Eight-Year License Renewal: Horseshoe Casino Hammond

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July 2004 **04-C14**

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Executive Summary

Economic and Fiscal Activity

Horseshoe has had a positive fiscal impact on Hammond and Lake County. The new tax revenue generated by Horseshoe dramatically exceeds the cost of providing additional services. The changes brought about by tax restructuring—flexible boarding, lower admissions counts, graduated wagering tax rates, limits and floors on riverboat tax revenue—have not affected the local positive fiscal impact. The current lawsuit over property tax issues in Lake County preclude a comprehensive analysis of the fiscal impact of property taxes. Because of this, the impact on schools, which receive only property taxes, cannot be determined, but if it is similar to past trends, it may well be slightly positive.

Since opening, the spending of local gaming-related taxes and incentive payments has contributed over $279 million of new economic activity in Lake County. Included within this economic impact are an estimated 3.100 jobs and $84 million in local wages. While the short-term economic contributions of the spending of gaming-related taxes and incentives are important, the long-term contributions to the quality of life from investments by the city of Hammond in sewer improvements, street paving, parks, rehabilitation of homes, as well as scholarships, should benefit residents and increase the economic competitiveness of local businesses.

Community Impacts

Horseshoe is perceived as a good corporate citizen, spending over $37 million in the area and attracting new visitors to the community. Additionally, Horseshoe has impacted the Hammond area through nearly $1.7 million in sponsorships and contributions to local area organizations.

Center staff conducted focus groups in Hammond with local community and business leaders and social services providers. While there were some differences among the groups, overall the results were positive. They reported that Horseshoe has been a positive addition to the community. It provides well-paying jobs with good benefits as well as economic diversity in a time when steel mill and manufacturing jobs are declining. It provides revenues to local governments that can be used for infrastructure improvement. While it has had a positive environmental impact, assisting in reclamation of the lakefront, some felt that the local communities are parochial and don't have the best planning. They felt that the local communities should get together and form a regional plan for the lakefront and surrounding area and have a long-term strategy.

Employment

Horseshoe has provided new employment opportunities for local residents. Horseshoe had 2,428 employees as of December 31, 2003, and has paid over $393 million in wages since opening. In January and February the Center surveyed Horseshoe employees and found that for many employees the employment opportunity at the riverboat provided an increased sense of economic security. For example, 36 percent of the survey respondents were unemployed prior to beginning work at Horseshoe; and over half of those that were employed reported receiving a raise upon beginning work at Horseshoe. The average length of employment was three years and eight months, and 92 employees felt secure enough to move from rental housing to homeownership. While more than half of the employees reported job-related training, fewer employees reported tuition reimbursement opportunities or paying for their own training.

Business Climate Impacts

Overall, the numbers of jobs, number of establishments, and average wage per job in Lake County have lagged compared to the trends in the aggregate of the non-riverboat counties. The lagged growth in jobs and establishments began well before the commencement of gaming. The divergence in wage growth relative the aggregate of non-riverboat counties began approximately the same time as gaming in the county. However, this change is likely due more to the changing industry mix than the inducement of gaming employment in the area. Nineteen out of 100 industries met the criteria for analysis and showed considerable observable change in employment, number establishments, or wages near the time gaming commenced. Most of those industries were in the Manufacturing and Retail Sectors. It is impossible to argue that all of the observable changes documented here occurred because riverboats opened during that time period. Causal relationship between gaming commencement and other industry change is beyond the scope of this report, but it does provide an understanding of the business climate in a county that receives fairly large investments and much attention as a result of gaming in the community. The Executive, Legislative, and other General Government Support, within the Public Administration Sector, was the only industry to have increased faster than both of the other scenarios in employment, number of establishments, and wages.

Current Financial Position and Future Plans

The Hammond license is a strong performer in its market. With the change in ownership and the recent expansion of the facility, the prospects for continued revenue growth are good. There are no conditions discovered in this analysis of the financial performance of the license or its planned performance or the condition of the new owner to suggest problems. The results of the analysis support the decision to renew the license.

Introduction

On November 17, 1995, the Commission issued a Certificate of Suitability[1] for a Riverboat Owner's License for a riverboat to be docked in Hammond, Indiana. Empress Casino Hammond Corp., formerly know as Lake Michigan Charters, Ltd., opened on June 29, 1996. Following its second year of operation, Empress Casino Hammond Corporation entered into negotiations with Horseshoe Gaming Holding Corporation for the transfer of ownership. The sale was finalized on December, 1 1999. In May 2001, the name of the facility was changed to Horseshoe Casino Hammond (Horseshoe). The Riverboat Gambling Act, effective July 1, 1993, specifies that a licensed owner, after their license is renewed at year five, shall undergo a complete investigation every three years to determine that the licensed owner remains in compliance.

The Commission asked the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to assist the Commission in performing economic impact, fiscal impact, financial, management, and other analyses to assist the Commission in renewing the riverboat casino licenses. The Center prepared annual evaluation reports for Horseshoe's first four years of operation as well as a report that analyzed Horseshoe's first five-years of operation. These reports are available on the Indiana Gaming Commission's website. (www.in.gov/gaming/reports/)

This report contains an analysis of Horseshoe's first eight years of operation. Because this analysis must be completed before the completion of Horseshoe's eighth year of operations, for year eight, data are shown as 2003.

[1] The Certificate of Suitability (Certificate) was the agreement between Horseshoe and the Indiana Gaming Commission that gave Horseshoe its license. The Certificate specified certain levels of project development and incentive payments to be made by Horseshoe as well as specifying that Horseshoe abide by agreements made with the local governments.

Economic and Fiscal Activity

The following sections examine the changes brought about by tax restructuring—flexible boarding, lower admissions counts, graduated wagering tax rates, and limits and floors on riverboat tax revenue. They also provide detail regarding the compliance of Horseshoe's voluntary and mandatory contributions and provide a preliminary analysis to identify and quantify the immediate economic benefits enjoyed by Lake County as a result of the investment of the voluntary and tax contribution of Horseshoe.

Tax Restructuring and Riverboat Tax Payments to Local Governments

The Indiana General Assembly passed tax restructuring in its June 2002 special session. Restructuring made a number of dramatic changes in state and local taxation.

- It increased the sales tax and the cigarette tax.
- It reformed the corporate income taxes.
- It revised the local property tax controls.
- It delivered hundreds of millions of dollars in additional property tax relief.
- It raised hundreds of millions of dollars to help fill in Indiana's state budget gap.

In addition, tax restructuring made several changes that affected the taxation of riverboat admissions, wagering receipts and property.

- It allowed riverboats to adopt flexible boarding, also known as dockside gaming, rather than requiring two-hour excursions throughout the day.
- It adopted new, higher graduated tax rates for the wagering tax.
- It capped the revenue that host cities and towns could receive from the wagering tax, at the amount received during the state's fiscal year 2001-02.
- It put a floor on the revenue that host cities, towns and counties could receive from the admissions tax, at the amount received during the state's fiscal year 2001-02.
- It designated the first $33 million in wagering taxes collected in each state fiscal year for distribution to non-riverboat counties, cities and towns.
- And, it effectively committed Indiana to market value property tax assessment, which affected the tax rates applied to the assessed value of riverboat property.

This section of the report will look at the effect of these changes on the tax revenues paid by the Horseshoe riverboat to Lake County and the city of Hammond.

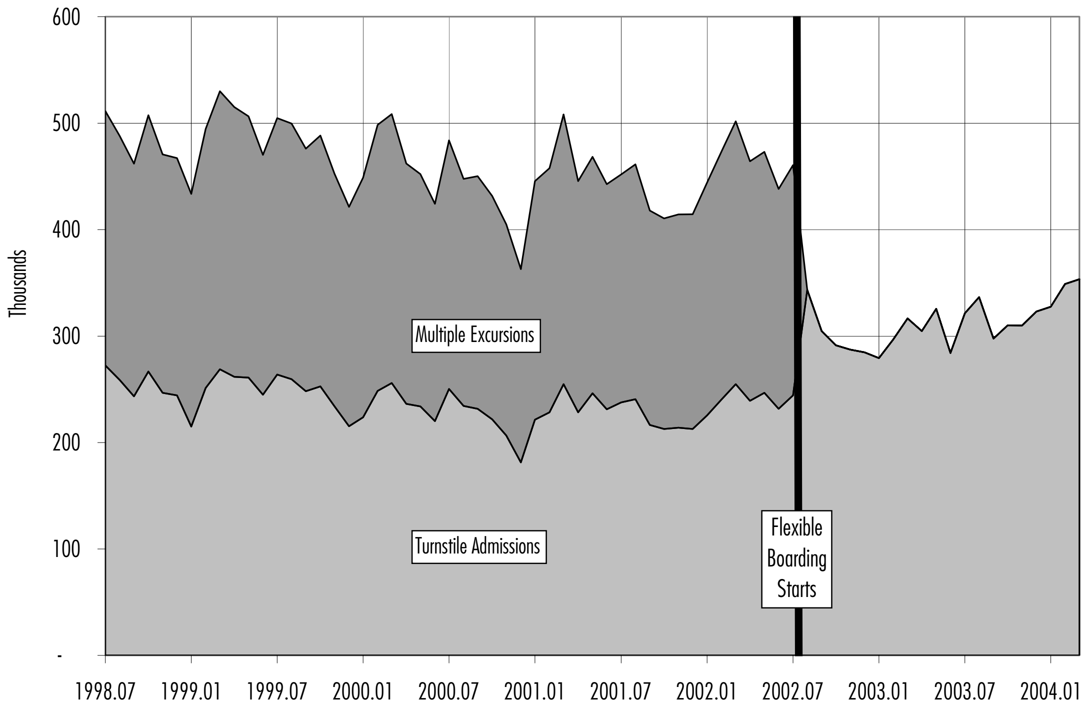
Admissions Tax

Tax restructuring left admissions tax rates unchanged at $3 per admission, but allowed riverboats to adopt flexible boarding. Prior to this, riverboats were required to cruise, or operate as if they cruised and were charged admission tax for each cruise. The casino's doors were closed to entrants for the length of the cruise, whether or not the boat left the dock. With flexible boarding, the riverboat is allowed to remain dockside with its doors open. Patrons may enter at any time they wish. This increased convenience was expected to increase attendance and wagering, and it appears to have done so for most boats.

By the first week of August 2002, all of Indiana's riverboats had applied for and been granted permission to use flexible boarding. Horseshoe began flexible boarding on August 1, 2002.

Prior to flexible boarding, all the patrons of each cruise were counted as new admissions, even if the patron simply remained on the boat for more than one cruise. Flexible boarding ended this practice. This meant that the number of admissions, as counted, declined with the advent of flexible boarding, even if the number of patrons increased.

Figure 1: Turnstile and Multiple Excursion Admissions, July 1998-March 2004



Turnstile admissions show the actual number of patrons entering the riverboat. Multiple excursions are the added count of these patrons as extra admissions because they took more than one cruise. In August 2002 multiple excursion admissions disappear. The total number of counted admissions (including multiple excursions) dropped from a monthly average of 462,630 for July 1998 through July 2002, to 312,321 for August 2002 through March 2004, a 32 percent decline. The Horseshoe riverboat appears to have seen the expected boost in turnstile admissions from flexible boarding. The average number of turnstile admissions for the four years before flexible boarding was 238,349, and for the period since, 312,321.

Flexible boarding would have cost Lake County local units 32 percent of their admissions tax revenue from the Horseshoe riverboat, had the old tax structure remained unchanged. Perhaps in response to this difficulty, the General Assembly fixed the amount of admissions tax revenue to be distributed to riverboat local units at the state fiscal year 2001-02 amount. Indiana Code 4-33-12-6 reads (in part):

> (h) . . . The treasurer of state shall determine the total amount of money paid by the treasurer of state to an entity subject to this subsection during the state fiscal year 2002. The amount determined under this subsection is the base year revenue. . . . The treasurer of state shall certify the base year revenue determined under this subsection to each entity subject to this subsection.
>
> (j) For state fiscal years beginning after June 30, 2002, the total amount of money distributed to an entity under this section during a state fiscal year may not exceed the entity's base year revenue as determined under subsection (h). . . . If the treasurer of state determines that the total amount of money distributed to an entity under this section during a state fiscal year is less than the entity's base year revenue, the treasurer of state shall make a supplemental distribution to the entity under IC 4-33-13-5(g).

And IC 4-33-13-5(g) (version b) reads (in part):

> Before September 15 of 2003, and each year thereafter, the treasurer of state shall determine the total amount of money distributed to an entity . . . during the preceding state fiscal year. If the treasurer of state determines that the total amount of money distributed to an entity . . . during the preceding state fiscal year was less than the entity's base year revenue. . . , the treasurer of state shall make a supplemental distribution to the entity from taxes collected under this chapter and deposited into the property tax replacement fund. The amount of the supplemental distribution is equal to the difference between the entity's base year revenue. . . and the total amount of money distributed to the entity during the preceding state fiscal year under IC 4-33-12-6.

For state fiscal year 2003, the State Treasurer certified base year revenue for Lake County at $17,588,954 for all of the county's riverboats. Of this amount, $13,339,010 was paid from admissions taxes, and the remainder was paid from a distribution from the property tax replacement fund (PTRF). The city of Hammond's certified base year revenue was $5,294,238 from the Horseshoe riverboat. Of this amount, $4,334,603 was paid from admissions taxes, and the remainder from the PTRF. In addition, the Lake County Convention and Visitor's Bureau received certified base year revenue of $1,758,880—$1,200,512 from the admissions tax—and the remainder from the PTRF, and the Northwest Indiana Law Enforcement Training Academy received $133,377 in admissions taxes.

Horseshoe's share of Lake County's admission tax receipts was $4.3 million. Horseshoe's prorated share of the state PTRF distribution was $960,000.

Wagering Tax

Tax restructuring allowed riverboats to adopt flexible boarding, which was expected to increase wagering revenue. However, riverboats that adopted flexible boarding (as they all did) would pay wagering taxes under a new set of graduated tax rates.

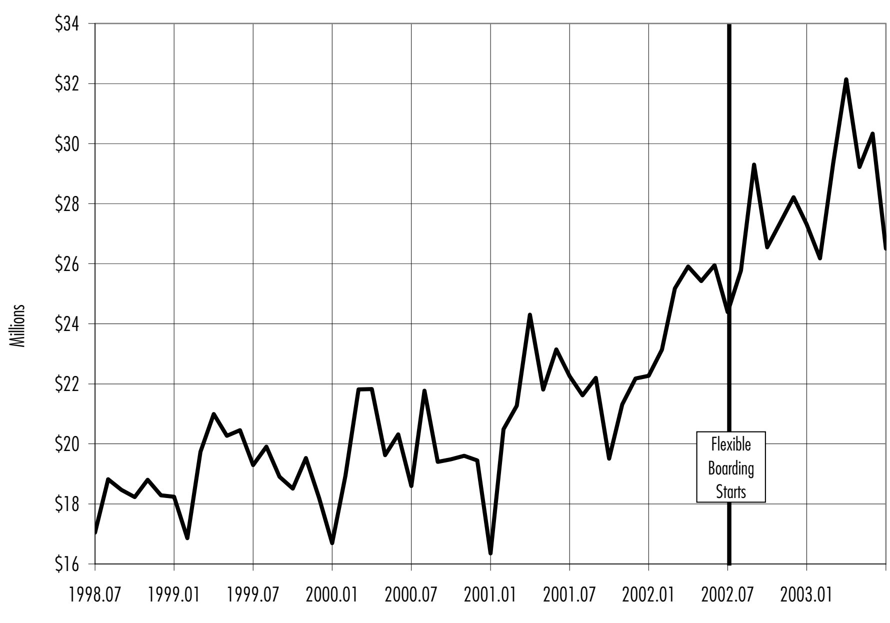
Prior to restructuring the wagering tax rate was a flat 20 percent of adjusted gross receipts (AGR). After restructuring, the rates were set for flexible boarding riverboats as shown in Table 1. The initial rate is 15 percent, less than the old flat rate, but this applies only to the first $25 million of AGR. A 20 percent rate applies to AGR from $25 to $50 million. Above $50 million, rates higher than the pre-restructuring 20 percent flat rate apply. The Horseshoe riverboat began paying the 20 percent rate on August 26, 2002, the 25 percent rate on September 23, 2002, the 30 percent rate on October 20, 2002, and the 35 percent rate on January 11, 2003.[2] Clearly, the new graduated tax rates represent an increase in wagering taxes for Horseshoe.

Table 1: Graduated Wagering Tax Rates

From AGR Amount	To AGR Amount	Tax Rate
$0	$25 million	15%
$25 million	$50 million	20%
$50 million	$75 million	25%
$75 million	$150 million	30%
$150 million	And above	35%

Flexible boarding was expected to increase adjusted gross receipts, and an increase is apparent for the Horseshoe riverboat. Figure 2 shows the estimated monthly AGR for the period July 1998 through June 2003 (the end of the 2003 state fiscal year). The range of monthly AGR since August 2002 was $26.2 to $32.1 million, averaging $28.4 million. In the previous two state fiscal years before the advent of flexible boarding, the range of monthly AGR was lower, $16.4 to $26 million, as was the monthly average, $22 million.

Figure 2: Estimated Adjusted Gross Receipts, Horseshoe, July 1998-June 2003



[2] There was confusion about when to start counting AGR to determine which graduated rate to use. The fiscal year began in July, but flexible boarding began in August. Did the AGR in July count towards determining which graduated rate to use? This was cleared up in the 2003 budget bill, which added language to the Indiana Code saying that in any year that flexible boarding was adopted, the AGR shall be counted from the beginning of that fiscal year (see IC 4-33-13-1.5(g) (version a)].

The city of Hammond receives a share of wagering tax revenue. Counties do not receive such revenue. Prior to restructuring, Hammond received one-quarter of the wagering taxes collected under the flat 20 percent rate. This share was unchanged by tax restructuring.

However, two features were added to the distribution of wagering taxes to local governments which reduce the amount of revenue that Hammond realizes from the wagering tax.

One, the legislature designated the first $33 million from statewide wagering taxes to be distributed to non-riverboat counties, cities, and towns. The collection of the $33 million starts with the beginning of the state fiscal year in July. Indiana Code 4-33-13-5 (a) reads (in part):

> (1) The first thirty-three million dollars ($33,000,000) of tax revenues collected under this chapter shall be set aside for revenue sharing under subsection (e).
> (2) Subject to subsection (c), twenty-five percent (25 percent) of the remaining tax revenue remitted by each licensed owner shall be paid:
>
> > (A) to the city that is designated as the home dock of the riverboat from which the tax revenue was collected. . . .

Subsection (e) referred to in part (1) describes how the revenue is to be divided up among non-riverboat counties, cities, and towns. In fiscal 2003, the $33 million was not distributed to cities and towns, but was transferred to the state general fund to help balance the state budget.

Hammond receives 25 percent of wagering tax revenue, after the $33 million has been collected at the beginning of the state fiscal year in July. Horseshoe collects about 17 percent of statewide AGR, so its share of the $33 million is about $5,600,000.

Two, the legislature fixed a maximum amount that a city can receive from wagering taxes, at the amount received during the state fiscal year 2001-02. Subsection (c) referred to in section (2) above reads (in part):

> . . . The treasurer of state shall determine the total amount of money paid by the treasurer of state to the city or county during the state fiscal year 2002. The amount determined is the base year revenue for the city or county. The treasurer of state shall certify the base year revenue determined under this subsection to the city or county. The total amount of money distributed to a city or county under this section during a state fiscal year may not exceed the entity's base year revenue.

The State Treasurer certified base year revenue for Hammond at $13,749,023, from the Horseshoe riverboat. Hammond's wagering tax collections reached this amount by the beginning of March 2003. The revenue from Horseshoe that would have gone to Hammond during the rest of the state fiscal year without this limit was instead deposited in the state's property tax replacement fund, an amount equal to approximately $11.4 million.

Fiscal Impacts

Fiscal impact analysis attempts to determine how a change in policy has affected the revenues and expenditures of a government. How has gaming tax restructuring affected the budgets of Lake County and the city of Hammond?

We compare three scenarios. First, suppose the policies in effect in 2002 had continued. Suppose there was no flexible boarding, no graduated wagering tax, and no limits or floors on admissions and wagering tax revenue. Riverboats would continue to cruise, with taxable admissions equal to turnstile plus multiple excursion admissions. The wagering tax would remain at a flat 20 percent of adjusted gross receipts. Call this the Old scenario.

Second, suppose that flexible boarding and the graduated wagering tax had been adopted without the limits or floors on admissions and wagering tax revenues. Call this the No-Limits scenario.

Third, consider what was actually adopted, flexible boarding, turnstile admissions, a graduated wagering tax, a floor on admissions tax revenue and a limit on wagering tax revenue. Call this the Actual scenario.

The key to the no-restructuring Old scenario are the assumptions about what would have happened to admissions and adjusted gross receipts. Flexible boarding apparently increased both for most boats, but would either of these tax bases have increased had flexible boarding not been adopted?

