

# Disposition of Revenues to New York State Residents from Casino Taxes per *Upstate New York Gaming Economic Development Act of 2013: a Projection*

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*SUMMARY:* We project and examine disbursements to New York State taxpayers under provisions of the *Upstate New York Gaming Economic Development Act of 2013 (UNYGEDA)*. One purpose of this legislation is to provide a framework for commercial (non-tribal) casino gambling in New York, contingent to voter approval. Our examination reveals an extraordinary disparity in disbursement of proceeds from state taxes on gross gambling revenues, even among taxpayers expected to incur comparable financial burdens under *UNYGEDA*. For just a 20% increase in gambling disorders we assume would occur under the act, we show their quantifiable socioeconomic costs (QSEC) per capita adult alone exceed those disbursements for more than 99% of adults in the state. Per annum, *UNYGEDA*'s funding provision would provide about \$1 per capita adult in NYS to address gambling problems projected to rise by more than \$50 under the act to \$296 per capita adult.

## *INTRODUCTION*

On June 21 2013 the New York State Legislature passed *S05898*, putting to public referendum for November an amendment to the State Constitution Art. 1 §9 that would legalize “CASINO GAMBLING AT NO MORE THAN SEVEN FACILITIES AS AUTHORIZED AND PRESCRIBED BY THE LEGISLATURE.” These fifteen words are in no way prescriptive. Accordingly, the *Upstate New York Gaming Economic Development Act of 2013 (UNYGEDA)* was passed the same day. The writers of this “enabling language” had faced problems in crafting a bill that would pass the legislature and, *in theory*, provide a road map useful to voters for what *would, could or might* follow approval of the amendment in the general election. We say “*would or could*” because any part of *UNYGEDA2013* can be amended in future. It is not, like the Constitution, resistant to quick change. Its promoters have told the public little about its more than 200 pages beyond what was in the Governor’s signing-day press release a month later.

<http://www.governor.ny.gov/press/07302013-upstate-ny-gaming-economic-development-act>

One challenge for the writers of *UNYGEDA2013* was that they did not know exactly where the casinos would be sited if the amendment passes, or how big each would be, or just what “games” each would offer. Thus they could have no concrete estimate of what would be the gross gambling revenue (GGR) at each casino or all combined, nor what distribution of “games” would be seen.<sup>1</sup> Without these they could not project precisely the revenues to the state tax fund. Revenue to the state by tax on GGR is just one of the pluses claimed for the amendment by its promoters. It is the only one, however, that has much potential to interest voters all over the state, relative to those who might live near a possible new “destination gaming” locale. This is further demonstrated by repeated statements from the Governor and many other amendment-backers that NYC voters should support the amendment; *UNYGEDA*, they claim, would make millions more dollars available to the city’s education budget, which is about half that for the whole state.

Abbreviations used in text	
GGR	Gross gaming revenue
M	Million
NYS	New York State
pca	per capita adult
PPG	Pathological or problem gambler [or gambling]
PTRAЕ	Property tax relief or aid to education
QSEC	Quantifiable socio-economic costs
<i>UNYGEDA</i>	<i>Upstate New York Gaming Economic Development Act of 2013</i>
Zone 1	New York City + Long Island + Westchester + Rockland + Putnam
PnFE	Private non-Farm Establishments

“Under the casino gaming plan outlined in the new law,” reads the Governor’s press release on July 30, “all localities in the state will share in increased education aid, or lower property taxes, no matter where the casinos are located.” Eighty per cent of the “property tax relief or aid to education” enabled by tax on casinos is to be apportioned statewide, method not stated. Disbursement of the remaining twenty per cent would be among the host municipality,

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<sup>1</sup> Gross gambling revenue (known to the trade as gross gaming revenue) is the money held by the casino after payout to users. From GGR the casino pays expenses and taxes before taking profits. Revenue to a state government from casinos depends on GGR and on the tax rate applied, which is often partitioned into x% on slot machines and y% on table games. X is generally higher than y.

host county, and non-host counties within the respective casino region. Yet this general disbursement gives no inkling of its amount or degree of disparity.

In examining how tax revenues on casino GGR intended for property tax relief or aid to education (PTRAE) would pass to New York State taxpayers, we ask three questions:

- (1) What might be the value of PTRAE to NYS taxpayers?
- (2) Will PTRAE be disbursed uniformly among them, and if not, why not?
- (3) How might PTRAE compare with costs associated with new casinos, including those derived from Problem and Pathological gambling (PPG), and will PTRAE adequately compensate communities for those costs?

## *METHODS*

Like the bill-drafters, we do not know casino locations and GGRs. Our location assumptions were informed by Albany hearings and press releases and industry and press reports. According to *UNYGEDA*, if the amendment were to pass, four casinos (of the up to seven the amendment would permit) would, within the next several years, be placed in each of three upstate multi-county regions, which we will call Region 5, Mid-Hudson Catskill, and Capital regions.<sup>2</sup> One region could have two casinos, and we assume that would occur in the Mid-Hudson Catskill Region, in which the Towns of Thompson and Liberty (Sullivan County) and Wawarsing (Ulster County) are front-runners. We assume two casinos would not be located in the same county. In the Capital Region we assume Saratoga County will host a casino, and in Region 5 we arbitrarily designated Broome as a host county. In neither Region 5 nor the Capital region did we assume a host municipality.

