 tribal casinos operating in 29 states, according to data from the National Indian Gaming Commission (NIGC), compared with 465 commercial casinos in 25 states

In September 2019, NIGC released a report showing tribal gaming operations posted record revenue of $33.72 billion in 2018, an increase of 4.1 percent increase on the prior year.

While figures for 2019 will not be released until later in 2020, another record total seems assured given that previous years have invariably seen tribal gaming's revenue performance mirror or even better that of the commercial gaming industry.

Given the consistent revenue growth of tribal gaming, it is not uncommon for the success to catch the eye of states looking to balance their budgets.

As 2019 drew to a close, Oklahoma Gov. Kevin Stitt (R), a member of the Cherokee Nation, was locked in a bitter legal dispute with tribes in the country's second largest tribal gaming state, including the Chickasaw, Choctaw, Citizen Potawatomie, and Muscogee Nations.

Since 2006, tribes have paid the state of Oklahoma $1.5 billion for statewide exclusivity to operate table games and more limited exclusivity over Class III electronic gaming devices. In fiscal year 2019 alone, tribes in Oklahoma provided $148.2 million to the state treasury.

In 2004, the state and the tribes agreed to a four to six percent graduated revenue-sharing rate on electronic gaming devices and 10 percent rate on table games. Gov. Stitt now wants to raise these rates to as high as 25 percent on all gaming. He claims the 2004 compact expired at the end of 2019, while the tribes maintain it automatically renewed.

The industry will be watching this dispute closely in the coming months and possibly years.

"Oklahoma was a trouble spot for Indian gaming in 2019, with the Oklahoma governor threatening to return Oklahoma to the dysfunctional times in the early 2000s when so many state resources and tribal gaming revenues went to funding litigation instead of government services," said Kevin Washburn, the dean of the University of Iowa College of Law and former assistant secretary of Indian Affairs.

In another major 2019 tribal gaming controversy, the Seminole Tribe took the unprecedented step in May of ending gaming revenue share payments to the state of Florida totalling approximately $330 million per year.

Frustrated by failed efforts to negotiate a new gaming compact with the state legislature since 2010, the Seminoles notified Gov. Ron DeSantis (R) they would cease making payments that had been used primarily to support Florida's educational system.

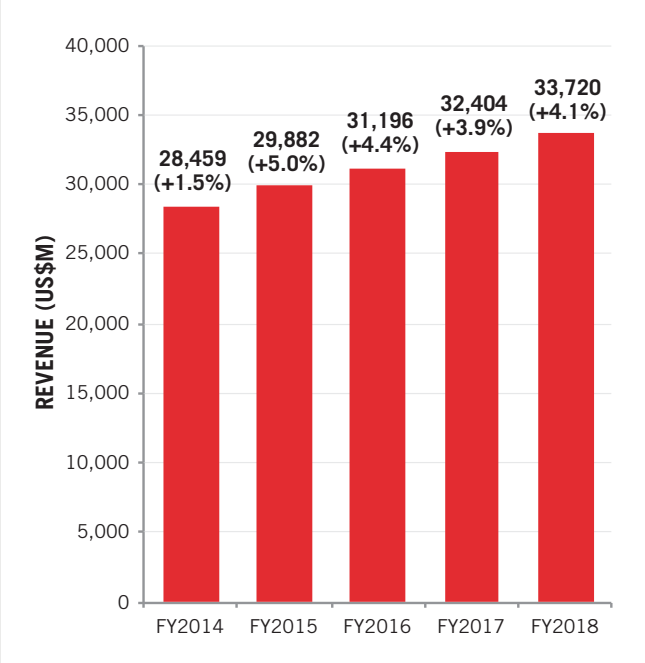
In his letter to the governor announcing the cut-off, Seminole Tribal Council Chairman Marcellus Osceola, Jr., charged Florida racetracks with continuing to violate a 2010 compact by offering lucrative designated-player card games, which a federal court has found fall under the Seminole Tribe's exclusive rights in the compact.

"There are highly-charged compact disputes in two out of the top three states in terms of tribal gaming revenue, and both disputes involve revenue-sharing payments to the state," Kathryn Rand, a law professor at the University of North Dakota School of Law, said of the conflicts in Florida and Oklahoma.

"These ongoing and high-stakes compact disputes show how politicized revenue sharing has become, particularly in those states that receive significant payments from tribes," Rand said.

United States: Tribal Casino Gaming Revenue

FY2014 to FY2018



SOURCE: National Indian Gaming Commission

Even in the midst of their battle with Gov. Stitt, Oklahoma tribes planned to expand their operations east into neighboring Arkansas, continuing a clear trend of Indian gaming tribes increasingly exporting their expertise into the commercial casino gaming sector.

In June, the Quapaw Nation of Oklahoma was awarded a license to operate one of two new commercial casinos in Arkansas. The tribe opened a temporary facility in Pine Bluff, Arkansas in October and plans to further develop the property into a $300 million casino-resort.

The Cherokee and Choctaw Nations of Oklahoma were also among bidders for another commercial casino license in Pope County, AR that had yet to be awarded by the end of 2019.

Beyond Oklahoma, the Poarch Band of Creek Indians of Alabama in May completed its eye-catching $1.3 billion acquisition of the Sands Bethlehem casino in eastern Pennsylvania from Las Vegas Sands. The tribe, which also recently bought several commercial casinos in the Caribbean, renamed the casino Wind Creek Bethlehem.

In Illinois, meanwhile, the Poarch Band of Creek Indians was joined by the Oklahoma Choctaw Nation, the Seminole Tribe of Florida plus two tribes from Wisconsin in submitting applications for one of the five new commercial casino licenses made available under a new state law passed in June.

As for federal oversight of tribal gaming in 2019, there was a changing of the guard in the nation's capital as Jonodev Chaudhuri stepped down after serving four years as chairman of the NIGC.

Chaudhuri, a member of the Muscogee (Creek) Nation, was succeeded by E. Sequoyah Simermeyer, who was nominated by President Trump and unanimously approved by the U.S. Senate in November.

The three-member NIGC is expected to play a prominent role in regulating sports betting offered by tribes due to its oversight of management contracts agreed between tribes and private gaming companies.

During his confirmation hearing before the Senate Committee on Indian Affairs in July, Simermeyer noted how the federal Indian Gaming Regulatory Act of 1988 does not prohibit tribes from operating sportsbooks.

Simermeyer, a member of the Coharie Tribe of North Carolina, also told the committee how tribes in Nevada were already accepting wagers before the U.S. Supreme Court enabled sports betting to expand nationwide in a milestone decision in May 2018.

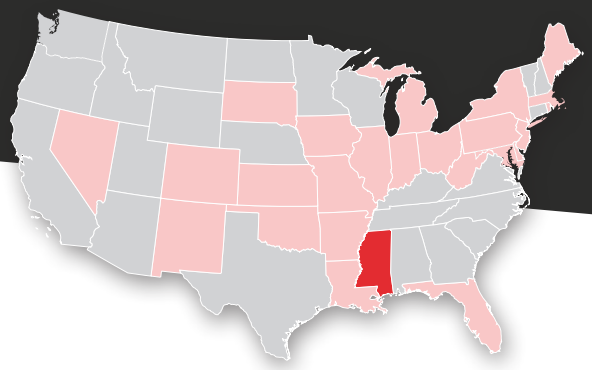
After tribes in Mississippi and New Mexico began taking bets in 2018, tribes in New York and Oregon launched sports wagering operations in 2019.

Waiting in the wings are tribes in Colorado, Iowa, Michigan, Montana, North Carolina, and Washington state.

"This is the first time in a generation where Indian gaming has begun importing outside expertise and partners from Nevada, Europe and New Jersey where sports betting markets already exist," said Chris Stearns, a former chairman of the Washington State Gaming Commission and a member of the Navajo Tribe.

Mississippi

In 2019, total statewide commercial casino gaming revenue was $2.20 billion, up 2.8 percent, as growth in revenue from sports betting bolstered the Mississippi market.



NUMBER OF COMMERCIAL CASINOS
26

CASINO FORMAT
Land-Based Casinos; Riverboat Casinos

NOTABLE FORMS OF GAMING
Sports Betting

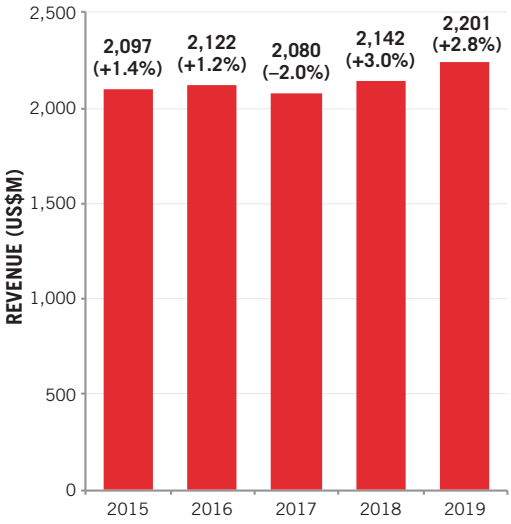
REGULATORY AUTHORITY
Mississippi Gaming Commission

GROSS CASINO GAMING REVENUE 2019
$2.20B

GAMING TAX REVENUE 2019
$261.6M

Mississippi: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Mississippi Gaming Commission

Market Overview

Mississippi offers commercial casino gaming at 26 land-based and riverboat casinos located along the Mississippi River and the Gulf Coast. The casinos, which offer electronic gaming devices, table games and sports betting, are regulated by the Mississippi Gaming Commission.

The Mississippi legislature first authorized casino gaming in 1990, strictly limiting it to facilities docked on waterways. After Hurricane Katrina in 2005, the legislature passed a new law authorizing commercial casinos on the state's Gulf Coast to rebuild on dry land so long as those casinos remained within 800 feet of the water.

Mississippi's first commercial casino, Isle of Capri Biloxi, opened in 1992 and its most recent, Scarlet Pearl Casino, opened in 2015.

While there is no statutory limit on the number of commercial casinos that can be established in Mississippi, casino projects must meet certain minimum criteria in order to receive a license. Under regulations enacted in 2013, any new casino must offer at least 300 hotel rooms, a minimum 40,000 square-foot gaming floor, a fine-dining restaurant, and a further "amenity" unique to the Mississippi market that will encourage tourism.

Following a sustained decline in gaming revenue at casinos along the Mississippi River, two casinos in Tunica in northwestern Mississippi were permanently closed in 2019—Tunica Roadhouse Casino in January and Resorts Casino in June.

Mississippi became the fourth state to offer single-game sports betting on August 1, 2018, exactly 26 years from the day the state's first commercial casino opened on the Gulf Coast. Unlike other states, Mississippi did not have to pass a specific law to authorize sports betting; instead, sports wagering has been interpreted to fall under the broader range of gaming activities permitted by the state's casino gaming statute.

Market Performance

In 2019, Mississippi's commercial casinos generated total gaming revenue of $2.20 billion, up 2.8 percent relative to 2018.

Unlike in previous years, growth was spread across the state's dozen commercial casinos situated on the Gulf Coast and its riverboat casinos in the Mississippi River market. Gulf Coast casinos reported total gaming revenue of $1.31 billion in 2019, an increase of 5.9 percent compared to 2018, while casinos on the Mississippi River also reported a slight increase in revenue, reversing a long-term trend of year-over-year revenue declines.

Total statewide revenue from electronic gaming devices as reported by the Mississippi Gaming Commission was $1.78 billion, up 1.3 percent versus 2018, while table game revenue was $344.6 million, up 6.5 percent. Meanwhile, sports betting revenue in Mississippi's first full year of lawful sports wagering was $44.5 million, a near three-fold increase from 2018.

Gaming Tax Distribution

Mississippi imposes a graduated tax based on monthly gaming revenue. Casinos pay a 4 percent tax on gaming revenue that falls below $50,000 per month; 6 percent on revenue between $50,000 and $134,000 per month; and 8 percent on gaming revenue exceeding $134,000.

In addition, each of the local Mississippi municipalities that host commercial casinos charge an additional annual license fee at an average rate of 3–4 percent of gaming revenue. Revenue from sports wagering is taxed at the same state and local rates as revenue from traditional casino games. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, Mississippi commercial casinos contributed $261.6 million in direct gaming taxes, up 1.5 percent from 2018, according to statistics collected by the Mississippi Gaming Commission.

Roughly half of all gaming tax revenue in Mississippi is distributed to the state's General Fund, which is then appropriated to support various state budgetary needs, including education programs, transportation, local public safety programs, and social welfare initiatives.

Some $88 million worth of gaming tax revenue in 2019 was transferred to local governments that host casinos. A further $3 million is also allocated each month for Mississippi's Special Bond Sinking Fund, which is mainly used to pay for improvements to state roads and bridges.

Competitive Landscape

Mississippi's commercial casinos compete in a crowded statewide gaming market that also includes three tribal casinos owned by the Mississippi Band of Choctaw Indians. Unlike the 26 commercial properties along the Gulf Coast and the Mississippi River, the three tribal casinos are located in the center of the state. They do, however, compete with four commercial casinos in Vicksburg for customers from Jackson—the state's largest city.

Commercial casino operators also face significant competition from properties in neighboring states.

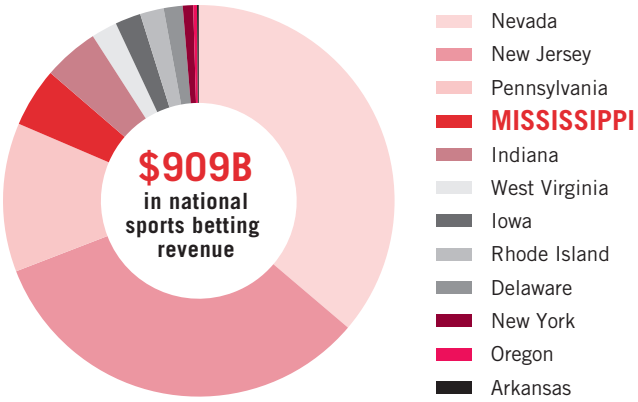
Following approval of a state constitutional amendment in November 2018, Arkansas in 2019 launched commercial casino gaming at three properties, including a racino in West Memphis. The racino, Southland Casino Racing, had formerly been restricted to a more limited range of electronic gaming devices that were nevertheless a competitive threat to Mississippi commercial casinos in Tunica. Further, two Arkansas casinos also launched sports betting in 2019, forcing Mississippi to relinquish its claim as the only state in the south with legal sports wagering.

In southern Mississippi, Gulf Coast casinos draw some of their business from Louisiana residents. Although Louisiana was not successful in authorizing sports betting in 2019, new regulations and legislation adopted during the year will allow Louisiana riverboat casinos to expand their operations and lead to a future expansion of the Harrah's New Orleans land-based casino.

United States: Gross Sportsbook Revenue By State

2019

Mississippi commercial casinos reported $44.5 million in total sports wagering revenue in 2019, up significantly from $15.2 million the prior year. Despite the significant growth, Mississippi was surpassed as the U.S.' third largest sports betting market by Pennsylvania, reflecting the launch of online sports wagering in the Keystone State.



SOURCE: State regulators

Policy & Regulatory Review

Sports Betting

During the 2019 legislative session, the Mississippi legislature considered two separate bills that sought to legalize online sports betting.

Despite evidence from New Jersey and other markets underscoring the significant revenue potential of mobile wagering, neither a bill in the House nor the Senate was able to garner enough support and both proposals died in committee.

Under current Mississippi law, sports betting is strictly limited to the premises of licensed casinos, although regulations do allow for bets to be placed via patrons' mobile devices when located on the casino property.

State Lottery

In November 2019, Mississippi became the 45th state to offer state-operated lottery games when the Mississippi Lottery began selling instant lottery games at various retail locations across the state. The lottery was approved through legislation signed into law in 2018.

The launch of lottery games in Mississippi left only Alabama, Alaska, Hawaii, Nevada, and Utah without a state lottery.

Missouri

In 2019, total statewide commercial casino gaming revenue was $1.73 billion, down 1.4 percent, amid a drop in revenue from electronic gaming devices.

