Executive Summary

Socioeconomic Study and Market Analysis: Casino Gaming in Iowa

Prepared for the Iowa Racing and Gaming Commission

December 16, 2021

SPECTRUM GAMING GROUP

IN COLLABORATION WITH STRATEGIC ECONOMICS GROUP

INTRODUCTION

About this Executive Summary

- This document is only the executive summary of the full narrative report *Socioeconomic Study and Market Analysis: Casino Gaming in Iowa*, prepared for the Iowa Racing and Gaming Commission.
- Readers are encouraged to read the full report for detail, insight and information not available this executive summary.

Scope of Study

- State of Iowa requires a socioeconomic study on the impact of gambling on Iowans every eight years
  - Spectrum and Strategic Economics Group also completed the 2013-2014 study
- The study addresses 73 questions covering 11 subject areas:
  1. Local economic effect on the community as a whole from gambling
  2. Local economic effect of the casino on the business community
  3. Casino effect on the local job market
  4. Effect on the community from problem gambling and treating those individuals who are problem gamblers
  5. Health-related issues for individuals who live in a community in which a casino is located
  6. Effect on family life due to the existence of a nearby casino
  7. Effect of casinos on household finances
  8. Current state of the Iowa gaming market
  9. Current state of the gaming markets in contiguous states to Iowa
  10. Future of gambling in the State of Iowa
  11. Impact of sports wagering on Iowa casinos

Methodology

- Study methodology
  - Data collection
    - Each of the 19 casinos also provided proprietary data on a confidential basis to help our modeling
  - Interviewed 34 people
  - Survey of city managers/officials
  - Financial modeling
  - Spectrum's collective decades of studying the social and economic impacts of gaming

Understanding Context of Gaming Impacts

- Certain impacts are result of changes in general economic conditions, not effect of particular nature of casino industry.
- Authorization of a casino can have profound economic effect by adding significant employment, disposable income to local economy
- If businesses succeed or fail in expanding economy, are such successes/failures related to economic activity, or particular nature of gaming?
  - Examples: bankruptcies, crime

ECONOMIC IMPACTS

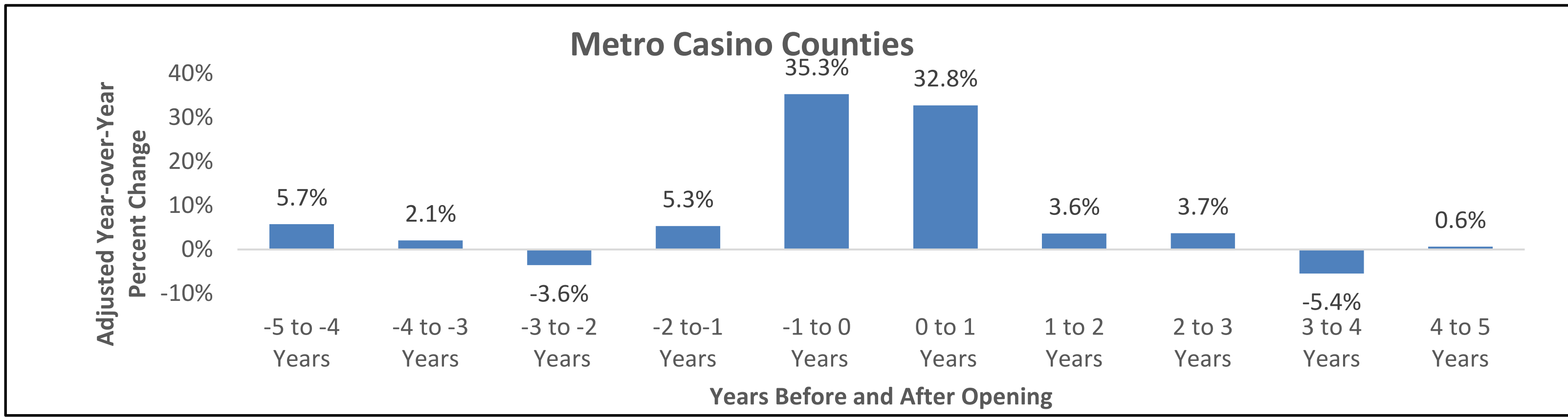
Economic Impacts of Casinos on Host Communities

