



## Exhibit VIII.B.4. - Projected Tax Revenue to the State

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*Submit as Exhibit VIII.B.4. a study completed by an independent expert providing projections for all estimated State, county and local tax revenue (e.g., gaming, sales, income, real estate, hotel, entertainment and other taxes) for a period of at least the first five (5) years of operations on a high-, average- and low-case basis, identifying the source of each element of these tax revenues.*

*The study should include a description of the background conditions in the comparable year (i.e., assuming economic conditions and demographics continues to develop as to trend without the Applicant's proposed Gaming Facility) and build scenario with express enumeration of assumptions. Include analysis of the low-, average- and high-cases used for the revenue study and financial forecasts. Studies should explain their methodology, report their results and compare those results to actual observed conditions in similar built projects.*

Please see the attached Exhibit VIII.B.4. - Fiscal Impact report prepared by Global Gaming & Hospitality, LLC, Morowitz Gaming Advisors, LLC and Leisure Dynamics Research, LLC as well as the Board-issued excel template requested in connection with this exhibit.

# Exhibit VIII.B.4 – Fiscal Impact

**Located in:**

**Nichols, New York**

**Prepared For:**

**Tioga Downs Racetrack, LLC**

**Prepared By:**

**Global Gaming & Hospitality, LLC**

**&**

**Morowitz Gaming Advisors, LLC**

**&**

**Leisure Dynamics Research, LLC**

**June 24, 2015**



**Exhibit VIII. B.4. Projected Tax Revenue** Submit a study completed by an independent expert providing projections for all estimated State, county and local tax revenue, (e.g., gaming, sales, income, real estate, hotel, entertainment and other taxes) for a period of at least the first five years of operations on a high, average and low case basis, identifying the source of each element of these tax revenues. The study should a description of the background conditions in the comparable year (i.e. assuming economic conditions and demographics continues to develop as to trends without the Applicant's proposed Gaming Facility) and build scenario with express enumeration of assumptions. Include analysis of the low, average and high cases used for the revenue study and financial forecasts. Studies should explain their methodology, report their results and compare those results to actual observed conditions in similar built projects.

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Global Gaming & Hospitality, LLC, Morowitz Gaming Advisors, LLC and Leisure Dynamics Research, LLC (Collectively GGH) prepared this Fiscal Impact Analysis (Exhibit VIII.B.4.) on behalf of Tioga Downs Racetrack, LLC in connection with their RFA response and application for a Class III gaming license in New York.

### **Fiscal Impact Analysis**

The following analysis demonstrates the potential fiscal benefits at the statewide, regional, countywide and local levels from creating a casino resort at Tioga Downs in the town of Nichols, Tioga County. This report is supplemented by the template prepared by the Gaming Facilities Location Board, providing further information regarding the inputs and effective tax rates. This analysis is based on gaming and non-gaming revenue, expenditure and staffing forecasts made by GGH for a high, low and base case. Income tax projections are also based in part on the economic impact modeling results, inclusive of indirect and induced household earnings as attributable to casino resort operations.

### **Gaming Tax Benefits**

The primary fiscal benefit from casino resort operations in Nichols will come in the form of State gaming taxes, which are assumed to equate to 37 percent of slot revenues (net of Free Play) plus 10 percent of table game revenues for the purpose of school aid and property tax relief statewide. In the Base case these gaming taxes are projected to range from \$30 million to \$32 million per year during the first four years of stabilized operation (year 1, 2016, is considered as a partial year, as casino expansion is expected mid-year). An additional \$525,000 is projected annually for gaming device licenses and fees. We assume that this will correspond to the initial expansion of the casino resort operation. The project is master planned for additional expansion, which could include the development of ancillary non-gaming entertainment facilities, which should further increase resort visitation and subsequently increase the gaming revenues for the operator and the State (for the purpose of this analysis we consider only the initial expansion impacts quantitatively, but note that these could be exceeded in subsequent development phases). The gaming market assessment estimated high low revenue scenarios as being approximately  $\pm 12.5$  percent relative to the Base case, such that State gaming taxes and fees would be in the range of \$27 million to \$34 million in Year 2, increasing to a range of \$28 million to \$36 million in Year 5, as demonstrated in the following table.

| <b>State Gaming Taxes &amp; Fees</b> | <b>Year 1</b>       | <b>Year 2</b>       | <b>Year 3</b>       | <b>Year 4</b>       | <b>Year 5</b>       |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Low                                  | \$18,891,436        | \$26,888,583        | \$27,437,824        | \$27,987,065        | \$28,398,996        |
| <b>Base</b>                          | <b>\$21,589,340</b> | <b>\$30,730,464</b> | <b>\$31,359,745</b> | <b>\$31,989,025</b> | <b>\$32,460,986</b> |
| High                                 | \$24,014,521        | \$34,189,449        | \$34,890,791        | \$35,592,134        | \$36,118,141        |

By legislation, the State gaming tax is divided as follows:

- 80 percent applied statewide for school aid and/or real property tax relief;
- 10 percent split between the host municipality (Nichols) and host county (Tioga County); and
- 10 percent will go to surrounding counties in the region (presumably the balance of Region 5) for education assistance and/or real property tax relief.