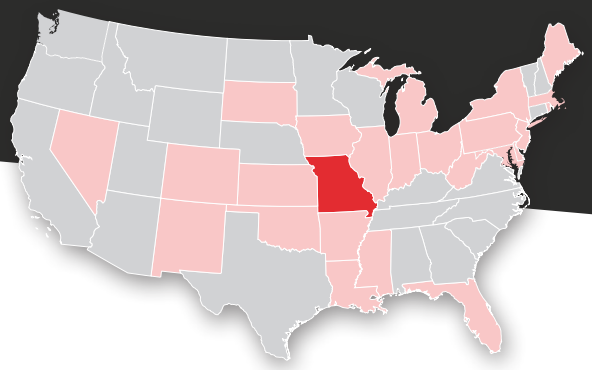
NUMBER OF COMMERCIAL CASINOS
13

GROSS CASINO GAMING REVENUE 2019
$1.73B

CASINO FORMAT
Riverboat Casinos

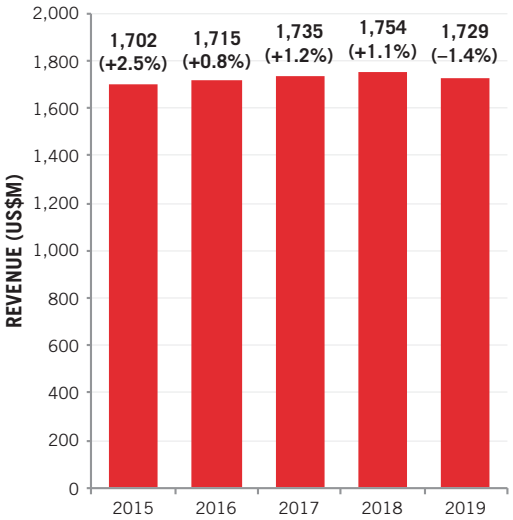
GAMING TAX REVENUE 2019
$436.6M

REGULATORY AUTHORITY
Missouri Gaming Commission



Missouri: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Missouri Gaming Commission

Market Overview

Missouri offers commercial casino gaming at 13 riverboat casinos, each of which operates electronic gaming devices and table games. The casinos are regulated by the Missouri Gaming Commission.

In 1992, Missouri voters approved a constitutional amendment to allow "gambling excursion boats" on the Missouri and Mississippi rivers, subject to approval from voters in casinos' host communities. The state's first commercial casino, the President Riverboat Casino, opened the following year.

In 1998, voters approved a referendum allowing riverboat casinos to "float" on artificial moats rather than an actual river. As a result, several riverboats are today virtually indistinguishable from land-based casinos. The most recent casino, Isle Casino Cape Girardeau, opened in 2012.

In accordance with a 2008 state constitutional amendment, no additional commercial casinos can be added to the Missouri market without the approval of voters via a statewide constitutional referendum.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.73 billion, down 1.4 percent compared to 2018. It was the market's first revenue decline in five years, as growth in table game revenue was offset by a dip in revenue from electronic gaming devices.

Statewide revenue from electronic gaming devices was $1.47 billion, down 1.9 percent versus 2018. In contrast, table game revenue was $256.9 million, up 1.5 percent. Continuing a trend of declining visitation to Missouri casinos, total casino admissions in 2018 dropped to 36.7 million, some 3.3 million fewer guests than 2018.

Gaming Tax Distribution

Missouri commercial casino gaming revenue is taxed at 21 percent. Additionally, there is a $2 admission fee for every two hours that each patron is on board a riverboat.

In 2019, Missouri's commercial casinos generated total gaming tax revenue of $436.6 million, including admissions fees, down 2.2 percent from 2018.

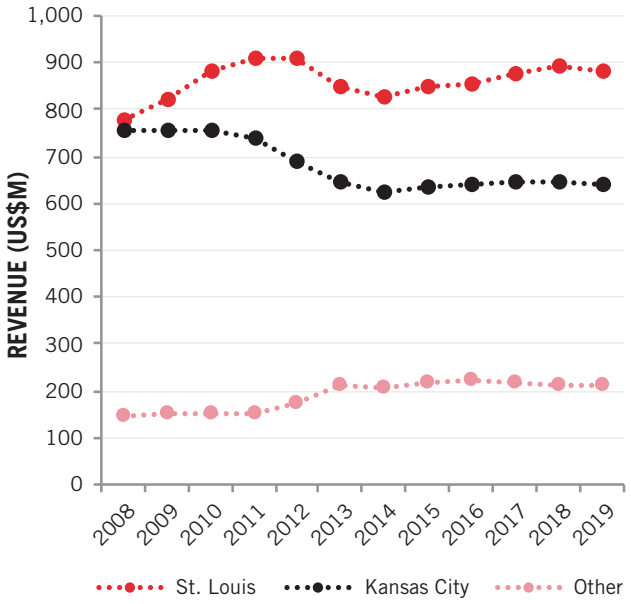
The vast majority of gaming tax revenue, approximately $327 million in 2019, is reserved for Missouri's Gaming Proceeds For Education Fund. The fund was created by the Missouri legislature in 1993 and distributes monies annually to statewide education programs.

Elsewhere, approximately $73 million in gaming taxes and admissions fees were paid to local governments that host Missouri's casinos, while some $36 million was set aside for additional social causes, including responsible gaming initiatives, that are supported by a state gaming fund.

Missouri Casinos: Annual Gaming Revenue Growth by Area

2008 to 2019

Riverboat casinos serving the St. Louis and Kansas City markets accounted for a combined 87.8 percent of statewide commercial gaming revenue in 2019. Since the 2011 opening of a casino on the Kansas side of the border, revenue from Missouri casinos serving Kansas City has declined by 15.6 percent.



SOURCE: Missouri Gaming Commission

Competitive Landscape

With the final commercial casino license awarded in 2011, the state's competitive landscape for gaming is expected to remain stable for the foreseeable future.

Regionally, however, Missouri casinos contend with a robust and expanding gaming market. Casinos in the greater Kansas City and St. Louis areas face direct competition from rival properties in Kansas City, Kansas, and in East St. Louis, Illinois, respectively.

Thanks to new gaming legislation passed in Illinois in 2019, St. Louis casinos are also set to face additional competition in the coming years. Among other things,

the Illinois legislation will allow Fairmount Park racetrack near East St. Louis to offer electronic gaming devices, table games and sports betting, while a nearby motor speedway will be eligible to host a sportsbook.

Along the short Missouri-Oklahoma border, four casinos operated by Oklahoma tribes attract customers from across the state line. To the north, Iowa boasts more than 20 casinos, including two within 50 miles of the Missouri border. Meanwhile, to the south, Arkansas has authorized up to four commercial casinos, although none less than 100 miles away from the Missouri state line.

In recent years, Missouri casinos in the eastern part of the state have also faced increased competition from the rapid growth of electronic gaming devices (VGTs) at non-commercial casino locations, such as bars and truck stops, in Illinois. Under Illinois' 2019 gaming legislation, the state's VGT locations may install extra devices and offer higher maximum wagers and jackpots.

Policy & Regulatory Review

Sports Betting

Missouri's 2019 legislative session saw the introduction of several bills seeking to legalize sports betting. However, despite a series of hearings and approval of at least two bills by legislative committees, nothing was passed by either the House or Senate.

In December, a report released by a special House committee convened to study gaming issues described sports betting as an opportunity to increase state tax revenue, with Missouri likely to lose revenue if it fails to remain competitive with neighboring states. Notably, neighboring Illinois and Iowa were among the nine states that enacted sports wagering laws in 2019.

Illegal Gaming

Another issue studied closely by the House Special Interim Committee on Gaming was the proliferation of unregulated gaming devices in bars, convenience stores, and various other locations in Missouri.

The committee's December report estimated the number of so-called "grey machines" in Missouri at over 14,000, providing significant competition to commercial casinos as well as the state lottery.

Although Missouri law enforcement has taken action to crack down on the unregulated gaming devices, machine owners have sought to defend their operations in court, claiming the devices offer games of skill that are not subject to state prohibitions on illegal gambling.

In its report, the House committee said lawmakers should consider whether to regulate convenience devices, in the absence of legal clarity in the area.

During the 2019 legislative session, a bill authorizing the Missouri Lottery to operate electronic gaming devices at truck stops and other venues was approved by a Senate committee but never brought up for a vote on the Senate floor.

Nevada

In 2019, total statewide commercial casino gaming revenue was $12.03 billion, up 1.0 percent. Nevada also reported record annual revenue from sports betting, despite losing its national sports wagering monopoly in mid-2018.

NUMBER OF COMMERCIAL CASINOS

219

CASINO FORMAT

Land-Based Casinos

NOTABLE FORMS OF GAMING

Internet Poker; Sports Betting

REGULATORY AUTHORITY

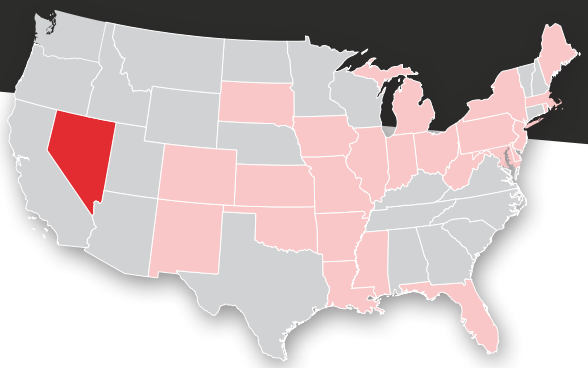
Nevada Gaming Control Board; Nevada Gaming Commission

GROSS CASINO GAMING REVENUE 2019

$12.03B

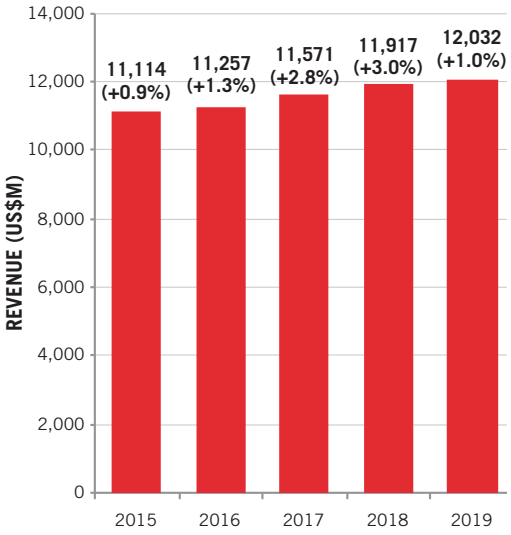
GAMING TAX REVENUE 2019

$969.3M



Nevada: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Nevada Gaming Control Board

Market Overview

America's oldest commercial casino market by nearly 50 years, Nevada continues to be a premier international gaming destination welcoming millions of visitors to its casino-resorts each year. Despite the proliferation of commercial casinos across nearly two dozen additional states since the 1990s, Nevada still dwarfs all other gaming markets, accounting for nearly half of all commercial casinos in the U.S. and more than a quarter of nationwide gaming revenue.

Following the Supreme Court ruling in May that eliminated the federal prohibition on sports betting, Nevada lost its standing as the only U.S. state permitted under federal law to offer single-game wagering on professional and amateur sporting events. At the end of 2019, fourteen states, including Nevada, had operational sportsbooks within one or more of their commercial or tribal casinos.

In 2011, Nevada also became the first state to adopt regulations for legal internet gaming. Limited to online poker games, internet gaming sites commenced operations in 2013.

The state's commercial casinos are regulated by the Nevada Gaming Control Board (NGCB) and Nevada Gaming Commission (NGC). All casinos are required to obtain a "non-restricted"

gaming license, issued by the NGC, in order to operate in the state. Retail establishments with gaming as an incidental part of their business, such as bars and convenience stores, generally require a "restricted" gaming license and can operate no more than 15 electronic gaming devices.

There is no cap on the number of restricted or non-restricted licenses available in Nevada or on the number of electronic gaming devices or table games that may be offered at each casino in the state. However, under state law, only holders of non-restricted gaming licenses are eligible to obtain licenses to operate sports betting or internet poker games.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $12.03 billion, up 1.0 percent compared to 2018. The total represented the state's fifth consecutive year of growth and marked the first time total statewide gaming revenue surpassed $12 billion since 2007.

Total revenue from electronic gaming devices was $7.93 billion, up 2.9 percent relative to 2018. In contrast, revenue from table games was $3.76 billion, down 3.7 percent, reflecting a decrease in revenue from baccarat, historically the most volatile game due to its popularity with international high-roller players.

Despite expanded competition from other states, Nevada sportsbooks brought in a second consecutive year of record revenue in 2019. Total annual revenue from sports betting in Nevada was $329.0 million, up 9.3 percent versus 2018.

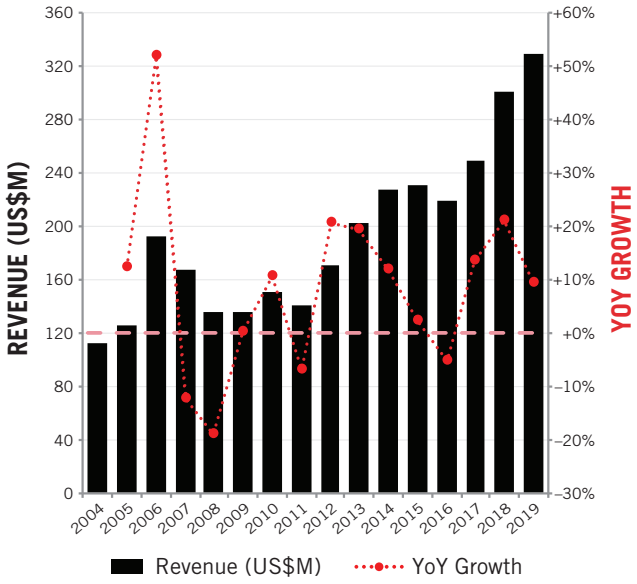
As in previous years, the Las Vegas Strip continued to account for over half of all statewide gaming revenue, even though overall growth in gaming revenue in 2019 was driven by other markets in Las Vegas and elsewhere in Nevada.

In 2019, total gaming revenue at commercial casinos on the Las Vegas Strip was $6.59 billion, essentially unchanged from 2018. Excluding the Strip, total statewide casino gaming revenue was $5.44 billion, up 2.0 percent.

Sports Betting Revenue and Year-Over-Year Growth

2004 to 2019

Nevada sportsbooks reported record sports betting revenue of $329.1 million in 2019, despite facing expanded out-of-state competition during the first full year since the U.S. Supreme Court ruling that ended the state's de facto national monopoly on legal sports wagering.



SOURCE: Nevada Gaming Control Board

Gaming Tax Distribution

Nevada commercial casinos are subject to a state tax of 6.75 percent on all gross gaming revenue exceeding $134,000 per month, with lower rates applying to revenue below that threshold.

Casino operators are also subject to a tax on live entertainment offerings hosted within their resorts. Quarterly and annual fees are also assessed according to the number of electronic gaming devices and table games installed on their casino floors.

Meanwhile, host counties and municipalities may impose additional fees. Nevada sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, Nevada collected a total of $969.3 million in state gaming and live entertainment tax revenue from commercial casinos, a 14.0 percent increase from $850.6 million in 2018. Notably, reported tax revenue does not align with 2019's increase in underlying gaming revenue due to the timing of state tax collections, which are generally assessed against the revenue reported by operators during the prior month.

Nevada commercial casinos generated state gaming tax revenue of approximately $859.1 million from levies and fees assessed against their gaming revenue or game offerings. A further $110.2 million was collected from casino-resorts by state gaming regulators in the form of taxes on live entertainment.

In accordance with state law, the vast majority of tax revenue from gaming is directed to Nevada's General Fund, then redistributed on a biennial basis, at the direction of the legislature, for purposes including statewide education programs, transportation services and general budgetary needs. Additional monies are funneled to local school systems and county governments.

Competitive Landscape

As one of the world's foremost destinations for entertainment and business conventions, Las Vegas faces a somewhat different competitive environment than most other U.S. gaming markets.

While Las Vegas' commercial casinos compete for drive-in patrons to some extent with southern California tribal casinos, the city as a whole also competes with various national and international locations for discretionary tourist and business traveler dollars.

Although a range of major non-gaming entertainment amenities are being developed by Las Vegas casino-resorts, the competitive environment at least in terms of gaming supply is expected to remain largely stable until the middle of 2021 when the $4.3 billion Asian-themed Resorts World Las Vegas is scheduled to open at the north end of the Las Vegas Strip.

Other casino-resort projects under development in Las Vegas include The Drew, a $3 billion resort scheduled to open in 2022 practically opposite Resorts World Las Vegas, and Circa Resort & Casino, which is due to open in Downtown Las Vegas in late 2020.

Outside of Las Vegas, commercial casinos in Reno and other parts of northern Nevada have historically been impacted by competition from the dozens of tribal casinos in northern California. Two new tribal casino-resorts were opened in the Sacramento area in 2019, with another major tribal casino under development and expected to open in 2021.

Policy & Regulatory Review

Corporate Social Responsibility

In November 2019, the Nevada Gaming Commission updated the state's gaming regulations to impose formal requirements on licensed operators and suppliers to provide their employees with protections against workplace harassment.