U.S. Census data (2011, 2012) and NYS Office of Real Property Services (ORPS) data (2012) were used to characterize counties' and towns' adult populations (18 years and over), number of housing units, and of number of private non-farm establishments or number of commercial and industrial tax parcels. We assume \$300 million annually for the GGR from each new casino; compared with industry figures nationally, this is likely an overestimate which therefore favors a case that new casinos will generate substantial moneys to Albany and in turn, taxpayers. *UNYGEDA* prescribes a higher tax rate on the portion of GGR derived from slot machines compared with that from table gambling. We assume each casino would derive 70%

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<sup>2</sup> Region 5 includes the following counties: Broome, Tioga, Chemung, Schuyler, Tompkins, and parts of Seneca and Wayne not included in Seneca tribal exclusivity zone.

of its GGR from the former and 30% from the latter. This too likely favors the case for casinos, because industry figures indicate higher portions of GGR derive from table gambling.<sup>3</sup> According to the Governor's press release, the tax rate on slot machines will be equal to the tax rate of existing video lottery gaming facilities within each region, which currently ranges from 37 percent to 45 percent depending on the region. The rate on table gambling will be 10 percent. We therefore apply a weighted average tax rate of 31% to all GGRs.<sup>4</sup> The projected state tax revenue on GGR from each new commercial casino is then (\$300 million) x (31%), or \$93 million per year, which from all four casinos totals \$372M.

Though our central projections were based on GGR and tax assumptions of \$300M/casino/year and 31%, we looked also at the effect of variations in those input values. There are 12 casinos in Atlantic City, NJ. Though figures vary, about 30 casinos are advertised to be located on the Las Vegas Strip, Nevada. The American Gaming Association reports 2012 annual revenues for these markets to be \$3.052 and \$6.207 billion, or an average of about \$254M (Atlantic City) and \$207M (Las Vegas) for each casino. Our assumption of \$300M for each casino potentially authorized by *UNYGEDA* is therefore 15% and 31% higher than the average casino revenue from Atlantic City and the Strip, respectively. The weighted average tax rate of 31% that we calculated above would decrease to 29.5% for revenues derived from a slot machine/table gambling mix of 65%/35% and rise to 32.5% for a 75%/25% mix. In the *RESULTS* section we consider how combinations of these tax rates and GGRs affect estimates for Property Tax Reduction or Aid to Education (PTRAE).

The disbursement of state taxes to various jurisdictions is as described in Governor Cuomo's July 30, 2013 press release:

*“10 percent of the State's tax revenues will be split equally between the host municipality and the host county. 10 percent of the State's tax revenues will go to other counties in the region of the destination gaming resort to provide tax relief or educational assistance. 80 percent of the State's tax revenues will be used statewide for elementary and secondary education or property tax relief. The educational aid will be additive and will not be part of the State's existing education formulae. If the gaming referendum passes, 10 percent of the net gaming revenue retained by the State from Indian gaming facilities will be distributed to counties in each respective exclusivity zone that do not otherwise receive a share of exclusivity revenues.”*

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<sup>3</sup> See figures for Clark County (Las Vegas) Nevada in *Nevada Gaming Abstract*, State Gaming Control Board, for years 2011, 2012

<sup>3</sup> Calculated thus, assuming two casinos in Mid-Hud Catskill Region:  $(37 + 39 + 39 + 45) * 0.7/4 + 10 * 0.3 = 31%$  to GGRs, which is also higher than the 30% obtained for the M.H. Catskill region alone.

While UNYGEDA provides no detail beyond that above for how, *10 percent of the State’s tax revenues will be split equally between the host municipality and the host county, or how, 80 percent of the State’s tax revenues will be used statewide for elementary and secondary education or property tax relief*, it does prescribe that 10 percent of the State’s tax revenues from commercial casinos intended for ... *other counties in the region of the destination gaming resort ...* will be distributed on a per capita basis, subtracting the population of the host municipality and host county.<sup>5</sup>

PTRAE at the state and county levels was determined to be the average for all housing units and private non-farm establishments; at the municipality (town) level it was determined for all housing units and commercial and industrial parcels, excluding farms and vacant land – the distinction, between private non-farm establishments and commercial and industrial parcels isn’t expected to be significant for our purposes, and is due to the unavailability of PnFE data at the town level. For example, if a host county has 100,000 taxable units and receives \$5 million in host county state disbursements from casino taxes on GGR, we determine PTRAE per unit to be \$50.

We make no distinction between the “property tax relief” and “increased aid to education” components of PTRAE, because from a taxpayer’s perspective they’re interchangeable – funding for local school districts comprises a significant portion of local property taxes. Furthermore, if town or county governments decide to build a new town hall and firehouse instead of, say, declaring a two-year halt to increases in property taxes, that is still a form of property tax relief, because rates might otherwise have gone up to support such capital expenditures.

UNYGEDA acknowledges the potential for significant impacts arising from casino development.<sup>6</sup> Requirements for: *“Completed studies and reports ... which shall include ... an examination of the proposed gaming facility’s: ... local and regional social, environmental, traffic and infrastructure impacts; impact on the local and regional economy, including the impact on cultural institutions and on small businesses in the host municipality and nearby municipalities; cost to the host municipality, nearby municipalities ... for the proposed gaming facility to be located at the proposed location ...”* make clear the importance for host and surrounding communities of assuring these impacts are adequately accounted for.

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<sup>5</sup> Opinion rendered from Senator Bonacic’s staff: Disbursement of 80% at state level will proceed to taxpayers irrespective of residency in either host or non-host casino jurisdiction; disbursement of 5% at host county level will not be exclusive of 5% host town disbursement for residents of host towns. Thus, residents in host towns receive state, host county, and host town level disbursements.