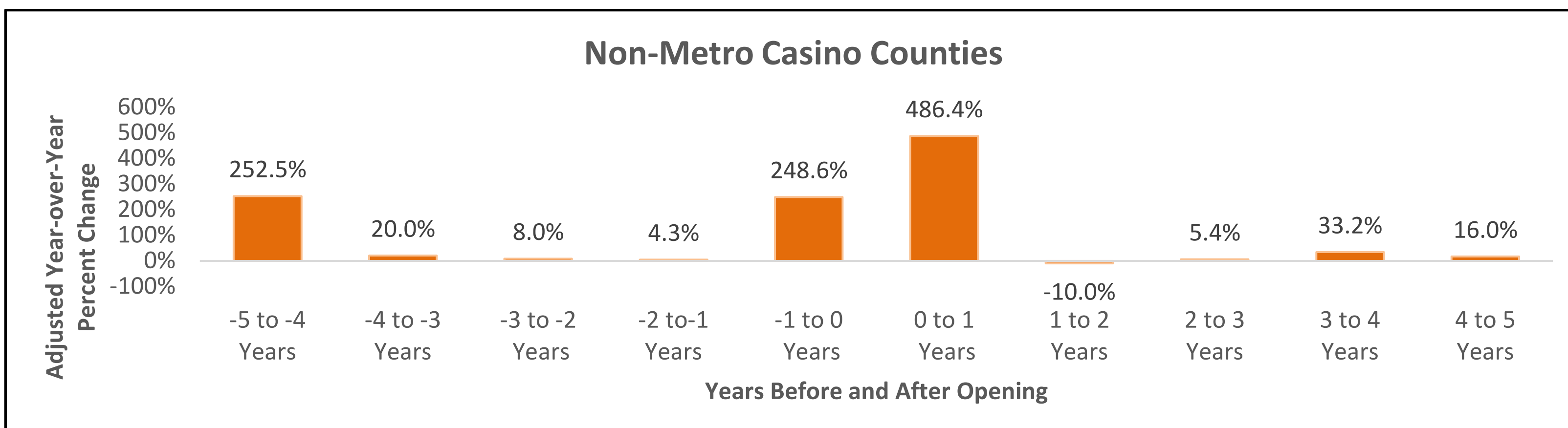
- For this part of the analysis, comparisons are made for each measure of economic activity by year – from five years prior to each casino's opening for business to five years after. Employment changes provide the most revealing of the comparisons.
- Employment changes are presented for five economic sectors
  - Lodging and entertainment
  - Bars and restaurants
  - Retail
  - Construction
  - Local government
- The comparisons are made in terms of percentage changes net of statewide percentage changes

Summary of Economic Impacts for Host Communities

- The opening of casinos had little impact on population growth.
- Employment in lodging and entertainment sectors showed large percentage increases both the year before and the year after casino openings.
- Bar and restaurant and retail sectors experienced some increase in employment around the time casinos opened for business.
- Construction employment tended to increase two years before casinos opened for business.
- The opening of casinos had only a small impact on the growth of personal income.
- Commercial property values grew at a faster rate in casino counties than statewide from 1990-2010. Residential values grew at a slightly slower rate in casino counties than in non-casino counties.