Prior to flexible boarding there appears to have been no clear upward or downward trend in total admissions for the Horseshoe riverboat. Total admissions were 5.6 million in state fiscal year 2000, 5.3 million in 2001, and 5.4 million in 2002. For the Old scenario, assume 2003 total admissions would have been the same as in 2002. The Trump and Majestic Star riverboats also are assumed to show no upward admissions trend for the Old scenario. The Harrah's riverboat is assumed to show a 4.1 percent admissions increase in 2003 for the Old scenario.

There appears to have been a strong upward trend in adjusted gross receipts for the Horseshoe riverboat prior to flexible boarding. AGR was $233 million in state fiscal year 2000, $249 million in 2001 and $279 million in 2002. The Horseshoe riverboat is assumed to increase its AGR 9.5 percent in 2003 for the Old scenario.

Tables 2 through 5 show the revenue estimates for the three scenarios for Lake County and Hammond. Results are shown for all riverboats in the county, since the admissions tax floor under tax restructuring is calculated based on total receipts to the county.

Table 2: Admissions Tax

		Old	No Limits	Actual
Tax Revenue	Trump	$3,231,964	$2,233,525	$2,233,525
	Majestic Star	3,080,438	2,248,545	2,248,545
	Horseshoe	5,294,238	4,334,603	4,334,603
	Harrah's	6,227,589	4,522,337	4,522,337
	Total	$17,834,229	$13,339,010	$13,339,010
Plus Supplemental*	Trump	0	0	998,439
	Majestic Star	0	0	831,893
	Horseshoe	0	0	959,635
	Harrah's	0	0	1,459,977
	Total	$0	$0	$4,249,944
Total Revenue	Trump	3,231,964	2,233,525	3,231,964
	Majestic Star	3,080,438	2,248,545	3,080,438
	Horseshoe	5,294,238	4,334,603	5,294,238
	Harrah's	6,227,589	4,522,337	5,982,314
	Total	$17,834,229	$13,339,010	$17,588,954

*Amount of the supplemental distribution to cities and counties by the State Treasurer, to bring admissions receipts up to the 2002 level.

Table 3: Hammond Admissions Tax

	Old	No Limits	Actual
Tax Revenue	$5,294,238	$4,515,042	$4,515,042
Plus Supplemental*	0	0	779,196
Total Revenue	$5,294,238	$4,515,042	$5,294,238

*Amount of the supplemental distribution to cities and counties by the State Treasurer, to bring admissions receipts up to the 2002 level.

Table 4: Hammond Wagering Tax

	Old	No Limits	Actual
AGR	$305,485,715	$338,240,350	$338,240,350
Tax Revenue	15,274,286	25,185,408	25,185,408
Less: Over Limit	0	0	11,436,385
Total Revenue	$15,274,286	$25,185,408	$13,749,023

Table 5: Hammond Total Revenue, Wagering, and Admissions Taxes

	Old	No Limits	Actual
Total Revenue	20,568,524	29,700,451	19,043,261

Table 2 shows the total riverboat admission tax revenues received by Lake County under each scenario. The Actual scenario does not deliver the most revenue to Lake County. For Lake, the Old scenario delivers slightly more revenue than the Actual scenario. This result depends entirely on the assumption that total admissions was trending upward before flexible boarding (the upward trend for Harrah's). If there were no upward trend, the Old and Actual scenarios would deliver the same revenue. Further, the certainty with which the revenue would be delivered under the Actual scenario—with any variations in admissions taxes offset by the state's supplemental distribution—might make it the preferred scenario. Declines in admissions would reduce admissions tax revenue under the Old scenario, but not under the Actual scenario.

Flexible boarding is a fact, and without the multiple excursion admissions, Lake would have suffered an enormous $4.3 million loss of revenue had the minimum distribution not been put in place. This is shown in the No-Limits scenario. (Table 2) If turnstile admissions trend upward under flexible boarding, the size of the state's supplemental distribution will fall. Turnstile admissions under flexible boarding are unlikely to grow enough to match the old total admissions with multiple excursions in the near future, however.

Table 5 shows that Hammond receives by far the most combined wagering and admissions tax revenue under the No-Limits scenario, and the Actual scenario delivers the smallest revenue of the three. Hammond receives the same admissions tax revenue from each riverboat as Lake County, so the Lake analysis also applies to the city (see Table 3). The Old scenario delivers the same revenue as the Actual scenario to Hammond because the riverboat is assumed to have had no upward trend in admissions before restructuring. Since the revenues are the same, the greater certainty of the Actual revenues makes this scenario preferable to the uncertainty of the Old revenues. Table 4 shows that wagering tax receipts under the Actual scenario are about $1.5 million less than under the Old scenario. This is because of the assumed increase in AGR for the Horseshoe riverboat in the Old scenario. The difference is large because of the rapid increase in Horseshoe AGR before restructuring was assumed to continue in the Old scenario.

Hammond would receive $11.4 million more in wagering tax revenue under the No-Limits scenario than it actually did in 2003. This is because of the upper limit that restructuring placed on wagering tax revenue. Any increase in AGR, because of the pre-restructuring trend or due to flexible boarding, does not benefit the city because of this limit.

In total for Hammond, actual revenue is more than ten million dollars less than the revenue that would be received under the No Limits scenario. Hammond would suffer losses in admissions tax revenue if flexible boarding were adopted without the state's revenue floor. The benefit of flexible boarding, however, is in the added AGR, and the state's limit on wagering tax receipts costs Hammond over $11 million a year. This is far more than the loss of admissions tax revenue. The difference between the No-Limits and Actual scenarios is large for Hammond, so much so that the added certainty in the Actual scenario is unlikely to make it the preferred alternative.

A formal analysis of costs is not included. Increased attendance might add to city and county costs, through added traffic control requirements, for example. On the other hand, the end of cruises may spread traffic more evenly throughout the day, replacing big increases in traffic every two hours. The effect of flexible boarding on costs is unclear, but is likely to be small.

Previous analyses have shown that Indiana's riverboat taxes are quite generous for the counties and cities hosting riverboats, a fact that tax restructuring has not changed. Riverboats have a positive fiscal impact for host counties and cities. The move to flexible boarding had the potential to make riverboats much less generous for counties, and more generous for cities. The state avoided both possibilities by fixing future revenues at their 2002 levels. Tax restructuring effectively reserved the revenue benefits of added wagering taxes for the state, and for non-riverboat counties, cities, and towns.

Property Tax

In December 1998, the Indiana Supreme Court found Indiana's real property tax assessment system to be unconstitutional. Indiana had been assessing real property—land and buildings—for tax purposes using a unique system based on construction costs and depreciation by age. The court found that this system lacked a sufficient relationship to property wealth and was not based on objectively verifiable data.

The court did not decide explicitly that Indiana must use a market value system, that is, to assess based on a property's predicted selling price. In 2002, the State Tax Board (later renamed the Department of Local Government Finance) proposed a non-market value assessment system that (it hoped) would meet the court's requirements. However, the tax restructuring passed by the General Assembly in the June 2002 special session threw out the main non-market value element of the Tax Board's proposal.[3] Indiana effectively became a market value state. In addition, the legislature increased the amount of state funds devoted to property tax relief. The funds were derived from the increases in the sales tax, cigarette tax, and the higher graduated riverboat wagering tax. Most of the added tax relief was delivered through a higher property tax replacement credit (PTRC) rate.

Lake County has not yet completed tax billing for the 2003 calendar year. A private firm was assigned by the state to assess real property in Lake County. This assessment was completed early in 2004. Tax bills were to have been issued in May 2004. However, on May 7 a Lake Superior Court judge halted the tax billing process, based on a finding that the reassessment was unconstitutional. The state appealed to the Supreme Court and on May 28 the Indiana Supreme Court stayed the May 7 decision, allowing Lake County property tax bills to go out based on the reassessment. As of mid-June 2004, the court has scheduled oral arguments, leaving open the possibility it could find the reassessment unconstitutional.

[3] This non-market value element was the "shelter allowance," which was a fixed dollar amount to be subtracted from the predicted selling price of each owner-occupied home as part of the assessment calculation. The allowance varied by county. The legislature replaced the shelter allowance with a higher homestead exemption, which is applied after assessments are set.

Table 6 shows the property tax payments made by the Horseshoe riverboat to all Lake County local governments from 2000 to 2003. The smaller tax payment in 2003 reflects the partial collection of property taxes made that year, based on 2001-02 assessed values. Final billing in 2003 will collect the remainder of taxes owed.

Table 6: Horseshoe Riverboat Property Tax Payments, 2000-2003

Year	Tax Payment
2000	$2,835,550
2001	$3,107,550
2002	$3,725,006
2003	$1,829,127

With so much uncertainty about tax payments, however, it may be premature to make a formal analysis of the Horseshoe riverboat's property tax payments under reassessment and tax restructuring.

Some general observations can be made based on events in other counties. How a particular taxpayer fares under reassessment depends on how much the taxpayer's property's assessed value increases, how much the tax rate falls, and for how much property tax relief the taxpayer's property is eligible. It appears that reassessment is increasing the assessed values of older residential property, rental property, and farm land more, while the assessed values of other commercial, industrial, and utility property are increasing less. This implies that property taxes will shift from businesses to homeowners, landlords, and farmers.

Lake County has some unique features. Its residential property has been historically underassessed, so residential assessments are likely to rise more in Lake than elsewhere. A very large share of Lake County real property has been its steel mills. This industrial property is likely to see smaller real property assessments under any new assessment scheme. The difficulties the steel industry are experiencing make its property worth less. Thus, the tax shifts from industry to homeowners is likely to be larger in Lake than in any other county.

Riverboats are commercial property. In most counties owners of such property would pay less after reassessment and restructuring. Tax rates would fall more than assessments would rise, and added tax relief would further reduce tax payments. In Lake County, however, the fall in industrial assessments may make for a relatively small decline in tax rates. Property tax payments by riverboats are likely to decline less in Lake than elsewhere. They may even increase.

Incentive Payments

The largest impact of Horseshoe in the Hammond area (outside of taxes) has been through incentive payments. These payments are the result of agreements that were made with Hammond as part of their application process. In its Certificate of Suitability, Horseshoe agreed to provide incentive payments, as detailed below.

Incentive Payment Certificate Compliance

As Table 7 illustrates, Horseshoe has provided over $123 million in incentive payments since inception, with the majority falling in the first five years of operation. The economic impact of these contributions to the Lake County economy is discussed in the section below.

Table 7: Schedule and Description of Incentive Payments

Category	1996-00	2001	2002	2003	Total
Expanded capacity sewer and lift station	$500,000				$500,000
Robertsdale lift station improvements	$150,000				$150,000
Contributions for public safety and to promote economic development	$875,000				$875,000
Purchase 6.5 acres from NIPSCO for Lakefront Park and Sanctuary	$2,750,000				$2,750,000
Upkeep of the Milwaukee Clipper	$500,000				$500,000
Construction of new building	$2,750,000				$2,750,000
Transport Milwaukee Clipper out of Marina	$750,000				$750,000
Donation	$750,000				$750,000
Donation	$250,000				$250,000
Donation	$1,425,000				$1,425,000
Payment to support cost of additional police, fire, etc.	$3,512,695	$1,240,624	$1,272,433	$1,195,158	$7,220,910
Bond shortfall payments	$2,250,000				$2,250,000
Lease	$24,859,763	$7,000,000	$7,000,000		$38,859,763
Ongoing payments	$45,783,704				$45,783,704
Establish incubator program	$1,000,000				$1,000,000
Donation	$150,000				$150,000
Commercial Development	$7,600,000				$7,600,000
Renovation of existing housing and construction of new market rate housing	$2,500,000	$855,062	$1,199,111	$859,334	$5,413,507
1995 Railroad Relocation Agreement				$413,132	$413,132
$2.7 million bond purchase agreement- redevelopment district city of Hammond			$2,700,000		$2,700,000
Per passenger payment to Hammond Port Authority in lieu of lost admission taxes			$582,916	$1,633,211	$2,216,127
TOTAL	$98,356,162	9,095,687	$12,754,460	$2,905,677	$123,111,986

Tax Revenue Collected

As Table 8 illustrates, Horseshoe has paid almost $344 million in direct taxes to the state of Indiana since it opened.

Table 8: State Direct Taxes

Category	FY1996-02	FY 2003	Total
Gaming Tax (State Share)	$212,730,015	$86,992,610	$299,722,625
Admission Tax (State Share)	$35,769,046	$2,666,720	$38,435,766
Sales and Use Tax	$4,585,018	$782,467	$5,367,485
TOTAL	$253,084,079	$90,441,797	$343,525,876

In addition, as Table 9 shows, Horseshoe has paid over $171 million in direct taxes (gaming, admission, and property taxes) that have accrued to the local area (city and county) since it opened.

Table 9: Local Direct Taxes			
Category	**FY1996-02**	**FY 2003**	**Total**
Gaming Tax (City Share)	$68,396,683	$13,749,023	$82,145,706
Admission Tax (County Share)	$31,605,256	$4,334,603	$35,939,859
Admission Tax (City Share)	$31,605,256	$4,334,603	$35,939,859
Property Tax	$15,486,154	$1,829,127	$17,315,281
TOTAL	$147,093,349	$24,247,356	$171,340,705

Economic Impact of the Spending of Gaming-Related Local Taxes and Incentive Payments

Horseshoe's five-year license evaluation included estimates of the economic impact of local gaming-related taxes and incentive revenue spent by local governments and community foundations. As part of the eight-year evaluation, we present the total eight-year economic impact of expenditures of gaming-related tax and incentive payments and provide a detailed analysis of the economic impact that has occurred since the five-year report.

The city of Hammond received over $114.5 million in gaming-related local taxes and incentives attributable to Horseshoe. The economic impact analysis for years 5 through 8 of Horseshoe's operations is limited to the $85.7 million spent by the city of Hammond on projects that provide immediate and long-term benefits. It does not include $14 million spent on lease payments and nearly $10 million on debt services, or $4.7 million on bond repurchases and payments to the Hammond Port Authority.

From Horseshoe's opening in June 1996, through December 31, 2003, the economic impact of expenditures of local gaming-related taxes and incentive payments made by the city of Hammond have generated:

- $278,693,908 in economic impact,
- $83,562,734 of employee compensation, and
- 3,148 new jobs (full-time equivalents).

Economic Impacts of the Expenditure of Gaming-Related Taxes and Incentive Payments 2001-2003

The expenditure by local government of the gaming-related taxes and incentive payments generated by Horseshoe make two important contributions to the local economy. The first contribution is the immediate economic impact of the expenditures as they work their way through the local economy. These benefits can be estimated through the use of an input/output model, and are important for the short term stimulus they add to the local economy. The second or long term contribution of these investments is in the contribution they make to the fundamental competitiveness of the local economy. These longer term contributions can begin to be understood by looking at employment trends in the local economy.

Direct Economic Impact 2001 – 2003

Direct economic impact represents the spending of local tax and incentive revenue and the employment and wages generated by that expenditure. Specifically, the city of Hammond spent $85,700,859 of tax and incentive revenue, on capital equipment, new construction, rehabilitation of homes, programs, and scholarships, and infrastructure improvements. Over 71 percent or over $60 million was spent on infrastructure improvements. The spending of the over $85 million in tax and incentive revenue between January 1, 2001, and December 31, 2003 generated

- $28,037,045 in employee compensation and
- 901 new jobs (full-time equivalents).

Indirect and Induced Economic Impact 2001 – 2003

As the spending of the over $85 million in tax and incentive payments works its way through the local economy (Lake County) it generates additional economic benefits for the community. For example, one of the 901 new jobs may have been a $40,000-per-year heavy equipment operator whose employment is directly attributable to tax or incentive revenue paid by Horseshoe and spent by the city of Hammond. As the equipment operator and perhaps his or her family eat at Lake County restaurants, shop in local stores, purchase a new automobile, and make home improvements, those expenditures and all other local expenditures generate additional economic activity. Similarly, one of the firms hired by the city of Hammond to repave city streets may hire additional employees, purchase materials, supplies, and perhaps equipment. As with the heavy equipment operator, when purchased locally, these expenditures produce additional economic benefits. These benefits are known as the indirect benefits. Then as the firms and workers who indirectly benefit from the expenditure of tax and incentive spending by the city of Hammond spend their money, it generates additional economic activity. This round of economic activity is known as the induced benefits.

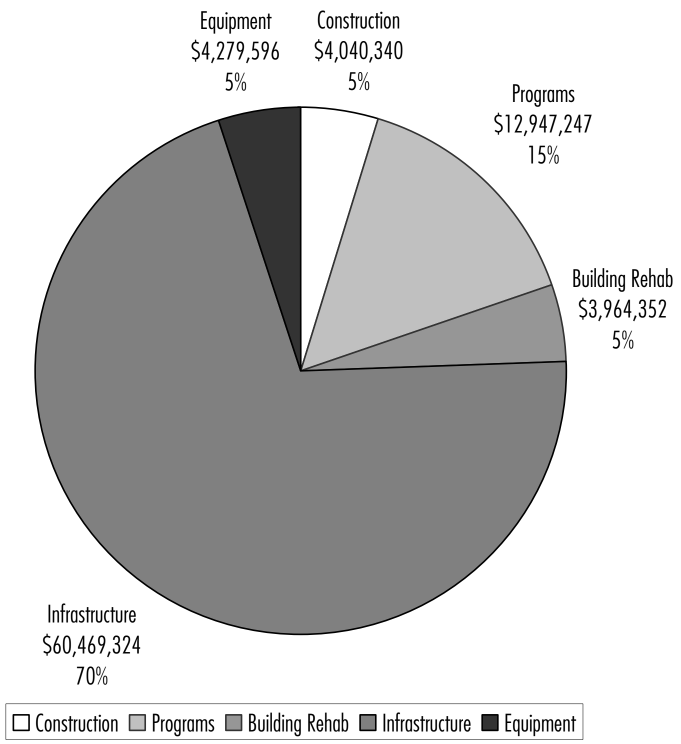
The indirect and induced economic impact of the spending of gaming-related local tax and incentive payments made by Horseshoe is estimated to have generated an additional:

- $41,318,267 in indirect economic activity,
- $12,792,000 in indirect employee compensation, and
- 568 indirect new jobs (full-time equivalents).

An Expenditure Category Analysis of Economic Impact

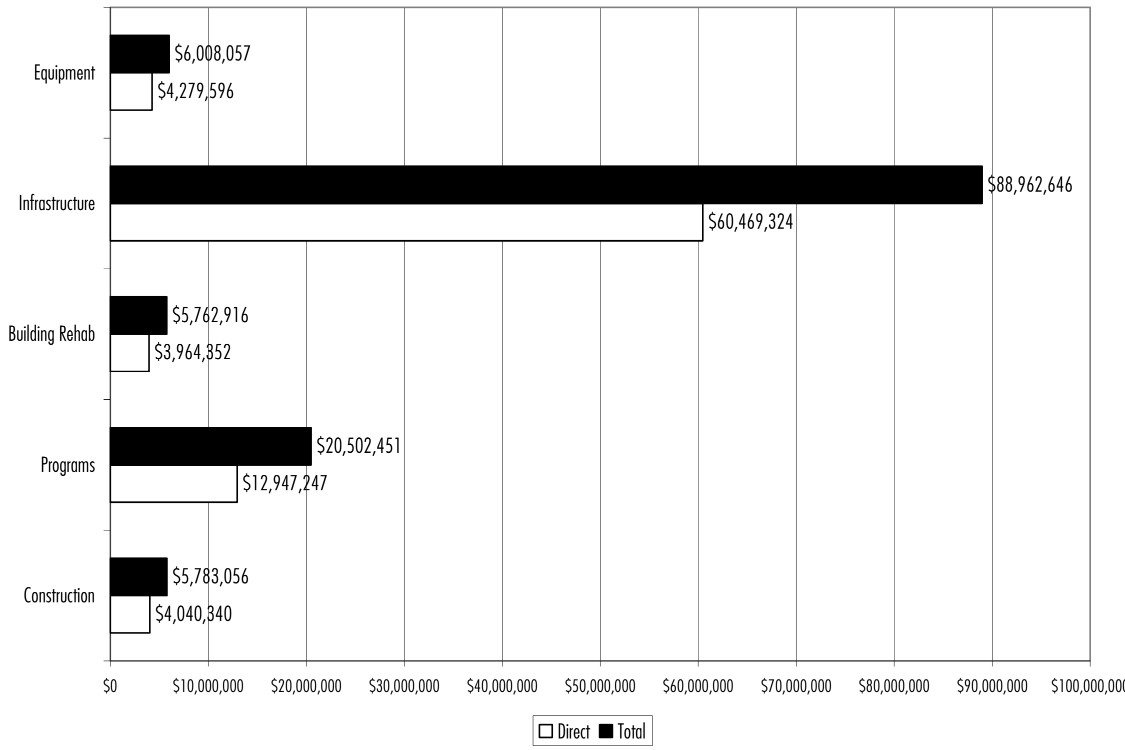
Over 70 percent or $60.5 million of the tax and incentive revenue attributable to Horseshoe was spent on infrastructure improvements such as streets, sewer, and sidewalks. An additional $12.9 million or 15 percent was spent on programs, primarily parks and economic development. Figure 3 describes spending patterns by the city of Hammond between 2001 and 2003. The remainder of this section of the report will estimate the short-term economic value of each category of investment and compare the indirect benefits (investment, wages, and jobs) of each spending category.