The distribution would therefore look as follows for each of the recipients:

In the Base case \$16.9 million would be distributed statewide for school aid and property tax relief in Year 1, increasing to over \$25.5 million in Year 5.

| <b>Statewide 80% Share of Gaming Tax</b> | <b>Year 1</b>       | <b>Year 2</b>       | <b>Year 3</b>       | <b>Year 4</b>       | <b>Year 5</b>       |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Low                                      | \$14,722,949        | \$21,090,866        | \$21,530,259        | \$21,969,652        | \$22,299,197        |
| <b>Base</b>                              | <b>\$16,881,272</b> | <b>\$24,164,371</b> | <b>\$24,667,796</b> | <b>\$25,171,220</b> | <b>\$25,548,789</b> |
| High                                     | \$18,821,416        | \$26,931,559        | \$27,492,633        | \$28,053,707        | \$28,474,513        |

Nichols and Tioga County are each projected to receive approximately \$1.0 million from gaming taxes in Year 1, increasing to \$1.4 million to \$1.8 million annually by Year 5.

| <b>Local 5% Share Each to Town and County</b> | <b>Year 1</b>      | <b>Year 2</b>      | <b>Year 3</b>      | <b>Year 4</b>      | <b>Year 5</b>      |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Low   | \$920,184          | \$1,318,179        | \$1,345,641        | \$1,373,103        | \$1,393,700        |
| <b>Base</b>                                   | <b>\$1,055,080</b> | <b>\$1,510,273</b> | <b>\$1,541,737</b> | <b>\$1,573,201</b> | <b>\$1,596,799</b> |
| High  | \$1,176,339        | \$1,683,222        | \$1,718,290        | \$1,753,357        | \$1,779,657        |

Distribution to counties elsewhere in Region 5 as a result of casino development in Nichols is projected to total approximately \$2 million in Year 1, increasing to more than \$3 million by Year 5.

| Region 10% Share | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Low              | \$1,840,369        | \$2,636,358        | \$2,691,282        | \$2,746,207        | \$2,787,400        |
| <b>Base</b>      | <b>\$2,110,159</b> | <b>\$3,020,546</b> | <b>\$3,083,474</b> | <b>\$3,146,403</b> | <b>\$3,193,599</b> |
| High             | \$2,352,677        | \$3,366,445        | \$3,436,579        | \$3,506,713        | \$3,559,314        |

The State would also be receiving fiscal benefits in the form of income taxes. Based on financial pro formas prepared by GGH, along with forecasts made for the Economic Impact Analysis (Exhibit VIII.B.3.a of this submittal), it was projected that direct incomes for casino resort workers and third party vendors would be in the range of \$27.4 million to \$30.4 million annually by 2019. Additionally, indirect and induced incomes are projected in the range of \$12 million to \$14 million. Income variations from Year 2 to Year 5 are expected to be minimal, at approximately one percent per year. The following table presents projected total incomes attributable to the Tioga Downs casino resort for the first five years of operation.

| Total Earnings | Year 1              | Year 2              | Year 3              | Year 4              | Year 5              |
|----------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Low            | \$25,414,378        | \$38,168,252        | \$38,753,534        | \$39,204,570        | \$39,587,052        |
| <b>Base</b>    | <b>\$27,120,387</b> | <b>\$39,986,732</b> | <b>\$40,621,744</b> | <b>\$41,101,432</b> | <b>\$41,491,274</b> |
| High           | \$28,854,158        | \$42,536,444        | \$43,220,328        | \$43,715,621        | \$44,020,454        |

Personal income taxes in New York State are on graduated marginal rate basis. The effective State income tax rate based on our analysis of FTE jobs and overall incomes averages out to approximately 5.0 percent. As a result, the State income tax impact is projected to be in the range of \$1.3 million to \$1.4 million in the first year of operation, increasing to a range of \$1.9 million to \$2.2 million annually once operations stabilize, as demonstrated in the following table.

| Total Income Tax | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Low              | \$1,267,894        | \$1,921,985        | \$1,958,228        | \$1,987,225        | \$2,012,814        |
| <b>Base</b>      | <b>\$1,352,230</b> | <b>\$2,006,123</b> | <b>\$2,045,311</b> | <b>\$2,076,029</b> | <b>\$2,102,194</b> |
| High             | \$1,443,137        | \$2,136,796        | \$2,178,966        | \$2,210,772        | \$2,234,174        |

The State personal income tax impact, for this or any casino resort development planned in the state, would be statistically insignificant when compared to the State's baseline personal income tax revenues. Gross receipts for New York in FY2014 were \$52 billion and are projected by the State to approach \$60 billion by FY2017.<sup>1</sup> Net receipts, after prior year refunds and other credits, resulted in FY2014 revenues of \$43 billion and a projection of 0.005 percent of annual personal income tax revenues – the margin of error on the State's FY2017 forecast, independent of casino resort operations, would be much greater than that.