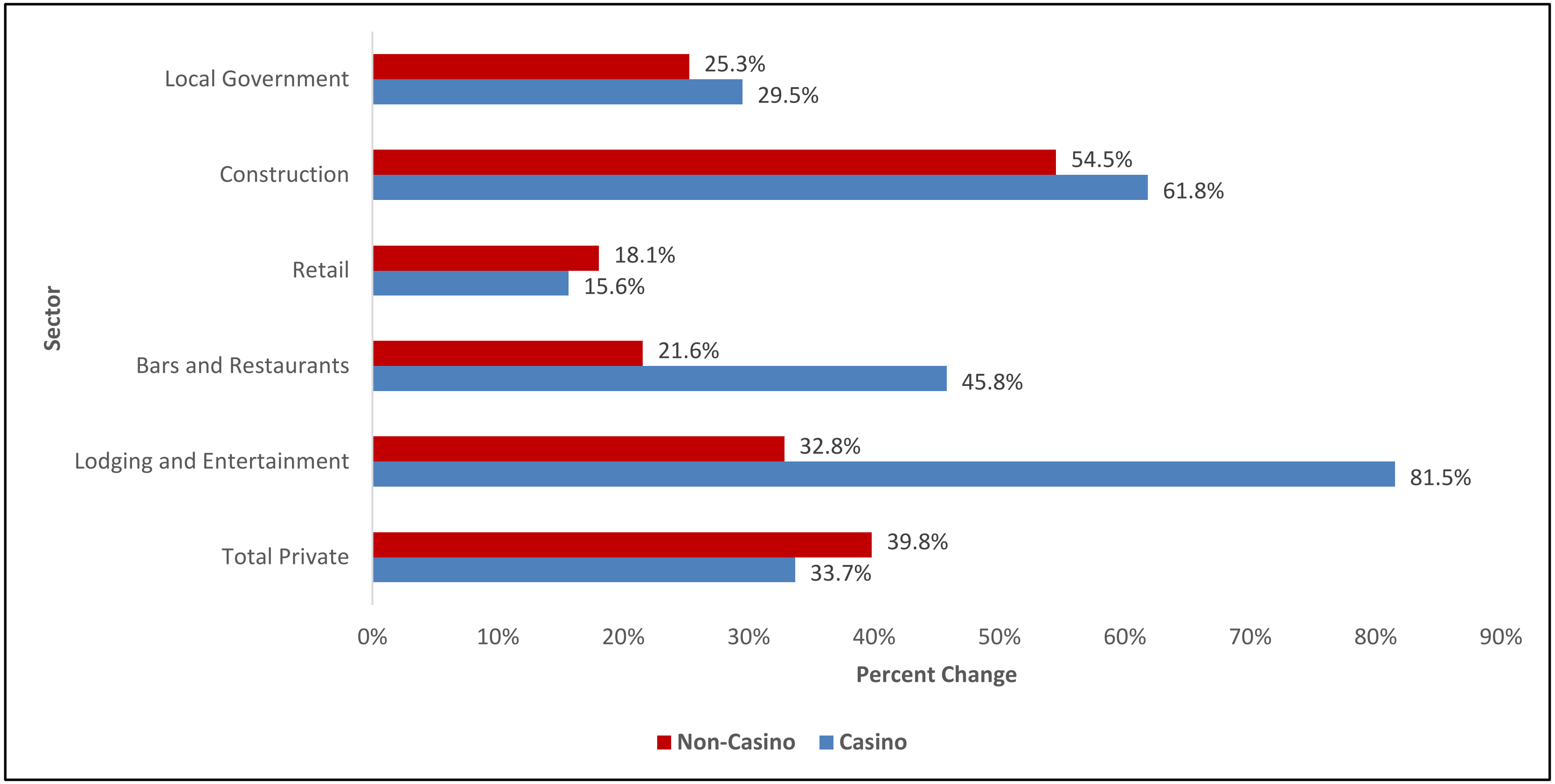
Changes in Lodging and Entertainment Employment