Among other things, the new regulatory requirements oblige licensees to maintain written policies and procedures to prevent harassment and discrimination based on an employee's nationality, race, religion or sexual orientation.

In 2018, the Nevada Gaming Control Board recommended an earlier set of more specific regulations and standards to guard against sexual harassment in casinos, but the proposals were not adopted by the five-member commission.

Regulatory Reform

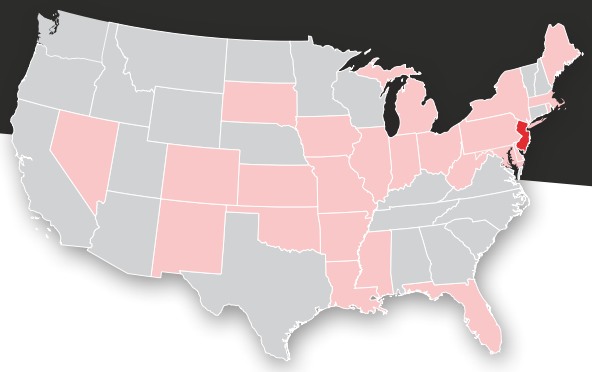
The Nevada legislature enacted several reforms to the state's gaming laws during its 2019 session.

Among other things, bills passed by lawmakers removed obsolete licensing categories and changed the type of licensure or registration required for certain activities.

The legislature also lifted a longstanding prohibition on the employment of anyone aged under 21 by any Nevada gaming licensee, with a lone exception for employment in casinos' counting rooms. In May, Gov. Steve Sisolak (D) signed a bill to allow persons aged at least 16 or above to be employed in manufacturing, game design or programming at the headquarters of licensed gaming equipment manufacturers.

New Jersey

In 2019, total statewide commercial casino gaming revenue was $3.47 billion, up 19.5 percent. The strong growth saw New Jersey recapture its position as the nation's second largest gaming state, after Nevada.



NUMBER OF COMMERCIAL CASINOS

9

CASINO FORMAT

Land-Based Casinos

NOTABLE FORMS OF GAMING

Internet Gaming; Sports Betting

REGULATORY AUTHORITY

New Jersey Division of Gaming Enforcement; New Jersey Casino Control Commission

GROSS CASINO GAMING REVENUE 2019

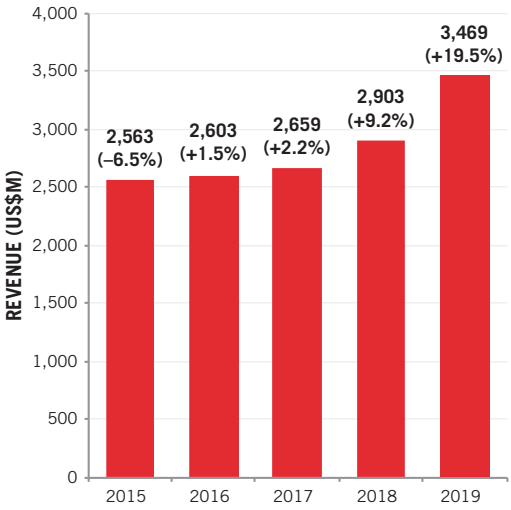
$3.47B

GAMING TAX REVENUE 2019

$349.8M

New Jersey: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: New Jersey Division of Gaming Enforcement

Market Overview

In New Jersey, there are currently nine commercial casinos operating in Atlantic City. The casinos, which each operate electronic gaming devices and table games, are regulated by the New Jersey Division of Gaming Enforcement and the New Jersey Casino Control Commission.

New Jersey voters first approved casino gaming in 1976 via a constitutional amendment that restricted casinos to Atlantic City. The state's first commercial casino opened in 1978. The New Jersey Constitution does not limit the number of casinos that can operate in Atlantic City, although state regulations do require casinos to meet certain minimum criteria regarding hotel-room offerings in order to qualify for a gaming license.

Atlantic City's gaming market has contracted in recent years partially as a result of competition from new casinos across the Northeast and Mid-Atlantic regions. However, after the closing of five casinos between 2014 and 2016, Atlantic City welcomed the reopening of two of the shuttered casino properties in 2018.

After successfully challenging a federal ban before the U.S. Supreme Court, New Jersey passed legislation in June 2018

authorizing casinos and racetracks to operate land-based and online sports betting. At the end of 2019, sportsbooks were open at eight Atlantic City casinos and two racetracks.

In addition to the brick and mortar commercial casinos in Atlantic City, New Jersey is one of four states to offer legal internet gaming, which was approved in 2013. Atlantic City casinos began deploying internet gaming platforms the same year, allowing players who are verified to be inside state lines to wager on poker and other casino games online.

At the close of 2019, a total of 24 internet casinos and 17 online sportsbooks were operational.

Market Performance

Total statewide gaming revenue reached $3.47 billion in 2019, an increase of 19.5 percent from the previous year.

The annual total was New Jersey's highest since 2010 and reflected strong growth in revenue from sports betting and internet gaming, as well as a full 12 months of contributions from two reopened commercial casinos in Atlantic City.

Total statewide revenue from electronic gaming devices was $1.92 billion, up 6.7 percent relative to 2018, while table game revenue was $764.7 million, up 7.7 percent.

Revenue growth from traditional land-based casino games was not spread evenly across casino properties in Atlantic City, however. While revenue from Hard Rock Hotel Casino Atlantic City and Ocean Casino Resort more than doubled in the properties' first full 12 months since their reopening in June 2018, each of the remaining seven land-based casinos in Atlantic City reported a decline in gaming revenue for 2019.

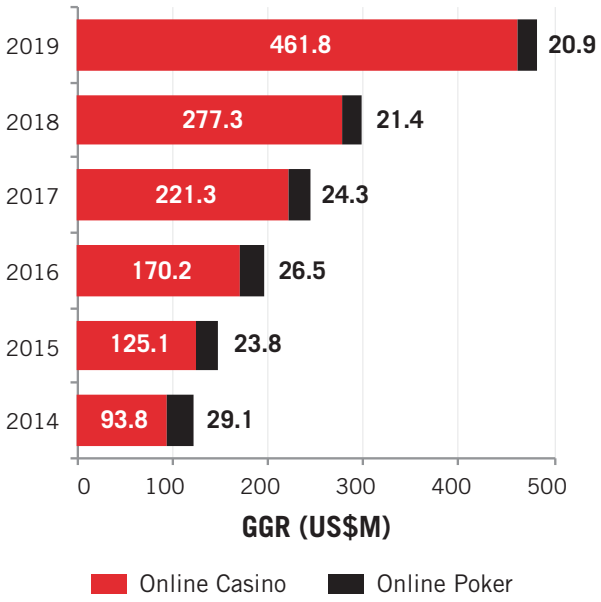
Statewide internet gaming revenue in 2019 was $482.7 million, an increase of 61.6 percent versus 2018, as online casinos were able to promote their games to a growing customer base of online sports bettors in New Jersey.

Total revenue from sports betting was $299.3 million in 2019 versus $99.3 million the previous year. Online sports betting accounted for 81.6 percent of the 2019 revenue total.

New Jersey: Internet Gaming Revenue

2014 to 2019

New Jersey's licensed online casinos reported $482.7 million in annual internet gaming revenue in 2019, up 61.6 percent on the prior year. Virtual casino games accounted for more than 95 percent of the total, with peer-to-peer online poker games generating revenue of just $20.9 million.



SOURCE: New Jersey Division of Gaming Enforcement

Gaming Tax Distribution

New Jersey commercial gaming revenue is taxed at varying rates depending on the type of gaming offered, and whether games are played at land-based facilities or via online platforms.

Land-based commercial casino gaming revenue is taxed at an effective rate of 9.25 percent. That rate comprises an 8 percent state gaming tax and a 1.25 percent obligation for investment in economic development projects in Atlantic City and throughout New Jersey.

Internet casino gaming revenue, meanwhile, is taxed at an effective rate of 17.5 percent, comprised of a 15 percent state gaming tax and a 2.5 percent community investment obligation.

Revenue from land-based sports betting is taxed at an effective rate of 9.75 percent, while online sports betting is taxed at 14.25 percent. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, New Jersey commercial casinos and racetracks generated $349.8 million in total state tax revenue from gaming operations, up 26.5 percent on the previous year.

Of that total, approximately $279.2 million was deposited into the New Jersey Casino Revenue Fund, where funds are appropriated each fiscal year for the exclusive benefit of New Jersey's senior citizens and disabled residents.

On top of the casino revenue fund amounts, approximately $47.2 million was also distributed to a separate fund that supports economic development and community projects in Atlantic City. Additional recipients of gaming tax revenue in 2018 included New Jersey's General Fund and local municipal and county governments that host racetracks with sportsbook operations.

Competitive Landscape

Having enjoyed a regional monopoly on commercial casino gaming throughout the 1980s and 1990s, New Jersey has since faced intensifying competition from surrounding states.

In 2019, Pennsylvania further expanded its gaming market by launching internet gaming, online sports betting and electronic gaming devices at truck stops. Meanwhile, a fifth land-based casino in the Greater Philadelphia area—historically a key feeder market to Atlantic City—is under construction and expected to open in late 2020.

New Jersey casinos have also traditionally attracted patrons from the New York City area, including for internet gaming and online sports wagering, which are not available in New York. Sports betting in New York is limited under existing state law to land-based sportsbooks in commercial and tribal casinos, but lawmakers are expected to consider legislation in 2020 or 2021 to approve mobile wagering and allow New Yorkers to place online bets without crossing the border into New Jersey.

With intense competition from out-of-state venues, there are differences of opinion as to whether the Atlantic City market can sustain nine commercial casinos, having contracted from 12 casinos in 2014 to just seven in 2016.

The former Trump Taj Mahal and Revel casinos were both shuttered in 2016 but reopened in June 2018 as the Hard Rock Hotel Casino and Ocean Resort Casino, respectively.

Policy & Regulatory Review

Sports Betting

Having quickly become established as by far the largest sports betting market outside of Nevada, New Jersey made several changes to its regulatory regime during the course of 2019.

In January, the Division of Gaming Enforcement proposed updated regulations for sports wagering to include a formal process for sports leagues to petition to restrict certain types of wagers on their events. Elsewhere, the rules set new limits on the minimum size of sportsbooks at casinos and racetracks, plus new requirements regarding anti-money laundering reporting.

The regulations, which became effective in September, also served to give permanent effect to New Jersey's initial regulations that were adopted by the DGE on a temporary basis in June 2018 in order to expedite the launch of sports betting.

In February, New Jersey became the first state to authorize sportsbooks to accept bets on the outcome of the Academy Awards. Authorization was granted under the state's 2013 internet gaming law, which grants broad authority to the DGE to approve new forms of online gaming, whereas New Jersey's sports betting law applies strictly to wagering on sporting events.

Finally, a bill signed by Gov. Phil Murphy (D) in September amended New Jersey's 2018 sports betting law to allow the Golden Nugget casino to offer bets on National Basketball Association (NBA) games.

The law originally prohibited Golden Nugget and any online sportsbook platforms operating under its license from offering wagers on all NBA games, due to language banning a casino owner also owning more than 10 percent of a professional sports team from accepting bets on any game in the competitions in which their team participates. Golden Nugget's owner, Tilman Fertitta, also owns the Houston Rockets.

The amended New Jersey law now prohibits such a casino only from offering wagers on specific games involving their owner's team.

New Mexico

In 2019, total statewide commercial casino gaming revenue was $244.1 million, up 3.7 percent. It was the highest revenue total reported by New Mexico racinos since 2015.

NUMBER OF COMMERCIAL CASINOS

5

CASINO FORMAT

Racinos

REGULATORY AUTHORITY

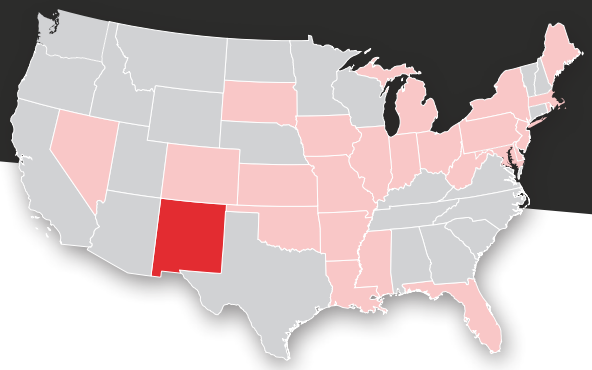
New Mexico Gaming Control Board

GROSS CASINO GAMING REVENUE 2019

$244.1M

GAMING TAX REVENUE 2019

$112.9M



Market Overview

New Mexico offers commercial casino gaming at five racinos. Electronic gaming devices at the properties are regulated by the New Mexico Gaming Control Board.

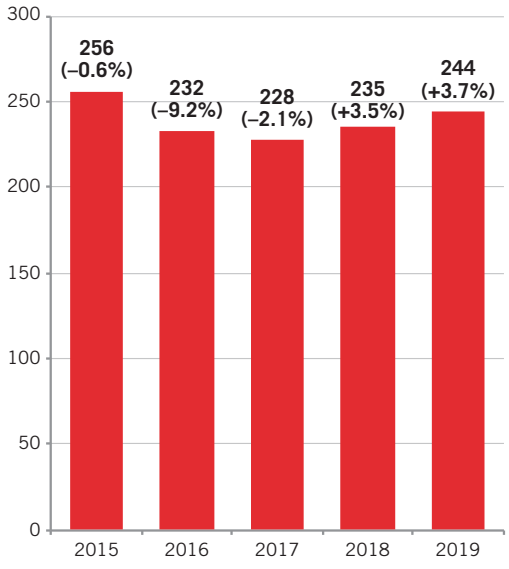
Commercial casino gaming at racetracks was first authorized in 1997 when the New Mexico legislature passed the Gaming Control Act. The state's four existing racetracks added electronic gaming devices to their properties in 1999. The state's fifth racino, Zia Park, opened in 2005.

Although there is no statutory limit on the number of racinos that may operate in New Mexico, under the state's existing compacts with its federally-recognized tribes, only six racinos are allowed in New Mexico. Additionally, New Mexico law authorizes only racetracks that host a minimum number of live races to operate electronic gaming devices.

Generally, racinos may operate a maximum of 600 electronic gaming devices. However, racinos are authorized to execute "allocation agreements," whereby one track may allocate up to 150 of its authorized number of electronic gaming devices to another racino. Table games are not permitted at any commercial gaming properties.

New Mexico: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: New Mexico Gaming Control Board

Notably, New Mexico is the only state that maintains restrictions on the operating hours at all of its commercial casino properties. Electronic gaming devices at racetracks may only be operated on days when live or simulcast horse races are being held, up to 18 hours per day, and may not exceed a total of 112 operating hours in a one-week period.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $244.1 million, up 3.7 percent compared to 2018.

It was the New Mexico commercial gaming market's second consecutive year of growth following three years of declining revenue between 2014 and 2017, achieved despite expanded competition in the form of sportsbooks at certain tribal casinos.

Gaming Tax Distribution

New Mexico commercial casino gaming revenue is taxed at an effective rate of 46.25 percent.

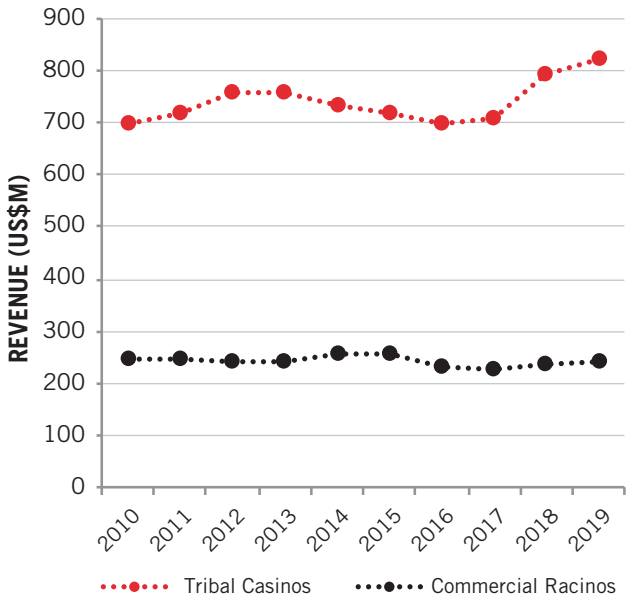
In 2019, New Mexico commercial casinos generated total state gaming tax revenue of $112.9 million, an increase of 3.7 percent from 2018. Of that amount, roughly $63.5 million was distributed to the state's General Fund. The fund's resources are allocated each year for state budgetary expenditures by the New Mexico Department of Revenue, subject to approval by the state legislature.