Figure 3: Estimated Expenditure by Type of Public Investment



As previously discussed, these expenditures produce direct benefits in terms of employment and wages and generate additional economic activity as they work their way through the local economy. Figure 4 presents the direct and total economic activity estimated to be generated by each category of public expenditure.

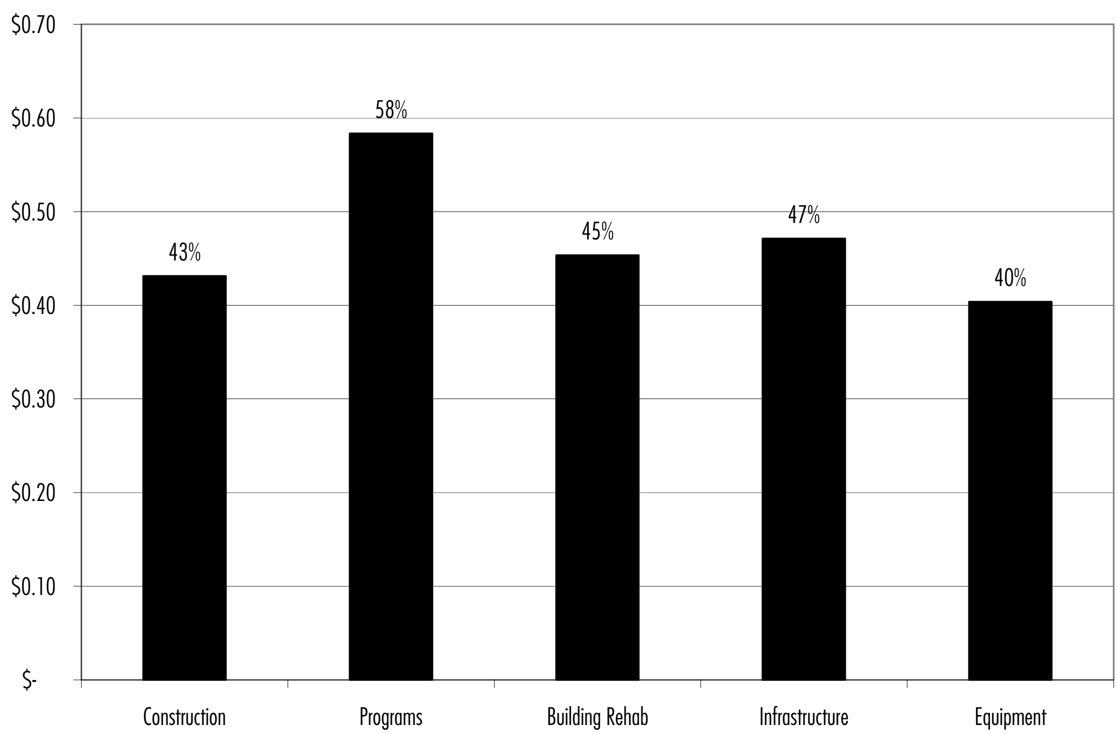
Figure 4: Direct and Total Economic Activity by Type of Public Investment



Indirect and Induced Impact as a Share of Total Impact

As in the stock market, different investments made by the city of Hammond will have different rates of return for the local economy (as measured by share of indirect and induced impact). Figure 5 displays the indirect and induced impact as a share of total impact in each category. The share of indirect and induced impact will vary because different types of expenditures engender different local spending behaviors. The share of indirect and induced impact may be thought of as a rate of return on investment. For example, most programs are very labor intensive and generate much local spending in terms of wages, resulting in a 58 percent rate of return. This means that for every one dollar of gaming-related revenue spent on programs an additional 58 cents of economic activity is generated in Lake County. Infrastructure investments in Hammond/Lake County generate a 47 percent share of indirect investment; likely losing some indirect value because of the need to purchase supplies from non-local firms which results in economic activity being generated outside Lake County. While infrastructure investments may not have a high an indirect rate of return, it should be noted that many studies indicate that the long term benefits of infrastructure investment include higher wages, more jobs, and increased property value.

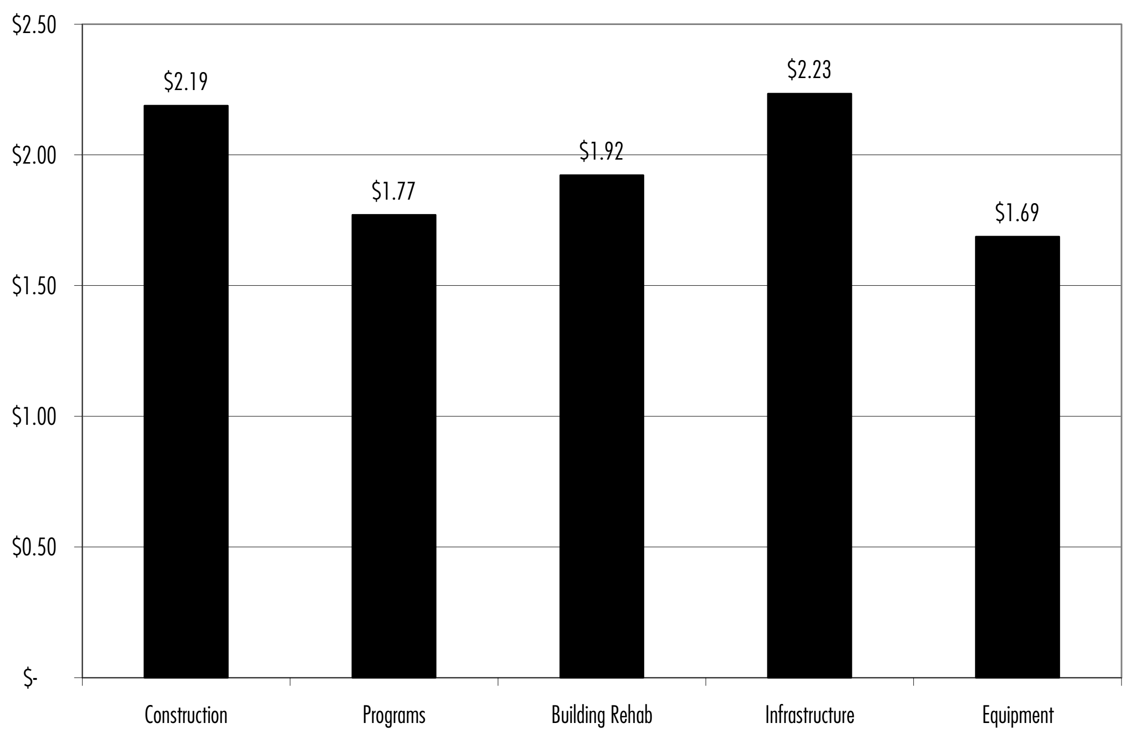
Figure 5: Indirect and Induced Impact as a Share of Total Impact (Direct, Indirect, and Induced) by Category



Direct Expenditures and New Wages

Figure 6 displays the amount of direct expenditures required to produce $1 of new local wages. This amount varies because wages vary by industry and because the industry sectors have differing wage versus material and capital equipment expenditure rates. In Hammond and Lake County, capital expenditures for new equipment are the most efficient in generating new wages, with only $1.69[4] of new investment required to generate $1 of new wages. Infrastructure and construction investments, which require a high share of material and equipment expenditures, each require over $2.00 in new expenditures to generate $1 of new wages.

Figure 6: Direct Expenditures per $1 of New Employee Compensation

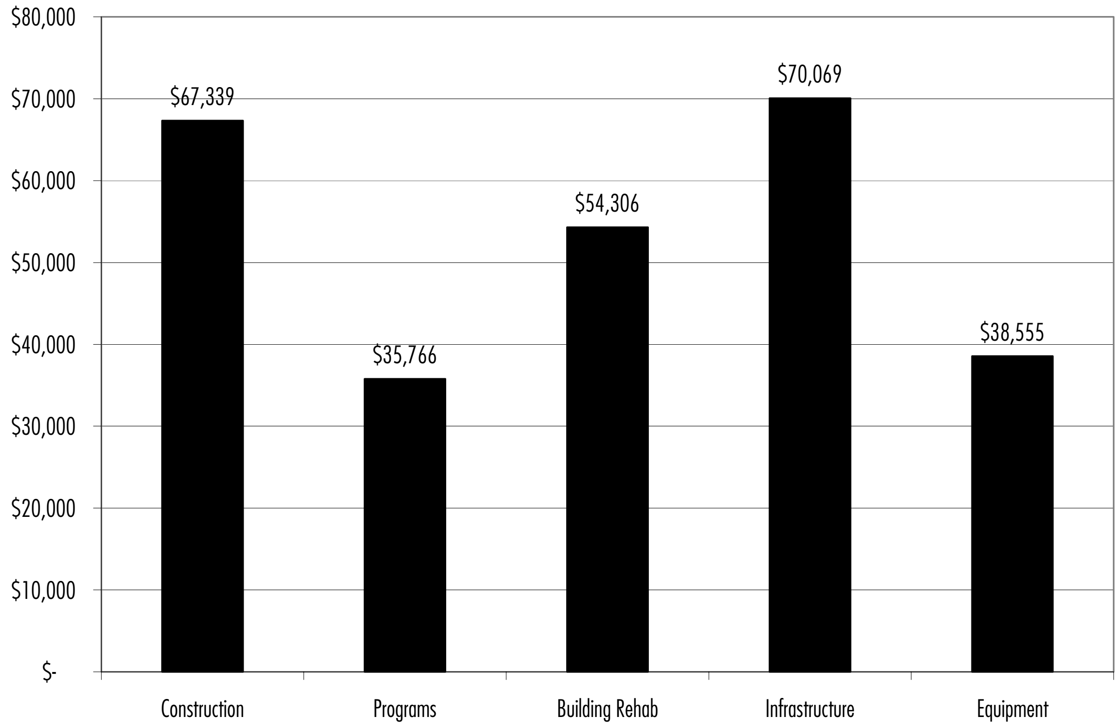


[4] While the same input/output model is used for the Gary and Hammond boats, outputs can vary primarily because of different purchases within aggregated category. For example, the city of Hammond spent a greater share of its equipment purchases on vehicles, which have a higher wage rate than other types of capital investments/capital equipment purchases.

Direct Expenditures and New Jobs

Figure 7 displays the amount of new expenditures by economic sector required to produce a new job in the local economy. Much of the variance is attributable to the varying degree of labor intensity by economic sector. It is important to understand that while it requires nearly $36,000 of direct expenditures to create a new program or activity related job as compared to over $70,000 to create an infrastructure job, the average wage for a program job is $19,182 while the average wage for an infrastructure related job is $31,364.

Figure 7: Direct Expenditures per New Job Created



Community Impacts

Local Spending and Contributions

Horseshoe has spent money locally for both capital and operating expenses as well as through sponsorships and contributions. As Table 10 illustrates, since opening, Horseshoe has spent $37 million locally. Additionally, Horseshoe has impacted the Hammond area through $1.7 million in sponsorships and contributions to local area organizations. This figure excludes any contributions that were part of the local development agreement, which are discussed under Incentive Payments.

Table 10: Local Spending, Sponsorship, and Contributions

	1996-00	2001	2002	2003	Total
Local Spending	$22,609,187	$5,958,766	$5,293,044	$3,198,311	$37,059,308
Sponsorships/Contributions	$642,079	$631,260*	$224,333	$199,967	$1,697,639

*Includes $400,000 grant awarded to City of Whiting's Community Improvement Corporation

Community Input

Another way to determine impact in the local community is to listen to the views of members of the local community. Center staff conducted several focus groups in Lake County with:

- Community leaders from Hammond,
- Local business leaders (retail, restaurant, hotel, convention from Lake County), and
- Social services providers from Lake County.

The questions asked were broad to allow the participants to raise issues of importance to them and covered positive and negative impacts, strengths and weaknesses, and opportunities and threats. While there were some differences among the groups, overall the following themes resonated with all three groups:

- The riverboat casinos have been a positive addition to the community. They:
  - provide thousands of well-paying jobs with good benefits as well as economic diversity in a time when steel mill and manufacturing jobs are declining. Some of these jobs are filled by minorities, single parents, and former battered women. In addition, there are construction jobs that continue to be filled because of continuous improvements at the facilities.
  - provide revenues to local governments that can be used for infrastructure improvements.
  - are good corporate citizens, serving on boards, providing funds for programs and funding community foundations, have a can-do attitude with current management of boats, creative management willing to try new ideas, and are sensitive to the downside of gambling.
  - provide a safe, comfortable gathering place for seniors in the community.
  - bring tourists by their presence, as well the marina and golf course.
  - have a positive environmental impact, assisting in reclamation of the lakefront.
- Small businesses have not seen the positive spin-offs they thought they would.
- Bankruptcies and home foreclosures have increased as have the number of pawnshops and payday loan businesses.

- People, including state legislators, think the local government has an abundance of funds, when it still has needs.
- Local communities are parochial and don't have the best planning. They should get together and form a regional plan for the lakefront and surrounding area and have a long-term strategy.
- In Gary, the mayor was able to change the local agreement without the input of the City Council. There is some concern that the funds have been misspent, that a stadium was not the best investment. There was a discussion of the Gaming Commission taking a more active role in the local agreement process.

Other Issues

According to Horseshoe, 32 legal actions are currently pending against them since 1996; 22 personal injury, one vendor, four employees, three guest-related, and one political dispute. According to the Hammond Police Department, crime in the area around the riverboat has not risen since the boat opened.

Horseshoe has made efforts to minimize negative impacts that could result from problem gambling:

- Presented mandatory seminars to employees on the identification of Problem/Compulsive Gambling behaviors.
- Created and distributed a brochure on compulsive gambling that includes local, regional, and national help numbers in addition to the gamblers anonymous 20 questions for assistance in determining the existence of a problem. These brochures are readily available to guests.
- Distributed materials to employees to enhance awareness of problem gaming. These items included brochures, t-shirts, buttons, and information packets.
- Problem gambling awareness signs are posted at casino entrances, ATM machines, restrooms, elevators, and ticketing windows.
- Information about problem gambling is printed on collateral materials.
- Participation in Responsible Gaming Education Week with public service announcements on local radio stations and newspapers.
- Participation in national and Indiana conferences on problem gambling.
- A self-exclusion program for individuals who wish to be banned from the facility. Any attempts by these individuals to enter the casino can result in their arrest for trespassing. Since opening 618 individuals have requested self-exclusion.

As Table 11 indicates, in an effort to prevent underage gambling, Horseshoe has verified 916,577 identifications and turned away 35,077 patrons since it opened.

Table 11: Horseshoe's Efforts to Prevent Underage Gambling

	1996-00	2001	2002	2003	Total
Number of I.D.s verified	335,029	91,575	210,038	279,935	916,577
Number of patrons turned away (under 21)	1,393	94	164	189	1,840
Patrons turned away- no ID	15,566	4,441	7,265	7,805	35,077

Employment

As Table 12 indicates, as of January 31, 2003, Horseshoe had employment of 2,428 persons in both the casino and hotel, above their eight-year average of 1,905. For 2003, salaries and wages were $73 million, including tips to dealers (but not to bar and wait staff), and since opening Horseshoe has paid $393 million in wages, tips, and benefits. As of December 31, 2003, 58 percent of Horseshoe's employees were women, 57 percent were minorities, and 32 percent were from Hammond with a total of 73 percent from Indiana. Horseshoe did not state specific employment goals in its Certificate.

Table 12: Employment and Wages

Category	1996-2000	2001	2002	2003	Average/Total
Total Employment	1,650	2,180	2,385	2,428	1,905
Wages, tips and benefits	$194,452,908	$59,558,489	$65,959,555	$73,093,404	$393,064,356
Average wages, tips and benefits per employee	$26,189	$27,320	$27,656	$30,104	$27,511

Horseshoe's Workforce: A Survey of Employees

To assist in the eight-year license evaluation, the Center for Urban Policy and the Environment in January and February 2004 conducted a survey of current Horseshoe employees. Previously, in 2001, the Center conducted a survey of Horseshoe employees for the five-year licensure hearing. The survey and accompanying analysis help the Gaming Commission determine the impact of Horseshoe on the local workforce. Responses to the current survey will be compared to those from the previous survey when possible. The analysis is divided into four topic areas:

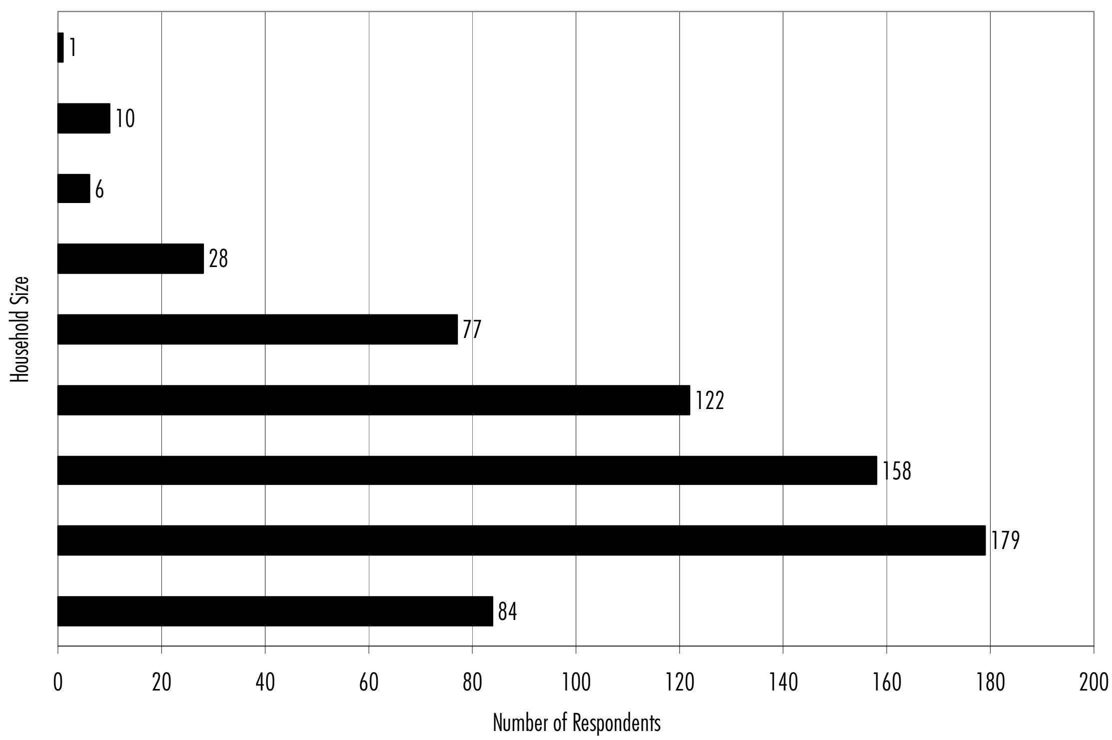
1. A brief description of the respondents and their history
2. The respondents employment history prior to beginning work at Horseshoe
3. The initial experience of the respondents upon beginning work at Horseshoe
4. The respondents' current situation

An Overview of the Respondents

Out of 2,428 Horseshoe employees, 696 responded to the survey. Of those who answered the question, 243 were male and 411 were female. While the average age was 36 years and 2 months, the oldest respondent was 72 and the youngest 18. Four hundred ninety-nine of those surveyed responded to the question regarding how long they have lived in northwest Indiana. The average length of time living in the area was 23 years and 6 months.