Source: US Census – County Business Patterns, Strategic Economics Group

Summary of Long-Term Employment Growth by Sector, 1990-2019

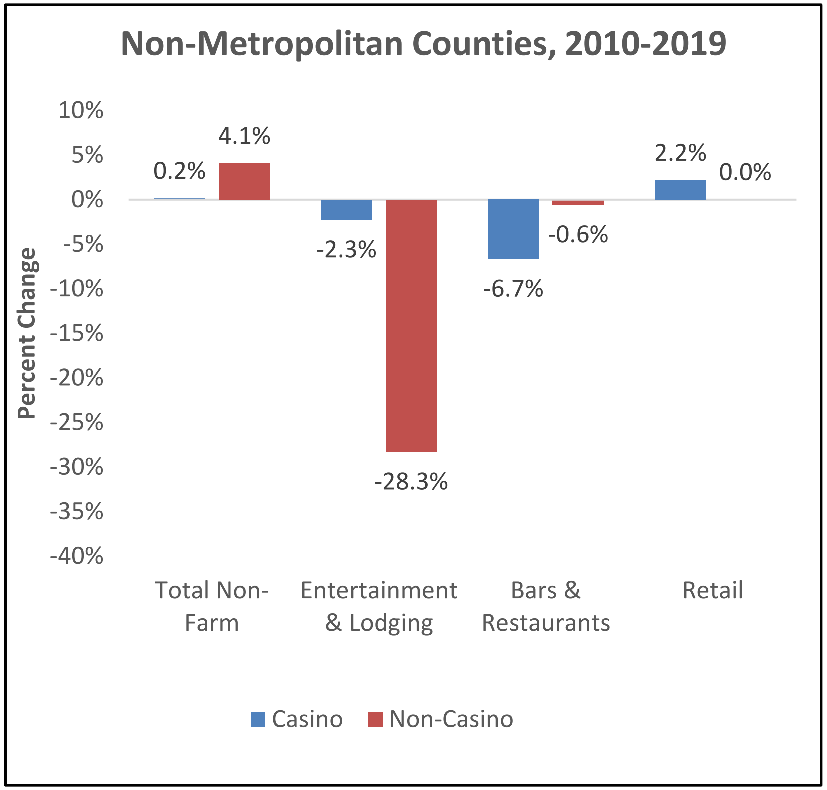


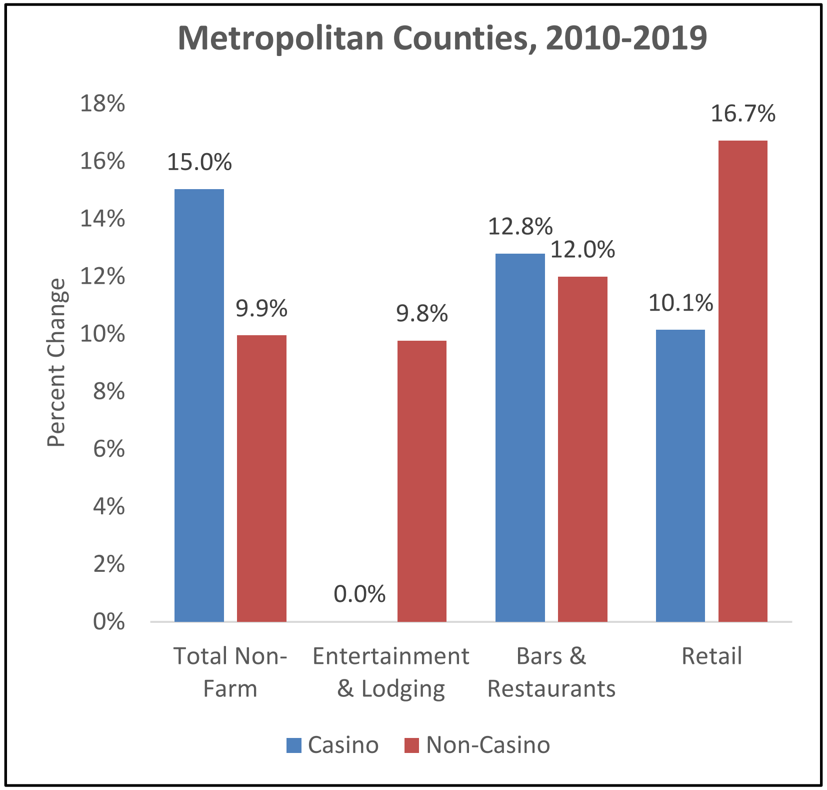
Source: US Census – County Business Patterns, US Bureau of Economic Analysis, Strategic Economics Group

Comparisons between Casino Counties and Non-Casino Counties

- These comparisons focus primarily on the period from 2010-2019. These comparisons look at the persistence of impacts versus short-term impacts around the times that casinos opened for business.
- The non-metropolitan casino counties experienced a 3.3% decline in population, while the non-metropolitan non-casino counties experienced a 3.8% decline in population.
- The metropolitan casino counties experienced a 7.2% increase in population, while the metropolitan non-casino counties experienced an 11.2% increase in population.