<sup>6</sup> See, for example, sections:1300, 1313, and 1316

We draw attention to other important costs. Though they are tacitly acknowledged in the act, it places no requirement for assessing their impacts on host communities and regions. These costs, though less obvious to discern than, say, those for road repairs, can be assigned a monetary value and are substantial.<sup>7</sup> Our term for them is Quantifiable Socio-economic Costs or QSEC. They arise almost entirely from Problem and Pathological gambling (PPG) . Because QSEC must be included in a reliable cost-benefit analysis, and because UNYGEDA prescribes no requirement for their assessment, we estimated their current (baseline) level and how they would increase with *UNYGEDA*'s implementation. For this we conservatively assumed increases of PPG prevalence above baseline levels to be 20% and 35%.<sup>8</sup> We compared the associated increases in QSEC to disbursements of PTRAE under *UNYGEDA*. In assuming these increases in PPG prevalence, we note an important limitation of our analysis. Although large increases in PPG prevalence occur with increasing opportunity to gamble, accurately assessing that increase for a specific location remains challenging.<sup>9,10</sup> This is particularly true in New York, where several forms of gambling are already present. That's why we evaluate QSEC for PPG prevalence increases of just 20% and 35%, which is much lower than the increases observed by others.<sup>11</sup>

It is crucial to appreciate that QSEC doesn't include a range of very real socioeconomic costs that do not lend themselves to assignment of dollar values. For example, what price adequately accounts for suicide? And what dollar value should we place on suffering spouses, neglected or abused children, and many others, betrayed by loved ones with gambling disorders? The corollary: it isn't just the gambler who's harmed, and though the harm is difficult to cost, it is nevertheless very real.

## *RESULTS*

Table 1 shows the PTRAE we project using our assumptions with the disbursement formulae defined in *UNYGEDA*. Possible contributions from Indian gambling operations, which operate beyond the respective boundaries of Region 5 and the Mid-Hudson Catskill and Capital regions are omitted. Though these may be activated by the amendment's passage, they would not involve revenues from non-Indian casinos.

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<sup>7</sup> Earl L. Grinols, *Gambling in America*, Cambridge University Press 2004 pp 167-174

<sup>8</sup> See also section C, Appendix

<sup>9</sup> *National Gambling Impact Study Commission Final Report*, Ch. 4, 1999

<sup>10</sup> Welte, et al, *The Relationship of Ecological and Geographic Factors to Gambling Behavior and Pathology*, J. Gambl. Stud., 2004 Winter; 20(4):405-23

<sup>11</sup> See references 8 and 9

Table 1. Property Tax Relief or Aid to Education (PTRAE), dollars \*

Jurisdiction	\$ PTRAE/unit Jurisdiction	\$ PTRAE/unit Total **	\$ PTRAE Per Capita Adult (pca)
M.H. Catskill Region non-host counties	50	85	23
Capital Region non-host counties	24	59	14
Region 5 non-host counties	53	88	30
Sullivan as Host County	91	126	76
Town of Thompson, Host Municipality	455	581	489
Town of Liberty, Host Municipality	817	943	693
Ulster as Host County	53	88	32
Town of Wawarsing, Host Municipality	713	801	477
Zone 1 ***	35	35	20

\* See Appendix for source data and calculations

\*\* Where additive

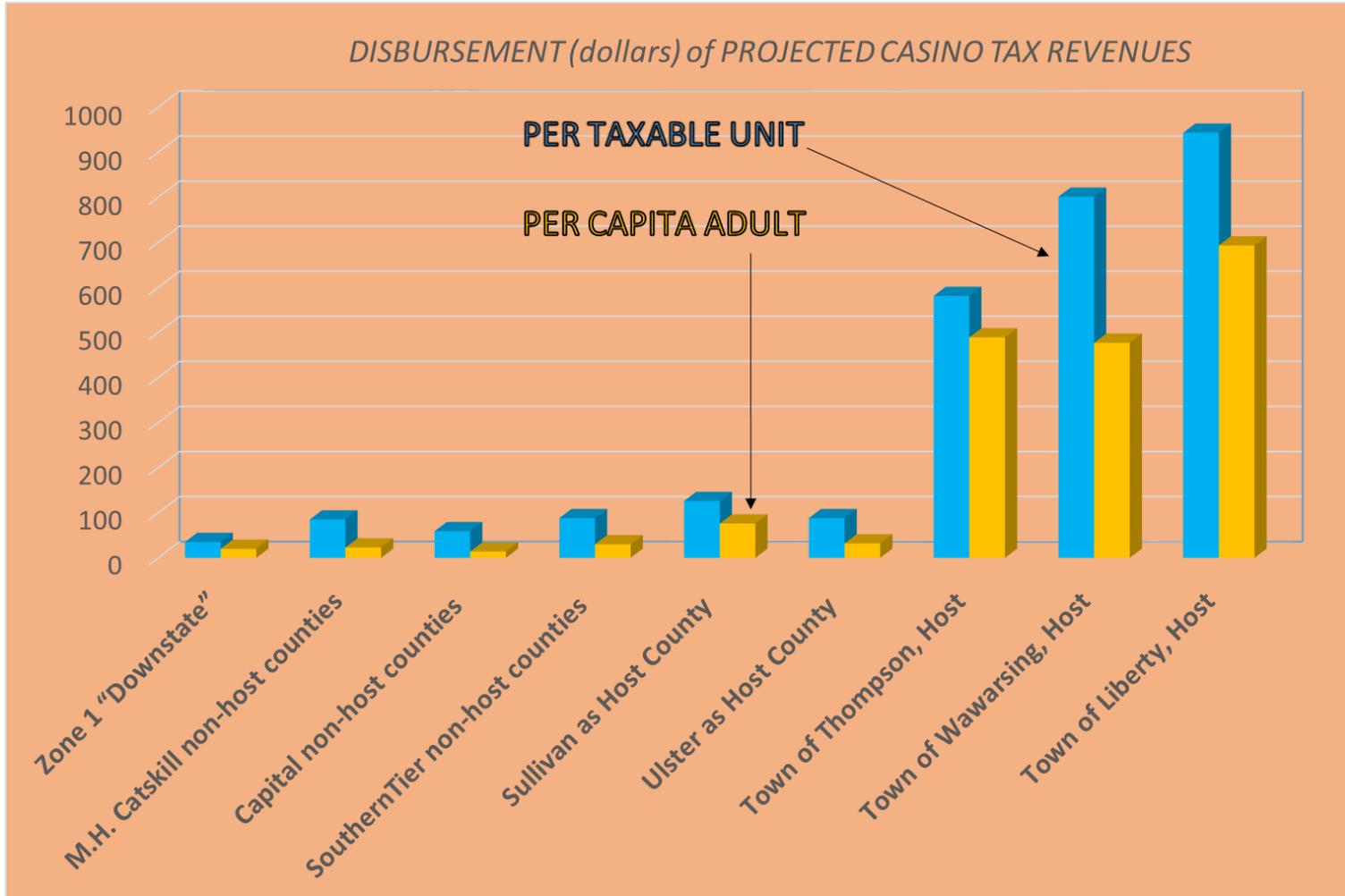
\*\*\* Comprises NYC, Long Island, and counties of Rockland, Westchester, and Putnam