Elsewhere, approximately $48.8 million in racino gaming revenue was distributed to New Mexico's horse racing industry for the purpose of supplementing race purses. Approximately $610,000 was allocated to the funding of problem gambling services.

New Mexico: Gaming Revenue by Venue Type

2010 to 2019

While New Mexico's commercial casinos reported steady growth in 2019, revenue from commercial gaming operations remained outstripped by that from the state's 27 tribal casinos. Total tribal gaming revenue, net of regulatory fees, was $820.7 million in 2019.



SOURCE: New Mexico Gaming Control Board

Competitive Landscape

New Mexico commercial casinos face considerable competition from the state's 27 tribal casinos. Unlike the state's racinos, tribal casinos are permitted to offer table games. In addition, between 2018's U.S. Supreme Court ruling ending a federal ban and the end of 2019, four New Mexico tribes had opened sportsbooks at their casinos.

New Mexico racinos face more limited competition from licensed non-profit organizations, such as veteran and fraternal groups, which are authorized to operate a maximum of 15 electronic gaming devices with restricted payouts.

The competitive environment for commercial casino gaming in New Mexico is expected to remain stable for the foreseeable future, after the state's Racing Commission in 2019 rejected all applications for a sixth and final racino license.

Regionally, the competitive landscape is also expected to remain stable as long as lawmakers in neighboring Texas and Arizona continue to reject efforts to open up their states to commercial casino gaming.

Policy & Regulatory Review

Expansion

In August 2019, the New Mexico Racing Commission concluded a months-long bidding process by declining to award the state's sixth, and final, racetrack and racino license.

Commissioners reasoned it was in the best interests of the state and existing racino operators not to grant the license, due to risk of market saturation.

The racing commission received a total of five applications for the license after a bid process was opened in 2018. However, regulators faced objections from the state's five existing racinos, who argued an additional racino would cause them economic harm and create instability in New Mexico's racing industry. After announcing its decision, the Racing Commission stated it has no plans to reopen the process.

Sports Betting

In 2018, New Mexico became the sixth state to offer sports wagering after the Pueblo of Santa Ana opened a sportsbook at a tribal casino near Albuquerque. During 2019, three more tribes also opened sportsbooks at their properties.

Although there is no specific legislation for sports betting in New Mexico, the state's federally recognized tribes are authorized to offer sports betting thanks to language contained in their gaming compact, which expressly allows tribes to offer "any or all forms of Class III gaming," as defined by the 1988 federal law that governs tribal gaming. The term 'Class III gaming' encompasses sports betting in addition to casino-style games, according to federal regulations.

Elsewhere, a bill that would have prohibited the New Mexico Lottery from offering sports betting was passed by the state's House of Representatives in March 2019 but not taken up in the Senate.

The state's lottery has discussed a sports lottery program after its attorneys concluded that existing law grants the lottery authority to offer parlay wagers without any legislative change.

A new lottery board was appointed in 2019 and will ultimately determine if the lottery moves forward with the program.

IN FOCUS

Responsible Gaming

While most states follow through on commitments to use allocated gaming tax revenue for responsible gaming initiatives, not all states can say the same, according to a wide-ranging study conducted in 2019 by a group of trade associations, responsible gambling groups, and several universities.

The commercial casino gaming industry generated more than $10 billion in direct gaming tax revenue for state governments in 2019, with states using that money to support such issues as education, infrastructure, and public health.

But at least four states with commercial casino gaming failed to spend all tax revenue that was specifically set aside for responsible gaming initiatives during their most recent fiscal year, according to the first-of-its-kind study conducted by the Responsible Gambling Collaborative (RG Collaborative).

The RG Collaborative, launched in 2018, pursued this study as part of its mission to chart a new course on the complex issue of responsible gambling and identify programs and policies that best address responsible gambling, the prevention of problem gambling, and hold government accountable for supporting proven, effective solutions. The collaborative is comprised of academics, researchers, problem gambling advocacy groups, and gambling industry organizations—including the AGA.

The RG Collaborative's study looked at 14 of the 43 states that have commercial or tribal gaming, and found only six of them—Nevada, New Jersey, Maryland, New York, Indiana, and Pennsylvania—likely allocated tax funding for responsible gaming issues as intended during the most recent fiscal year.

According to the group's state-by-state report, Kansas, Louisiana, Missouri, and Oklahoma did not meet their responsible gaming spending targets.

It was unclear if four other states—California, Iowa, Mississippi, and Ohio—spent the allocated tax money appropriately. The report found funds in those four states may have been partially diverted to other issues but in line with legislative priorities, or the states may have recently rolled back dedicated funding streams for responsible gaming.

The collaborative's initial work has demonstrated the "extreme variability between what states spend on problem gambling programs," said Brianne Doura-Schawohl, legislative director with the National Council on Problem Gambling (NCPG)—also a member of the RG Collaborative.

As for the four states that did not allocate money earmarked for responsible gaming, the study found:

- Kansas had $7.6 million from gaming taxes available for responsible gaming issues, but only spent $716,927 in the last fiscal year. About a third of the grant fund money was transferred to other agencies, with much going to other substance abuse programs.
- Louisiana allocated $2.5 million from gaming tax revenue for responsible gaming, but a state fund ended up spending only $2.2 million.
- Missouri spent less than a third ($120,418 of the $395,598) of gaming tax revenue set aside for responsible gambling.
- Oklahoma had $1 million available for responsible gaming initiatives, but spent only $755,000, according to the report. The RG Collaborative noted that while the Oklahoma Department of Mental Health had appropriated $1 million, reports found that it has regularly failed to spend the authorized amount on responsible gaming programming.

"Just because you were spending the money doesn't mean you were spending it wisely," Doura-Schawoh added. "It's about research and evaluating…Then it's about adapting legislation using what you've learned."

The collaborative's report calls on state legislators to utilize gaming tax revenue for its intended purposes,

"Much has been achieved in promoting responsible gambling and preventing problem gambling. For this to continue, we call on state legislators to utilize gaming tax revenue for its intended purposes, including to promote responsible gambling and to fund programs that are in line with the RG Collaborative's Responsible Gambling Effectiveness Principles."

> "Each year, the casino gaming industry generates nearly $10 billion in gaming tax revenue for state governments, some of which is intended for advancing responsible gambling efforts and the prevention of problem gambling. While many states are spending these funds for their intended purpose, others are not. These state funds compliment the hundreds of millions of dollars voluntarily invested by the gaming industry each year to ensure that Americans are playing responsibly."
>
> **— Responsible Gambling Collaborative, Gaming Taxes and State Responsible Gambling Appropriations**

Alongside the study of how states spend allocated tax revenue, the RG Collaborative also developed six effectiveness principles that seek to foster responsible gambling, prevent and address problem gambling, and are a valuable starting point for policymakers seeking to understand the importance of this issue:

1. Support funding for research and evaluation.
2. Support funding for problem gambling treatment.
3. Help patrons make informed choices about their gambling.
4. Ensure every company has a responsible gambling plan and industry employees understand their role and responsibility in fostering responsible gambling and preventing problem gambling behavior.
5. Confirm gambling-related business practices encourage responsible gambling.
6. Equip consumers with the tools they need to gamble responsibly and prevent problem gambling behavior.

The principles mark the first time that academics, researchers, problem gambling advocacy groups, and gaming industry organizations have released a consensus statement on the issue of responsible gambling.

"The Responsible Gambling Collaborative's work defines a necessary path forward to ensure all stakeholders are aligned on the future of RG," said Cait DeBaun, AGA's senior director, strategic communications and responsibility. "Responsible gaming is core to every aspect of the gaming industry's operations. With states, advocacy groups, and other key voices working together in this essential area, we can provide customers with the tools and resources needed to ensure gaming remains a fun, positive entertainment experience."

New York

In 2019, total statewide commercial casino gaming revenue was $2.73 billion, up 5.5 percent. The year was New York's first with a full complement of four casino-resorts and also saw the launch of sports betting at those properties.

NUMBER OF COMMERCIAL CASINOS
12

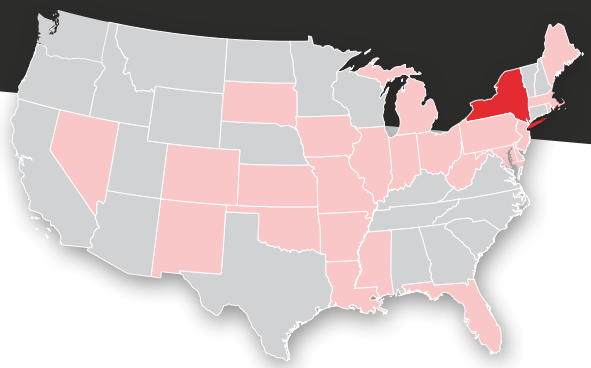
CASINO FORMAT
Land-Based Casinos; Racinos

NOTABLE FORMS OF GAMING
Sports Betting

REGULATORY AUTHORITY
New York State Gaming Commission

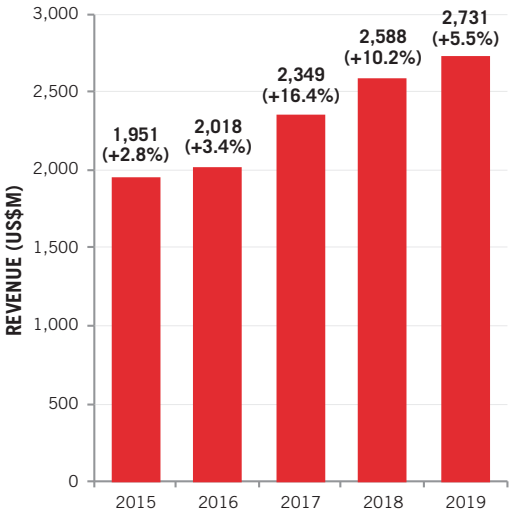
GROSS CASINO GAMING REVENUE 2019
$2.73B

GAMING TAX REVENUE 2019
$1.14B



New York: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: New York Lottery

Market Overview

New York's extensive commercial gaming market includes seven racinos with electronic gaming devices, four casino-resorts offering electronic gaming devices, table games and sports betting, and one land-based property offering electronic gaming devices.

Commercial casino gaming was first authorized by a 2001 law that allowed for the operation of electronic gaming devices at racetracks under the authority of the New York Lottery. In 2013, the New York Lottery and the New York State Racing Commission were merged into the New York State Gaming Commission (NYSGC), which now regulates all gaming facilities in the state.

Also in 2013, lawmakers passed the Upstate New York Gaming Economic Development Act, authorizing a maximum of four commercial casino-resorts in different regions of upstate New York. The first of these commercial casinos, Tioga Downs Casino & Resort, commenced operations in December 2016, while the newest of them, Resorts World Catskills, opened in February 2018.

The 2013 measure prohibited any commercial casino-resort from operating in designated tribal gaming exclusivity zones

or in certain specified areas, including New York City, until at least seven years after the first commercial casino-resort license was awarded. New York's Constitution allows for seven commercial casino-resorts in total.

Land-based casino-resorts paid initial license fees ranging from $20 million to $50 million and must continue paying an annual fee of $500 for each gaming device and table game they offer. Racinos are not required to pay annual fees. Instead, licensing and regulatory costs are paid out of revenue generated from their electronic gaming devices. There is no cap on the number of gaming devices that can be placed at a single racino.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $2.73 billion, up 5.5 percent compared to 2018.

Revenue from electronic gaming devices at New York's commercial casinos and racinos totaled $2.54 billion in 2019, an increase of 4.5 percent over 2018. Meanwhile, revenue from table games was $186.1 million, up 16.9 percent.

After roughly six months of operation, New York's four commercial casino-resorts reported total revenue from sports betting of $7.8 million.

Despite the expansion of commercial casino gaming in upstate New York, racinos located within the Greater New York City market continued to account for the lion's share of total statewide gaming revenue in 2019.

Resorts World New York in Queens and Empire City Casino at Yonkers Raceway reported combined gaming revenue in 2019 of $1.49 billion, or roughly 55 percent of the total statewide commercial gaming market, despite a lack of table games or sports betting at the two racino properties. Resorts World New York remained the most lucrative commercial casino outside of Nevada in 2019, reporting total annual revenue from electronic gaming devices of $883.9 million, an increase of 3.7 percent on the prior year.

Gaming Tax Distribution

New York Effective Gaming Tax Rates

SECTOR	EFFECTIVE GAMING TAX RATE
Racino EGDs	~65 percent
Casino EGDs	37–45 percent
Casino Table Games	10 percent

New York commercial casinos and racinos are taxed at different rates based on the location of the property and the type of gaming the property offers.

Racinos, after paying out prizes and deducting marketing and administrative expenses, return approximately 65 percent of their revenue to the state.

Revenue from electronic gaming devices in New York's four commercial casino-resorts is taxed between 37 percent and 45 percent, depending on the region in which the casino is located.

Table game and sports betting revenue generated by commercial casino-resorts is taxed at 10 percent, regardless of the property's location. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, New York's commercial casino gaming industry generated approximately $1.14 billion in total state gaming tax revenue, up 3.9 percent compared to 2017. Racinos accounted for approximately $956.3 million of that total, all of which was distributed to the state's Education Fund. Resources in the Education Fund are used to provide aid for local school districts across New York and are disbursed annually at the direction of the state legislature and Comptroller's Office.

Education is also one of the primary beneficiaries of tax revenue from upstate New York's commercial casino-resorts. Overall, $150.6 million in tax revenue generated by commercial casino-resorts was used to fund statewide education programs or provide property tax relief to New York citizens. A further $37.6 million in casino tax revenue was distributed to local municipal and county governments that either host or are located near commercial casino-resorts.

Top 20 U.S. Commercial Casinos by Gaming Revenue

2019

Resorts World New York in Queen's remained the highest-grossing commercial casino by gaming revenue outside of Nevada in 2019, despite the property's limitation to electronic gaming devices and a lack of table games or sports betting. MGM Resorts International's Empire City Casino was the sixth most lucrative casino outside Nevada in 2019.

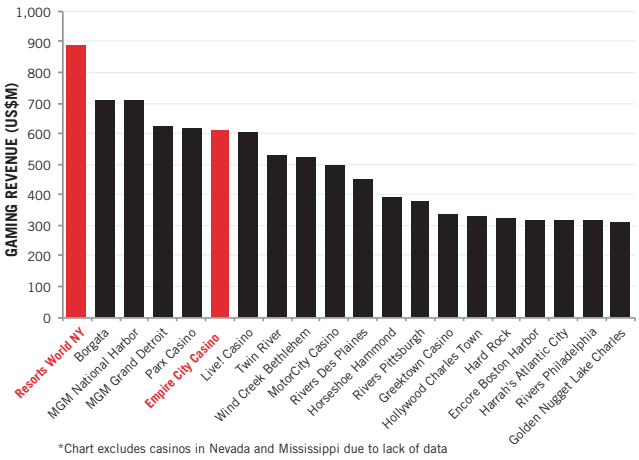


*Chart excludes casinos in Nevada and Mississippi due to lack of data

SOURCE: GCRS estimates, State Gaming Commissions

Competitive Landscape

Driven by the rollout of four upstate commercial casino-resorts and the opening of a standalone gaming parlor on Long Island, New York's gaming market has become increasingly competitive in recent years.

In April 2019, the Monticello Raceway closed its gaming floor as the racino's owner cited a desire to consolidate its operations with those of the nearby Resorts World Catskills casino-resort, which it also owns. Thanks to legislation passed by New York lawmakers two months later, however, Monticello Raceway's electronic gaming devices are set to be relocated to a new, standalone venue in Orange County, roughly 50 miles north of New York City.

Certain commercial casinos and racinos in upstate New York also compete with tribal casino-resorts operated by the Seneca, Oneida and Akwesasne Mohawk Indian nations.

Meanwhile, New York's commercial casinos face competition, from out-of-state casinos in Connecticut, Pennsylvania, and New Jersey, which historically have drawn customers from the New York City market in particular.

With legal sports wagering available in the latter two of those states, New York has since 2018 seen a notable outflow of its residents to New Jersey to place wagers either at the sportsbook at Meadowlands Racetrack, located some 10 miles from Manhattan, or via New Jersey's various mobile sports betting platforms.

Policy & Regulatory Review

Sports Betting

Between July and September 2019, sports betting was launched at all four of New York's commercial casino-resorts.

Provisions authorizing sports betting were included in the state's 2013 casino law, but they only became effective in 2018 when the U.S. Supreme Court struck down a federal ban on expanded sports wagering. The NYSGC adopted implementing regulations for sports betting in June 2019.

As New York casino-resorts prepared to accept their first sports bets, lawmakers in Albany debated whether to expand sports wagering beyond the casinos to include other venues and mobile platforms.