Comparisons between Casino and Non-Casino Counties: Employment Changes





Source: US Census – County Business Patterns, Strategic Economics Group

Comparisons between Casino and Non-Casino Counties (cont.)

- Lodging and entertainment employment declined in non-metropolitan counties with and without casinos, but in counties without casinos the decline was much larger, -28.3% vs. -2.3%.
- In metropolitan counties, those with casinos experienced no increase in lodging and entertainment employment, while in the non-casino counties employment in these sectors increased by 9.8% over the past decade.
- In metropolitan counties, retail employment grew by a somewhat greater percentage in non-casino counties than in casino counties, 16.7% vs. 10.1%.
- Bar and restaurant employment grew somewhat more in metropolitan casino counties than in non-casino counties – 12.8% vs. 12.0%.

Comparisons between Casino and Non-Casino Counties (cont.)

- Bar and restaurant sales in non-metropolitan casino counties increased by 20.8%, while in non-metropolitan counties without casinos the increase equaled 27.6%.
- In metropolitan counties, bar and restaurant sales increased by 43.1% in those with casinos vs. 37.7% in those without casinos.
- In non-metropolitan counties, residential property values increased by about the equal amount in those with and without casinos. In metropolitan counties, residential property values increased at a slightly higher rate in those without casinos (38.4%) than those with casinos (34.6%)
- Commercial property values increased by substantially more in counties without casinos in both non-metropolitan and metropolitan counties.

Numbers and Shares of Full-Time and Part-Time Casino Employees

Employment Category	Metro Casinos		Non-Metro Casinos		All Casinos	
	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time
Total	4,465	1,785	2,565	849	7,030	2,634
Gaming	1,509	527	868	136	2,377	663
Bar and Restaurant	937	723	516	409	1,453	1,132
Hospitality	414	117	275	110	689	227
Buildings, Grounds	312	35	187	17	499	52
Administrative	413	11	159	7	572	18
Security	370	185	247	27	617	212
Other	510	187	313	143	823	330

Employment Category	Metro Casinos		Non-Metro Casinos		All Casinos	
	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time
Total	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Gaming	33.8%	29.5%	33.8%	16.0%	33.8%	25.2%
Bar and Restaurant	21.0%	40.5%	20.1%	48.2%	20.7%	43.0%
Hospitality	9.3%	6.6%	10.7%	13.0%	9.8%	8.6%
Buildings, Grounds	7.0%	2.0%	7.3%	2.0%	7.1%	2.0%
Administrative	9.2%	0.6%	6.2%	0.8%	8.1%	0.7%
Security	8.3%	10.4%	9.6%	3.2%	8.8%	8.0%
Other	11.4%	10.5%	12.2%	16.8%	11.7%	12.5%