Column 2 shows average jurisdiction-specific PTRAE values per taxable unit. Column 3 combines those values with column 2 values where appropriate. For example, under *UNYGEDA*, PTRAE disbursement to Zone 1 is exclusively from 80% of state taxes on GGR. By contrast, additional disbursement goes to certain other counties and municipalities. Column 4 shows the PTRAE per capita adult we project taxpayers in each jurisdiction will receive. Computations deriving Table 1 values are in Appendix B.

Should Thompson, Liberty, and Wawarsing become host casino towns, we project they would receive PTRAE pca values of \$489, \$693, and \$477 respectively, about 24, 35, and 24 times the \$20 PTRAE pca projected for Zone 1. Adults in Thompson and Wawarsing make up just 0.14% of the adult population in NYS; Liberty and Wawarsing just 0.12%. Compared with their respective counties, the adult populations in Thompson, Liberty, and Wawarsing are

just 19%, 13%, and 7%, yet their PTRAE pca is 6, 9, and 15 times that of their respective counties.<sup>12</sup> Figure 1 depicts graphically our estimates for total PTRAE/unit (blue) and PTRAE per capita adult (yellow) values in Table 1.

Figure 1. Disbursement (dollars) of Projected Casino Tax Revenues by Jurisdiction



Nearly all of QSEC derives from pathological and problem gamblers. These two categories together comprise about 4% of North American adults and are a minority of all adults who have gambled in the last year. Roughly half of QSEC are publicly borne and 37.5% require tax dollars.<sup>13</sup> Table 2 shows how a 20% and 35% increase in PPG above its baseline

<sup>12</sup> See Appendix tables A1 and A2

<sup>13</sup> E. Grinols, *Gambling in America, costs and benefits*, p.176

prevalence level would increase QSEC pca, and compares those increases with PTRAE pca values presented in Table 1.

Table 2. QSEC pca Increases and PTRAE pca by Jurisdiction

Jurisdiction	QSEC pca ↑ 20%	QSEC pca ↑ 35%	\$ PTRAE pca
M.H. Catskill Region non-host counties	51	90	23
Capital Region non- host counties	51	90	14
Region 5 non-host counties	51	90	30
Sullivan as Host County	51	90	76
Town of Thompson, Host Municipality	51	90	489
Town of Liberty, Host Municipality	51	90	693
Ulster as Host County	51	90	34
Town of Wawarsing, Host Municipality	51	90	477
Zone 1 “downstate”	51	90	20

The second column in Table 2 indicates, that for a 20% increase in PPG prevalence above baseline level, the projected increase in QSEC pca for all jurisdictions (except host Sullivan County and the host Towns of Thompson, Liberty, and Wawarsing) exceeds by a wide margin PTRAE pca. This holds true for even for the host county of Ulster, which is more populous than Sullivan. For a 35% increase, QSEC pca exceeds PTRAE pca even for the host county of Sullivan.

Adult populations of host casino municipalities are lower than the adult populations of their respective host and surrounding non-host counties within the same region. Therefore, relative PTRAE disbursements in Table 1 – and how they compare with increases in QSEC in Table 2 – are anticipated to be generally similar for other choices of host municipalities and regions. By comparison though, if cities with relatively large adult populations, such as Binghamton (32,300) and Albany (80,400), host casinos in Region 5 and the Capital region,

their PTRAE pca values would, at \$125 and \$58, be much lower than for host towns in Table 2. Yet even with these larger population host municipalities, over 99% of adults in NYS, regardless of how far they live from a casino, could still expect the increase in QSEC pca, from just a 20% increase in PPG prevalence statewide, to exceed the average disbursement per capita adult of state tax revenues from commercial casinos.