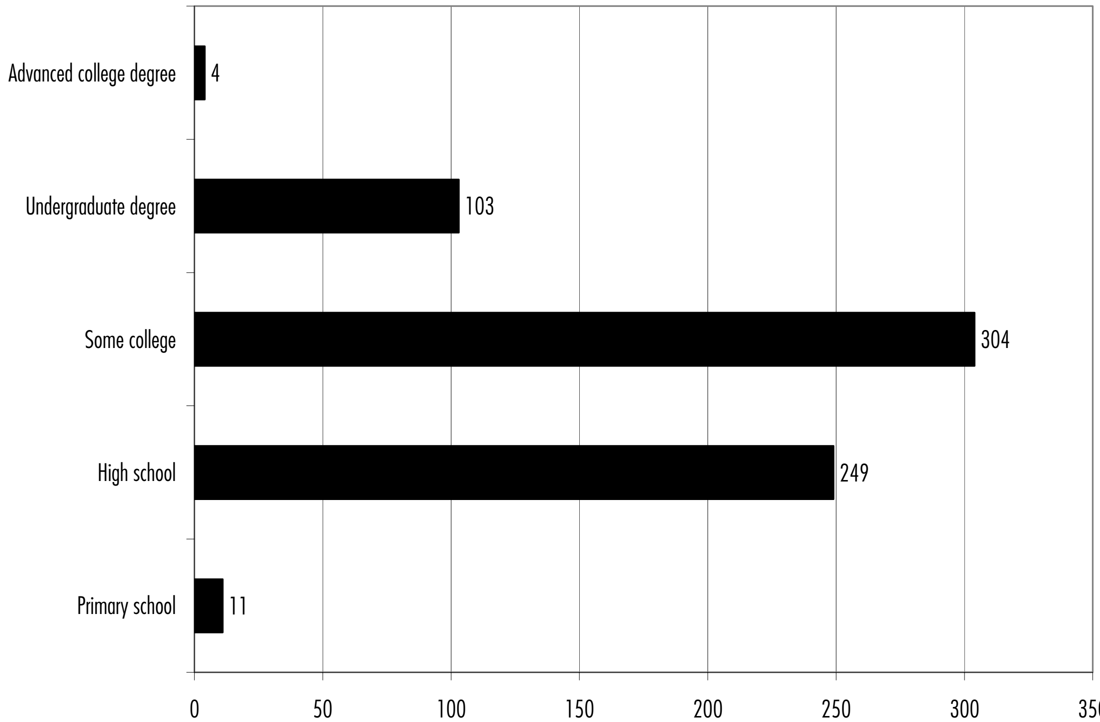
The most common number of individuals in the respondents' households was two (27 percent). Approximately 24 percent of the respondents indicated a three-person household which likely indicates the presence of children. Figure 8 shows the total number of persons per household.

Figure 8: Total Number of Persons in Household



Nearly 80 percent of the respondents reported a high school diploma or some college as their highest level of education. An additional 15 percent reported receiving a college degree. Figure 9 summarizes the educational achievement of all respondents.

Figure 9: Highest Level of Education



Employment History Prior to Beginning Work at Horseshoe

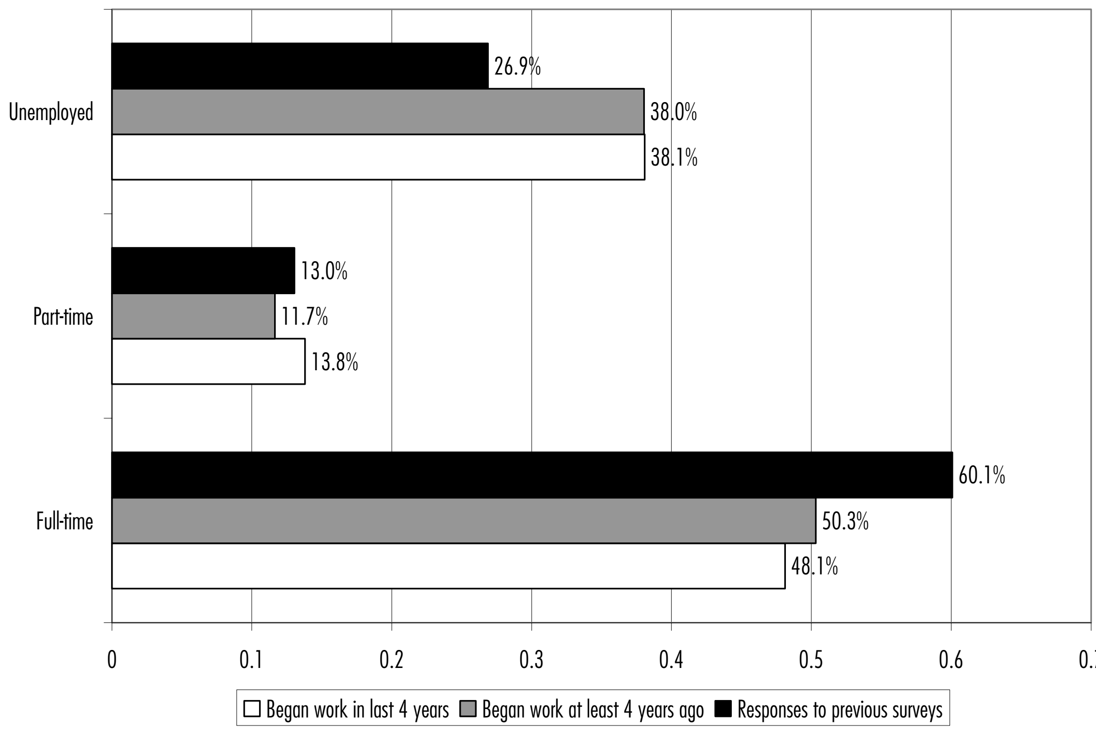
Based on responses to the eight-year survey, a slight majority of respondents were employed in full-time jobs prior to beginning work at Horseshoe. Over one of every three respondents was unemployed prior to beginning work at Horseshoe.

Table 13: Employment Status Prior to Horseshoe

Employed full-time prior to beginning work at Horseshoe	51 percent
Employed part-time prior to beginning work at Horseshoe	12 percent
Unemployed prior to beginning work at Horseshoe	36 percent

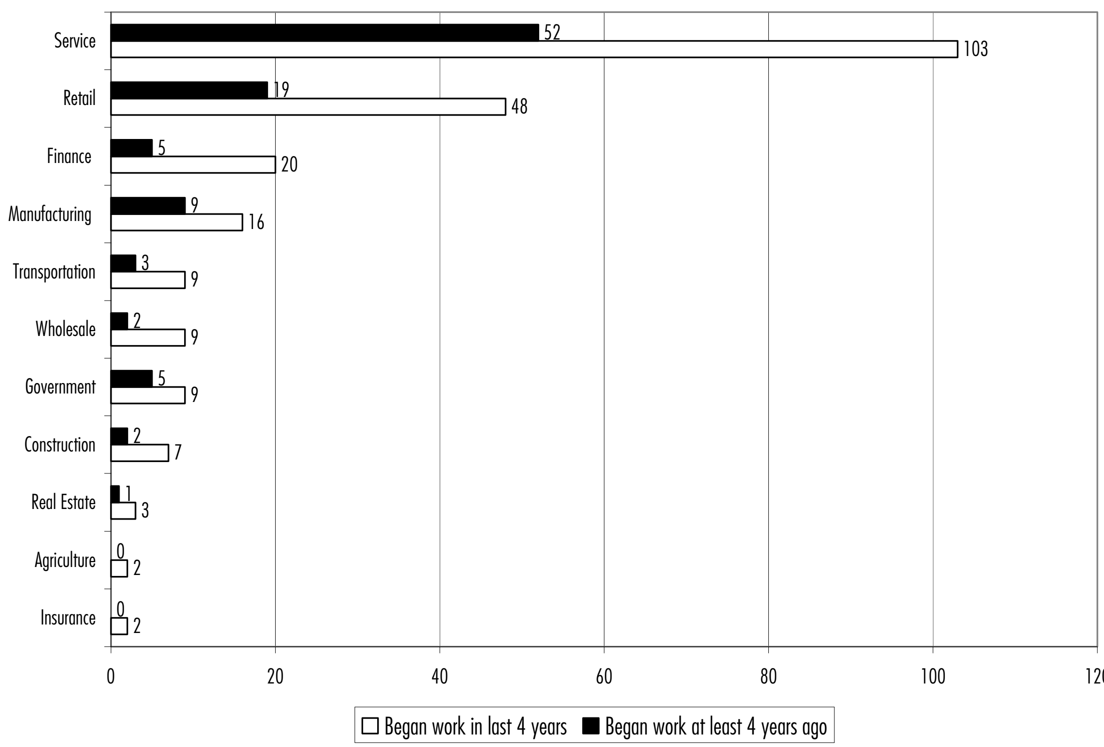
Figure 10 displays the responses from the eight-year survey as well as responses from the five-year licensure evaluation survey. Responses to the current survey are separated into employees who began work since the last survey and evaluation (those who began work less than four years ago) and those who were working at the time of the last survey and evaluation (began work at least four years ago). The comparison suggests that in the last three years, Horseshoe has provided employment opportunities for a substantially larger share of previously unemployed individuals than it did in the first five years.

Figure 10: Employment Status Prior to Beginning Work at Horseshoe



Based on responses to the current survey, of those that were previously employed most respondents were previously employed in either service (48 percent of all responses) or retail sector jobs (21 percent) prior to beginning work at Horseshoe. As shown in Figure 11, service and retail sector jobs were the most common for employees who began work in the past three years as well as those who began work at Horseshoe at least four years ago. While the service sector was the most common sector of previous employment, 53 percent of those working at Horseshoe four or more years previously worked in the service sector whereas only 45 percent of those working less that four years at Horseshoe reported previously working in the service sector. The most common other previous responses were security, medical, and daycare jobs.

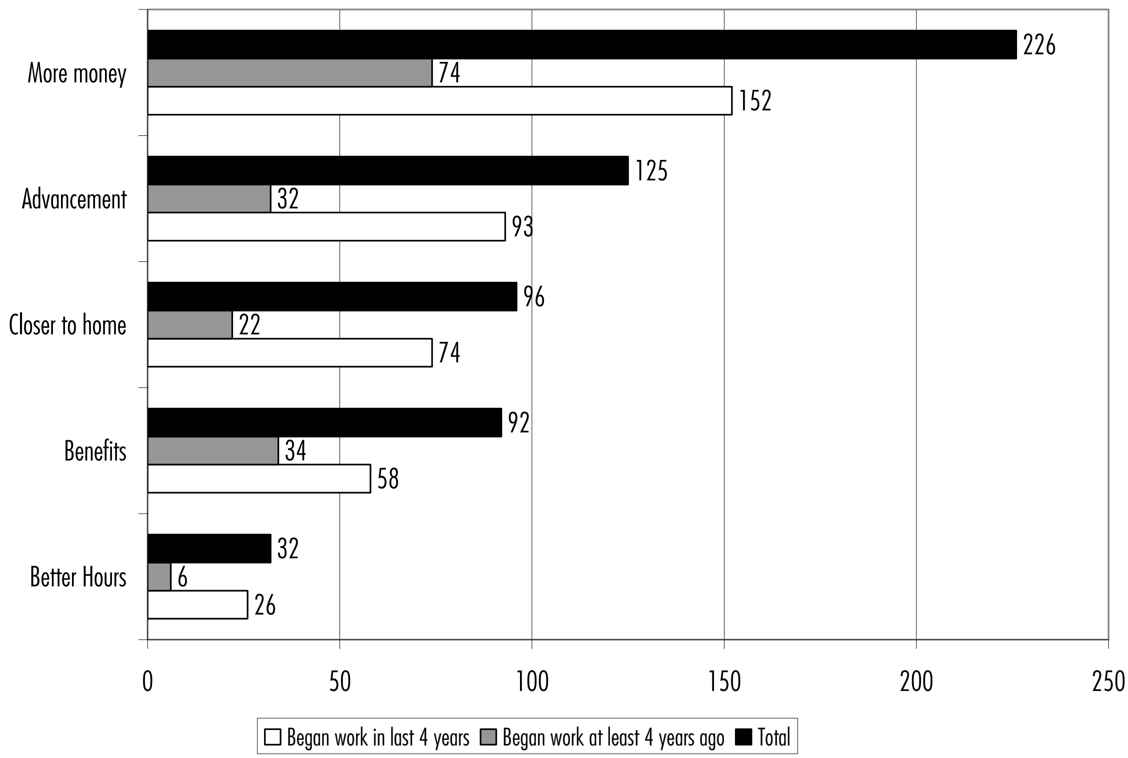
Figure 11: Sector of Employment Prior to Beginning Work at Horseshoe



Beginning Work at Horseshoe

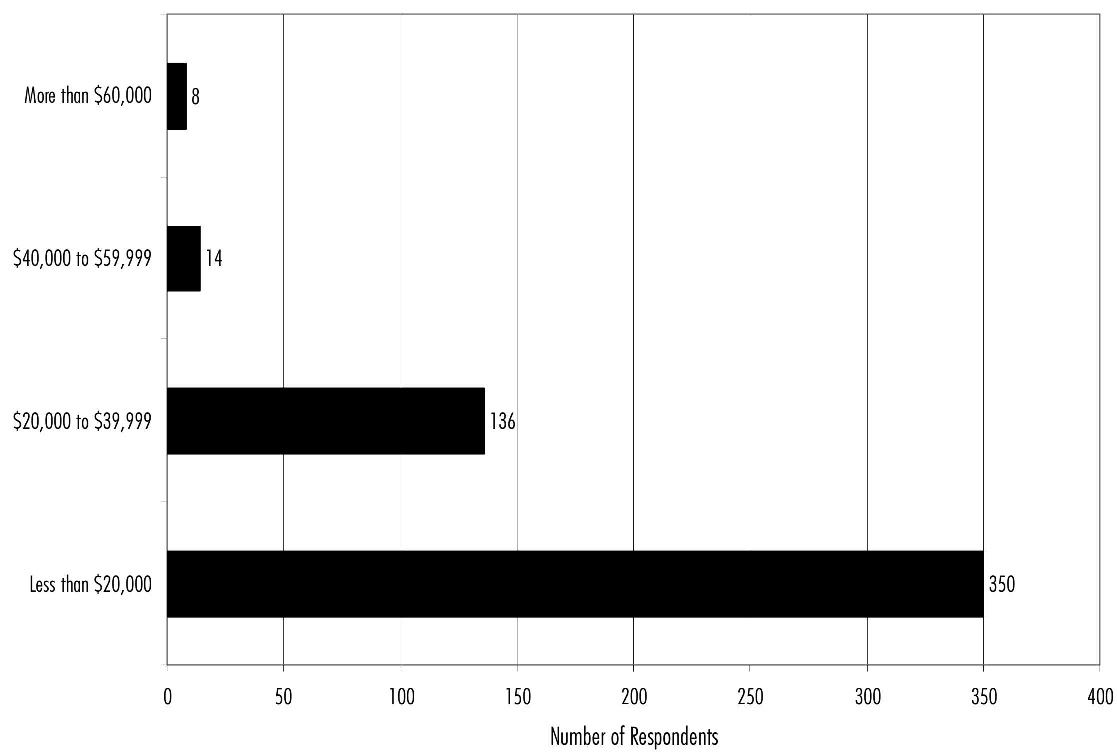
As shown in Figure 12, the primary reason for beginning work at Horseshoe was more money. This was true for those who began work less than four years ago (37 percent of all less than four years responses) as well as for those that have worked at Horseshoe for four or more years (44 percent of all greater than four years responses). It was also true for the employees that responded to the five-year survey, where 42 percent of all respondents identified more money as the principal reason they began work at Horseshoe. Better opportunity for advancement (23 percent) was the second most common reason to begin work at Horseshoe for those who have worked there less than four years. For those that have worked at Horseshoe more than four years, better benefits was the second most common choice (20 percent). Only 14 percent of those who have worked at Horseshoe less than four years identified benefits as the primary reason for beginning work at Horseshoe (the fourth most common response), this suggests that those motivated by better benefits may be more likely to remain employed at the casino.

Figure 12: Reason for Beginning Work at Horseshoe



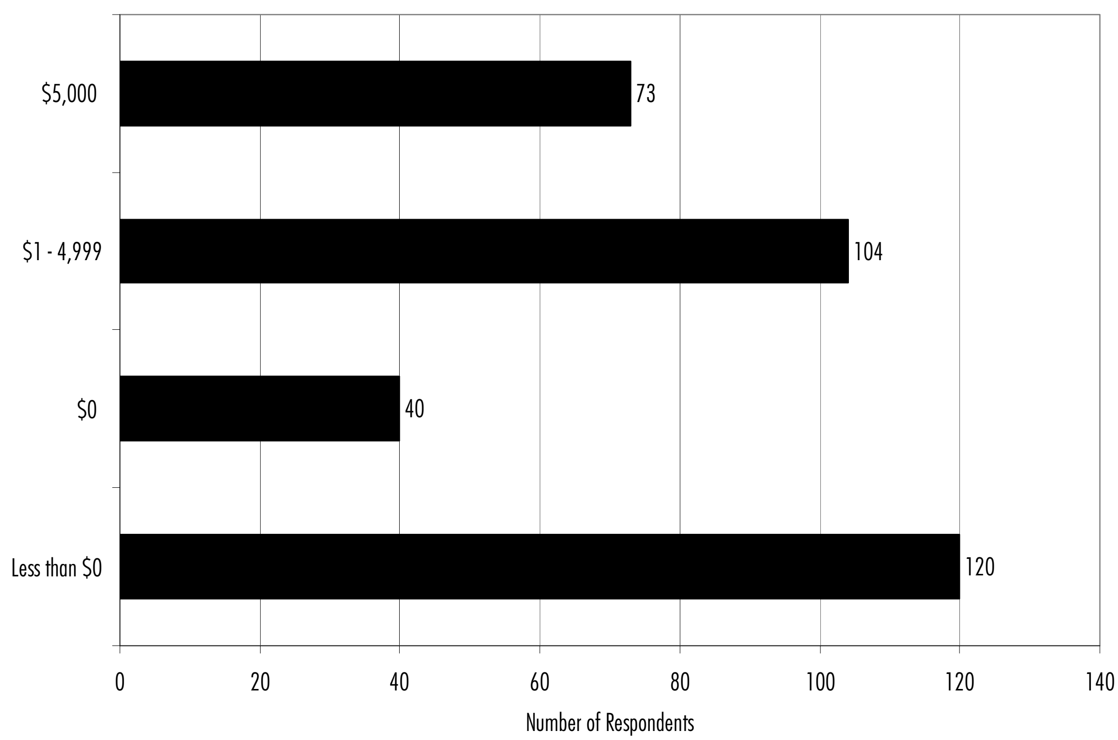
There were 508 respondents who reported that they work full time and provided a starting annual income for the first year they worked at Horseshoe. The average annual salary for these individuals was $21,581. Three hundred fifty or 69 percent reported a beginning annual income of less than $20,000 and an additional 27 percent (or 136) reported a beginning annual income of between $20,000 and $39,999 (Figure 13).