Source: Casino Survey, Strategic Economics Group

Casino Employees' State of Residence and Commute to Work Distances

At December 2019

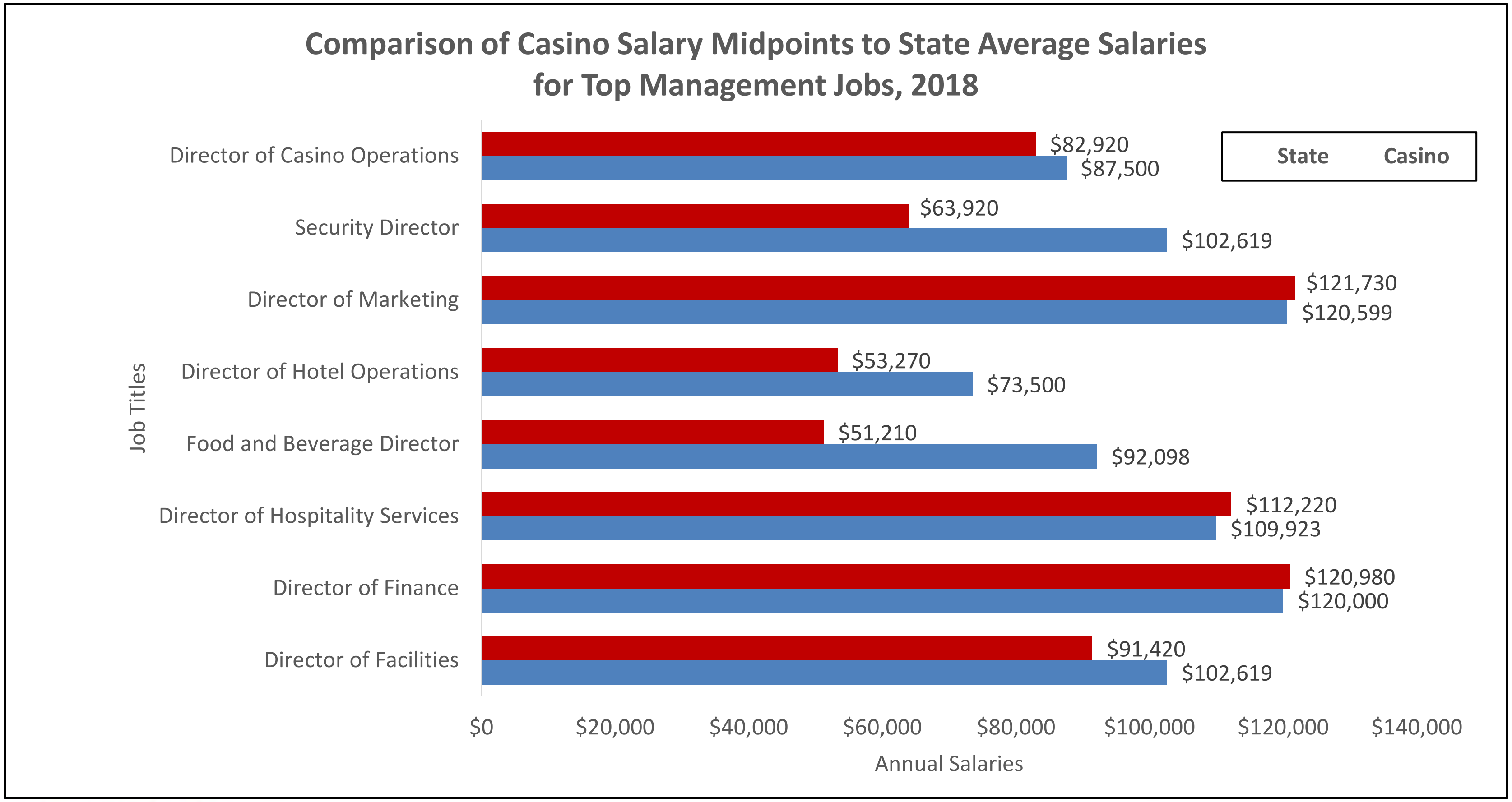
State	Number of Employees	Share of Total	Cumulative Percent
Iowa	5,772	75.0%	75.0%
S. Dakota	746	9.7%	84.7%
Illinois	476	6.2%	90.9%
Nebraska	470	6.1%	97.0%
Wisconsin	101	1.3%	98.4%
Minnesota	48	0.6%	99.0%
Other	78	1.0%	100.0%
Total	**7,691**	**100.0%**	