Table 1 and 2 depict our PTRAE projections based on assumptions for GGR of \$300M/casino/year and a tax rate of 31%. Table 3 shows adjustment factors that when applied to the PTRAE values in Table 1 or 2 produce PTRAE values specific to other GGR and weighted average tax rates described earlier in the *METHODS* section. It shows each tax rate directly below the mix of slot machine and table gambling used to produce it under *UNYGEDA*, assuming the same regional distribution of four casinos (two in the Mid-Hudson Catskills and one each in Region 5 and the Capital region). Appearing beneath these rates, and for each GGR/casino shown in the first column, Table 3 shows by how much PTRAE values in Tables 1 and 2 would change for each corresponding combination of GGR/casino and tax rate. For example, all the values in Table 1 would be reduced to 66% of their current value if a 65/35 mix of slot machine and table gambling applied to a GGR/casino of \$207M. In this instance: PTRAE pca for Zone 1 would reduce from \$20 to \$13; the host county of Sullivan would see its value become \$50 from \$76; the host Town of Liberty value would see a reduction to \$457 from \$693, and so on. The comparatively high GGR/casino of \$300M, if produced from a 75/25 mix, would increase Table 1 PTRAE pca values by just 5%. We of course can't know in advance whether the amendment will pass, what GGR/casino would subsequently be realized, or what mix of gambling would produce it. If the amendment were to pass, industry experience reflected in Table 3 suggests taxpayers would receive substantially lower PTRAE values than those in Tables 1 and 2, a sobering point made more so when considering QSEC and other casino-related costs.

TABLE 3. Factors to adjust PTRAE estimates, by GGR and slot:table mix

ADJUSTMENT FACTORS				
	65/35	70/30	75/25	% Slots/% Table
	29.5%	31%	32.50%	Overall Tax Rate
\$ GGR/casino				
207M	0.66	0.69	0.72	
254M	0.81	0.85	0.89	
300M	0.95	1	1.05	

## DISCUSSION

We return now to the three questions of our *INTRODUCTION*:

- (1) What might be the value of PTRAE to NYS taxpayers?
- (2) Will PTRAE be disbursed uniformly among them, and if not, why not?
- (3) How might PTRAE compare with costs associated with new casinos, including those derived from Problem and Pathological gambling (PPG)? In other words, will PTRAE be sufficient to adequately compensate for those costs?

We didn't expect PTRAE to be uniform across jurisdictions, but we also didn't anticipate the extent it would vary. Although drafters of *UNYGEDA* were well-aware of wide-ranging potential impacts a casino could have on local communities and regions, they've provided no public justification for non-uniformity in PTRAE disbursements. This is problematic for several reasons.

All potential host casino towns would share boundaries with non-host towns within the same county. Similarly, all potential host counties would share boundaries with non-host counties within the same casino region. For example, the Town of Thompson shares boundaries with the following Sullivan County towns: Fallsburg, Liberty, Bethel, Lumberland, Forestburg, and Mamakating. The Ulster County Town of Wawarsing shares boundaries with neighboring towns in that County and also towns in Sullivan County. Casino locations can and will place many residents of non-host towns, and possibly non-host counties, closer to a casino than some residents of the host town itself. Yet potential host towns such as Thompson, Liberty, and Wawarsing would receive 6, 9, and 15 times, respectively, the PTRAE per capita adult disbursement than neighboring towns of the same county, even though non-host towns can be expected to bear comparable, and perhaps greater, adverse impacts than host towns. For example, if as promoters claim, *UNYGEDA* will generate high levels of visitation to communities in upstate New York, can the increased costs for road repairs or higher auto insurance rates for those communities be expected to be less for non-host towns through which that traffic must travel? Promoters might contend – as is also implied by *UNYGEDA* language – those costs, and those to be incurred by host towns, would be revealed in studies required from a potential casino licensee and subsequently borne by that licensee. Why then should there be any disparity in PTRAE disbursement?

Put another way, if casino expansion is to be so beneficial for all residents of the state, why should those in host towns receive a state tax benefit so much greater than everyone else? As host towns, presumably their “casino dividend” already far surpasses that for non-host towns and counties.

Without an explanation we’re left to wonder. Did the drafters of *UNYGEDA* intend this disparity to be so, and if so why? Or is it an unintended consequence of failing to reconcile disbursement schedule with actual need? Bill promoters likely would say that trying to assess specific costs of casinos in advance of identifying their specific locations is premature. Though much lies between such reasoning and no assessment at all, its application to the disbursement schedule leads unavoidably to the same dilemma: presenting the impression of robust benefits from casino expansion to taxpayers in advance of adequately evaluating liabilities is also premature.

There’s another disparity important for voters to be aware of – government officials promoting casinos without engaging the public in a serious way about the dangers and real costs of gambling disorders. In the absence of that engagement, a difficult-to-read 200 page bill, containing deeply buried general requirements to evaluate only a subset of significant taxpayer impacts, doesn’t provide voters with the information they need to make an informed decision.<sup>14</sup> More recently, this misinformation campaign has taken a new and, sadly, not unanticipated twist. Not only have officials supporting casinos insisted, and prevailed, that the casino amendment appear first on the ballot in November – there are six proposed amendments to the constitution being proposed – Governor Cuomo has endorsed embellishing the amendment’s language in furtherance of his desire to see the amendment pass.

*The proposed amendment to section 9 of the Constitution would allow the legislature to authorize up to seven casinos in New York State for the legislated purpose of promoting job growth, increasing aid to schools, and permitting local governments to lower property taxes through revenues generated. Shall the amendment be approved?*

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<sup>14</sup> See, for example, sections:1300, 1313, and 1316

Comparing this with the straightforward language of other amendments to appear on the November ballot leaves no doubt about the level of interference from the Governor and other Albany casino supporters in the process of “let the people decide”.

It’s well-established that increased exposure to addictive behaviors and substances leads to increasing rates of addiction. That’s as true for gambling as it is for cigarette smoking, alcohol consumption, and exposure to other controlled substances. Convenience (availability) increases exposure. New casinos, no matter where, increase access to gambling. As rates of pathological and problem gambling increase, so does the increase in their quantifiable socioeconomic costs, and they’re expensive. The inconvenient truth is there’s no proven means to separate gambling problems from gambling. Yet at the very least those problems shouldn’t be largely ignored.

