



## **CASINO REVENUE ESTIMATE UPDATE**

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**OCTOBER 17, 2012**

Shortly after the casinos in Cleveland and Toledo opened in May, I provided a series of tax estimates from the casino tax using the estimates that were done by the Department of Taxation in 2009, adjusting for conditional differences between what was known back then and what is known now. We now have a full quarter of revenue data from these two facilities after an initial period where revenues were inflated due to the novelty factor of the facilities. Looking at the last three months of data, gross casino revenue, the driver of the tax revenue from casinos, is significantly below the estimates done back in late spring. The table below shows actual and forecasted gross casino revenue (GCR) for the partial quarter that ended June 30 (Q2) and the full quarter ending September 30 (Q3). The state tax rate is 33 percent of GCR and the school share of tax revenue is 34 percent of total tax collections.

	Toledo Est.	Toledo Act.	Cleveland Est.	Cleveland Act.	Total Est.	Total Act.
Quarter ended 6/30	\$20,833,333	\$22,843,040	\$26,175,000	\$42,619,426	\$47,008,333	\$65,462,466
Quarter ended 9/30	\$62,500,000	\$52,478,668	\$78,525,000	\$67,915,420	\$141,025,000	\$120,394,088
Percent Difference Q3		-16.0%		-13.5%		-14.6%
Total	\$83,333,333	\$75,321,708	\$104,700,000	110,534,846	\$188,033,333	\$185,856,554
Percent Difference		-9.6%		5.6%		-1.2%

Overall, revenues from the two quarters combined are only 1.2 percent below the forecast that had been done in the spring. However, looking at just the third quarter, gross casino revenue is more of a concern. For Toledo, revenues are 16 percent below projection. For Cleveland, the shortfall is 13.5 percent. In addition, GCR continued to drop each month of the last quarter. Revenues from the two casinos in September were 14 percent below revenues in July.

It is not clear yet whether GCR in October has stabilized or still continues to drop, although early evidence indicates GCR is still dropping. Offsetting, to some extent, the continued drops in October from the Cleveland and Toledo casinos was the opening of the Columbus casino on October 8. This is about seven weeks earlier than had been anticipated in the spring. This will help revenues in the current quarter, but should not completely offset the continued shortfall in the other two casinos. Also, given the pattern in Cleveland and Toledo, I would assume the Columbus casino will begin showing drops in revenue from early levels after the first of the year.

Based on all these pieces of information, we are reducing our estimates of how much money to expect in FY 2013 and FY 2014 from casino tax distributions. Previously, we recommended using \$21 per pupil to estimate revenues for FY 2013. I now think this number will be in the \$19 to \$20 range. Fiscal Year 2014 revenues are a little trickier to predict because of the uncertainty of the date of the opening of the Cincinnati casino in the spring of next year. Previously, we had estimated revenues to be about \$71 per pupil in FY 2014. Given what is going on with revenue in the two more established casinos, I would now recommend an estimate in FY 2014 in the \$50-\$55 range.

One other issue to keep in mind is the uncertainty of the inter-relationship between casino tax revenue and a new school funding formula in FY 2014. The new funding formula could potentially contain a per pupil offset based on casino tax distributions. Because of this concern, I have assumed that revenues in FY 2014 stay in the \$19 to \$20 range rather than increasing to \$50-\$55 in my five-year forecast (the actual cash flow implications of such a deduction from the new funding formula would be that casino revenues would increase to the \$50-\$55 per pupil range but there would be an offsetting full or partial decrease in unrestricted state aid).

We will continue to monitor revenues monthly and will provide any updates in our thinking if the situation warrants.