Figure 13: Beginning Wage at Horseshoe



While 47 percent of the 337 respondents that reported both a final wage prior to beginning work at Horseshoe and a beginning wage at Horseshoe reported either no raise or receiving an initial cut in pay, the average increase in wages upon beginning work at Horseshoe was $3,117. The median increase was $672. The much higher average increase was a result of a few individuals reporting raises of over $50,000. Of the 53 percent that reported receiving raises, 104 or 31 percent reported an initial increase in wages of between $1 and $4,999. An additional 73 individuals reported receiving a raise of $5,000 or more (22 percent). (Figure 14)

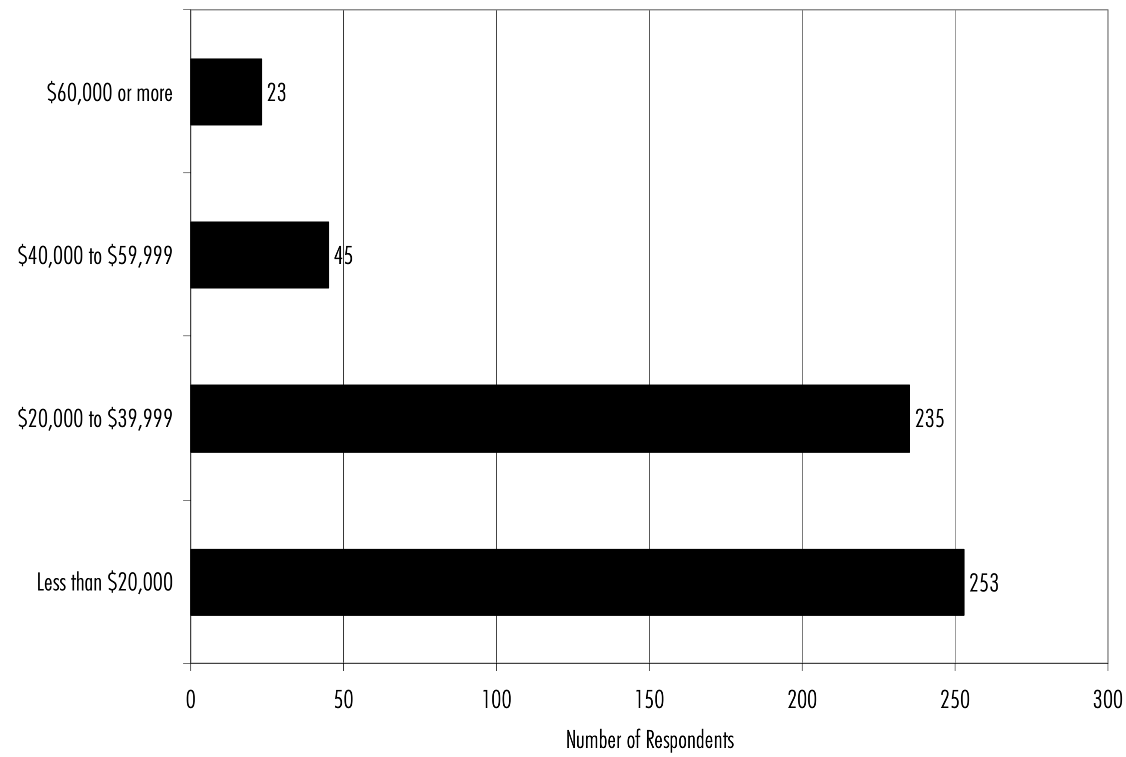
Figure 14: Total Increase in Annual Wage from Previous Jobs to Start at Horseshoe



Current Experience

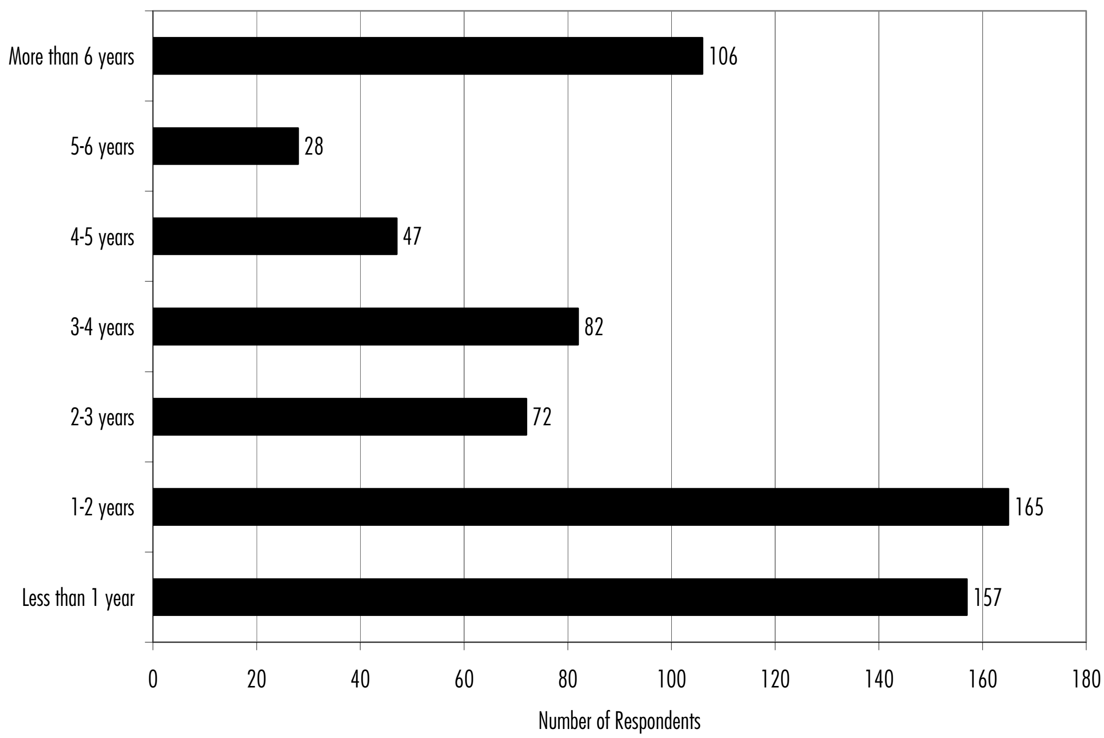
Five hundred fifty-six employees who worked 35 hours or more per week provided a current annual salary. Their average wage was $26,226 and the median was $20,226. As shown in Figure 15, 253 or 46 percent make less than $20,000 per year and an additional 235 or 42 percent make between $20,000 and $49,999. In 2001 (the latest date available), the Bureau of Economic Analysis reported that the per capita income in Lake County was $27,521. The 2000 Census reported the median household income in Lake County to be $41,289.

Figure 15: Current Annual Wage of Horseshoe Employees



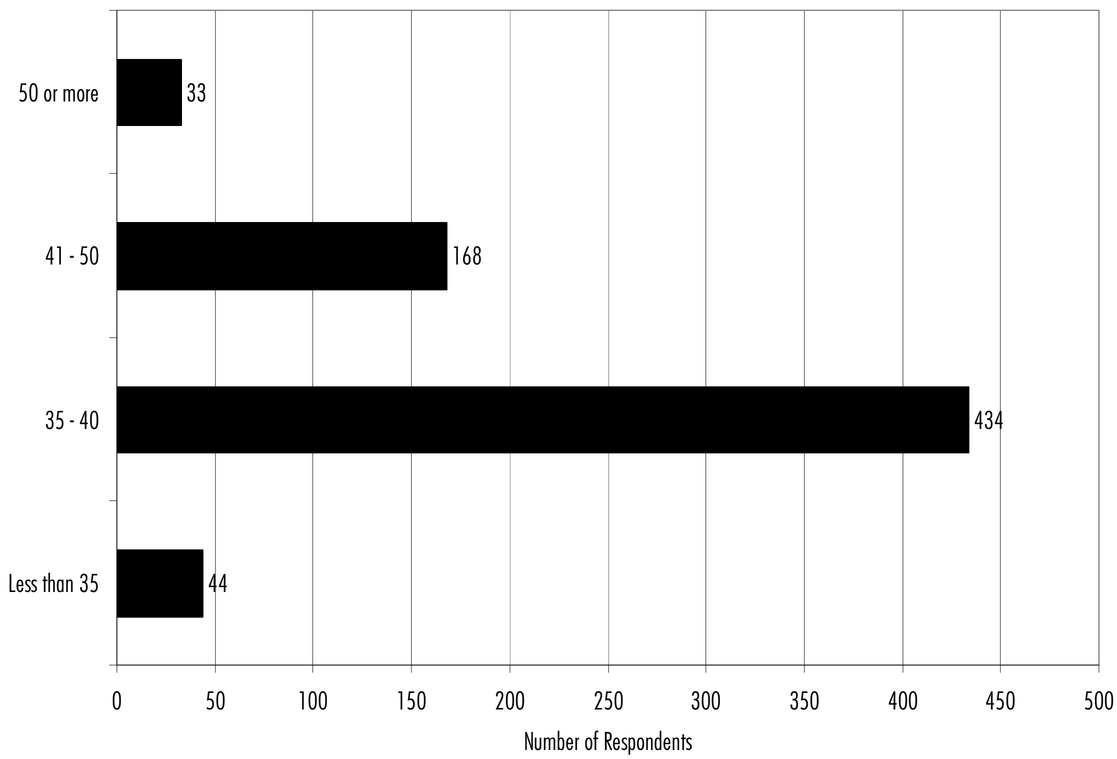
The average length of employment at Horseshoe for the 657 employees responding to this question was three years and eight months. Figure16 displays the number of employees and months worked. Over 16 percent have worked at Horseshoe for more than six years and 49 percent have worked at Horseshoe for two years or less.

Figure 16: Years Worked at Horseshoe



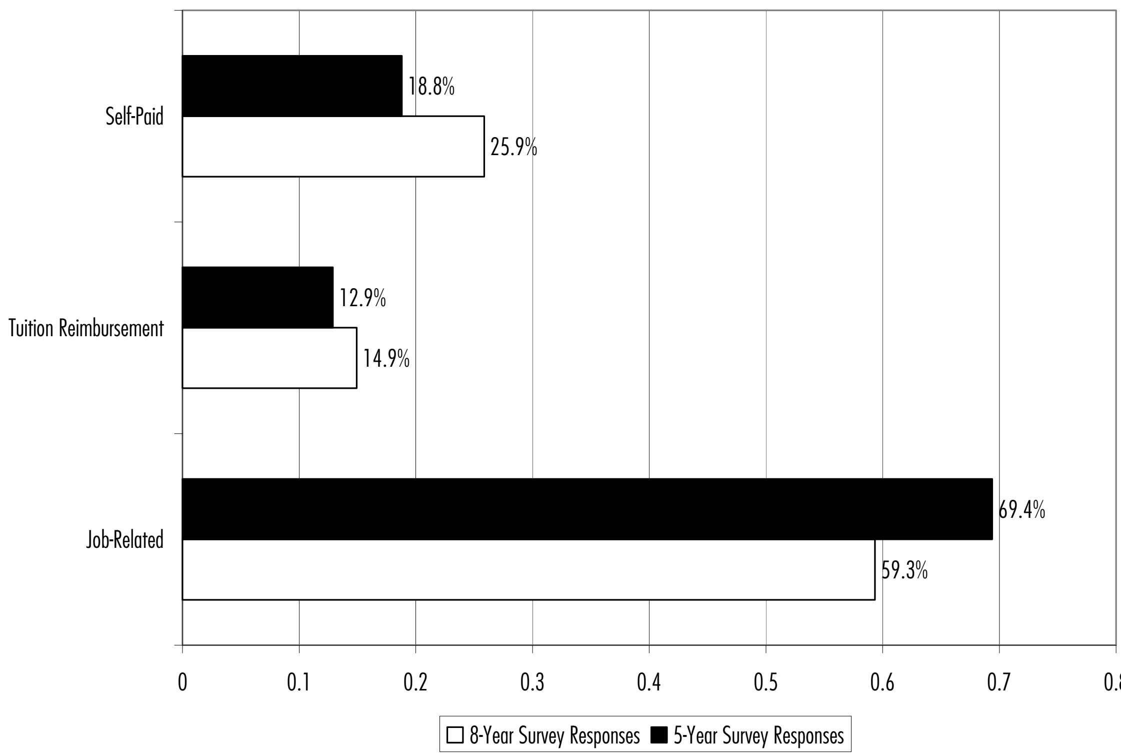
Only six percent or 44 respondents reported working less than 35 hours a week at Horseshoe. The vast majority of the respondents (89 percent) are full-time employees, reporting they work between 35 and 50 hours. A small number reported working more than 50 hours (Figure 17).

Figure 17: Number of Hours Worked Per Week at Horseshoe



Training and re-training are important components of building a capable workforce, as shown in Figure 18 over twice as many Horseshoe employees received job-related training as received either tuition reimbursement or chose to pay for additional skill-building opportunities on their own. Interestingly, a greater share of respondents reported paying for their own training or education opportunities (26 percent) than received tuition reimbursement from Horseshoe (15 percent). When the eight-year survey results are compared to the five-year survey responses, we find that Horseshoe has increased the share of employees receiving tuition reimbursement for general education from 13 percent in the five-year survey to 15 percent in the eight-year survey. The share of respondents reporting paying for their own education increased from 19 percent in the five-year survey to 26 percent in the eight-year survey. The share of respondents who reported they received job specific training from Horseshoe decreased by approximately 10 percent.

Figure 18: Training and Education Opportunities for Horseshoe Employees



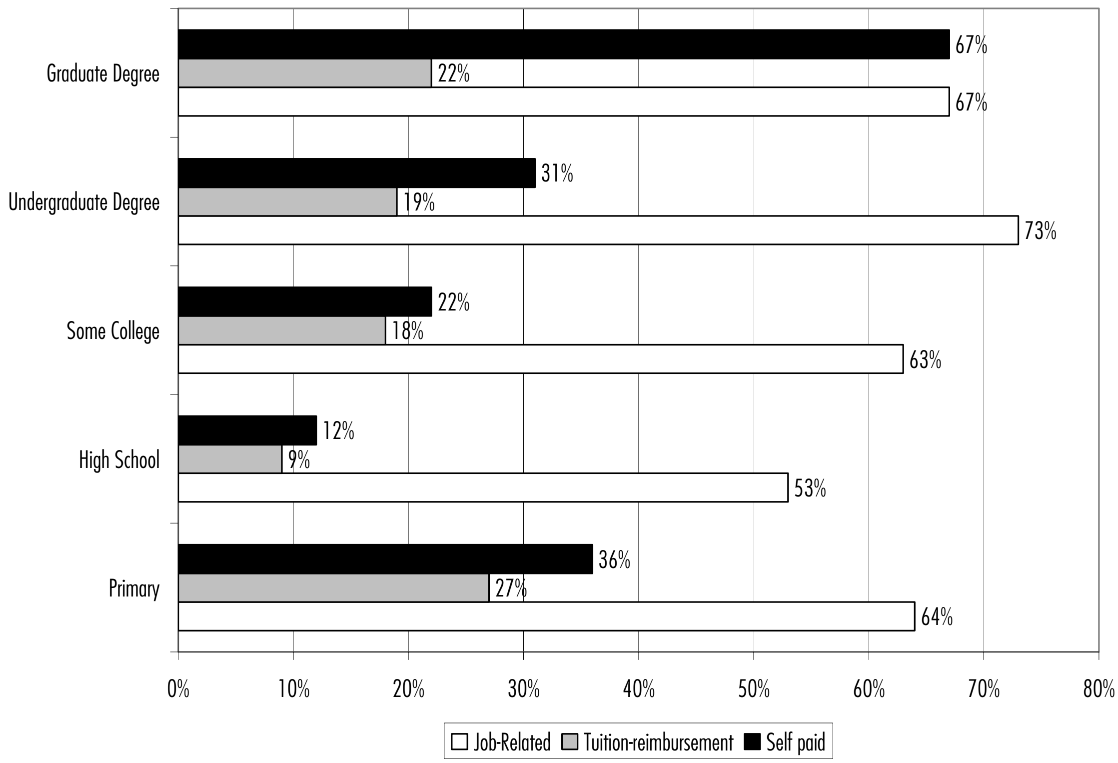
As might be expected, the likelihood of receiving tuition reimbursement from Horseshoe increased as the number of years worked increased. As shown in Table 14, 11 percent of the respondents that worked less than four years reported receiving tuition reimbursement and 25 percent of those working four or more reported receiving tuition reimbursement. Furthermore, only seven percent of respondents who have worked less than one year received training reimbursement for Horseshoe, for respondents who worked between three and four years the share that reported receiving training reimbursement increased to 18 percent. The likelihood of receiving other forms of training also increased as the number of years worked at Horseshoe increased.

Table 14: Training and Educational Opportunities for Horseshoe Employees by Job Tenure

	Less than 4 years	4 or more years
Job-related	56%	68%
Tuition Reimbursement	11%	25%
Self-paid	16%	27%

When access to training is compared by highest level of educational attainment, it becomes clear that high school graduates received less of all types of training than do the employees in any other educational category. For example, only nine percent of the high school graduates reported receiving tuition reimbursement from Horseshoe. This is half the next lowest group to report receiving tuition reimbursement (those with some college) (Figure 19).

Figure 19: Training Received by Level of Education of Horseshoe Employees



Finally, survey respondents were asked to respond to a series of questions designed to provide insight into their sense of economic security. Moving from rental housing to homeownership is a good example of a behavior that suggests a sense of financial security and 92 respondents reporting moving from renter to homeowner since beginning work at Horseshoe. An additional 67 respondents indicated that they moved from one home to another and 113 reported that they made significant home improvements (remodeling/maintenance). The purchase of a car or van is another indicator of economic security and 339 respondents reported they have purchased a vehicle since beginning work at Horseshoe.

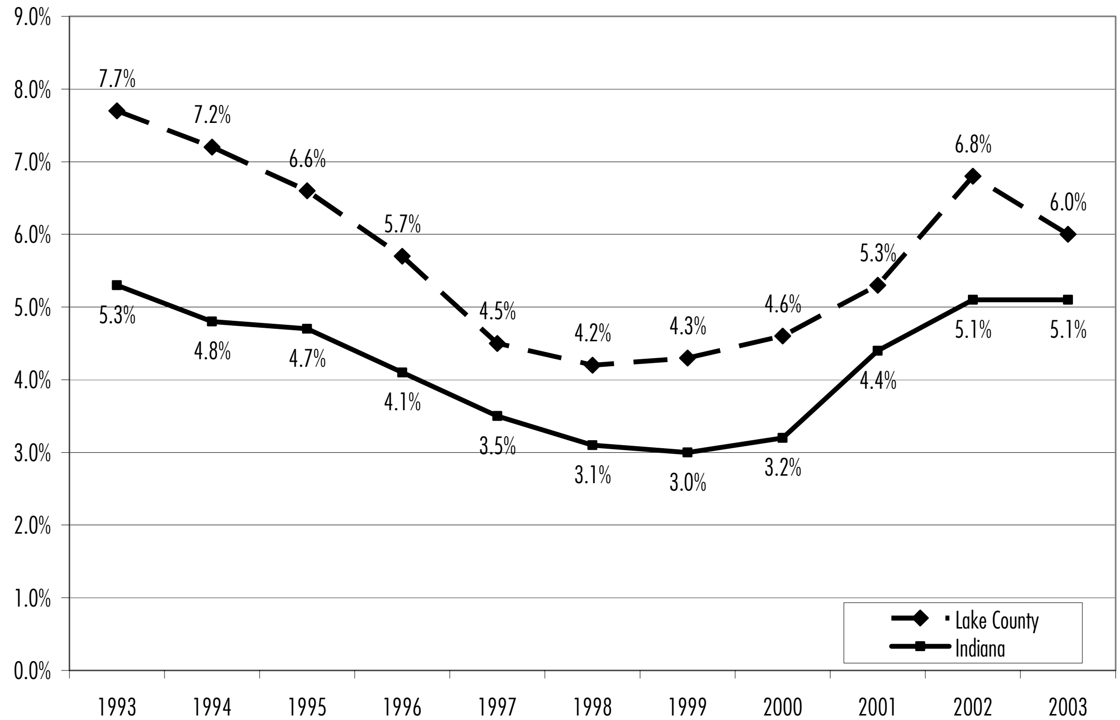
Business Climate Impacts

Advocates of legalizing Indiana riverboats argued that riverboats would contribute to local economies of stressed areas through newly created job opportunities and promises for increased wages. Advocates also contended that private local business establishments would benefit through increased consumption of goods and services from the influx of casino patrons and employees. Others argued that riverboats would have detrimental effects through cannibalization of existing business establishments. That is, opponents argued that riverboats with attached hotels and restaurants would provide a substitute within local riverboat communities. As riverboats provide relatively higher paying jobs, some existing local establishments may not be able to compete for labor.

A study released by the Indiana Gambling Impact Study Commission in 1999 found that all Indiana riverboat counties were suffering from lower than normal economic conditions prior to riverboats beginning operations. Following the introduction of riverboats in these counties, the overall employment, wages and number of firms generally were higher or comparable to statewide trends. As Figure 20 illustrates, the unemployment rate in Lake County has been consistently higher than the statewide trend. This analysis expands upon the 1999 Indiana Gambling Impact Study Commission report, focusing on county level employment, wage and establishments by industry using a special aggregation of ES202 data provided by the Indiana Business Research Center.[5]

[5] The ES-202 program produces a comprehensive tabulation of employment and wage information for workers covered by state unemployment insurance laws. Publicly available files include data on the number of establishments, monthly employment, and quarterly wages, by industry, at the three-digit level North American Industry Classification System, by county, by ownership sector, for the entire United States.

Figure 20: Unemployment Rates for Lake County and Indiana 1993-2003



This section complements the economic impact study in this evaluation. The economic benefits measured in that section show direct and total investment of dollars from tax revenues and incentive payments. This section adds a broader perspective of industry change to the discussion. This section identifies industries that have experienced observable changes soon after the commencement of gaming in Lake County. It also shows the total change in employment, number of establishments, and wage change near the riverboat. It is simply a descriptive analysis focused on industry change before and after the commencement of gaming operations. It does not an attempt to provide a causal relationship between the establishment of Horseshoe and the change in other industries operating in Lake County. In fact, there is evidence that some change is simply a result of changes in industry mix.

Data Used for Industry Analysis

The United States Bureau of Labor Statistics (BLS) divides the employment and earnings into industries. Since 2000, the North American Industry Classification System (NAICS) has been the coding structure. The NAICS coding structure allows for the hierarchical aggregation based on a six-digit system. All industries can be aggregated to the sector level (two-digit level). There are 21 sectors for which industries are assigned. These sectors can be grouped further into two production categories: Goods Producing and Service Producing. While the coding system allows for six-digit desegregation, the three-digit industry level is the most detailed level of analysis that will be performed in this report. That is the level just below the sector aggregation. For the purposes of this report, the three-digit level will be referred to as the industry level.

The data used for this report in years prior to 2001 are a special tabulation provided by the Indiana Business Research Center. These data were recoded from the former Standard Industrial Classification (SIC) coding scheme used during those years. The use of these data is limited, but it is the only source that is available for the trend analyses prepared in this section of the report.

Changes in Total Jobs, Establishments, and Wages

Figures 21, 22, and 23 compare trends in total number of jobs, total number of establishments, and average wage per employee between Lake County and the aggregate of non-riverboat counties for the 13-year period beginning in 1991 and ending in 2003. These data reflect third quarter figures. The trend lines take 1991 as the base year and compare each of the following years to those levels. Thus, 1991 as the base year is set to 100, and the subsequent years can be read as annual percentage changes from the base year, much like the consumer price index. The focus on the analysis is on whether or not there are observable changes that occurred after gaming commencement in Lake County and whether or not those changes are divergent from trends during the same time period in the aggregate of non-riverboat counties. While this report focuses on the Horseshoe opening in 1996, it is also important to understand that three other riverboats also began riverboat gaming operations in the late 1990s.