Playing down the specter of local harm to the point of its non-existence might be considered business as usual in Albany. But new casinos will increase the prevalence of gamblers with gambling disorders, and that’s particularly likely in host towns that might be considered economically disadvantaged, or where rates of substance abuse already run high<sup>15</sup>. Whether relatively high PTRAE payments to host towns would be enough to offset increases in QSEC and other costs is something we can’t conclude with confidence. Table 2 and subsequent narrative demonstrated that under *UNYGEDA* more than 99% of adults in NYS, regardless of how far they live from a casino, can expect increases in QSEC *pca* alone to exceed average disbursements of PTRAE *pca*. Considering QSEC for NYS’s gambling problem before potential implementation of *UNYGEDA* is therefore also useful. In aggregate, it’s estimated to be **\$3.7 Billion** annually.<sup>16</sup> The 15M adult residents of the state are already burdened by a baseline QSEC *pca* of \$247 each year.

*UNYGEDA* does prescribe funding in support of efforts to address gambling problems and their prevention. Each year it requires \$500 for every slot machine and table gambling unit authorized for use in a casino be applied to address gambling problems. We don’t know how many slot machines and table gambling units might be authorized, but figures from Atlantic City, NJ provide one path to an estimate. The *Press of Atlantic City* reports that in 2010 eleven of twelve Atlantic City casinos housed a total of just under 30,000 slot machines. Though it’s difficult to obtain accurate figures for the total number of slot machines and table gambling units at large casinos, industry advertising suggests if we assume 30,000 will also equal the total

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<sup>15</sup> Welte, et al, *The Relationship of Ecological and Geographic Factors to Gambling Behavior and Pathology*, J. Gambl. Stud., 2004 Winter; 20(4):405-23.

<sup>16</sup> D. Colavito, *Crapping Out in New York: 2.0*, Huffington Post, 5/20/13

number of slot machines and table gambling units operating in all four casinos authorized under *UNYGEDA* (it's likely to be closer to half that number), then they would be among the largest casinos in the nation. And they would then generate \$15M annually towards addressing NYS's gambling problem. Comparing this with the \$247 QSEC pca from above, estimated increases for QSEC from Table 2, and NYS's estimated 15M adults, means *UNYGEDA* could provide \$1 pca against the \$247 pca baseline problem, or, against a problem we estimate from Table 2 to rise to between ( $\$247 + \$51 =$ ) \$296 and \$337 pca as a result of implementing the act.

- Funding to address gambling problems will be much less than \$1 per capita adult
- A 20% increase in PPG will increase QSEC \$51 per capita adult
- More than 99% of adults in NYS, regardless of how far they live from a casino, can expect increases in QSEC per capita adult alone to exceed average disbursements of property tax relief and aid to education per capita adult

We now consider how aggregate QSEC compares with the size of local budgets in some of the areas where casinos are being considered in NYS. To do this we will consider Sullivan County. For the past two years the county property tax levy was about \$50M, of which between 93% and 84% were reported to be consumed by services mandated by state and federal governments. This meant that about \$8M or less of the county tax levy was available for non-mandated expenses such as road repairs and local law enforcement. Under *UNYGEDA*, our assumptions, and census figures shown in the appendix, we compute Sullivan County would receive an aggregate \$ PTRAE disbursement of \$4.65M, should it host a casino. Considering again Table 2 and the baseline QSEC cited above, Sullivan's aggregate disbursement compares with a projected increase in QSEC from between \$3.1M and \$5.4M, above its current QSEC baseline of \$14.8M.

Sustaining the capacity to fund services is a challenge for all counties in the state. We've shown the extent to which increases in baseline QSEC under *UNYGEDA* further diminish that capacity, making matters worse. Adding to this burden would be need to address increases in costs independent of QSEC normally associated with large projects such as those being proposed under *UNYGEDA*: road repairs and school district costs, to name just two.

## CONCLUSIONS

Without an assessment of the potential increases in QSEC and costs for other services and infrastructure under *UNYGEDA* made public by Albany policy makers, voters aren't receiving the information they need to make an informed decision in November.

Comparing our estimates for state taxes on casino GGR with industry experience indicates taxpayers are likely to receive substantially less property tax relief and aid to education than we project under our assumptions of 300M GGR taxed at 31%.

A range of community costs are expected to rise if casinos are realized under *UNYGEDA*. Yet it prescribes no assessment of increases in the quantifiable socioeconomic costs from problem and pathological gambling. And although hidden from public view, these costs will increase markedly substantial pressures already being exerted on county budgets. Though the bill does prescribe evaluating certain other costs, it does so in a fashion that is retrospective to voters confronting the question of whether to amend the state constitution to permit commercial casinos.

Under *UNYGEDA*, increases in QSEC pca for more than 99% of adults in the state, regardless of how far they live from a casino, are expected to exceed disbursement of PTRAE pca. Yet funding prescribed under *UNYGEDA* to address gambling problems is shown to be a token that would do little more than extend NYS's sad tradition of neglect on such matters.

Because we are unable to reconcile the large disparity in disbursement of state casino tax dollars, to the likelihood of actual need by jurisdictions, we conclude the schedule for these disbursements either hasn't been thought through or has been designed with some criteria other than need in mind. If casinos are, on balance, as beneficial as their promoters claim, and if community costs will be properly evaluated and borne by licensees, then the disparate disbursement under *UNYGEDA* isn't supportable on merit.

## APPENDIX

### A. NEW YORK STATE

1. Number of school districts: 697 (2011) <sup>17</sup>
2. Number of private non-farm establishments (physical locations): 521,537 (2011) <sup>18</sup>
3. Number housing units: 8,119,864 <sup>19</sup>
4. Casino slot machine tax rate proposed: 37% - 45% depending upon region <sup>20</sup>
5. Casino table game tax rate proposed: 10% <sup>21</sup>

### B. STATE REVENUE FROM NON-TRIBAL CASINOS: BENEFIT DISBURSEMENT SCHEDULE

Total of ad valorem property tax relief and education funding

Case 1: 80% Disbursed State-Wide. This is referred to in the text as “baseline” PTRAE.