In June, the New York Senate passed a bill to authorize casino-resorts to offer mobile sports wagering throughout the state via servers that would be installed within their facilities. The bill would also authorize wagering kiosks, connected to the same servers, at racinos, off-track betting outlets and major sports arenas such as Madison Square Garden.

Despite approval by the Senate, the bill was never taken up in the New York Assembly. The administration of Gov. Andrew Cuomo (D), for its part, warned on several occasions that it believed the measure would likely be unconstitutional and require approval via a voter referendum.

Expansion

In June, Gov. Cuomo signed a bill authorizing the owner of Monticello Raceway to relocate its gaming operations from the Sullivan County racetrack to a new standalone gaming parlor to be built some 45 miles away in Orange County, on the outskirts of New York City.

Among other things, the legislation required Monticello Raceway to maintain live horse racing and certain staffing levels. It also required the racetrack's owner to reach a mitigation agreement with Empire City Casino in Yonkers, with whom the future Orange County casino will compete.

In 2018, Monticello Raceway's owners opened the Resorts World Catskills commercial casino-resort at a location situated barely five miles from the racetrack. They announced plans to cease offering gaming operations at Monticello Raceway in January 2019 and the venue's gaming floor was closed in April.

Responsible Gaming

In November, Gov. Cuomo vetoed a bill passed by lawmakers in May that would have established a legislative task force to identify effective responsible gaming policies and issue recommendations for how such policies could be included in New York's gaming regulations.

In a veto message, the governor noted the NYSGC had already received a top-level international certification for the strength of its responsible gaming programs. Further, the governor said the task force was unnecessary since regulations governing expanded casino gaming had already been effectuated.

Ohio

In 2019, total statewide commercial casino gaming revenue was $1.94 billion, up 4.2 percent, as Ohio consolidated its position as a major commercial gaming market in the Midwest.

NUMBER OF COMMERCIAL CASINOS

11

CASINO FORMAT

Land-Based Casinos; Racinos

REGULATORY AUTHORITY

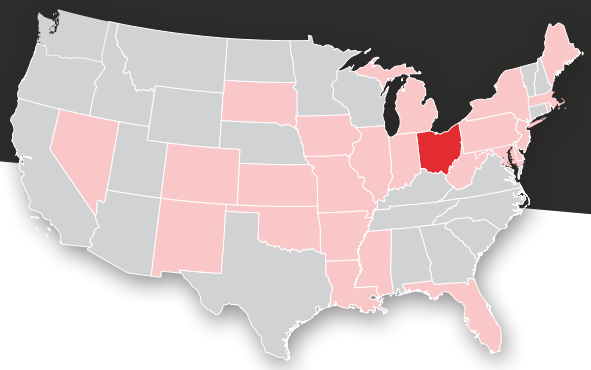
Ohio Casino Control Commission, Ohio Lottery Commission

GROSS CASINO GAMING REVENUE 2019

$1.94B

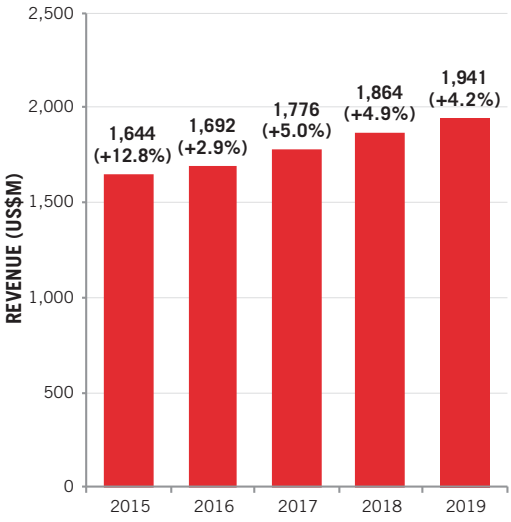
GAMING TAX REVENUE 2019

$649.9M



Ohio: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Ohio Casino Control Commission, Ohio Lottery

Market Overview

Ohio offers commercial casino gaming at four casino-resorts, each of which operates electronic gaming devices and table games, and at seven racinos, which only offer electronic gaming devices. The land-based casinos are regulated by the Ohio Casino Control Commission while the racinos are regulated by the Ohio Lottery Commission.

In 2009, Ohio voters approved a ballot initiative authorizing commercial casinos in Cincinnati, Cleveland, Columbus and Toledo. Ohio's first casino, Hollywood Casino Toledo, opened in 2012, and the three other casinos were operational by March 2013.

Ohio's first racino also opened in 2012, roughly nine months after then-Gov. John Kasich (R) signed an executive order approving electronic gaming devices (specifically video lottery terminals, or VLTs) at racetracks. Ohio's seventh racino opened in September 2014. There is no limit on the number of racetrack permits available in the state.

Each land-based casino can offer any form of gaming that is also authorized in either Indiana, Michigan, Pennsylvania or West Virginia, with a maximum of 5,000 electronic gaming

devices per property. Land-based casino operators were required to pay a $50 million initial license fee and invest a minimum of $250 million developing their properties.

Racinos were also subject to a $50 million initial license fee and required to spend a minimum of $80 million improving their facilities within five years of adding electronic gaming devices. Each racino may operate up to 2,500 electronic gaming devices.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $1.94 billion, up 4.2 percent against 2018. The revenue total was a record haul for Ohio's commercial gaming industry, which has grown every year since its inception in 2012.

Revenue from electronic gaming devices was $1.67 billion, up 4.7 percent, while table game revenue was $268.0 million, up 1.0 percent.

Consistent with the trend of previous years, Ohio's seven suburban racinos continued to drive the majority of gaming revenue growth in 2019, posting total gaming revenue of $1.09 billion, up 6.2 percent. The state's four land-based casinos, located in downtown locations, reported gaming revenue of $851.0 million, an increase of 1.6 percent against 2018.

Gaming Tax Distribution

Ohio levies a 33 percent tax on casinos' gaming revenue, while racinos pay a slightly higher 33.5 percent effective tax rate on their revenue from electronic gaming devices.

In 2019, casinos and racinos generated total gaming tax revenue of $649.9 million, up 4.4 percent from 2018. Casinos accounted for approximately $281 million of the total, while electronic gaming devices at racinos generated about $365 million.

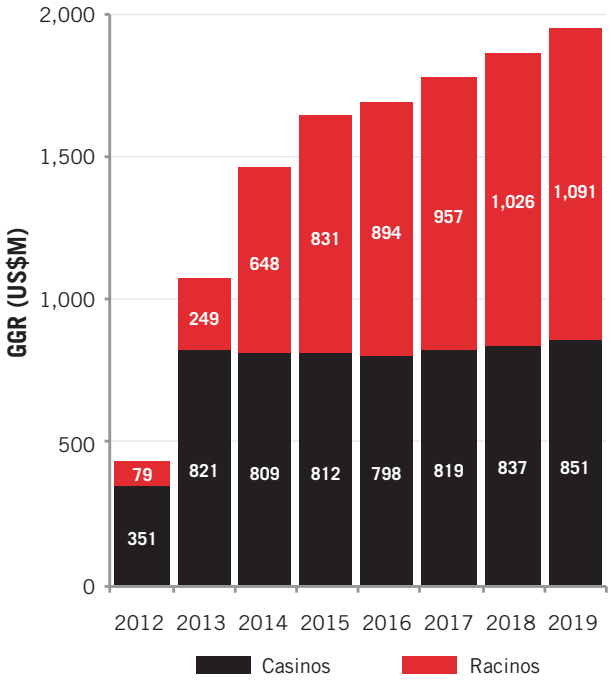
Roughly 50 percent of casino tax revenue is distributed to Ohio's 88 county governments to support local budgetary needs, including law enforcement, infrastructure improvements and other public services. Another 34 percent is earmarked for the Ohio Student Fund, which distributes dollars to all school districts, while 5 percent is returned to the host cities where casinos are located. The remaining funds are used to treat problem gambling and cover the costs of the agencies that regulate gaming in Ohio.

Under Ohio law, all racino gaming tax revenue must be used for the purpose of funding state education programs. Accordingly, racino tax revenue flows into the Lottery Profits Education Fund, which supports primary and secondary schools in Ohio.

Ohio: Breakdown of Annual Gaming Revenue

2012 to 2019

Ohio's racino segment accounted for approximately 56.2 percent of statewide commercial gaming revenue in 2019, despite racinos' inability to offer table games alongside electronic gaming devices.



SOURCE: Ohio Casino Control Commission, Ohio Lottery

Competitive Landscape

Ohio's fast rollout of 11 casinos and racinos within the space of just over two years from 2012 to 2014 saw the Buckeye State quickly establish itself as a fiercely competitive gaming jurisdiction.

Beyond the state's borders, certain Ohio casinos and racinos also compete for patrons with gaming venues located in neighboring markets.

For instance, three West Virginia racinos located along or near the Ohio River draw customers from Youngstown, Canton, and other Ohio towns located near the state line.

Casinos and racinos in the Cincinnati area compete with a trio of riverboat casinos moored on the Indiana side of the Ohio River. Meanwhile, casinos in the Cleveland area face some competition from a racino in northwestern Pennsylvania.

Notably, casinos in Indiana, Pennsylvania and West Virginia have all been authorized to offer sports betting since the U.S. Supreme Court's May 2018 ruling to end a federal ban, giving them a competitive advantage over Ohio venues. The Pennsylvania gaming market was further expanded in 2019 through the launch of internet gaming as well as electronic gaming devices at truck stops.

Policy & Regulatory Review

Sports Betting

Committees in Ohio's House and Senate staged more than a half-dozen hearings on sports betting during 2019, although the year ended without lawmakers voting to advance a bill during the first half of the state's two-year legislative session.

One of the key points of debate reflected Ohio's bifurcated regulatory oversight structure for its casinos and racinos. Legislation in the Senate would see the Casino Control Commission regulate sports betting operations at casinos and racinos, while a bill in the House would instead grant authority to the Lottery Commission.

Elsewhere, lawmakers took testimony on potential restrictions for wagering on collegiate sports, from major sports leagues, and from convenience venues such as bowling alleys that would like to install sports wagering kiosks on their premises.

Fantasy Sports

In August, the Casino Control Commission adopted formal rules to regulate popular online fantasy sports contests in Ohio for the first time.

Among other things, the regulations require fantasy sports operators to register with the commission, pay an annual fee, and comply with certain consumer-protection provisions.

The rules took formal effect in September, having been mandated by a new law that was passed by the Ohio legislature in 2018.

At the end of the 2019, Ohio was one of 21 states with a specific law or regulations on the books to govern fantasy sports.

Regulatory Reform

Consistent with previous years, the Ohio Casino Control Commission also proposed a number of other regulatory reforms in 2019.

The commission's reforms included changes related to casinos' surveillance requirements, rules related to peer-to-peer gaming offerings such as poker games, and amendments granting the agency's director broader authority to swiftly approve non-substantive changes to casino operations without requiring full commission review.

Each of the regulatory amendments was proposed in accordance with Ohio's "Common Sense Initiative," which was created in 2011 to ease the regulatory burden on businesses in the Buckeye State. Among other things, the initiative requires Ohio regulatory agencies to review their rules at least every five years.

Oklahoma

In 2019, total statewide commercial casino gaming revenue was $140.9 million, up 0.9 percent. It was a third straight year of growth since racinos became eligible to operate on a 24-hour basis in accordance with a 2017 state law.

NUMBER OF COMMERCIAL CASINOS

2

CASINO FORMAT

Racinos

REGULATORY AUTHORITY

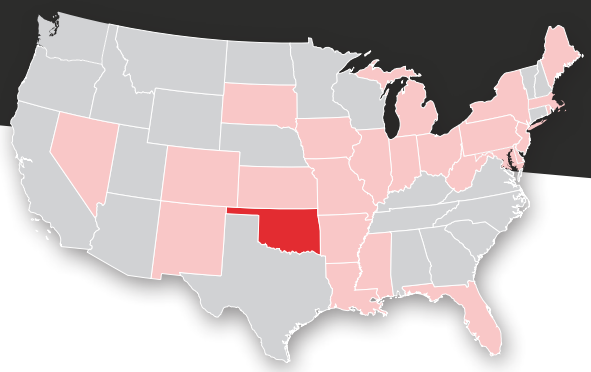
Oklahoma Horse Racing Commission

GROSS CASINO GAMING REVENUE 2019

$140.9M

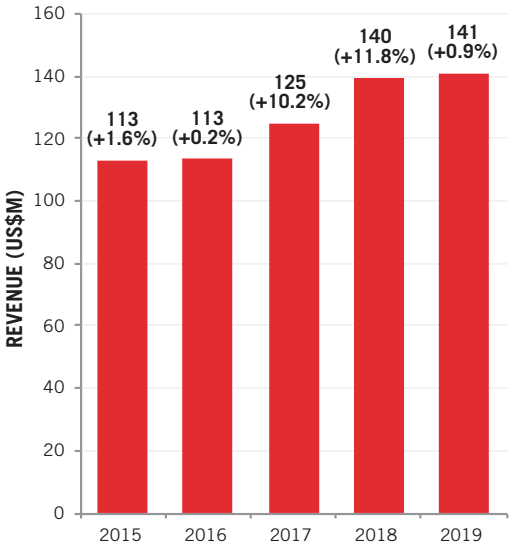
GAMING TAX REVENUE 2019

$63.8M



Oklahoma: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Oklahoma State Auditor and Inspector

Market Overview

Oklahoma's gaming market, while dominated by tribal casinos, includes commercial casino gaming at two racinos, which are regulated by the Oklahoma Horse Racing Commission. The racinos may only operate electronic gaming devices, with a maximum of 750 devices permitted at Remington Park in Oklahoma City and 250 machines at Cherokee Casino Will Rogers Downs in Claremore.

The racinos were first authorized in 2004, when Oklahoma voters ratified the State-Tribal Gaming Act, which also established a regulatory framework for tribal gaming in the state. Three Oklahoma racetracks subsequently added gaming devices in 2005, but one, Blue Ribbon Downs, closed in 2009.

To convert from a racetrack to a racino, a racetrack operator must first be licensed to conduct live racing and accept pari-mutuel wagers. Then, racetracks may apply to the Racing Commission for a gaming license, which is subject to an annual $50,000 fee.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $140.9 million, up 0.9 percent from 2018. The performance saw the consolidation of the market's strong growth in 2018, which was the first full year during which commercial casinos were permitted to operate on a 24-hour basis, in accordance with legislation that took effect in mid-2017.

As in previous years, Remington Park, which is located in the heart of Oklahoma City, accounted for the vast majority—roughly 86 percent—of total statewide commercial gaming revenue in 2019. The racino, which is owned by a commercial subsidiary of the Chickasaw Nation of Oklahoma, posted total gaming revenue of $120.6 million, up 1.3 percent relative to 2018.

In contrast, total revenue from electronic gaming devices at Will Rogers Downs, owned by the Cherokee Nation, was $20.3 million, down 1.3 percent from the previous year.

Gaming Tax Distribution

Oklahoma taxes commercial casino revenue at different rates based on the amount of revenue generated. Rates range in a graduated scale from 35 percent on revenue up to $10 million, to 50 percent on revenue of more than $70 million.

In total, Oklahoma racinos paid $63.8 million in total gaming taxes in 2019, an increase of 1.0 percent on the prior year.

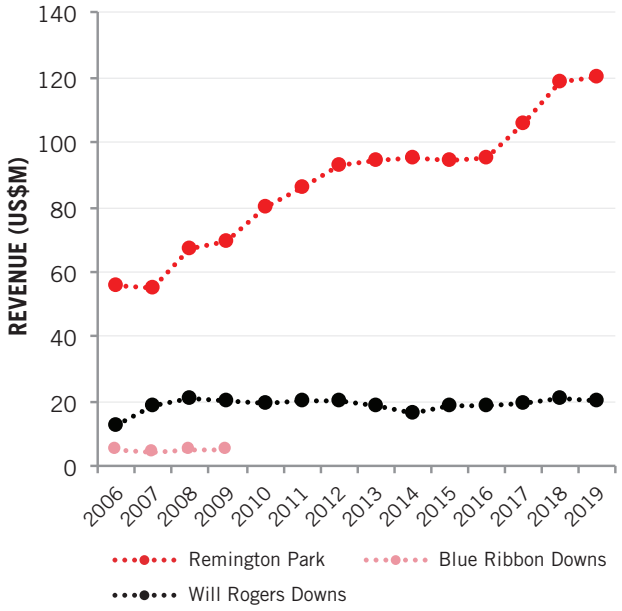
Commercial gaming tax revenue is shared between the state government and Oklahoma's horse racing industry. Roughly $28.7 million in tax payments was remitted to the state in 2018, with funds used for higher education programs and Oklahoma's education sector, as well as for general budgetary purposes.