<sup>1</sup> New York State FY 2015 Enacted Budget Financial Plan, <http://www.budget.ny.gov/pubs/archive/fy1415archive/enacted1415/FY2015EnactedBudget.pdf>, page 66.

The State also would receive revenues from sales taxes. The sales tax on hotel room revenues is 12 percent (which gets distributed 4 percent to the State and 8 percent to the County, which is further allocated as 4 percent Tioga County sales tax and a 4 percent Tioga County Occupancy Tax). The following table demonstrates the potential range in room tax revenues to the State and County (the table reflects 8 percent of room revenues, i.e. the State and the County would split the following sums).

| <b>Room Sales Tax<br/>(State and Tioga County,<br/>divided equally)</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> |
|---|---------------|---------------|---------------|---------------|---------------|
| Low   | \$0           | \$345,911     | \$500,595     | \$541,366     | \$552,193     |
| <b>Base</b>   | \$0           | \$374,648     | \$541,366     | \$597,668     | \$609,621     |
| High  | \$0           | \$400,596     | \$584,675     | \$637,030     | \$649,771     |

At the Statewide level the hotel tax would have a negligible impact on the General Fund, but at the County level the addition of the Occupancy tax is critical. While the projected addition of \$173,000 to the \$325,000 annually would be relatively insignificant in terms of the County's overall budget of more than \$80 million, it represents a significant increase to the Occupancy Tax base that has fallen from its peak of approximately \$260,000 in 2011 to less than \$170,000 annually.<sup>2</sup> This would therefore more than double the Occupancy Tax revenues for the County. The Occupancy Tax revenues are earmarked towards the funding of county tourism marketing; shortfalls in the funding may temporarily be diverted from other funds to keep the department functional, but long-term slowdowns would mean trimming the department, which could have a ripple effect on tourism, ultimately resulting in fewer visitors and a continued decline in Occupancy Tax revenues. Therefore, while the magnitude of the occupancy tax revenues is relatively small, they can have a significant impact on the County.

| <b>Room Occupancy Tax<br/>(Tioga County)</b> | <b>Year 1</b> | <b>Year 2</b>    | <b>Year 3</b>    | <b>Year 4</b>    | <b>Year 5</b>    |
|--|---------------|------------------|------------------|------------------|------------------|
| Low  | \$0           | \$172,955        | \$250,297        | \$270,683        | \$276,097        |
| <b>Base</b>                                  | <b>\$0</b>    | <b>\$187,324</b> | <b>\$270,683</b> | <b>\$298,834</b> | <b>\$304,811</b> |
| High   | \$0           | \$200,298        | \$292,338        | \$318,515        | \$324,885        |

Sales taxes would also come from other taxable activities, including food, beverage and retail sales. Total revenues on taxable resort sales in the first year of operation are projected to be in the range of \$6.4 million to \$7.7 million, increasing to an annual range of \$10 million to \$14

<sup>2</sup> Tioga County increased its Occupancy Tax in December 2009 to 4 percent from 3 percent. In the three years prior to the increase the Occupancy Tax revenues were relatively flat at approximately \$130,000 to \$140,000 per year. Revenues peaked in 2011 as a result of oil and gas industry frackers staying in area hotels to work in Pennsylvania, as well as relief workers and displaced residents after the 2011 flood. The fracking jobs have mostly since gone away and there are no more hotel rooms attributable to flood issues, thus hotel revenues have been on the decline. Source: Tioga County Finance Department.

million once operations stabilize. An 8 percent sales tax (divided equally between the State and the County) would therefore yield the following projected sales tax revenues from operations of these amenities.

| <b>Other Resort Amenity<br/>Sales Tax (State and Tioga)</b> | <b>Year 1</b>    | <b>Year 2</b>    | <b>Year 3</b>    | <b>Year 4</b>    | <b>Year 5</b>    |
|---|------------------|------------------|------------------|------------------|------------------|
| Low   | \$424,990        | \$669,886        | \$732,859        | \$757,141        | \$768,674        |
| <b>Base</b>   | <b>\$510,417</b> | <b>\$810,457</b> | <b>\$888,785</b> | <b>\$919,822</b> | <b>\$933,928</b> |
| High  | \$614,323        | \$974,356        | \$1,063,194      | \$1,095,361      | \$1,112,251      |

Incremental sales taxes would also result from some of the projected \$12 million in indirect and induced expenditures countywide and \$27 million statewide (2019 projection from the GGH economic impact analysis. Some of these expenditures would not be subject to sales taxes, thus we utilized the tax table outputs from the IMPLAN model to determine the taxable amount. As a result, indirect and induced State sales taxes are projected to total approximately \$285,000 annually, ± \$20,000, during stabilized operation. Indirect and induced County sales taxes are projected to total approximately \$134,000 annually, ± \$10,000 annually during this period.

At the host community level, in addition to the 5 percent share of gaming taxes and the assistance that doubling the Occupancy Tax will provide, the major fiscal impacts will be in terms of property taxes. Tioga Downs’ property taxes are projected to more than double as a result of expansion into a casino resort, from a current (2015) total of \$631,677 to \$1.29 million in 2017. By 2020 the annual property tax payment will increase to \$1.37 million.