Case 2: 10% Disbursed Among Non-Host Counties within Casino Region

Case 3: 10% Split Equally Between Host County and Host Municipality

#### CASE 1: 80% Disbursed State-Wide

##### ASSUMPTIONS

1. \$300 million GGR per casino, four upstate casinos
2. GGR Composition: 70% slots, 30% table games. Weighted tax rate all regions 31%.
3. All ad valorem property tax relief assumed to be passed on to rental tenants
4. Exclude unimproved tax parcels and farms

Average benefit: combined ad valorem property tax relief <sup>22</sup> and additional education funding across all housing and private non-farm establishments

$$\frac{\$300\text{M GGR} \times 4 \text{ Casinos} \times 31\% \text{ Average Tax Rate} \times 80\% \text{ Allocation}}{8.1\text{M} + \text{Housing Units} + 522\text{K Private Non-Farm Establishments}} = \$35$$

<sup>17</sup> NYSED, Information and Reporting Services

<sup>18</sup> U.S. Census, New York

<sup>19</sup> ibid

<sup>20</sup> Press Release, Gov. Andrew Cuomo, July 31, 2013

<sup>21</sup> ibid

<sup>22</sup> May or may not include ad valorem school tax relief component

**CASE 2: 10% Disbursed Among Non-Host Counties within Casino Region**

Table A1 <sup>23</sup>

REGION	COUNTY	POP. 2012	</= 18YRS 2012	>/= 18YRS 2012	HOUSING UNITS, 2011	PRIVATE NON-FARM EST., 2011	HOUSING + EST. 2011
M.H. Catskill	Sullivan	76,793	21.9%	59,975	49,350	1,989	51,339
	Ulster	181,179	19.2%	146,393	83,854	4,662	88,516
	Delaware	47,276	19.1%	38,246	31,416	1,021	32,437
	Greene	48,673	18.3%	39,766	29,387	1,143	30,530
	Orange	374,512	26.3%	276,015	137,582	9,103	146,685
	Dutchess	297,322	21.3%	233,992	119,431	7,423	126,854
	Columbia	62,499	19.5%	50,312	32,875	1,675	34,550
<b>Total</b>		<b>1,088,254</b>		<b>844,700</b>	<b>483,895</b>	<b>27,016</b>	<b>510,911</b>
Capital	Washington	62,934	20.3%	50,158	28,934	1,067	30,001
	Rensselaer	159,835	20.7%	126,749	71,833	2,981	74,814
	Saratoga	222,133	21.7%	173,930	99,514	4,986	104,500
	Schenectady	155,124	22.2%	120,686	68,364	3,068	71,432
	Albany	305,455	19.2%	246,808	138,165	9,436	147,601
	Fulton	54,925	21.4%	43,171	28,600	1,180	29,780
	Montgomery	49,941	22.8%	38,554	23,108	1,098	24,206
Schoharie	32,099	19.4%	25,872	17,303	556	17,859	
<b>Total</b>		<b>1,042,446</b>		<b>825,929</b>	<b>475,821</b>	<b>24,372</b>	<b>500,193</b>
Region 5	Broome	198,060	19.7%	159,042	90,658	4,304	94,962
	Tioga	50,478	22.5%	39,120	22,250	809	23,059
	Chemung	88,911	22.0%	69,351	38,362	1,834	40,196
	Schuyler	18,513	20.1%	14,792	9,461	378	9,839
	Tompkins	102,554	15.6%	86,556	41,789	2,326	44,115
	Seneca (parts)	35,305	20.5%	28,067	16,225	706	16,931
	Wayne (parts)	92,962	22.7%	71,860	41,195	1,707	42,902
<b>Total</b>		<b>586,783</b>		<b>468,788</b>	<b>259,940</b>	<b>12,064</b>	<b>272,004</b>

Table A2	M.H. Catskill Casino Town	Pop. >/= 18YRS	Housing Units	Parcels Comm. + Ind. 2012 <sup>24</sup>	Housing + Comm. & Ind. Parcels
	Thompson	11,263	9,549	678	10,227
	Liberty	7,537	5,180	514	5,694
	Wawarsing	10,458	6,102	418	6,520
<b>Total</b>		<b>29,258</b>	<b>20,831</b>	<b>1,610</b>	<b>22,441</b>

<sup>23</sup> U.S. Census

<sup>24</sup> NYS Office of Real Property Tax Services [Private non-Farm Establishment census data unavailable at Town level]

CASE 2 continued

Non-Host Counties within Mid-Hudson Catskill region

ASSUMPTIONS

1. One casino each in Sullivan, Ulster, Saratoga, and Broome Counties
2. ½ Seneca and ½ Wayne County census housing & private non=farm establishments
3. \$300 million GGR per casino, four upstate casinos
4. GGR Composition: 70% slots taxed at 40%, 30% table games taxed at 10%
5. All ad valorem property tax relief passed on to rental tenants
6. Exclude unimproved tax parcels

N.B.: Case 1 (state-wide) benefit is additive to Case 2 benefit. Case 2 benefits are exclusive of Case 3 benefits

Average benefit: combined ad valorem property tax relief<sup>25</sup> and additional education funding across all housing and private non-farm establishments

Prize Money to M.H. Catskill Region counties without a casino

\$300M GGR x 2 Casinos x 31% Average Tax Rate x 10% Allocation = \$50  
371,056 Housing and Private Non-Farm Establishments