In addition, racinos distributed $34.4 million in 2018 to help subsidize horse racing purses, breeding programs, and other horse racing industry expenses.

Oklahoma: Racetrack Casino Gaming Revenue

2006 to 2019

As in previous years, Remington Park in Oklahoma City accounted for the vast majority of total statewide commercial gaming revenue in 2019. The racino generated annual revenue of $120.6 million, up 1.3 percent versus 2018.



SOURCE: Oklahoma State Auditor & Inspector

Competitive Landscape

Oklahoma's two racinos are overshadowed by the state's 140 tribal casinos, which are authorized to offer table games, in addition to electronic gaming devices.

While Oklahoma casinos have benefited from relatively sparse regional competition, 2019 did see expanded supply in one of its neighboring states with the launch of commercial gaming, including sports betting, in Arkansas following the approval of a statewide referendum in November 2018.

Policy & Regulatory Review

Tribal Gaming

In the second half of 2019, Oklahoma's tribes and Governor Kevin Stitt became embroiled in a dispute regarding the tribes' gaming compacts and the level of exclusivity fees paid by tribes to the state for the rights to offer table games without any competition from commercial gaming operators.

At issue was whether the tribal gaming compacts initially agreed to in 2004 would expire in January 2020, or instead automatically renew as a result of the state's approval of commercial casino gaming at racetracks.

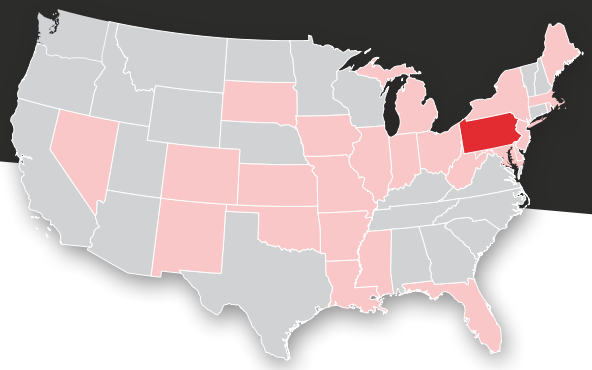
Tribes that operate casinos in Oklahoma pay the state an exclusivity fee that ranges from 4 to 10 percent of revenue from Class III electronic gaming devices and table games. Governor Stitt stated he would like to raise the fees to a range of 20 percent to 25 percent.

If their compacts are deemed to have expired, tribal casinos would be unable to operate Class III gaming devices or card games such as blackjack, although they could still offer Class II bingo-style electronic games.

In December, several tribes filed a lawsuit in federal court seeking a declaration that the gaming compact would automatically renew on January 1, 2020 for another 15-year term.

Pennsylvania

In 2019, total statewide commercial casino gaming revenue was $3.38 billion, up 4.1 percent, including contributions from newly launched internet gaming and online sports betting operations.



NUMBER OF COMMERCIAL CASINOS

12

CASINO FORMAT

Land-Based Casinos; Racinos

NOTABLE FORMS OF GAMING

Sports Betting; Internet Gaming

REGULATORY AUTHORITY

Pennsylvania Gaming Control Board

GROSS CASINO GAMING REVENUE 2019

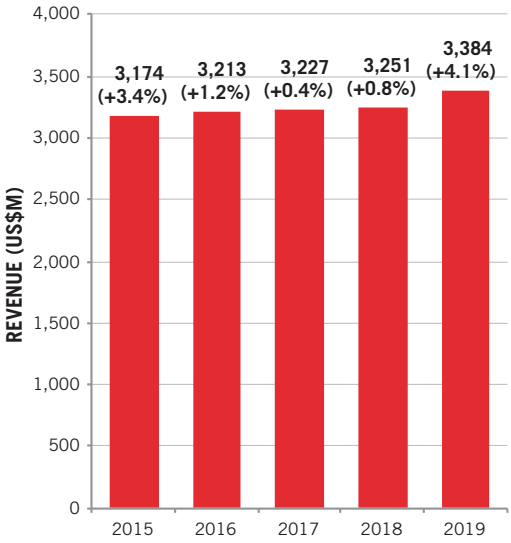
$3.38B

GAMING TAX REVENUE 2019

$1.51B

Pennsylvania: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Pennsylvania Gaming Control Board

Market Overview

Pennsylvania offers commercial casino gaming at six land-based casinos and six racinos, each of which operates electronic gaming devices and table games. The properties are regulated by the Pennsylvania Gaming Control Board (PGCB).

In 2004, the Pennsylvania legislature approved the Race Horse Development and Gaming Act, which authorized electronic gaming devices at racetracks, standalone casinos and three smaller casino-resorts. Table games, such as blackjack and roulette, were approved by the legislature in 2010.

Pennsylvania's first commercial casino, Mohegan Sun Pocono, opened in 2006. In 2014, the PGCB issued a license for a 13th commercial casino, slated for South Philadelphia. Following a series of delays, the casino is scheduled to open in late 2020.

A wide-ranging gaming expansion bill, passed in 2017, authorized up to ten additional "satellite" or mini-casinos, each limited to a maximum of 750 electronic gaming devices and 40 table games. At the end of 2019, four proposed satellite casinos were either under development or awaiting final regulatory approval.

As part of the 2017 gaming expansion, Pennsylvania commercial casinos were permitted to apply for additional licenses to offer internet casino games and poker. The state's first online casinos went live in July 2019. By the end of year, a total of five were operational.

The 2017 gaming measure also included a provision authorizing sports wagering at commercial casinos and via online platforms. Sports betting began in late 2018, a few months after the U.S. Supreme Court's ruling to overturn a federal prohibition. By the end of 2019, retail sportsbooks were in operation at ten casinos and racinos, as well as at two off-track betting outlets affiliated with Parx Casino. In addition, eight online sportsbooks were operational at the close of the year.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $3.38 billion, up 4.1 percent against 2018.

The overall growth came despite a decline in revenue from electronic gaming devices, by far the largest segment of the Pennsylvania gaming market.

Total statewide revenue from electronic gaming devices in 2019 was $2.36 billion, down 0.3 percent against 2018. By contrast, table game revenue was $903.6 million, up 2.8 percent.

One reason cited by operators for the improved performance of table games was the attraction of new patrons eager to place bets on sporting events at Pennsylvania's casinos and racinos. After placing their wagers at sportsbooks, some of those patrons also played casino table games, although less so electronic gaming devices.

Total revenue from sports betting in 2019 was $111.8 million, versus $2.5 million in 2018 when only a handful of land-based sportsbooks were open for just a few weeks. Online sports betting accounted for 63.2 percent of the annual revenue total, even though Pennsylvania's first online sportsbooks did not launch until June.

Meanwhile, internet gaming platforms affiliated with Pennsylvania's casinos and racinos reported total revenue of $33.6 million after their first six months of operation.

Gaming Tax Distribution

Pennsylvania land-based commercial casinos and racinos pay a 54 percent tax rate on electronic gaming device revenue, a 16 percent tax rate on table game revenue, and a 34 percent tax rate on revenue from electronic versions of table games.

Internet gaming revenue is taxed at the same headline rates of either 54 or 16 percent, depending on whether the online casino game in question simulates an electronic gaming device or a table game.

Sports betting revenue is subject to a 36 percent effective state tax rate, which includes a two percent tax for local municipalities and is applied after deduction of promotional free bets offered to players. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

With one of the highest effective tax rates in the country, Pennsylvania again collected more direct gaming tax revenue than any other state, including Nevada, in 2019. In total, the state's commercial casinos and racinos paid $1.51 billion in gaming tax revenue, up 2.2 percent from 2018. The total included tax payments of $30.3 million and $13.3 million from the emerging segments of sports betting and internet gaming, respectively.

The state's share of gaming tax revenue in Pennsylvania is primarily used to reduce school taxes paid by Pennsylvania property owners, with additional allocations for local law enforcement grants and responsible gaming programs. In 2019, the state's share of direct gaming tax revenue amounted to $968.1 million.

In addition, approximately $238.3 million was distributed to Pennsylvania's horse racing industry in 2019. Remaining industry tax payments were allocated to an economic development and tourism fund, and to the municipalities that host casinos and racinos.

Competitive Landscape

Pennsylvania's casinos operate at the intersection of the fiercely competitive Northeast and Mid-Atlantic markets. Individual Pennsylvania casinos compete against rival properties in Delaware and northern Maryland to the south; New York City and New Jersey to the east; Ohio to the west; and West Virginia to the southwest.

Meanwhile, Pennsylvania casinos also face increasing competition from within the state's borders.

After several delays, the planned Live! Hotel & Casino Philadelphia is expected to open in the city's Stadium District in late 2020, adding another commercial casino to a Greater Philadelphia market that is already served by Harrah's Philadelphia Casino and Racetrack, Rivers Casino Philadelphia, Parx Casino, and Valley Forge Casino Resort.

Up to four new satellite casinos could also be opened in 2020 or soon thereafter. During 2019, the PGCB awarded licenses for satellite casinos in Morgantown to the northwest of Philadelphia, in York County near Harrisburg, and in Westmoreland County east of Pittsburgh. Another casino operator had acquired the rights to a license for a satellite casino but not yet secured a site for its project.

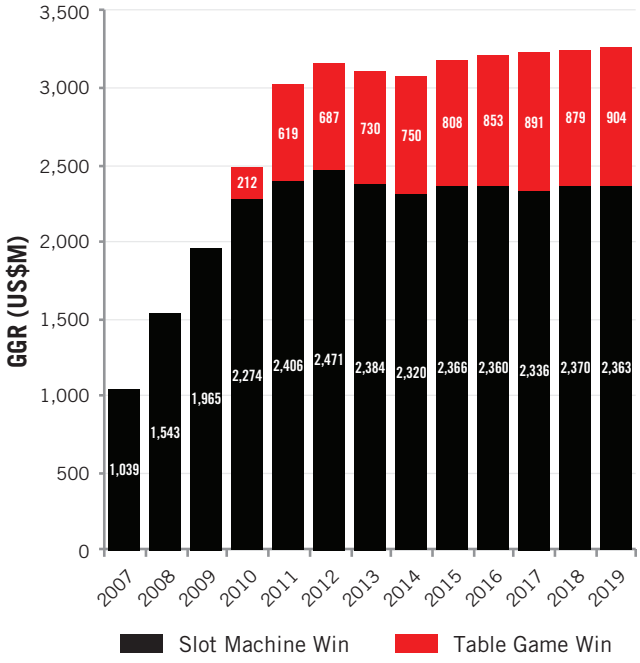
Under the state's 2017 gaming legislation, satellite casinos may not be located within 25 miles of an existing Pennsylvania casino or racino, except if the location is within 25 miles of a casino or racino under the same ownership as the satellite casino.

Starting in August 2019, Pennsylvania casinos also faced fresh competition from the operation of lawful electronic gaming devices (VGTs) at truck stops. As authorized under the 2017 law, truck stops meeting a certain set of criteria are eligible to install up to five VGTs on their premises. At the close of the year, exactly 100 VGTs were offered at a total of 20 truck stops, with additional locations expected to be approved in 2020.

Pennsylvania Annual Gaming Revenue by Segment

2007 to 2019

Despite a slight decline in revenue in 2019, electronic gaming devices remained by far the largest segment of Pennsylvania's commercial gaming industry, accounting for approximately 69.8 percent of a statewide market boosted by the addition of both sports betting and internet gaming.



SOURCE: Pennsylvania Gaming Control Board

Policy & Regulatory Review

Expansion

In June 2019, Gov. Tom Wolf (D) signed a budget bill that included a provision requiring the PGCB to restart its auction process for satellite casino licenses.

Although Pennsylvania's 2017 gaming act authorized up to ten so-called Category 4 licenses, regulators stopped the process to award them in April 2018 when no operator stepped forward to bid on the sixth available license. After a sixth bid still was not submitted at another auction held by the

PGCB in September 2019, the regulator was able to deem the licensing process for satellite casinos permanently closed.

While the PGCB approved final licenses for three satellite casinos during the course of the year, the board also denied a license to the owner of Mount Airy Casino Resort in November after concluding the casino operator was unable to demonstrate how it would finance the project in Beaver County, just outside Pittsburgh. Mount Airy was refunded 75 percent of the $21.3 million it paid to acquire the license in a February 2018 auction.

Illegal Gaming

In 2019, Pennsylvania was one of several states where policymakers grappled with how to tackle a proliferation of unregulated electronic gaming devices in convenience stores, bars and other non-casino locations.

In June, a committee in Pennsylvania's House of Representatives held a hearing to debate the merits of either regulating or prohibiting the devices that purport to offer games of skill but critics contend are a form of illegal gambling.

In November, Pennsylvania's Commonwealth Court ruled against the state's Department of Revenue as it sought a declaration that one popular type of unregulated gaming device violated Pennsylvania gaming laws.

Although the game in question likely meets the definition of a "slot machine" under Pennsylvania's 2004 gaming act, that act applies strictly to the regulated gaming operations of casinos and racinos, according to the court's ruling.

IN FOCUS

Gaming Machines

© Michael Dwyer / Alamy Stock Photo

Nationwide, there are nearly 900,000 electronic gaming devices in commercial and tribal casinos as well as at non-casino locations such as bars, taverns and truck stops.

Nearly half (46 percent) of these games are located in commercial casinos, while slightly fewer (41 percent) are found in tribal casinos. Nevada has an installed base of more than 160,000 electronic gaming devices, far and away the largest number of any state. California and Oklahoma had the second and third largest number of operating devices in 2019, each with more than 75,000.

Number of Gaming Machines By State

2019

State	Machines in Commercial Casinos	Machines in Tribal Casinos	Machines in Non-Casino Locations	Total
Alabama		6,441		6,441
Alaska		90		90
Arkansas	3,504*			3,504
Arizona		17,562		17,562
California		75,369		75,369
Colorado	13,941	1,409		15,350
Connecticut		7,499		7,499
Delaware	6,030		456**	6,486
Florida	7,412	16,678		24,090
Idaho		3,764		3,764
Illinois	9,646		33,294	42,940
Indiana	17,366	1,815		19,181
Iowa	16,021	2,797		18,818
Kansas	5,076	3,498		8,574
Kentucky			2,891*	2,891
Louisiana	22,333	4,762	12,903	39,998
Maine	1,682			1,682
Maryland	11,474			11,474
Massachusetts	6,730			6,370
Michigan	8,548	22,578		31,126
Minnesota		21,505		21,505
Mississippi	25,057	3,159		28,216
Missouri	16,246			16,246
Montana		1,816	15,743	17,559
Nebraska		662		662
Nevada	140,413	1,153	19,059	160,526
New Jersey	17,742			17,742
New Mexico	2,948	16,533	616***	20,097
New York	22,591	12,639		35,230
North Carolina		4,455		4,455
North Dakota		3,989		3,989
Ohio	18,766			18,766
Oklahoma	1,000	74,140		75,140
Oregon		7,690	11,530	19,220
Pennsylvania	24,116		100	24,216
Rhode Island	5,099			5,099
South Dakota	2,840	2,924	9,034	14,798
Texas		3,765		3,765
Virginia			2,149*	2,149
Washington		31,759		31,759
West Virginia	5,248		7,568	12,816
Wisconsin		18,113		18,113
Wyoming		1,675		1,675
TOTAL	**411,829**	**370,239**	**115,343**	**897,411**

* Includes facilities that offer Instant Racing machines

** Charitable VLTs

*** Located at qualified veteran and fraternal organizations

SOURCE: Eilers & Krejcik Gaming, LLC

Illegal Gaming

In 2019, various states confronted the challenge of countering a proliferation of unregulated electronic gaming devices in non-casino locations.

On top of the nearly 900,000 electronic gaming devices operating legally across 43 states, there are likely hundreds of thousands of unregulated gaming devices offered in various locations in violation of state laws and posing significant risks to consumers while robbing state and tribal governments of critical tax revenue.

In Missouri alone, an estimated 14,000 unregulated gaming devices are in operation at convenience stores, gas stations, and other venues, according to a December 2019 report prepared by a special committee studying gaming issues on behalf of the state's House of Representatives.

"These machines are in competition with both the Missouri Lottery and casino gaming and likely result in a loss of revenue to the state," the House committee report noted in its findings.

A November 2019 report authored on behalf of the Virginia General Assembly similarly estimated there were up to 9,200 electronic gaming devices in bars, restaurants and other locations, paying no state taxes on revenue estimated to be in the range of $83 million to $468 million annually.

