

# Managing Director Michael Pollock



- Authored 2010 peer-reviewed white paper on Tax Policy
- 34 years of analyzing gaming trends
- Authored “Hostage to Fortune: Atlantic City and Casino Gambling,” as well as hundreds of articles
- Taught at NYU, Rutgers, Stockton University
- Many media appearances, from MSNBC and BBC to *New York Times*



## Casino Tax Policy:

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*Advancing policies*

*Invigorating industries*

*Growing revenue*

# Tax rate on gaming: most vital public policy decision

- Level and type of capital investment
- Employment
- Tourism enhancement
- Demographic and geographic appeal of a casino
- Type of business model that casino operators will pursue

# Historically, tax rates have been established:

- For political reasons
- Absent full consideration as to implications:
  - What type of business model can be established
  - How many employees
  - Targeted demographics
  - Competitive position

“Lawmakers should consider and measure the impact of any potential incentives based on some broad parameters that could include:

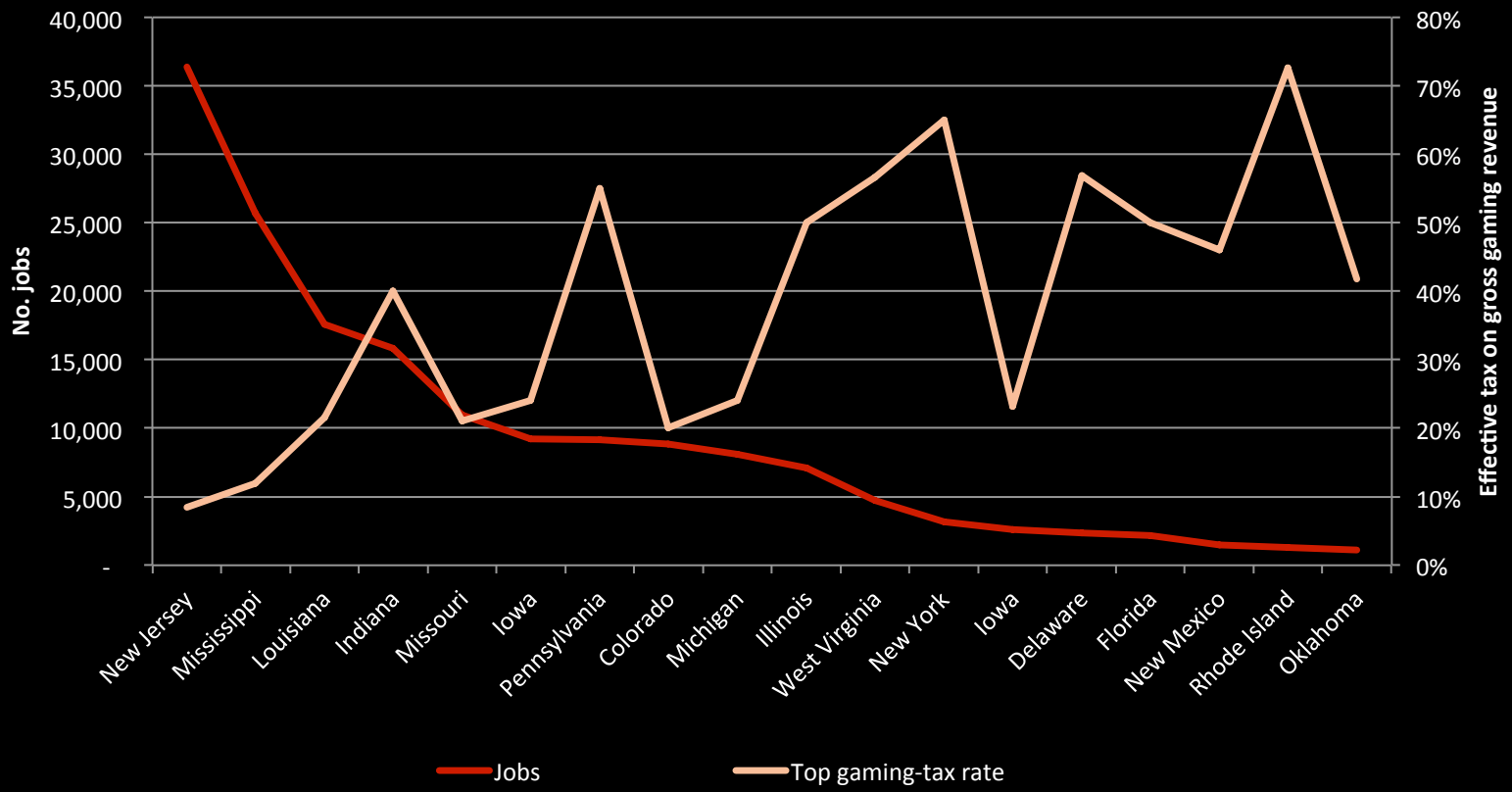
- Will incentives cannibalize, protect or grow existing tax revenues?
- Will incentives lead to additional capital investment in Indiana?
- Would such incentives increase employment, promote tourism or advance other policy goals?
- “Wherever possible and practical, the burden should be on participating casino operators to demonstrate that incentives would create employment in their region, make them more attractive — and ultimately help to ensure their success in an increasingly competitive environment.”