Prize Money to Capital Region counties without a casino

\$300M GGR x 1 Casino x 31% Average Tax Rate x 10% Allocation = \$24  
395,693 Housing and Private Non-Farm Establishments

Prize Money to C. Southern Tier Region counties without a casino

\$300M GGR x 1 Casinos x 31% Average Tax Rate x 10% Allocation = \$53  
177,042 Housing and Private Non-Farm Establishments

<sup>25</sup> May or may not include ad valorem school tax relief component

### CASE 3: 10% Split Equally Between Host County and Host Municipality

Mid-Hudson Catskill Region

#### ASSUMPTIONS

1. One casino each in Sullivan (Thompson or Liberty), Ulster (Wawarsing)
2. ½ Seneca and ½ Wayne County census housing & private non=farm establishments
3. \$300 million GGR per casino, four upstate casinos
4. GGR Composition: 70% slots taxed at 40%, 30% table games taxed at 10%
5. All ad valorem property tax relief passed on to rental tenants
6. Exclude unimproved tax parcels

N.B.: Case 1 benefits are additive to Case 3 benefits. Case 3 county benefits are additive to Case 3 town benefits. Case 3 benefits are exclusive of case 2 benefits.

Scenario: Sullivan County/Town of Thompson or Liberty; Ulster County/Town of Wawarsing

Average benefit: combined ad valorem property tax relief<sup>26</sup> and additional education funding across all housing and commercial establishments

#### M.H. Catskill Region Case 3: Sullivan County/Town of Thompson/Town of Liberty

\$300M GGR x 31% Average Tax Rate x 5% Sullivan County Allocation = \$91  
49,350 H.U.s + 1,989 PnFEs

\$300M GGR x 31% Average Tax Rate x 5% Town of Thompson Allocation = \$455  
9,549 Housing Units + 678 Commercial, and Industrial Parcels

\$300M GGR x 31% Average Tax Rate x 5% Town of Liberty Allocation = \$817  
5,180 Housing Units + 514 Commercial, and Industrial Parcels

#### M.H. Catskill Region Case 3: Ulster County/Town of Wawarsing Scenario

\$300M GGR x 31% Average Tax Rate x 5% Ulster County Allocation = \$53  
Ulster: 83,054 H.U.s + 4,662 PnFEs

\$300M GGR x 31% Average Tax Rate x 5% Town of Wawarsing Allocation = \$713  
6,102 Housing Units + 418 Commercial, and Industrial Parcels

<sup>26</sup> May or may not include ad valorem school tax relief component

C. INCREASE IN PPG QUANTIFIABLE SOCIOECONOMIC COSTS (QSEC) FROM FOUR NEW CASINOS per UNYGEDA

Table A3 QSEC for PPG and baseline prevalence in adult population<sup>27</sup>

	Prevalence	Annual QSEC per gambler of type <sup>28</sup>
Problem Gambler	2.8%	\$3,716
Pathological Gambler	1.14%	\$13,304

Prevalence of both types combined (PPG) is 3.94%

Weighted average annual QSEC per PPG is therefore

$$\$13304 * .29 + \$3716 * .71 = \$3858 + \$2638 = \$6496$$

Region-Wide Estimates of Increased Prevalence and QSEC

Let the increase in prevalence related to a new casino in the Mid-Hudson Catskills be a factor of 1.35. From Table A1, the adult population for the region is 844,700.

1. The increment in PPG prevalence for the region is therefore:

$$0.35 \times 3.94\% \times 844,700 \text{ adults} = 11648 \text{ new PPGs}$$

2. The increase in aggregate annual QSEC for the region is therefore:

$$11648 \text{ PPGs} \times \$6,496 = \$75.7 \text{ million}$$

3. The per capita adult increase in annual QSEC for the region is therefore:

$$\underline{\$75.7 \text{ million}} = \$89.6 \text{ per capita adult QSECs}$$

<sup>27</sup> Shaffer HJ, Hall MN, Vander Bilt J Estimated Disordered Gambling Behavior in the United States and Canada Report to National Gambling Impact Study Final Report 1999 <https://divisiononaddictions.org/html/publications/meta.pdf>

<sup>28</sup> Feb. 2013 dollars, Earl Grinols, personal communication

844,700 adults

Reducing the increase in prevalence from a factor of 1.35 to a factor of 1.2 times that of baseline produces in this region:

6,656 new PPGs, \$43.3 million annually in new aggregate PPG costs, and a \$51 annual increase in per capita adult QSECs.  $\$43.4\text{M}/845\text{K adults} = \$51$

Note: No matter what the population of a town or region or state or nation, the annual increase in QSEC/capita is a function of the baseline prevalence's of Pathological Gambling and of Problem Gambling and the proportionate increase therein. When that increase is by a factor of 1.2 from the above baselines of 1.14% and 2.8% the increase in QSEC is \$51 no matter what the unit of observation.

## DOCUMENT CHANGE HISTORY

ERRATA: 9/22/13

Pg. 8: Compared with their respective counties, the adult populations in Thompson, Liberty, and Wawarsing are just 19%, 13%, and 7%, yet their PTRAE pca is 6, 9, and 15 times that of their respective counties.

Pg. 11: Yet potential host towns such as Thompson, Liberty, and Wawarsing would receive 6, 9, and 15 times, respectively, the PTRAE per capita adult disbursement than neighboring towns of the same county, even though non-host towns can be expected to bear comparable, and perhaps greater, adverse impacts than host towns.

Pg. 14: Under UNYGEDA, our assumptions, and census figures shown in the appendix, we compute Sullivan County would receive an aggregate PTRAE disbursement of \$4.65M, should it host a casino.