

Study forecasts \$800 million in lost revenues for existing casinos in first 5 years

INDIANAPOLIS — A regular casino windfall for state budget writers is steadily getting smaller and soon could face one of its biggest declines yet with competition from Native American gaming halls.

The coming of Four Winds casino in South Bend is setting off alarms — and not the "jackpot" kind — throughout the casino industry. It will be the first tribal casino in Indiana when it opens in 2018 and likely not the last.

Unlike the state's 13 existing casinos, taxed 30 cents on every dollar gambled, tribal casinos aren't obliged to pay state taxes.

On Tuesday, the Gaming Association of Indiana released a dire outlook for both existing casinos and the state budget.

“The introduction of tribal gaming in South Bend will be the single most disruptive occurrence to the casino gaming industry since properties opened their doors 20 years ago,” said Matt Bell, the association's head.

The report, conducted by the independent Spectrum Gaming Group, forecasts \$800 million in lost revenues for existing casinos in the first five years after Four Winds opens.

That would mean \$354 million in lost taxes over the same period.

This comes as the state's annual casino take has dropped by a third since a peak of almost \$900 million in 2009.

Written by Administrator

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That's due to declining profits of Indiana casinos, which have been hit by competition from Ohio, Illinois and Michigan for gaming dollars.

The Pokagon Band of Potawatomi Indians, which will operate Four Winds in South Bend, already operates three casinos in southern Michigan that pull Hoosier bettors over the border.

Longtime gaming analyst Ed Feigenbaum, publisher of Indiana Gaming Insight, calls the arrival of a tribal casino "a real game-changer."

Unlike the existing, privately owned casinos, the Pokagon Band, considered a sovereign nation, won't be subject to the state's taxes. And its freedom extends beyond gaming taxes.

On its planned 166-acre site, which will feature a casino and 500-room hotel, the Pokagon Band can offer tax-free amenities such as meals, cigarettes, gasoline and hotel rooms.

That will give them a huge marketing advantage and allow them to offer gamblers bigger payouts.

"They've got all kinds of way to bring people to the property that aren't available to the commercial casinos. And, on top of that, they run a great operation. They know how to do this and they know how to do it right," Feigenbaum said.

Other tribes are working to gain a foothold, as well, lobbying for the federal land trust needed to open a casinos.

Pokagon Band officials declined to comment. But at a press conference last week in South Bend, tribal leaders described a revenue sharing plan that guarantees the city 2 percent of casino profits, or at least \$2 million per year.

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They've also pledged \$5 million over five years to nonprofits including a children's hospital and local schools.

The Pokagon Band may agree to a revenue sharing plan with the state, as well, possibly by seeking an agreement allowing it to expand its offerings.

In Michigan, under a similar revenue share, the tribe pays about a nickel on every gambling dollar earned off slot machines. That's given about \$200 million to state and local governments over the last decade.

Indiana's existing gaming industry is hoping these numbers add up to some regulatory and tax breaks, such as dismantling rules set in place 20 years ago that mostly limited casinos to river cities, placed them in economically distressed areas, and saddled them with higher taxes than what casinos pay in other states.

Lawmakers have resisted action.

Bell says all the industry really wants is a "thoughtful study" of how gaming has changed since the days Indiana held the Midwest monopoly on casinos.

"The world has changed around us since then," he said. "We need a vision for the future."

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