As shown in Figure 21, growth in total number of jobs in Lake County lagged the growth in non-riverboat counties. In the mid-nineties, the number of jobs increased but ultimately fell to nearly the same level in 2003 as in 1991. At the same time, the total number of jobs in the aggregate of non-riverboat counties was approximately 14 percent higher in 2003 than it was in 1991. The difference between job changes in Lake County and the aggregate of non-riverboat counties began well before gaming in the area.

Figure 21: Comparison of Trends in Total Jobs

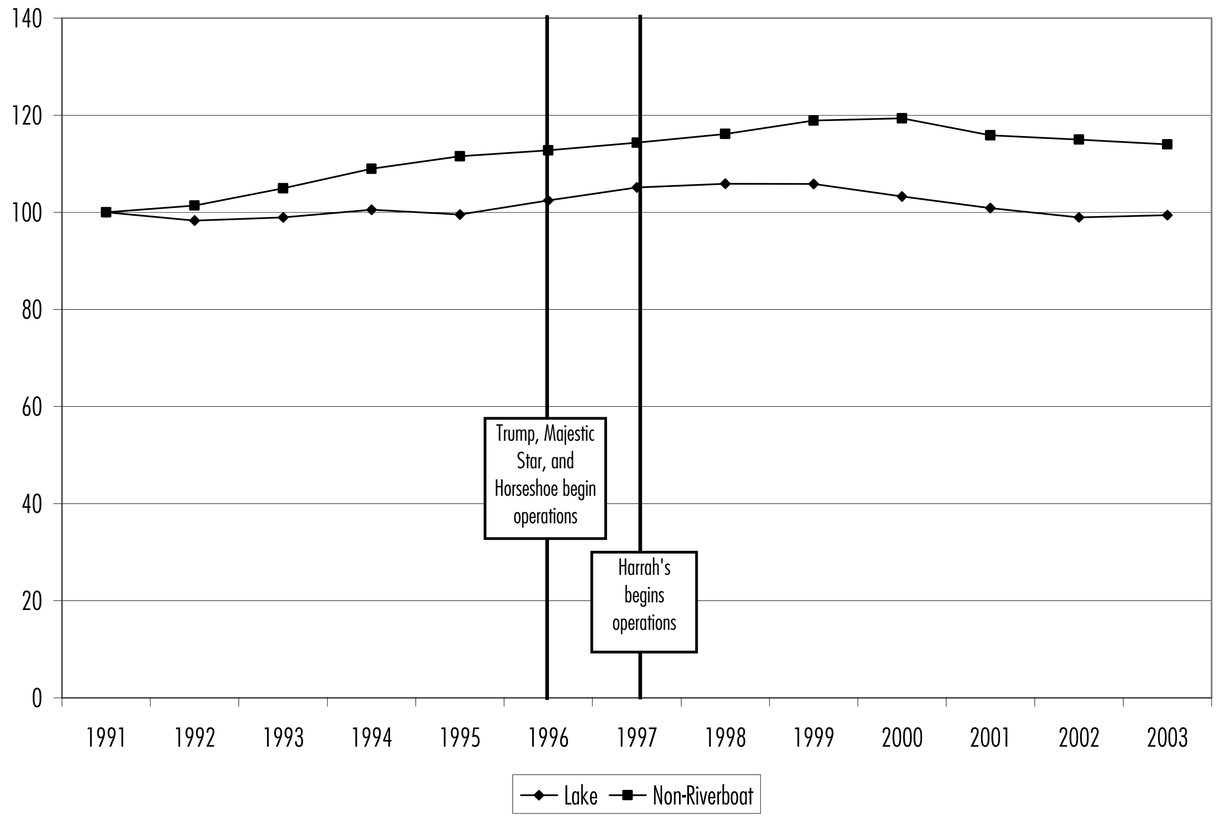
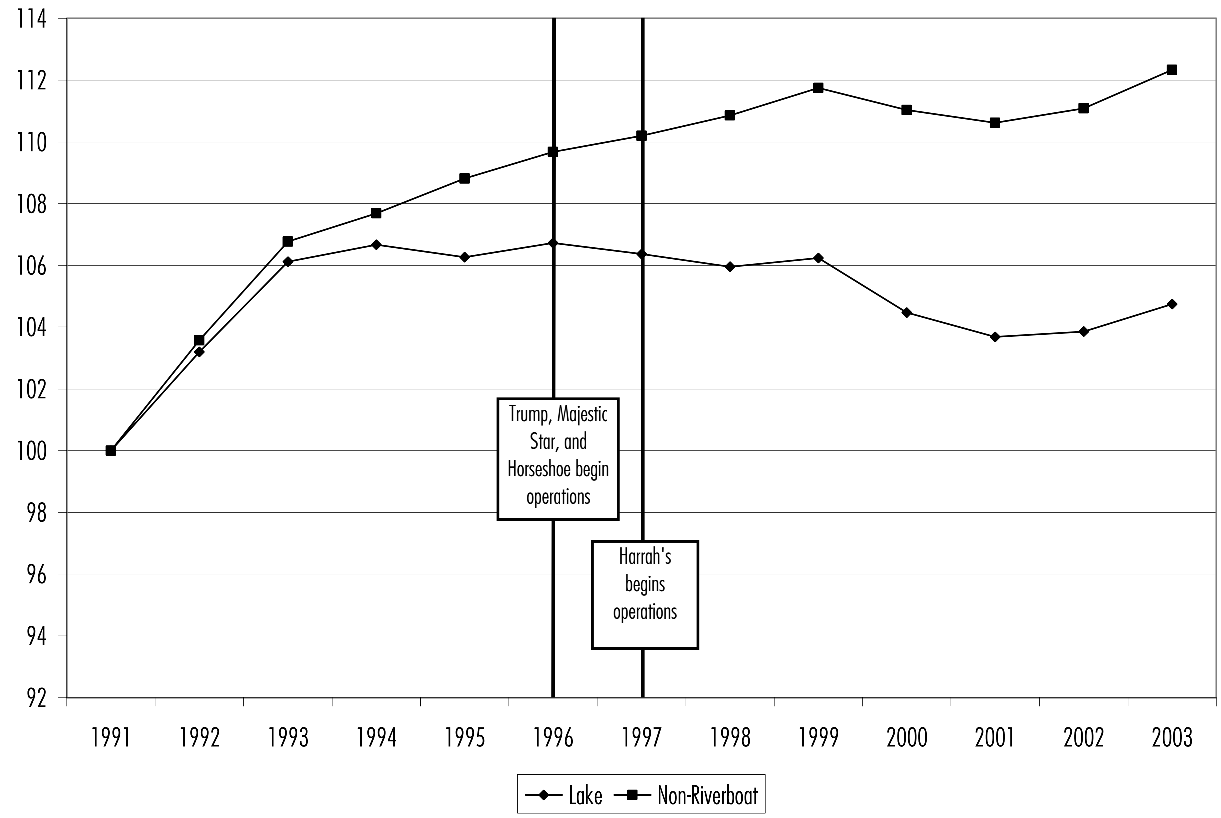


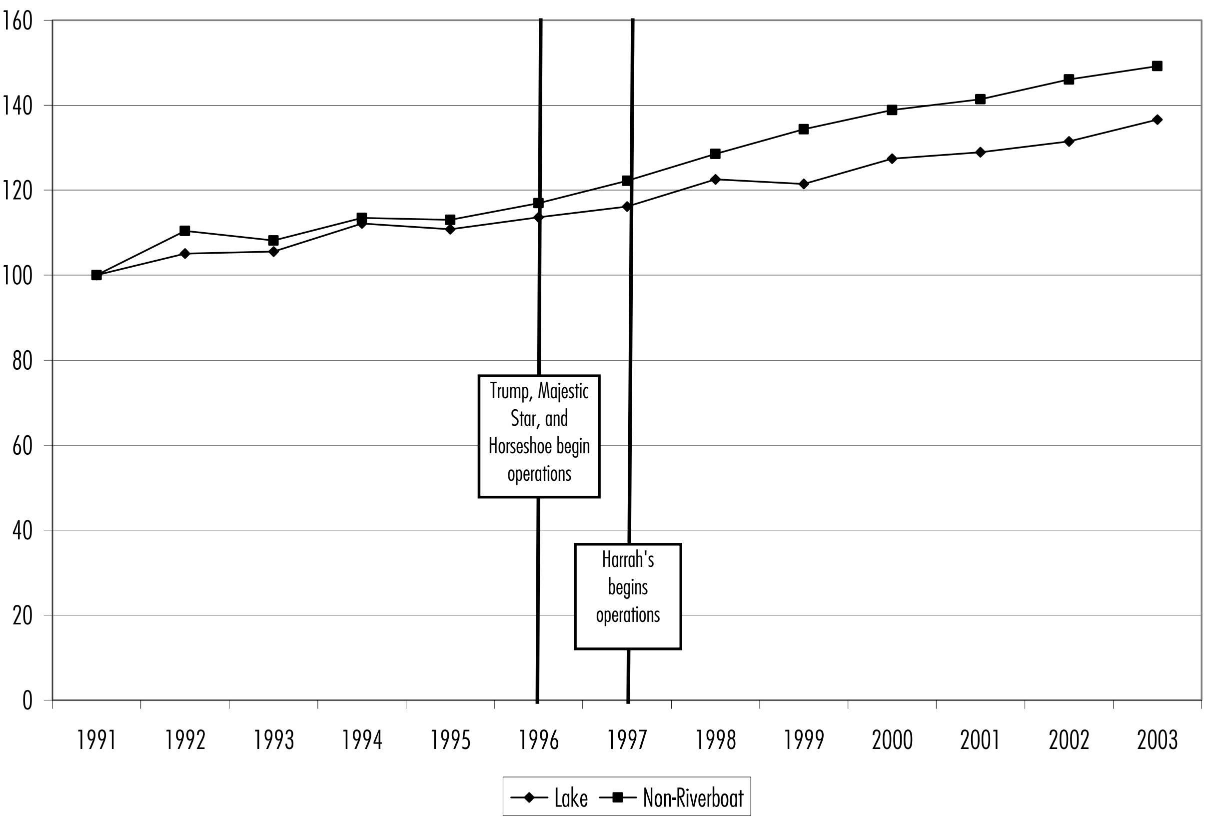
Figure 22 shows that the total number of establishments in Lake County was 5 percent greater in 2003 than in 1991. However, that number is less than half of the 12 percent increase in the number of establishments reported in the aggregate of non-riverboat counties over the same time period. The divergence of the Lake County trend from the aggregate non-riverboat county trend began in 1994, two years prior to the opening of the first riverboats in the area.

Figure 22: Comparison of Trends in Total Number of Establishments



While the average wage increased fairly consistently each year in Lake County during the 13-year period, Figure 23 indicates that it began slowing relative to the aggregate of non-riverboat counties around 1996. Even though the slower growth in wages began during the same year as riverboat gaming began, it does not prove causality between them. It is possible that the slowed job growth and loss in the number of establishments that began early during the period reflects a relatively less than optimal business climate that began prior to the commencement of gaming. The average wage trend also likely reflects the change in industry mix in the area.

Figure 23: Comparison of Trends in Average Wage



Changing Industry Mix

The industrial mix in employment has changed dramatically over the past few decades. Across the country, the composition of employment has shifted from goods producing industries to more service industries. This is also true in Indiana.

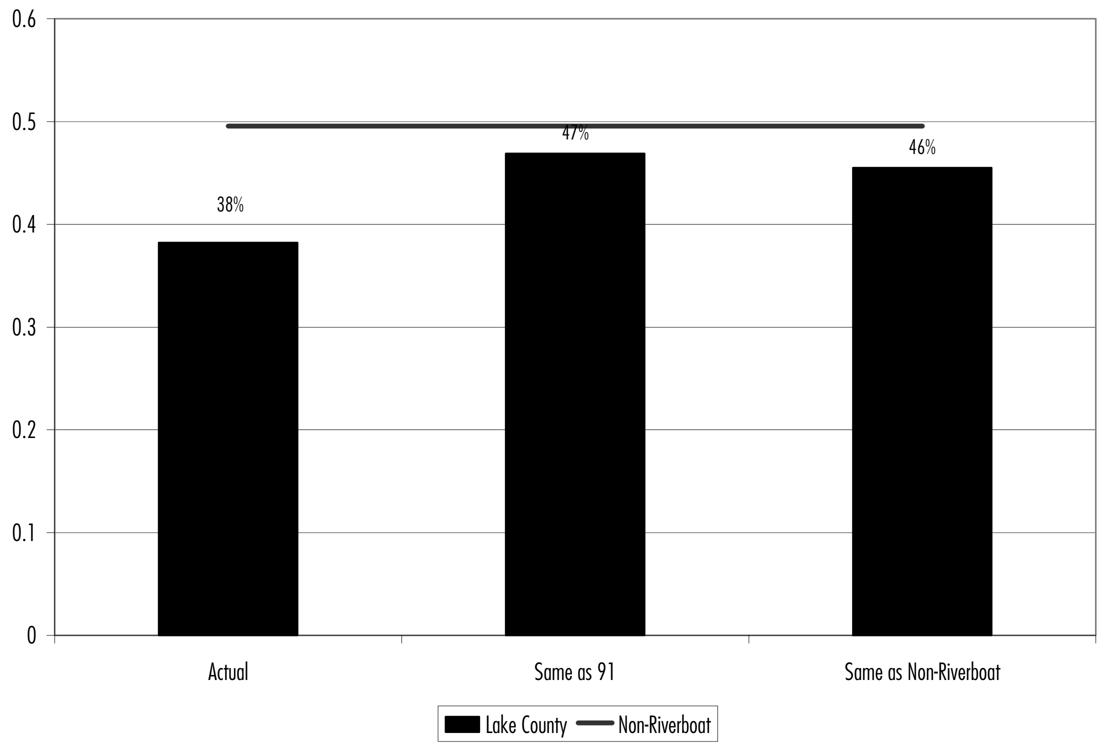
Table 15 compares the proportional shift in employment in Lake County to the aggregate of non-riverboat counties for the 13-year period beginning in 1991 (five years before riverboat gaming began in Lake County) through 2003. Like the aggregate of non-riverboat counties, Lake County has experienced a shift from goods producing industries to service producing industries. However, that shift was 5 percent greater in Lake County. The greatest negative shift occurred in the Manufacturing Sector of the Goods Producing category. The Health Care and Social Services and the Arts, Entertainment, and Recreation sectors shifted positively in the industrial mix. Additional negative shifts occurred in the Finance and Insurance and Transportation and Warehousing sectors. These industry shifts have contributed to the changing wage trends.

Table 15: Proportional Shift in Employment in Lake County by Sector

	Proportion in 2003		Proportional Shift from 1991 to 2003	
	Lake	Non-Riverboat	Lake	Non-Riverboat
Goods Producing	22%	28%	-8%	-3%
Construction	7%	5%	-1%	1%
Manufacturing	15%	22%	-7%	-4%
Agriculture, Forestry, Fishing, and Hunting	0%	0%	0%	0%
Mining	0%	0%	0%	0%
Service Producing	78%	72%	8%	3%
Health Care and Social Services	14%	12%	3%	2%
Educational Services	7%	6%	1%	1%
Real Estate and Rental and Leasing	1%	1%	0%	0%
Finance and Insurance	3%	4%	-2%	0%
Information	1%	2%	0%	0%
Arts, Entertainment, and Recreation	4%	1%	4%	0%
Accommodation and Food Services	8%	8%	0%	1%
Other Services (Except Public Administration)	4%	3%	0%	0%
Administrative and Support and Waste Management and Remediation Services	5%	5%	1%	1%
Professional, Scientific, and Technical Services	3%	3%	0%	0%
Management of Companies and Enterprises	1%	1%	0%	0%
Public Administration	6%	5%	1%	0%
Utilities	1%	0%	1%	0%
Retail Trade	13%	12%	0%	-1%
Wholesale Trade	3%	4%	-1%	0%
Transportation and Warehousing	4%	4%	-2%	0%
Unallocated	0%	0%	0%	0%

Figure 24 shows comparisons of actual change in wages during the 13-year period relative to the actual aggregate of non-riverboat counties and two other scenarios. Scenario 1 shows the wage increase that would have occurred if there had not been a change in industry mix since 1991. Scenario 2 indicates the increase in wages that would have occurred if the industrial mix was the same in Lake County as in the non-riverboat counties in 2003. As shown, if the industrial mix had remained the same in Lake County as in 1991, the average wage would have increased by 47 percent rather than the actual 38 percent. That scenario would have also increased faster than the expected wage increase if the 2003 industrial mix of Lake County was the same as the aggregate of non-riverboat counties. Due to the wage structure of the Lake County's economy, none of the scenarios would have provided an increase equal the aggregate of non-riverboat counties.

Figure 24: Actual and Scenario Based Wage Change Comparisons, 1991-2003



Inter-Industry Business Climate Change

This section of the analysis provides a perspective of the business climate at the major industry level. This perspective offers insight into whether or not specific industries within previously outlined sectors have experienced substantial changes in number of jobs, number of establishments, and average wage per job after the commencement of gaming.

While more insightful, analyzing the data at the industry level is also much more complex. Most of the complexity exists because of data suppression. The ES202 data are suppressed if an industry has less than three firms or if one firm accounts for over 80 percent of industry employment. Data are suppressed to protect the privacy of individual firms. Even when all data are disclosed, some industries are too small and volatile to recognize any consistent trends. As a result of these complexities, specific industries had to meet two criteria before being included in the analysis.

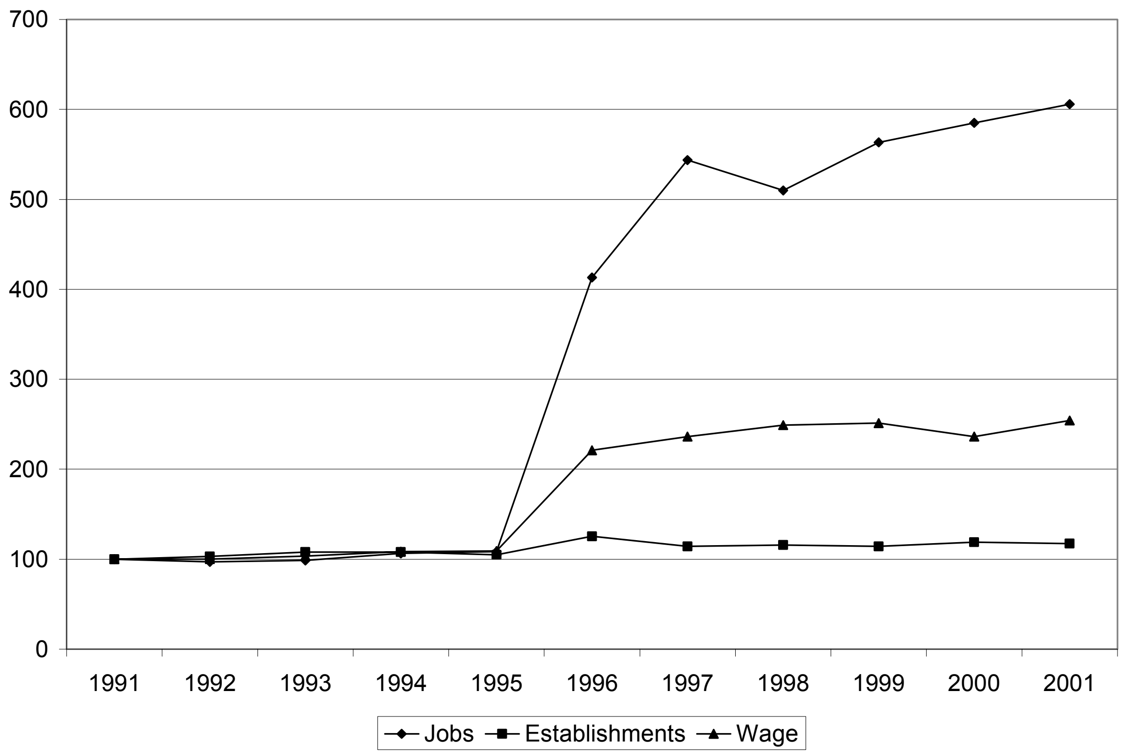
- Criterion 1: Data for specific industries had to be disclosed in at least two of the years between 1996 and 2001. To be included in the aggregate of non-riverboat county comparison, a specific industry within a given county had to be disclosed for every year between 1991 and 2001.
- Criterion 2: In addition to criterion 1, the number of jobs or establishments within specific industries had to account for at least 0.5 percent of the total for the county in at least one of the years between 1991 and 2001.