> "Grey machines pose a risk for fraudulent activity because there are no state regulations, audits, or compliance activities for the devices, manufacturers, or vendors. In the absence of regulation, there are no mechanisms to ensure gaming integrity for businesses hosting grey machines and the customers who play them."
>
> **— Virginia Joint Legislative Audit and Review Commission, "Gaming In The Commonwealth 2019"**

Unregulated or "grey" gaming machines are not limited to states without casino gaming and are present even in states with robust legal convenience gaming options.

In Illinois, by far America's largest convenience gaming market, discussion over major gaming reforms passed in 2019 included unsuccessful lobbying efforts to regulate so-called sweepstakes machines that pose competition to both electronic gaming devices in casinos as well as the more than 30,000 lawful video gaming terminals (VGTs) in bars and taverns.

Pennsylvania, meanwhile, is home to an estimated 40,000 or more unregulated gaming devices, potentially double the number of regulated machines in operation at casinos, racinos and at truck stops.

As various states discovered during 2019, cracking down on unregulated gaming devices is not always straightforward.

Many unregulated devices purport to offer games of skill, which are not necessarily subject to state statutory prohibitions on illegal gambling.

In some instances, favorable legal opinions regarding specific devices, sometimes handed down by local regulatory agencies with no expertise in gaming, have been exploited to encourage the proliferation of supposed skill-game machines throughout the state.

Litigation challenging enforcement efforts against unregulated devices can take months or even years to wind through state courts, with case law limited to the dynamics of the particular games in question and sometimes leading to inconclusive or inconsistent results.

"One district attorney or common pleas judge may see a machine as being predominantly skill, and another may view the same machine as being predominantly chance," Major Scott Miller, director of the Bureau of Liquor Control Enforcement of the Pennsylvania State Police, said in June 2019 testimony to the Pennsylvania House Gaming Oversight Committee.

Mindful of these challenges, several states have taken decisive legislative action in recent years to crack down on unregulated gaming devices masquerading as non-gambling amusement machines.

For example, Georgia, Maryland, and Ohio have required operators of bona fide amusement or games-of-skill machines to either register their devices or undergo licensing by state gaming or lottery authorities.

Based on policy discussions in 2019, several states will be actively addressing the issue in 2020.

As 2019 drew to a close, Virginia lawmakers were poised to see the introduction of conflicting legislative proposals that would either regulate games-of-skill devices under the authority of the state lottery, or alternatively amend Virginia's statutory definition of illegal gambling to encompass skill games.

In December 2019, District of Columbia Mayor Muriel Bowser referenced the spread of unregulated machines in neighboring Virginia when she proposed legislation that would allow licensed bars to each host up to three games-of-skill devices, provided their games were endorsed by the DC Attorney General's office.

Meanwhile, Missouri witnessed the introduction of several unsuccessful bills in 2019 that would have authorized the state's lottery to operate video lottery terminals in retail locations in an effort to channel demand away from unregulated devices.

Such proposals were met with strong opposition, however, by Missouri commercial casinos who reported a 1.9 percent decline in revenue from their lawful electronic gaming devices in 2019.

"Illegal slot machines and proposed legislation to legalize them would bypass both Missouri voters and the state's strict casino gambling regulations, established and enforced by the Missouri Gaming Commission," the Missouri Gaming Association, which represents the state's 13 commercial casinos, said in a June 2019 statement.

"We encourage residents concerned about thousands of new slot machines in their communities and on every street corner in Missouri to ask their legislators to crack down on illegal slot machines and vote no on proposed legislation to legalize them in the next legislative session."

As 2020 unfolds, the AGA plans to continue to confront the spread of these unregulated machines, by working directly with the Association of Gaming Equipment Manufacturers (AGEM), state associations, and other key stakeholders for the benefit of the entire industry.

Rhode Island

In 2019, total statewide commercial casino gaming revenue was $668.4 million, up 1.8 percent. While revenue from electronic gaming devices was essentially flat and table games declined, sports betting boosted the market to slight overall growth.

NUMBER OF COMMERCIAL CASINOS
2

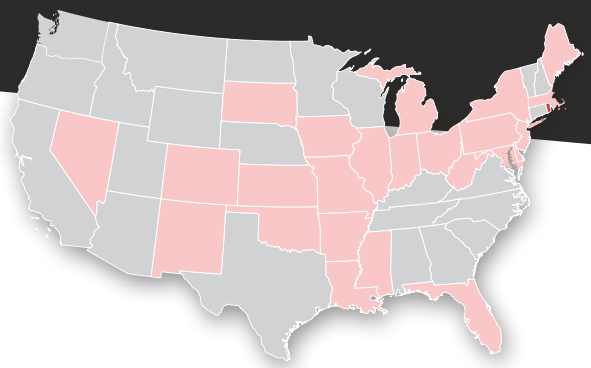
CASINO FORMAT
Land-Based Casinos

NOTABLE FORMS OF GAMING
Sports Betting

REGULATORY AUTHORITY
Rhode Island Lottery

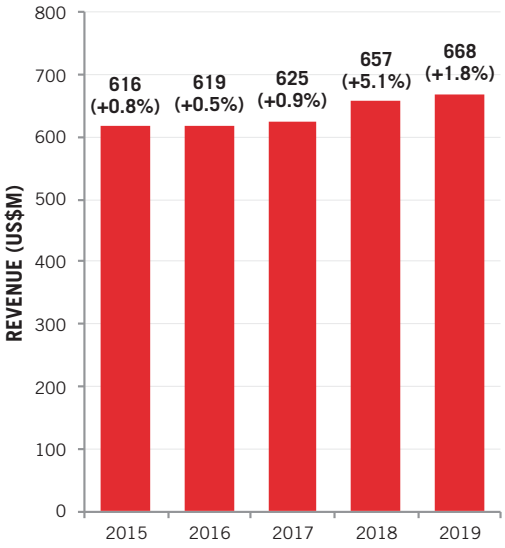
GROSS CASINO GAMING REVENUE 2019
$668.4M

GAMING TAX REVENUE 2019
$329.6M



Rhode Island: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: Rhode Island Lottery

Market Overview

Rhode Island offers commercial casino gaming at two casinos operated under the authority of the Rhode Island Lottery.

In 1992, the Rhode Island legislature passed a bill permitting electronic gaming devices at the state's two pari-mutuel wagering venues. In 2012, state voters approved the addition of table games at Twin River Casino in Lincoln.

In 2016, voters approved a ballot measure permitting the struggling Newport Grand Casino to relocate to the town of Tiverton on the Massachusetts border. The measure also authorized the relocated casino to offer table games. The new facility, Twin River Tiverton Casino Hotel, opened its doors in September 2018.

In June 2018, the legislature passed a bill authorizing the state lottery to operate sports betting at both commercial casinos. Retail sportsbooks were opened at both locations in November.

In March 2019, additional legislation was enacted to expand the state's sports betting operations to include online sports wagering. The lottery's online betting platform, Sportsbook Rhode Island, went live in September.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $668.4 million, up 1.8 percent relative to 2018.

Revenue from electronic gaming devices was virtually identical in 2019 compared to the previous year, bringing in $504.8 million, an increase of less than 0.1 percent over 2018. Table game revenue was $145.8 million, down 3.7 percent.

However, sports betting contributed $17.8 million to the overall revenue total, compared to just over $1.0 million in 2018 after Rhode Island's land-based casinos launched retail sportsbook operations in November of that year.

Gaming Tax Distribution

Rhode Island's two commercial casinos retain roughly 26 percent to 28.85 percent of their revenue from electronic gaming devices, depending on each facility's operating contract and state regulation. An additional annual allowance is made for certain marketing expenses. The state's overall take of electronic gaming device revenue, after administrative and technology expenses are deducted, is about 60 percent.

By contrast, table game revenue is taxed at a rate of either 17 or 19 percent depending on each casino's total net revenue in relation to the previous fiscal year. If a property's revenue is up from the prior year it pays an additional two percent.

The new sports betting revenue stream is taxed at an effective rate of 51 percent with the remaining amount split between the operating partner of the state lottery (32 percent) and the casino hosting the sportsbook operation (17 percent). In addition, the host communities of Lincoln and Tiverton each receive an annual payment of $100,000.

In total, Rhode Island's commercial casinos generated $329.6 million in 2019 in tax revenue for the state's General Fund, up 2.3 percent from 2018.

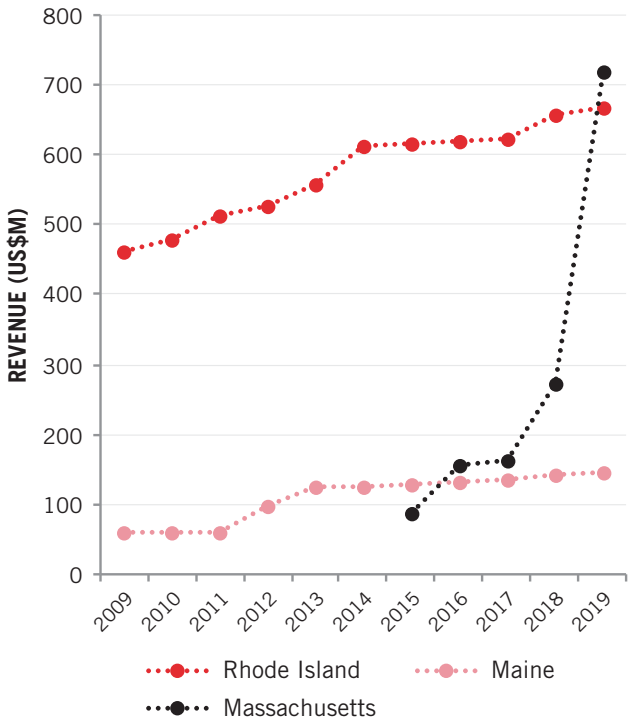
Gaming revenue in the General Fund is appropriated annually at the direction of the legislature and is used to pay for various state services, including education, public safety programs, and healthcare.

A small fraction of gaming tax revenue is also remitted annually to the towns of Lincoln and Tiverton as well as to the Narragansett Indian Tribe.

New England States: Annual Gaming Revenue

2009 to 2019

Long the largest commercial gaming market in the New England region, Rhode Island was surpassed in 2019 by Massachusetts in terms of total statewide gaming revenue, following the opening of a new casino-resort just outside Boston in June.



SOURCE: State gaming commissions

Competitive Landscape

Rhode Island's two commercial casinos operate in an increasingly competitive New England market that could become even more crowded in the next few years if additional casinos open in Massachusetts and Connecticut.

The most direct competitors of Rhode Island's casinos are Plainridge Park Casino in Massachusetts, which is just 20 miles from Providence, and the Foxwoods and Mohegan Sun tribal casinos in southeastern Connecticut. All three casinos draw customers from the Ocean State, although Rhode Island's casinos gained some competitive advantage in 2018 by becoming the only gaming facilities in the region authorized to offer sports wagering. Both Massachusetts and Connecticut considered sports betting legislation in 2019, although neither state passed a bill.

In 2019, Massachusetts opened a third casino when Encore Boston Harbor began operations in Everett, just north of Boston, in June. The fate of Massachusetts' fourth and final casino license remains uncertain, however, with legal challenges stalling a tribal casino planned for the city of Taunton and Massachusetts regulators hitherto reluctant to consider an alternative commercial casino for the southeastern region of the state that borders Rhode Island.

Meanwhile, in Connecticut, a planned commercial casino in East Windsor, north of Hartford, similarly remains on hold due to court challenges.

Notably, Connecticut's plans for the East Windsor casino replicate Rhode Island's own strategy of positioning a casino in Tiverton, which is on the Massachusetts border, in order to mitigate the impact of new gaming competition across the state line.

Policy & Regulatory Review

Sports Betting

In March 2019, legislation authorizing mobile and online sports betting was signed into law by Gov. Gina Raimondo (D). The legislation followed the adoption of previous legislation in 2018 allowing in-person sports betting strictly at commercial casinos.

Notably, under the legislation, bettors are still required to register online betting accounts in-person at one of the state's two commercial casino facilities. The provision made Rhode Island the first state outside Nevada to require in-person registration of online betting accounts, although similar requirements were included in laws enacted later in 2019 in Iowa and Illinois.

Litigation

Rhode Island's expansion into online sports betting came despite the threat of a lawsuit seeking to curtail the state's sports wagering operations.

In May 2019, a lawsuit was filed in state court arguing that sports betting in Rhode Island is unconstitutional without approval in a statewide voter referendum.

According to the lawsuit filed by a former local political official, sports betting never appeared on ballot papers in either of the 2012 or 2016 voter referendums that authorized expanded casino gaming at the Twin River casino locations in Lincoln and Tiverton.

In December, a judge ruled against the state's motion to dismiss the case due to the plaintiff's lack of standing, allowing the lawsuit to proceed.

South Dakota

In 2019, total statewide commercial casino gaming revenue was $110.3 million, up 3.7 percent. The growth was driven largely by increased revenue from electronic gaming devices at Deadwood casinos.

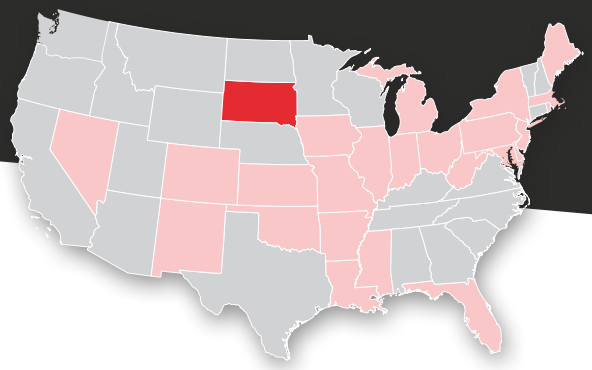
NUMBER OF COMMERCIAL CASINOS
22

GROSS CASINO GAMING REVENUE 2019
$110.3M

CASINO FORMAT
Land-Based Casinos

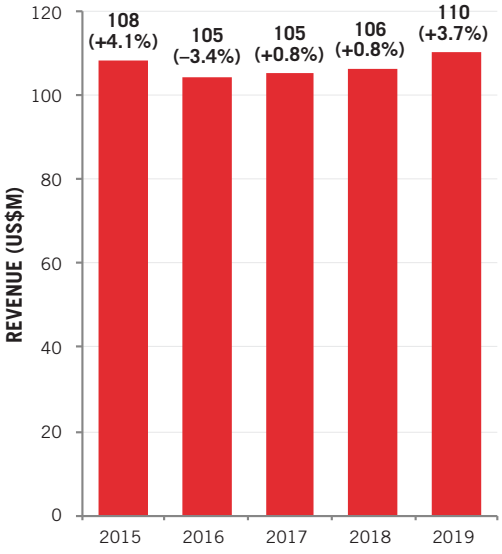
GAMING TAX REVENUE 2019
$14.9M

REGULATORY AUTHORITY
South Dakota Commission on Gaming



South Dakota: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: South Dakota Commission on Gaming

Market Overview

South Dakota offers commercial casino gaming at 22 locations exclusively within the city limits of historic Deadwood, located on the edge of the Black Hills National Forest near the Wyoming and Montana borders.

The casinos, which operate both electronic gaming devices and table games, are regulated by the South Dakota Commission on Gaming.

Commercial casino gaming was first approved by South Dakota voters in a 1988 statewide referendum. The state legislature passed a corresponding law the following year, making South Dakota the third commercial gaming state after Nevada and New Jersey.

While South Dakota's gaming law initially contained strict wagering limits and restrictions on the types of games and prize amounts that commercial casinos could offer, these restrictions have been loosened in recent years. Deadwood casinos can now accept wagers up to $1,000 (up from $100 prior to 2012) and can offer the most popular casino table games, including blackjack, poker, craps, and roulette.

There are no limits on the number of commercial casinos that may operate within the city limits of Deadwood. Commercial casino operators may operate up to 30 table games or electronic gaming devices for each license they possess. There is no limit on the number of licenses any operator may hold.

Market Performance

In 2019, total statewide commercial casino gaming revenue was $110.3 million, up 3.7 percent against 2018. The growth rate was the largest in percentage terms since 2015.

Electronic gaming devices were largely responsible for the market's growth. Total revenue from electronic gaming devices in 2019 was $97.0 million, a 4.1 percent increase over 2018. Table games also saw an increase, bringing in $13.2 million, essentially flat versus the prior year.

Despite the revenue growth, the number of electronic gaming devices and table game units offered in Deadwood casinos declined for a seventh straight year. At the end of 2019, the city offered a combined total of 2,940 gaming devices and tables, down slightly from the 2,952 it offered at the end of 2018.

Gaming Tax Distribution

South Dakota applies a 9 percent tax on commercial casino revenue. In addition, a gaming device tax is applied to both table games and electronic gaming devices, in the amount of $2,000 per unit per year.