# Capital investment: lynchpin to generating revenue

- It helps grow the market, and not simply cannibalize business from competitors.
- It helps other area businesses by increasing the frequency of visitation, as well as the average length of stay. In turn, this helps generate further investment in such businesses, either through expansions and improvements or by attracting entirely new business development.
- It prods both competitors and other businesses to invest more capital in their projects to ensure their attractiveness and viability.
- It can help the local economy in other ways, by helping to attract new market segments.

# Capital investment: lynchpin to generating revenue

- It creates new sources of revenue, including room fees – which are then used to market the area, thus generating more overnight visitation.
- It helps make a market more attractive to visitors, and thus makes a market less vulnerable to competition from other markets.
- It generates additional revenue for the public sector in areas ranging from property taxes to sales taxes.



Data for commercial casinos and racinos  
 Source: American Gaming Association, year-end 2009 data





# Lawmakers, Regulators Need Strategic Plan

- Technologies changing rapidly
- New competition is emerging across state lines
- Casino customer base is aging
- Lotteries, casinos converging
- Tax rates, rules that were established on Day One may no longer be relevant, effective

# Strategic Goals

- Stabilize, potentially grow revenue
- Improve competitiveness of state operators
- Attract capital investment
- Increase employment
- Recapture lost gaming revenue
- Attract new revenue
- Broaden demographic reach

# Recognizing Reality

- Tax rate, other regulatory requirements were developed in earlier era
- Requirements developed in 1990s, 2000s are no longer relevant
- Lowering tax rates alone will not guarantee success or ensure positive change

# Underlying Premise of Change

- Revenue, economic benefit from gaming extends beyond state's share of gaming revenue:
  - Increased employment
  - Tourism growth
  - Capital investment in casinos, other businesses
  - Other tax revenue

# Strengthen Partnership Between State, Casino Operators

- State has responsibility to improve investment climate, competitive landscape
- Operators have responsibility to leverage state efforts by:
  - Increasing capital investment
  - Adapting business models
- Both share responsibility to identify, pursue common goals

# Core Approach

- Identify state's and operators' needs, concerns
- Recognize any political, economic, social or other limitations
- Suggest strategy:
  - Tax relief
  - Other regulatory changes
  - Coordination with other state policies

# Operator Responsibilities

- Identify individual needs, challenges
- Develop new strategies
  - Improve, refine marketing
  - Add new capital investment
- Make their case:
  - What is potential ROI, IRR of new strategies?
  - How will it benefit state
    - Tax revenue
    - Employment
    - Helping other businesses

# Spectrum is not suggesting:

- Simply lower tax rates, and all good things will magically occur.



# Spectrum is suggesting:

- Lower tax rates can work as part of an overall strategic plan
- Operators have to leverage lower rates to reduce their cost of capital, increase their capital spending

# Spectrum Has Testified Before:

- British Columbia Lottery Corporation
- California Assembly Governmental Organization Committee
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague
- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- New York Senate Racing, Gaming, and Wagering Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania House Gaming Oversight Committee
- Pennsylvania Gaming Control Board
- Puerto Rico Racing Board
- U.S. House Congressional Gaming Caucus
- U.S. Senate Indian Affairs Committee
- U.S. Senate Select Committee on Indian Gaming
- U.S. Senate Subcommittee on Organized Crime
- World Bank, Washington, DC

# Governmental Clients Include:

- Atlantic City Convention & Visitors Authority
- Broward County, Florida
- Commissioner of Financial Institutions – Puerto Rico
- Connecticut Division of Special Revenue
- Florida Legislature
- Kansas Racing & Gaming Commission
- Maine State Gambling Control Board
- Massachusetts Gaming Commission
- Massachusetts Office of Housing and Economic Development
- Massachusetts, Speaker of House of Representatives
- Massachusetts State Lottery Commission
- The Netherlands Gaming Control Agency
- West Virginia Lottery
- New Jersey Casino Reinvestment Development Authority
- Ohio Casino Control Commission
- Pennsylvania Department of Revenue
- Philippine Amusement and Gaming Control Corp.
- Puerto Rico Tourism Company, Gaming Division
- Republic of Croatia
- Rostov Oblast, Russia
- San Jose, CA, Office of City Manager
- Singapore Ministry of Home Affairs
- South Jersey Transportation Authority
- St. Lucia Gaming Authority
- U.S. Virgin Islands Casino Control Commission