After meeting these criteria, the analysis began with a comparison of change in industry employment from 1991 to 1996 (before the riverboat), 1996 to 2001 (change after gaming). Based on the change during these time periods, a comparability index was constructed. The comparability index is equal to the percentage change in employment in Lake County from one time period to the next time period minus the percentage change during the same time periods in the non-riverboat counties. This index measures whether or not an industry in Lake County experienced comparable employment trends following the operation of Horseshoe and the Buffington Harbor riverboats (Majestic Star and Trump) in Gary. If an industry had an index score less than -5 or greater than 5 between 1996 and 2001, it was examined further. Further examination of those industries focused on whether or not each showed observable change before and after 1996. Again, the focus of this analysis is on trends that show observable divergence from the aggregate non-riverboat comparison before and after the commencement of gaming activities. It is not a study of causal relationships from riverboat gaming.

Amusement, Gambling, and Recreation Industry

The Amusement, Gambling, and Recreation Industry was one of the industries that experienced considerable change in Lake County in 1996.[6] It deserves special attention because it is the industry in which the riverboat operations are assigned. Much of the change in this industry is certainly due to the addition of the riverboats in the county. As Figure 25 indicates, there was a very large increase in employment while the number of establishments did not fluctuate as much. Wages also increased fairly drastically in 1996, the first year of riverboat gaming in Lake County.

Figure 25: Lake County Trends in Amusement, Gambling, and Recreation Industry (1991-2001)



Other Industries in Lake County Experiencing Considerable Change

Eighteen other industries were found to have observable changes in 1996 that were not comparable to trends in the aggregate of non-riverboat counties.[7] Table 16 identifies those industries. It also indicates the sector in which each industry is categorized and the absolute change in employment, number of establishments, and average wage from 1996 to 2001. Most of the industries that experienced divergent trends were within the manufacturing sector (seven industries). All of those industries experienced a negative change in employment and only two of those industries did not lose establishments. The Food Service and Drinking Places, Food and Beverage Stores, Wholesale Electronic Markets and Agents and

[6] The trend lines take 1991 as the base year and compare each of the following years to those levels. Thus, 1991 as the base year is set to 100, and the subsequent years can be read as annual percentage changes from the base year, much like the consumer price index.

[7] See Appendix I for description of each industry

Brokers, and Motor Vehicle and Parts Dealers also lost employment and establishments. The Nonstore Retailer industry was the only industry in which the wage was lower in 2001 than in 1996. Selected industries in which employment grew relatively more quickly after 1996 include, Nursing and Residential Care Facilities; General Merchandise Stores; and Executive, Legislative, and other General Government Support.

Table 16: Identified Industries and Summary of Changes

Industry	Employment Change 1996-2001	Establishment Change 1996-2001	Wage Change 1996-2001	
			Weekly Average	Annual Average
Manufacturing Sector				
Transportation Equipment Manufacturing	-709	-2	$187	$9,724
Machinery Manufacturing	-537	2	$86	$4,472
Food Manufacturing	-365	-5	$217	$11,284
Chemical Manufacturing	-344	-1	$151	$7,852
Nonmetallic Mineral Product Manufacturing	-52	2	$113	$5,876
Printing and Related Support Activities	-45	-2	$155	$8,060
Paper Manufacturing	-13	-1	$181	$9,412
Wholesale Trade Sector				
Wholesale Electronic Markets and Agents and Brokers	-298	-32	$145	$7,540
Retail Trade Sector				
Food and Beverage Stores	-521	-18	$29	$1,508
Motor Vehicle and Parts Dealers	-313	-15	$146	$7,592
Nonstore Retailers	8	-10	-$156	-$8,112
Health and Personal Care Stores	59	-8	$54	$2,808
General Merchandise Stores	755	0	$55	$2,860
Health Care and Social Assistance Sector				
Hospitals	59	-1	$117	$6,084
Nursing and Residential Care Facilities	437	3	$60	$3,120
Accommodation and Food Services				
Food Services and Drinking Places	-941	-53	$37	$1,924
Accommodation	7	6	$86	$4,472
Public Administration				
Executive, Legislative, and Other General Government Support	1,440	6	$108	$5,616

Table 17 indicates the changes in employment in more detail for the selected industries. The first column after the industry name shows the actual employment in 2001. The next two columns show what employment in 2001 would be for each of the industries if: (1) each industry followed the same trend after 1996 as experienced from 1991 to 1996 and (2) each industry followed the same trend between 1996 and 2001 as did the aggregate of non-riverboat counties. The last two columns show the difference between the actual employment and the employment under the other scenarios, respectively. If the numbers in the last two columns are positive, then Lake County is better off than it would be under either of the other scenarios. If the same numbers are negative, then that industry is worse off.

Table 17: Actual Employment in Lake County 2001 Relative to Other Trends

		Total Employment if Change in Employment Was Equal to:		Difference between Actual and:	
Industry	Actual	Average 1991-1996 Trend in Lake County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat Trend
Hospitals	11,111	12,357	12,350	-1,246	-1,239
Food Services and Drinking Places	13,671	15,903	14,902	-2,232	-1,231
Transportation Equipment Manufacturing	1,011	2,770	1,612	-1,759	-601
Machinery Manufacturing	8,79	2,025	1,284	-1,146	-405
Food Manufacturing	1,242	1,611	1,496	-369	-254
Nonmetallic Mineral Product Manufacturing	1,097	1,320	1,208	-223	-111
Chemical Manufacturing	1,352	1,560	1,445	-208	-93
Health and Personal Care Stores	1,932	1,778	2,020	154	-88
Motor Vehicle and Parts Dealers	3,164	4,398	3,241	-1,234	-77
Wholesale Electronic Markets and Agents and Brokers	486	829	520	-343	-34
Printing and Related Support Activities	402	526	402	-124	0
Accommodation	1,275	1,553	1,264	-278	11
Paper Manufacturing	286	84	245	202	41
Nonstore Retailers	510	361	413	149	97
Food and Beverage Stores	5,006	5,323	4,837	-317	169
General Merchandise Stores	4,858	4,348	4,417	510	441
Nursing and Residential Care Facilities	4,328	5,768	3,736	-1,440	592
Executive, Legislative, and Other General Government Support	9,070	7,309	8,281	1,761	789

As shown, Hospitals and Food Services and Drinking Places were the largest employers of the identified industries in 2001. Using the non-riverboat trend as the comparison, those industries also experienced the largest absolute difference between actual employment and what employment would have been under the other two scenarios. If the Hospital industry had grown at the same rate between 1996 and 2001 as it did between 1991 and 1996 (12,357 jobs), it would have kept pace with the trends experienced in the aggregate of non-riverboat counties (12,350 jobs).

Three of the selected industries that performed worse than if trends had been the same as from 1991 to 1996 in Lake County, still performed better than the aggregate of non-riverboat counties. Those industries include: Accommodation; Food and Beverage Stores; and Nursing and Residential Care Facilities.

Four industries performed better than under either scenario. One of those industries was government support, technically coded as Executive, Legislative, and Other General Government Support. The other industries include, Paper Manufacturing; Nonstore Retail; and General Merchandise Stores.

Table 18 compares the number of establishments for the selected industries. Twelve of the 18 selected industries had fewer firms in 2001 than if change had occurred at the same pace as between 1991 and 1996. Nine industries had fewer establishments than if they had changed at the same rate as the aggregate of non-riverboat communities. The Food Services and Drinking Places industry faired the worst relative to the other two scenarios. Other industries that slowed relative to both other scenarios include: Motor Vehicle and Parts Dealers; Health and Personal Care Stores; Wholesale Electronic Markets and Agents and Brokers; General Merchandise Stores; Nonstore Retailers; Transportation Equipment Manufacturing; Paper Manufacturing; and Hospitals. The industries that have more establishments than if they had performed like the aggregate of non-riverboat counties include: Chemical Manufacturing; Machinery Manufacturing; Accommodation; Nursing and Residential Care Facilities; Printing and Related Support Activities; Executive, Legislative, and other General Government Support; and Food and Beverage Stores.

Table 18: Actual Number of Establishments in Lake County 2001 Relative to Other Trends

		Total Employment if Change in Employment Was Equal to:		Difference between Actual and:	
Industry	Actual	Average 1991-1996 Trend in Lake County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat trend
Food Services and Drinking Places	743	935	788	-192	-45
Motor Vehicle and Parts Dealers	176	192	187	-16	-11
Health and Personal Care Stores	115	122	122	-7	-7
Wholesale Electronic Markets and Agents and Brokers	86	118	92	-32	-6
General Merchandise Stores	55	57	59	-2	-4
Nonstore Retailers	30	33	33	-3	-3
Transportation Equipment Manufacturing	9	10	10	-1	-1
Paper Manufacturing	5	6	6	-1	-1
Hospitals	9	11	10	-2	-1
Food Manufacturing	26	25	26	1	0
Nonmetallic Mineral Product Manufacturing	36	30	36	6	0
Chemical Manufacturing	23	27	22	-4	1
Machinery Manufacturing	41	41	38	0	3
Accommodation	38	29	35	9	3
Nursing and Residential Care Facilities	58	86	54	-28	4
Printing and Related Support Activities	41	41	37	0	4
Executive, Legislative, and Other General Government Support	37	28	31	9	6
Food and Beverage Stores	205	227	197	-22	8

Table 19 compares the average wage per job for the selected industries. The Nonstore Retailers; Nursing and Residential Care Facilities; Food and Beverage Stores; Nonmetallic Mineral Product Manufacturing; Machinery Manufacturing; Health and Personal Care Stores; Accommodation; and Chemical Manufacturing were the only identified industries that paid less on average than if the growth in wage per job had continued at the same rate as between 1991 and 1996. Seven of the 19 industries did not keep pace with wages of the aggregate of non-riverboat counties.

Table 19: Actual Wage in Lake County 2001 Relative to Other Trends

		Total Employment if Change in Employment Was Equal to:		Difference between Actual and:	
Industry	Actual	Average 1991-1996 Trend in Lake County	Trend in Aggregate Non-Riverboat Counties 1996-2001	1991-1996 Trend	Non-Riverboat trend
Nonstore Retailers	$30,732	$67,324	$51,148	$(36,592)	$(20,416)
Hospitals	$34,164	$34,075	$36,537	$89	$(2,373)
Nursing and Residential Care Facilities	$19,188	$19,547	$21,186	$(359)	$(1,998)
Food and Beverage Stores	$15,288	$16,751	$16,349	$(1,463)	$(1,061)
Nonmetallic Mineral Product Manufacturing	$39,156	$39,443	$40,005	$(287)	$(849)
General Merchandise Stores	$15,236	$13,208	$15,653	$2,028	$(417)
Machinery Manufacturing	$36,816	$41,395	$36,998	$(4,579)	$(182)
Food Services and Drinking Places	$9,932	$9,414	$9,514	$518	$418
Executive, Legislative, and Other General Government Support	$26,728	$26,212	$26,116	$516	$612
Health and Personal Care Stores	$23,920	$27,650	$23,301	$(3,730)	$619
Motor Vehicle and Parts Dealers	$34,528	$29,814	$33,292	$4,714	$1,236
Accommodation	$16,900	$18,564	$15,289	$(1,664)	$1,611
Chemical Manufacturing	$61,776	$63,400	$59,585	$(1,624)	$2,191
Wholesale Electronic Markets and Agents and Brokers	$45,760	$45,309	$43,165	$451	$2,595
Printing and Related Support Activities	$30,472	$25,897	$26,627	$4,575	$3,845
Transportation Equipment Manufacturing	$39,000	$35,446	$33,950	$3,554	$5,050
Paper Manufacturing	$43,680	$43,014	$38,440	$666	$5,240
Food Manufacturing	$38,688	$32,454	$31,640	$6,234	$7,048

Three of the industries in which the average wage was less than it would have been if it had experienced the same growth between 1996 and 2001 as occurred during 1991 through 1996, still performed better than if they had mirrored the aggregate non-riverboat county wage growth. Those industries included: Health and Personal Care Stores; Accommodation; and Chemical Manufacturing. Eight industries experience greater actual average wage increases than if they had experienced the same change under either of the other scenarios. Those industries include: Food Services and Drinking Places; Executive, Legislative, and Other General Government Support; Motor Vehicle and Parts Dealers; Wholesale Electronic Markets and Agents and Brokers; Printing and Related Support Activities; Transportation Equipment Manufacturing; Paper Manufacturing; and Food Manufacturing.

Change in Employment near Horseshoe

The comparable industry trend data do not exist for geographic boundaries lower than the county level. However, there are data that allow for comparisons to total employment, total number of establishments, and total wage by ZIP code. These data, taken from the U.S. Bureau of the Census ZIP Business patterns, were used in this analysis to estimate the total for each of those indicators within 1-mile, 2-mile, mile, 4-mile, and 5-mile radii around the Horseshoe riverboat. The estimates are calculated by the percentage of the area of each ZIP code within the respective radii.

Table 20 shows that an estimated 8.2 percent of all jobs and 4.9 percent of all establishments are located within a 5-mile radius around the riverboat. Most of those jobs and establishments are between 3 and 5 miles from the riverboat. Almost 11 percent of all wages paid in Lake County were within five miles of the Horseshoe. As might be expected from the observation of jobs and establishments, most of that 11 percent is paid to jobs within 3 and 5 miles from the riverboat. Proportionally, there has been a shift of employment, establishments, and wages away from the studied area. Due to lack of data, it is not yet possible to determine the industries in which these shifts have occurred.

Table 20: Shifts in Employment, Establishments, and Wages near Horseshoe

	2001 Proportion	Shift 1996-2001	Cumulative	Shift
Employment				
< 1 mile	0.4%	-0.1%	0.4%	-0.1%
1-2 mile	0.5%	-0.1%	0.9%	-0.2%
2-3 mile	0.8%	-0.2%	1.7%	-0.5%
3-4 mile	2.4%	-0.3%	4.1%	-0.7%
4-5 mile	4.2%	-0.3%	8.2%	-1.0%
> 5 mile	91.8%	1.0%	100%	
Establishments				
< 1 mile	0.4%	0.0%	0.4%	0.0%
1-2 mile	0.5%	0.0%	0.9%	0.0%
2-3 mile	0.9%	0.0%	1.8%	0.0%
3-4 mile	1.4%	-0.1%	3.2%	-0.1%
4-5 mile	1.8%	-0.2%	4.9%	-0.3%
> 5 mile	95.1%	0.3%	100%	
Wage				
< 1 mile	0.5%	-0.2%	0.5%	-0.2%
1-2 mile	0.6%	-0.2%	1.0%	-0.4%
2-3 mile	1.0%	-0.4%	2.0%	-0.8%
3-4 mile	3.0%	-0.8%	5.0%	-1.6%
4-5 mile	5.6%	-1.4%	10.7%	-2.9%
> 5 mile	89.3%	2.9%	100%	

Summary of Business Impacts

Overall, the numbers of jobs, number of establishments, and average wage per job in Lake County have lagged compared to the trends in the aggregate of the non-riverboat counties. The lagged growth in jobs and establishments began well before the commencement of gaming. The divergence in wage growth relative to the aggregate of non-riverboat counties began approximately the same time as gaming in the county. However, this change is likely due more to the changing industry mix than the inducement of gaming employment in the area.

Amusement, Gambling, and Recreation Industry was one of the industries that showed considerable change after gaming began in Lake County in 1996. Obviously, the change is due to the addition of riverboats in the area. Employment and wages grew very rapidly in that industry post riverboat gaming.

Eighteen other industries met the criteria for analysis and showed considerable observable change in employment, number establishments, or wages near the time gaming commenced. Most of those industries were in the Manufacturing and Retail Sectors. It is impossible to argue that all of the observable changes documented here occurred because riverboats opened during that time period. Causal relationship between gaming commencement and other industry change is beyond the scope of this report. This study, however, provides an understanding of what the business climate is in a county that receives fairly large investments and much attention as a result of gaming in the community.

Table 21 provides a summary of change in selected industries, which exhibited considerable change around the same time as the commencement of gaming. Specifically, the table shows whether or not an industry had positive change after the commencement of gaming relative to the change in only Lake County five years prior (Lake), relative to only the aggregate of non-riverboat counties (non-riverboat), relative to both the change in the county five years prior and the change five years after in the non-riverboat counties (both), or positive change relative to neither of the two scenarios (neither). The bottom section of the table shows the count by employment, establishment, and wage. The table also scores each industry. The score is the sum of the three indicators based on the following conditions: Lake (1 point), Non-riverboat (1 point), Both (2 points), and neither (-2 points).

Table 21: Summary of Relative Change by Selected Industries

Industry	Jobs	Establishments	Wage	Score
Nonmetallic Mineral Product Manufacturing	Neither	Lake	Neither	-3
Hospitals	Neither	Neither	Non-Riverboat	-3
Nonstore Retailers	Both	Neither	Neither	-2
Machinery Manufacturing	Neither	Both	Neither	-2
Food Services and Drinking Places	Neither	Neither	Both	-2
Motor Vehicle and Parts Dealers	Neither	Neither	Both	-2
Transportation Equipment Manufacturing	Neither	Neither	Both	-2
Wholesale Electronic Markets and Agents and Brokers	Neither	Neither	Both	-2
Health and Personal Care Stores	Lake	Neither	Non-Riverboat	0
Food and Beverage Stores	Lake	Non-Riverboat	Neither	0
Chemical Manufacturing	Neither	Non-Riverboat	Non-Riverboat	0
Nursing and Residential Care Facilities	Non-Riverboat	Lake	Neither	0
General Merchandise Stores	Both	Neither	Lake	1
Food Manufacturing	Neither	Lake	Both	1
Paper Manufacturing	Both	Neither	Both	2
Printing and Related Support Activities	Neither	Both	Both	2
Accommodation	Lake	Both	Non-Riverboat	4
Executive, Legislative, and Other General Government Support	Both	Both	Both	6
Both	4	4	8	
Lake	3	3	1	
Non-Riverboat	1	2	4	
Neither	10	9	5	

Most of the selected industries grew at a slower rate after the beginning of gaming operations and slower than the non-riverboat trend for the same time period (*Neither* in table above). Four industries performed better than both before gaming operations in the county began and the non-riverboat trend. Most of the industries' wages per job grew faster than they would have in the scenarios (trend in Lake County before gaming and trend of non-riverboat gaming).

The Executive, Legislative, and other General Government Support, within the Public Administration Sector, was the only industry to have increased faster than both of the other scenarios in employment, number of establishments, and wages. Others that placed positively on the positive growth score were General Merchandise Stores, Food Manufacturing, Paper Manufacturing, Printing and Related Support Activities, and Accommodation. Eight of the industries received negative placing under the scoring system. The industries that received negative competitive scores were Nonmetallic Mineral Product Manufacturing, Hospitals, Nonstore Retailers, Machinery Manufacturing, Food Services and Drinking Places, Motor Vehicle and Parts Dealers, Transportation Equipment Manufacturing, and Wholesale Electronic Markets and Agents and Brokers.

Over 8 percent of jobs, almost 5 percent of establishments, and nearly 11 percent of wages in Lake County are located within a 5-mile radius of Horseshoe. Most of that activity is between 3 and 5 miles from the riverboat. Since 1996, there has been a shift of jobs away from this area. Future data availability will allow for more detailed analyses that indicate which industries are experiencing those shifts, either positively or negatively.

Current Financial Position and Future Plans

Horseshoe Gaming Holding Corporation has applied for the renewal of its gaming license in Hammond, Indiana. The purpose of this section is to provide the Indiana Gaming Commission with assessments of the financial positions of the current parent company, Horseshoe Gaming Holding Corporation, the new parent company Harrah's Entertainment, and the financial performance, based on submitted plans, of Horseshoe Hammond for the period from 2004-2006.

Horseshoe Gaming Holding Corporation: Description and Strategy

Horseshoe Gaming Holding Corporation is a multi-jurisdictional gaming company, which owns and operates three riverboat casinos under the Horseshoe brand. These include Horseshoe Bossier City in Bossier City, Louisiana; Horseshoe Tunica in Tunica, Mississippi; and Horseshoe Hammond in Hammond, Indiana. The company was incorporated in 1999 in Delaware with headquarters in Las Vegas, Nevada. The company employs 7,562 people of which 2,390 work in Hammond. The three properties have in total, 1,113 hotel rooms, and 141,300 square feet of casino space with 5,785 slot machines and 175 table games. The only major capital improvement project currently underway is the completion of a parking garage in Hammond. During 2003, Hammond completed a $16.5 million interim expansion of its boat and pavilion including an addition of 400 slot machines and a new restaurant. The $50 million parking garage will be completed in 2004.

Horseshoe Gaming Holding Corporation: Operating Performance

Horseshoe operates in three very competitive markets and faces the prospect of intensifying competition in each but is also a major competitor in each of its markets. In 2003, Horseshoe Gaming Holding Corporation had strong financial results, generating $826 million in revenues on total assets of $917 million. Since 2001, as an indication of the continued saturation of the gaming markets in which Horseshoe operates, total annual casino revenue and net revenues for the company declined by about ten percent.