In 2019, commercial casinos in Deadwood generated total gaming tax revenue of $14.9 million, a 1.3 percent increase, stopping a trend of recent years whereby statewide gaming revenue increased while tax revenues decreased.

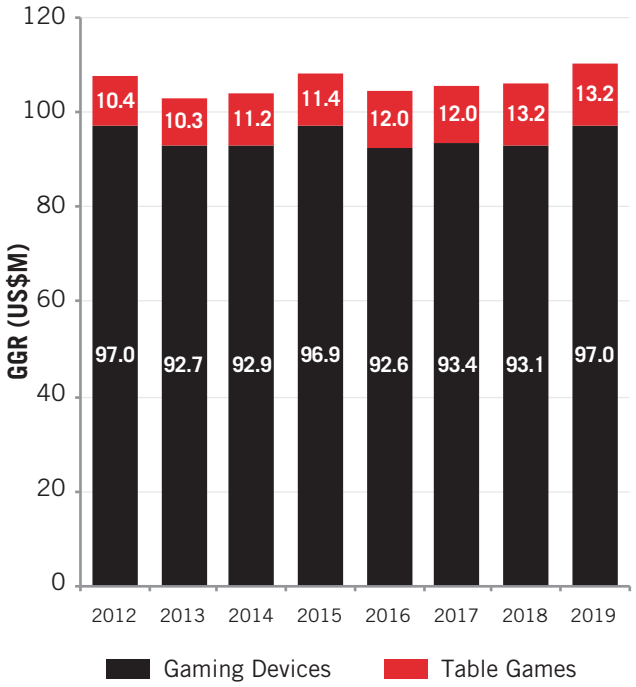
Of the 9 percent of gaming revenue collected, 1 percent is distributed to South Dakota's General Fund, and the remaining 8 percent is divided between the state's Gaming Commission Fund, the South Dakota Department of Tourism, and Lawrence County where Deadwood is located.

The Commission Fund provides up to $6.8 million annually to the City of Deadwood, and up to $100,000 to the State Historical Preservation Grant and Loan Fund, with all remaining funds going to the state General Fund, Lawrence County municipalities and schools, and Deadwood historic preservation. In addition, the Commission Fund is authorized to provide up to $30,000 annually for state gambling addiction programs.

South Dakota: Gaming Revenue Breakdown

2012 to 2019

While revenue from electronic gaming devices in South Dakota casinos increased by 4.1 percent in 2019, table game revenue was essentially unchanged versus the prior year.



SOURCE: South Dakota Commission on Gaming

Competitive Landscape

With almost two dozen casinos in Deadwood and no major population center within hundreds of miles, South Dakota relies heavily on tourists to patronize the historic town's commercial casinos.

As Deadwood sits on the western edge of the state, the town is unable to capture the majority of gaming dollars spent by South Dakota's residents, particularly those in Sioux Falls—the state's largest city located in the southeastern corner of the state. Residents in that part of the state generally spend their gaming dollars at one of the state's 13 tribal casinos, at nearby tribal casinos in Minnesota, or at Iowa's Grand Falls Casino, which is just minutes from Sioux Falls.

South Dakota's casinos also compete with a network of over 9,000 electronic gaming devices operated by the South Dakota Lottery at more than 1,300 convenience locations, such as bars and taverns, throughout the state.

Policy & Regulatory Review

Expansion

During the 2019 legislative session, the South Dakota Senate rebuffed a proposed ballot initiative to authorize a casino-resort in the city of Yankton, near the state's border with Nebraska.

Several lawmakers questioned the constitutionality of the proposed constitutional resolution, which was sponsored by several members of the state House and Senate, arguing the legislature lacked the authority to enact laws for municipalities. The resolution also received pushback from tribes who stated the initiative would negatively impact nearby casinos that fund community programs on their reservations.

The group Yankton Area Progressive Growth supported the resolution in order to build the casino as part of its Port Yankton project, which would also include a hotel and entertainment venue.

After narrowly passing out of committee, the resolution was defeated on the Senate floor in February by a vote of 22–13.

Sports Betting

In 2019, two attempts to get sports betting on the 2020 ballot failed.

A proposed constitutional amendment that would have added wagering on sporting events to the list of games permitted in the state's commercial casinos died in the House after being passed by the Senate in February.

Additionally, a petition, initiated by the Deadwood Gaming Association in 2018, also failed to obtain the required 34,000 signatures to qualify for the 2020 ballot before a November 2019 deadline.

If a constitutional referendum eventually makes it onto a ballot and is approved by voters, the South Dakota legislature would then have to pass authorizing legislation to establish a regulatory framework and tax structure for sports wagering.

West Virginia

In 2019, total statewide commercial casino gaming revenue was $630.0 million, up 1.0 percent. The slight increase reflected the state's first full year of sports betting revenue, which helped offset small declines in revenue from traditional casino games.

NUMBER OF COMMERCIAL CASINOS
5

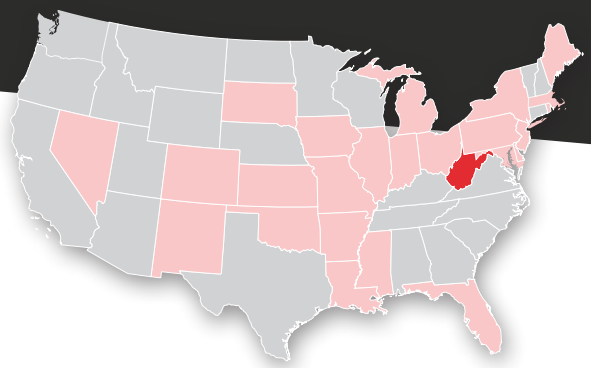
REGULATORY AUTHORITY
West Virginia Lottery Commission

CASINO FORMAT
Land-Based Casinos; Racinos

GROSS CASINO GAMING REVENUE 2019
$630.0M

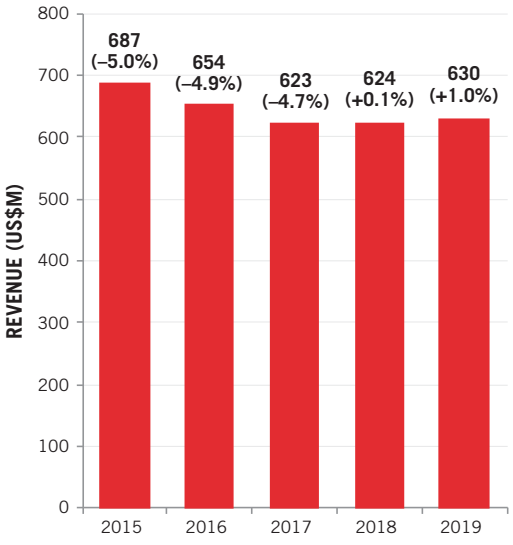
NOTABLE FORMS OF GAMING
Sports Betting

GAMING TAX REVENUE 2019
$287.8M



West Virginia: Commercial Casino Gaming Revenue (US$M)

2015 to 2019



SOURCE: West Virginia Lottery

Market Overview

West Virginia offers commercial casino gaming at four racinos and one land-based casino. Each of the five venues operates electronic gaming devices and table games under the authority of the West Virginia Lottery Commission.

The state authorized commercial casino gaming in 1994 when the West Virginia legislature endorsed the operation of electronic gaming devices at racetracks, subject to local approval. Legislation allowing racinos to add table games was approved in 2007.

In 2008, voters approved casino gaming at The Greenbrier historic hotel and legislators authorized table games at the property the following year.

Under West Virginia's regulatory framework, a racino must have a valid racetrack license in order to operate electronic gaming devices and table games. Racinos are statutorily permitted to have up to 400 machines, but may apply to the Lottery Commission for authorization to install more.

Anticipating a favorable ruling by the Supreme Court to strike down a federal sports betting ban, the state legislature passed a bill in March 2018 legalizing land-based and online sports betting. At the end of 2019, sportsbooks were open at three

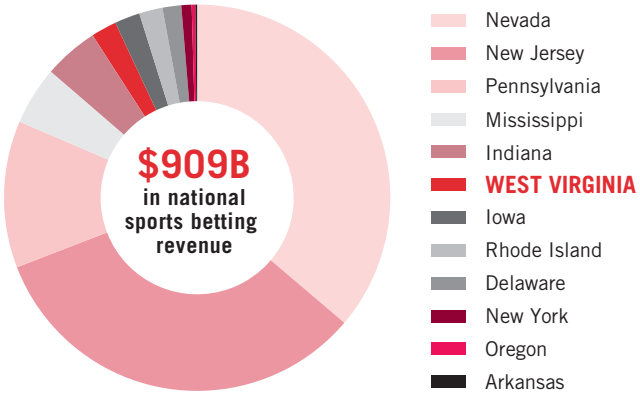
West Virginia casinos, with two online sports betting platforms also operational.

Internet casino gaming was also legalized by the legislature in 2019, but internet gaming will not be launched until implementing regulations have been adopted by the lottery commission.

West Virginia: Gross Sportsbook Revenue by State

2019

Land-based and online sportsbooks in West Virginia generated $19.5 million in total sports betting revenue in 2019. After launching in August, the DraftKings and FanDuel online betting platforms accounted for approximately 28.1 percent of the annual revenue total.



SOURCE: State regulators

Market Performance

In 2019, total statewide commercial casino gaming revenue was $630.0 million, an increase 1.0 percent against 2018. The increase halted a seven-year streak of declining revenue in the state, which is located in a competitive Mid-Atlantic gaming market.

Total revenue from electronic gaming devices in 2019 was $503.4 million, down 1.2 percent from 2018, while total table game revenue was $107.0 million, a decrease of 0.6 percent.

Despite those decreases, the first full year of sports betting at West Virginia casinos helped fill the gap and led to the first overall increase in statewide gaming revenue since 2011.

West Virginia casinos and their affiliated online sports betting platforms collected $19.6 million in total sports betting revenue in 2019, significantly more than the $6.6 million collected during about four months of operation in 2018.

Gaming Tax Distribution

Revenue from electronic gaming devices at West Virginia's five casino properties is taxed at 53.5 percent, while table games are taxed at 35 percent.

The tax rate for sports betting is set at 10 percent. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2019, commercial casinos generated total gaming tax revenue of approximately $287.8 million, down 0.7 percent from 2018. The total included approximately $1.9 million in sports wagering tax revenue, which partially offset declines in taxes derived from electronic gaming devices and table games.

The majority of gaming tax revenue is remitted to the state government, including to funds associated with the West Virginia Lottery. Lottery funds are allocated to the state's public schools, tourism promotion, state parks, and services for senior citizens. County and municipal governments also receive a small percentage of gaming tax proceeds, as do West Virginia's horse and greyhound racing industries.

Taxes collected from sportsbook operations are placed in the newly-created West Virginia Lottery Sports Wagering Fund, which distributes the first $15 million to the State Lottery Fund before remaining funds are used to help support health-insurance programs for public sector employees.

Competitive Landscape

West Virginia's commercial casinos have faced a dramatic increase in out-of-state competition over the past decade. Since 2006, the neighboring states of Maryland, Ohio, and Pennsylvania have opened nearly 30 commercial casino properties.

In accordance with a 2017 law, Pennsylvania launched internet gaming and electronic gaming devices at truck stops during 2019. Four satellite casinos offering a limited number of electronic gaming devices and table games are also set to follow, although none will be situated close to West Virginia casinos.

A more pressing competitive threat looms in Virginia. Legislation provisionally passed by Virginia's General Assembly in 2019 would authorize up to five commercial casinos in designated cities, pending a second vote to enact the bill in 2020 following lawmakers' review of an official study on expanded gaming. While none of the five cities earmarked to host casinos is particularly close to the West Virginia border, the official study conducted on behalf of lawmakers raised the prospect of an additional casino venue in more populous northern Virginia near Washington, D.C.

Within the state's borders, West Virginia casinos compete with a network of nearly 8,000 limited-stakes electronic gaming devices (VLTs) situated at retail establishments, such as bars and taverns. Notably, in 2019 legislation was enacted that increased the permitted maximum wager on VLTs from $2 to $5.

Policy & Regulatory Review

Internet Gaming

In March 2019, West Virginia became the fifth state to legalize internet casino gaming when Gov. Jim Justice (R) allowed a bill passed by the state legislature to become law without his signature.

The legislation authorizes the state's five casinos to offer a wide range of online casino games, including simulated electronic gaming devices and table games, subject to regulation by the West Virginia Lottery Commission. Internet gaming revenue will be taxed at a rate of 15 percent, with casinos required to pay upfront licensing fees of $250,000.

The law became effective in June and granted the lottery commission until July 2020 to promulgate implementing regulations.

Once operational, West Virginia will join Nevada, Delaware, New Jersey, and Pennsylvania in offering internet casino gaming. In December 2019, Michigan also passed internet gaming legislation.

Expansion

Another bill considered by lawmakers in 2019 would have allowed each of the state's four racinos to open a secondary casino gaming venue in the same county in which their primary racetrack is located.

Among other things, the legislation would allow gaming at an alternative location to Wheeling Island Hotel Casino Racetrack, which historically has been vulnerable to flooding from the Ohio River.

The casino bill was passed by West Virginia's House of Delegates in February but was never taken up in the Senate.

State Regulatory & Industry Contacts

For further information about the gaming industry or regulatory requirements in specific states please contact the state regulators or state gaming association listed below.

STATE	STATE REGULATORY AUTHORITY	STATE GAMING ASSOCIATION
Arkansas	**Arkansas Racing Commission** dfa.arkansas.gov/racing-commission	
Colorado	**Colorado Division of Gaming** colorado.gov/pacific/enforcement/gaming **Colorado Limited Gaming Control Commission** colorado.gov/pacific/enforcement/limited-gaming-control-commission	**Colorado Gaming Association** coloradogaming.com
Delaware	**Delaware Lottery** delottery.com **Delaware Division of Gaming Enforcement** dge.delaware.gov	
Florida	**Florida Division of Pari-Mutuel Wagering** myfloridalicense.com/DBPR/pari-mutuel-wagering	
Illinois	**Illinois Gaming Board** igb.illinois.gov	**Illinois Casino Gaming Association** illinoiscasinogaming.org
Indiana	**Indiana Gaming Commission** in.gov/igc	**Casino Association of Indiana** casinoassociation.org
Iowa	**Iowa Gaming and Racing Commission** irgc.iowa.gov	**Iowa Gaming Association** iowagaming.org
Kansas	**Kansas Racing and Gaming Commission** krgc.ks.gov **Kansas Lottery** kslottery.com	
Louisiana	**Louisiana Gaming Control Board** lgcb.dps.louisiana.gov	**Louisiana Casino Association** casinosofla.com
Maine	**Maine Gambling Control Unit** maine.gov/dps/gamb-control	
Maryland	**Maryland Lottery and Gaming Control Commission; Maryland Lottery and Gaming Control Agency** mdgaming.com	

State Regulatory & Industry Contacts *(continued)*

STATE	STATE REGULATORY AUTHORITY	STATE GAMING ASSOCIATION
Massachusetts	**Massachusetts Gaming Commission** massgaming.com	
Michigan	**Michigan Gaming Control Board** michigan.gov/mgcb	**Michigan Gaming Association** michigangaming.com
Mississippi	**Mississippi Gaming Commission** msgamingcommission.com	**Mississippi Gaming and Hospitality Association** msgaming.org
Missouri	**Missouri Gaming Commission** mgc.dps.mo.gov	**Missouri Gaming Association** missouricasinos.org
Nevada	**Nevada Gaming Control Board; Nevada Gaming Commission** gaming.nv.gov	**Nevada Resorts Association** nevadaresorts.org
New Jersey	**New Jersey Division of Gaming Enforcement** nj.gov/oag/ge **New Jersey Casino Control Commission** nj.gov/casinos	**Casino Association of New Jersey** casinoassociationofnewjersey.org
New Mexico	**New Mexico Gaming Control Board** nmgcb.org	
New York	**New York State Gaming Commission** gaming.ny.gov	**New York Gaming Association** newyorkgaming.org
Ohio	**Ohio Casino Control Commission** casinocontrol.ohio.gov **Ohio Lottery Commission** ohiolottery.com	
Oklahoma	**Oklahoma Horse Racing Commission** ohrc.org	
Pennsylvania	**Pennsylvania Gaming Control Board** gamingcontrolboard.pa.gov	
Rhode Island	**Rhode Island Lottery** rilot.com	
South Dakota	**South Dakota Commission on Gaming** dor.sd.gov/Gaming	**Deadwood Gaming Association** deadwood.com
West Virginia	**West Virginia Lottery Commission** wvlottery.com	

AMERICAN GAMING ASSOCIATION

VIXIO GAMBLING COMPLIANCE

© 2020 American Gaming Association. All rights reserved.