In 2003, the company earned an operating income margin (EBIT/Revenue) of 15 percent with a high of 23 percent in Tunica and a low of 15 percent in Hammond. The average operating margin for the industry in 2003 was 10.5 percent. The company enjoys a reputation for being an aggressive competitor. In Bossier City, Horseshoe has 22 percent of total gaming positions in the market but generates 31 percent of market gaming revenues. In Tunica, Horseshoe has 13 percent of gaming positions but generates 20 percent of market gaming revenues. Finally, in Hammond, Horseshoe has 15 percent of gaming positions and 15 percent of market gaming revenues.

The company had long-term debt outstanding of $534 million at December 2003, and shareholders equity of $290 million. The company generated pre-tax cash flow (EBITDA) of $173 million with annual debt service of $48.9 million. At December 2003, the company had cash of $103.4 million.

The Pending Acquisition

On September 10, 2003, Harrah's Entertainment entered into a definitive stock purchase plan to acquire Horseshoe Gaming Holding Corporation. The transaction was approved by the Indiana Gaming Commission on April 30, 2004. Under the terms of the Sales Agreement, Harrah's will pay $1.45 billion which includes the assumption of outstanding debts. At March 31, 2004, the Horseshoe Gaming Company had $131.5 million in cash. Harrah's offer price does not include the cash. Additionally, Harrah's must reimburse Horseshoe for the $51.2 million capital improvement project that was underway in Hammond at the time of the offer.

The form of payment for Horseshoe includes $917 million in cash for the equity of the privately held Horseshoe Gaming Company, an amount that is about 3.16 times the book value of the equity. At the quoted offer price of $1.45 billion, the transaction represents an Enterprise Value to trailing EBITDA multiple of 7.59 times. The price was also described as 7.2 times analysts' estimates for Horseshoe's 2004 EBITDA. About $36 million in savings from operating synergies are expected in the first two years following the acquisition.

With the transaction, Harrah's acquires market-leading gaming facilities in Chicago, Tunica, and Shreveport. Harrah's already has properties in each of these markets. Harrah's plans to rebrand some of its existing facilities with the Horseshoe brand. The Horseshoe acquisition adds a net of 107,100 square feet of casino space, more than 4,360 slot machines and 140 table games to Harrah's existing portfolio of 1.33 million square feet of casino space, 42,000 slot machines and nearly 1,150 table games.

Harrah's Entertainment Inc.

Harrah's (HET) is a publicly traded gaming company. It claims to be one of the largest casino entertainment providers in the world with a market capitalization of $6 billion and 41 thousand employees. The company, through its wholly owned subsidiary, Harrah's Operating Company, Inc., owns and manages 26 casinos in the United States (including Horseshoe Gaming's facilities). Harrah's is the first company to own two gaming licenses in Indiana, Harrah's East Chicago and Horseshoe Hammond. Harrah's also owns and operates a license in Illinois, giving the company three riverboat facilities in the Chicago market.

Harrah's Marketing

The company operates a customer loyalty program called Total Rewards. The Total Rewards program is patented, with patent expiring in 2016. With Total Rewards, customers earn reward credits and are able to redeem the credits at any Harrah's gaming facility. Through the Total Rewards program, Harrah's has developed a database of information about customers and their casino gaming play. This information is used to attract customers back to the various gaming venues.

Harrah's Operating Performance

In 2003, Harrah's had total assets of $6.6 billion and generated revenue of $4.3 billion. Harrah's had total long-term debt of $3.7 billion and produced before-tax operating cash flow of $1.04 billion. Harrah's had total interest expense in 2003 of $234 million. This translates into a very strong fixed charge coverage ratio (EBIT/Interest Expense) of 4.44 times. Harrah's held $409.9 million in cash and cash equivalents in December 2003. Harrah's had been actively growing its portfolio of gaming properties in the last several years and invested $405 million in land, buildings, riverboats, and equipment in 2003. This represented 39 percent of operating cash flow.

Harrah's enjoys a strong credit rating and has ample established credit lines such that the company was not going to establish new credit lines or sell new bonds to complete the Horseshoe transaction unless market conditions were attractive for the sale of new debt. At the end of 2003, Harrah's $3.7 billion in debt outstanding was made up of a revolving line of credit of $1.1 billion in face value which was due in 2003. The balance was primarily four senior notes that were due between 2007 and 2011.

The company operates a geographically diversified set of properties and earned a consolidated operating margin of 16.8 percent in 2003, a decline relative to 18.5 percent margin earned in 2002 but better than 15.7 percent earned in 2001. This compares favorably to the industry average margin of 10.5 percent mentioned earlier.

Harrah's presented information about the operating margin in 2003 for its many properties, segmented by geographic regions. Those data are summarized as follows in Table 22.

Table 22: Harrah's Operating Margins by Region 2001-2003 ($ millions)

Region	2003	2002	2001
West			
Total Casino Revenue	$904.7	$847.7	$766.7
Operating Margin	16.40%	15.3%	9.8%
East			
Total Casino Revenue	$817.1	$808.7	$751.0
Operating Margin	27.8%	27.9%	25.2%
North East			
Total Casino Revenue	$1,397.5	$1,431.2	$1,243.7
Operating Margin	16.5%	21.8%	22.3%
South Central			
Total Casino Revenue	$733.6	$562.1	$413.6
Operating Margin	14.2%	15.6%	14.4%

The Chicago properties are included in the North East Region where operating margin fell sharply in 2003 due to higher gaming and admission taxes, more competition, and bad weather.

Horseshoe Hammond

The gaming facility located in Hammond, Indiana, was established in 1996 and is the closest riverboat gaming facility to downtown Chicago. In 1999, Jack Binion acquired the Hammond facility from Empress Entertainment, Inc., and proceeded to operate it under the Horseshoe brand. The facility includes 48,300 square feet of gaming space and contains 2,000 slot machines and 50 gaming tables. The facility also includes a 1,150 space parking garage which will be expanded to include an additional 1,958 spaces by the end of the second quarter of 2004. Horseshoe Hammond competes with eight casinos, four located on Lake Michigan in Indiana and four located in Illinois. The Chicago market generated $2.3 billion in gaming revenues in 2003. Horseshoe Hammond produced 15 percent of gaming revenues in the Chicago market, operating 15 percent of the gaming positions in the market.

In 2003, casino revenues in Hammond increased 11 percent as a result of the conversion to dockside gaming. But with the high gaming tax schedule instituted with dockside gaming, Horseshoe Hammond realized a drop in its operating margin from 21 percent in 2002 to 17.2 percent in 2003.

Table 23 provides a financial snapshot of the position and operating performance of Horseshoe Hammond relative to the consolidated position of Harrah's. While Horseshoe Hammond has enjoyed a record of strong financial performance, it earned a lower cash flow margin on revenue (EBITDA/Revenue) than did Harrah's in 2003. Additionally Horseshoe Hammond is substantially more levered, having a higher Long-Term Debt/EBITDA ratio and a lower EBITDA/Interest Expense measure relative to the same measures or Harrah's. Given the higher level of profitability, lower level of leverage for Harrah's relative to Horseshoe, the merger of the two operations is likely to improve the market position and competitive ability of Horseshoe because it will be in a stronger financial position.

Table 23: Harrah's and Horseshoe Hammond Basic Data, 2003 ($millions)

	HET	Horseshoe Hammond
Total Assets	$6,579	$435.3
Revenues	4,323	339.8
EBITDA	1,043	65.9
Long Term Debt (LTD)	3,672.0	395.60
Interest Expense	234.0	31.61
Ratios		
Revenue/Total Assets	0.66	0.78
EBITDA/Revenue	24.10%	17.21%
LTD/EBITDA	3.52	6.0
EBITDA/Interest Expense	4.46	2.08

Table 24 summarizes the contribution potential of Horseshoe Hammond in the operations of the new parent, Harrah's. Horseshoe Hammond has long-term debt (which was assumed by Harrah's) that was equal to about 11 percent of Harrah's debt. As noted earlier, Horseshoe Gaming properties in general generated a higher percentage of the total gaming revenue in its respective markets than its share of gaming equipment. This observation is true on the context of the larger Harrah's as well. Horseshoe Hammond has less than five percent of the slot machines that Harrah's has but generated gaming revenue that is equal to almost eight percent of Harrah's total in 2003.

Table 24: Horseshoe Hammond as Percent of Total Consolidated HET 2003

Revenue	7.86%
Total Assets	6.62%
EBITDA	6.32%
Debt	10.77%
Interest Expense	7.40%
Slot Machines	4.76%

Horseshoe Hammond: Historic Performance

Between 2001 and 2003, Horseshoe Hammond achieved a 27 percent increase in net casino revenues while total casino costs increased by almost 33 percent. General and administrative expenses measures increased by 15 percent during the period thus declining as a percent of net revenue. The EBITDA/Net Revenue margin still declined over the period, largely due to the increase in casino costs which include gaming taxes.

The actual net revenues generated by the Hammond facility in the last three years was very close to operating forecasts generated by the company in 2001, except that the boost in revenue attributable to the shift to dockside happened a year earlier than the company had anticipated.

Horseshoe Hammond Relative to Competitors

To understand the operating and financial strengths or weaknesses of Horseshoe Hammond, its performance for 2002 and 2003 is presented along with that of the Trump and Majestic Star operations in Gary, Indiana (Table 25). The three operations are located very close to each other geographically and would be considered intense direct competitors. The Horseshoe facility in Hammond is approximately the same size as each of the two competitors in terms of casino space and number of slot machines. However, the Horseshoe facility generated net revenue in 2003 of $339 million versus an average of $126 million for the two Gary facilities

Table 25: Horseshoe Hammond Operating Performance History ($ million except ratios)

	2001	2002	2003
Net-Casino Revenue	$267.6	$309.1	$339.8
Casino Costs	152.3	159.5	201.8
General and Administrative Expenses	34.9	42.4	40.3
Casino Costs/Net Revenue	56.9%	51.6%	59.4%
G&A/Net Revenue	13.0%	13.7%	11.9%
EBITDA/Net Revenue	18.44%	21.23%	17.21%
EBITDA/Interest Expenses	1.51	1.74	1.85

In 2003, Horseshoe Hammond generated a higher operating cash flow margin than its competitors but had higher casino costs as a percent of revenue. Horseshoe Hammond fell between the other two in terms of leverage. In general, all three of the operations experienced casino costs increases resulting from the new gaming tax schedule. However, they had improved performance in 2003 versus 2002 in terms of ability to service debt. Horseshoe was the only one of the three that made significant capital investment with the advent of dockside, creating the potential to achieve a higher rate of growth in revenue on a going forward basis. However, it may be the case that of the three, the Horseshoe operation was closer to full capacity before dockside and had to expand to realize the greatest potential benefit of dockside operations.

Table 26: Horseshoe Hammond Relative to Other Lake County Riverboats ($ millions)

	Horseshoe	Trump	Majestic Star
	2002		
Revenue	100%	100%	100%
Casino Costs	51.6%	48.9%	50.7%
General and Administration	13.7%	21.6%	10.5%
EBITDA/Revenue	21.23%	20.7%	17.43%
EBITDA/Interest Expense	1.74	6.83	1.70
	2003		
Revenue	100%	100%	100%
Casino Costs	59.4%	50.6%	55.3%
General and Administration	11.9%	27.1%	11.16%
EBITDA/Revenue	17.2	12.6	15.02
EBITDA/Interest Expense	1.85	2.43	1.21

In Table 27, the comparison with the other two boats in the Chicago market indicates that Horseshoe generates less revenue relative to book value of assets. However, this can be attributed to the fact that the ownership of the Hammond license changed hands in 1999. In absolute terms, as was noted earlier, the Hammond facility generated $2.70 in revenue for every $1 generated by one of the Gary boats. The Hammond facility is heavily levered relative to its peers, reflecting the large amount of long-term debt that was taken on when Horseshoe acquired the facility in 1999.

Table 27: Analysis of Horseshoe Relative to Majestic Star and Trump Indiana

	2002	2003
Horseshoe		
Revenue/Total Assets	0.765	0.781
EBITDA/Revenue %	21.2	17.2
Long-term Debt/EBITDA	5.84	6.7
Trump Indiana		
Revenue/Total Assets	1.15	1.18
EBITDA/Revenue %	20.7	12.6
Long-term Debt/EBITDA	2.62	4.21
Majestic Star		
Revenue/Total Assets	1.2	1.21
EBITDA/Revenue %	17.43	15.02
Long-term Debt/EBITDA	4.83	7.67

Summary of Financial Position and Future Plans

The Hammond license is a strong performer in its market. With the change in ownership and the recent expansion of the facility, the prospects for continued revenue growth are good. There are no conditions discovered in this analysis of the financial performance of the license or its planned performance or the condition of the new owner to suggest problems. The results of the analysis support the decision to renew the license.

Appendix I: Description of SIC Codes

Standard Industrial Classification (SIC) descriptions were taken from http://www.census.gov/epcd/ec97brdg/

20 Food and Kindred Products
This major group includes establishments manufacturing or processing foods and beverages for human consumption, and certain related products, such as manufactured ice, chewing gum, vegetable and animal fats and oils, and prepared feeds for animals and fowls. Products described as dietetic are classified in the same manner as non-dietetic products (e.g., as candy, canned fruits, cookies).

27 Printing, Publishing, and Allied Industries
This major group includes establishments engaged in printing by one or more common processes, such as letterpress; lithography (including offset), gravure, or screen; and those establishments which perform services for the printing trade, such as bookbinding and plate-making. This major group also includes establishments engaged in publishing newspapers, books, and periodicals, regardless of whether or not they do their own printing.

30 Rubber and Miscellaneous Plastics Products
This major group includes establishments manufacturing products, not elsewhere classified, from plastics resins and from natural, synthetic, or reclaimed rubber, gutta percha, balata, or gutta siak. Numerous products made from these materials are included in other major groups, such as boats in major group 37, and toys, buckles, and buttons in major group 39. This group includes establishments primarily manufacturing tires, but establishments primarily recapping and re-treading automobile tires are classified in Services, industry 7534. Establishments primarily engaged in manufacturing synthetic rubber and synthetic plastics resins are classified in industry group 282.

32 Stone, Clay, Glass, and Concrete Products
This major group includes establishments engaged in manufacturing flat glass and other glass products, cement, structural clay products, pottery, concrete and gypsum products, cut stone, abrasive and asbestos products, and other products from materials taken principally from the earth in the form of stone, clay, and sand. When separate reports are available for mines and quarries operated by manufacturing establishments classified in this major group, the mining and quarrying activities are classified in Division B, Mining. When separate reports are not available, the mining and quarrying activities, other than those of industry 3295, are classified herein with the manufacturing operations.

If separate reports are not available for crushing, grinding, and other preparation activities of industry 3295, these establishments are classified in Division B, Mining.

35 Industrial and Commercial Machinery and Computer Equipment
This major group includes establishments engaged in manufacturing industrial and commercial machinery and equipment and computers. Included are the manufacture of engines and turbines; farm and garden machinery; construction, mining, and oil field machinery; elevators and conveying equipment; hoists, cranes, monorails, and industrial trucks and tractors; metalworking machinery; special industry machinery; general industrial machinery; computer and peripheral equipment and office machinery; and refrigeration and service industry machinery. Machines powered by built-in or detachable motors ordinarily are included in this major group, with the exception of electrical household appliances. Power-driven hand tools are included in this major group, whether electric or otherwise driven. Establishments primarily

engaged in manufacturing electrical equipment are classified in major group 36, and those manufacturing hand tools, except powered, are classified in major group 34.

Electric, Gas, and Sanitary Services (SIC Major Group 49)
This major group includes establishments primarily engaged in the generation, transmission, and/or distribution of electricity or gas or steam. Such establishments may be combinations of any of the above three services and also include other types of services, such as transportation, communications, and refrigeration. Water and irrigation systems, and sanitary systems engaged in the collection and disposal of garbage, sewage, and other wastes by means of destroying or processing materials are also included. If one service of a combination system does not constitute 95 percent or more of revenues, the establishment should be classified as a combination in Industry Group 493, with the subgroup being determined by the major service supplied.

Nondurable Goods (SIC Major Group F51)
This major group includes establishments primarily engaged in the wholesale distribution of paper and paper products (SIC Industry Group 511);drugs, drug proprietaries, and druggists' sundries (SIC Industry Group 512);apparel, piece goods, and notions (SIC Industry Group 513); groceries and related products (SIC Industry Group 514); farm-product raw materials (SIC Industry Group 515); chemicals and allied products (SIC Industry Group 516);petroleum and petroleum products (SIC Industry Group 517); beer, wine, and distilled alcoholic beverages (SIC Industry Group 518); and miscellaneous nondurable goods (SIC Industry Group 519).

Building Materials, Hardware, Garden Supply, and Mobile Home Dealers (SIC Major Group 52)
This major group includes retail establishments primarily engaged in selling lumber and other building materials; paint, glass, and wallpaper; hardware; nursery stock; lawn and garden supplies; and manufactured (mobile) homes. It includes lumber and other building materials dealers and paint, glass, and wallpaper stores selling to the general public, even if sales to contractors account for a larger proportion of total sales; these establishments are known as retail in the trade. Establishments primarily selling these products but not selling to the general public are classified in wholesale trade.

General Merchandise Stores (SIC Major Group 53)
This major group includes retail stores which sell a number of lines of merchandise, such as dry goods, apparel and accessories, furniture and home furnishings, small wares, hardware, and food. The stores included in this group are known as department stores, variety stores, general merchandise stores, catalog showrooms, warehouse clubs, and general stores. Establishments primarily engaged in selling used general merchandise are classified in SIC

593, and those selling general merchandise by mail, vending machine, or direct selling are classified in SIC 596.

Food Stores (SIC Major Group 54)
This major group includes retail stores primarily engaged in selling food for home preparation and consumption. Establishments primarily engaged in selling prepared foods and drinks for consumption on the premises are classified in major group 58, and stores primarily engaged in selling packaged beers and liquors are classified in SIC 5921.

Depository Institutions (SIC Major Group 60)
This major group includes institutions that are engaged in deposit banking or closely related functions, including fiduciary activities.

Insurance Carriers (SIC Major Group 63)
This major group includes carriers of insurance of all types, including reinsurance. Agents and brokers dealing in insurance and organizations rendering services to insurance carriers or to policy holders are classified in Major Group 64.

Hotels, Rooming Houses, Camps, and Other Lodging Places (SIC Major Group 70)
This group includes establishments engaged in providing lodging, or lodging and meals, and camping facilities. Hotels which provide accommodations for permanent residents (e.g., apartment hotels) and residential mobile home parks are classified in Real Estate, Major Group65.

Personal Services (SIC Major Group 72)
This group includes establishments primarily engaged in providing services generally to individuals, such as barber and beauty shops, dry-cleaning plants, laundries, and photographic studios. For establishments classified in Industry Group 721, collecting and distributing units (branch outlets, pickup stations, terminals, or depots) owned and operated by a firm which does its own laundry work are not classified as separate establishments. Data for these units are merged with data for the plant where the work is done.

Miscellaneous Repair Services (SIC Major Group 76)
This group includes establishments primarily engaged in miscellaneous repair services, not elsewhere classified. Repair departments of retail dealers or manufacturers are not included unless operated as separate establishments and reported as such. This group does not include some repair services of which the more important are: repair to structures (classified in Construction); garment and shoe repair (classified in Major Group 72); automotive repair services (classified in Major Group 75); electronic computer and computer peripheral equipment repair services (classified in Industry 7378); ship and boat repair (classified in Manufacturing); and railroad repair (classified in Manufacturing).

Motion Pictures (SIC Major Group 78)
This group includes establishments producing and distributing motion pictures, Table ing motion pictures in commercially operated theaters, and furnishing services to the motion picture industry. The term "motion pictures" includes similar productions for television or other media using film, tape, or other means.

Amusement and Recreational Services, except Motion Pictures and Museums (SIC Major Group 79)
This group includes establishments primarily engaged in providing amusement, recreation, or entertainment services, not elsewhere classified. Gambling businesses, where legal, are also included in this Major Group; however, combined gambling and lodging facilities with 25 guestrooms or more are classified in Industry

7011. Establishments primarily engaged in operating museums, art galleries, arboreta, and botanical and zoological gardens are classified in Major Group 84.

Health Services (SIC Major Group 80)

This group includes establishments primarily engaged in furnishing medical, surgical, and other health services to persons. Associations or groups, such as Health Maintenance Organizations (HMO's), primarily engaged in providing medical or other health services to members are included, but those which only provide insurance covering hospitalization or medical costs are classified in Insurance, Major Group 63. Hospices providing medical services are also included in this Major Group and are classified according to the primary service provided. Healthcare facilities were primarily coded based on self-designation. Where multiple levels of care were indicated but were not apparently separate operations, the facility was generally classified based on the highest level of care provided. Veterinarians are classified in Agriculture, Industry Group 074.