Source: 2021 Casino Survey, Strategic Economics Group

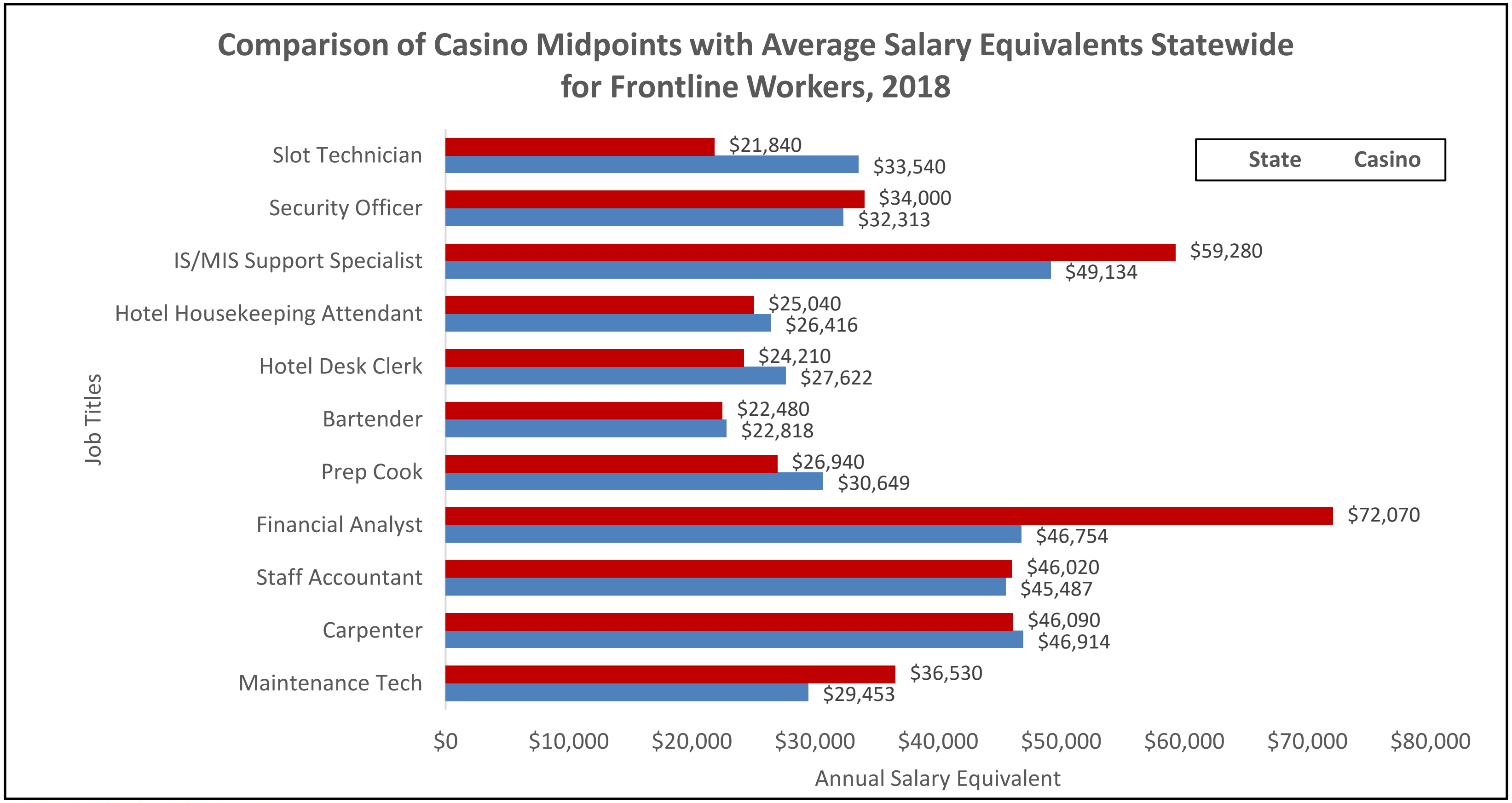
Commuting Distance	Non-Metro Casino	Metro Casino
Less than 5 miles	45.6%	47.2%
5 to 9.99 miles	0.0%	5.8%
10 to 19.99 miles	20.3%	31.7%
20 to 29.99 miles	11.5%	6.1%
30 to 39.99 miles	11.5%	5.1%
40 to 49.99 miles	4.4%	0.8%
50 to 74.99 miles	1.6%	1.5%
75 to 99.99 miles	0.5%	1.0%
100 miles and over	4.4%	0.8%
Average Commute (miles)	**18.56**	**12.36**

Source: 2021 Casino Survey, Strategic Economics Group

Management Pay Comparisons



Comparison of Front-Line Worker Pay: State vs. Casino



Source: Iowa Gaming Association, US Bureau of Labor Statistics

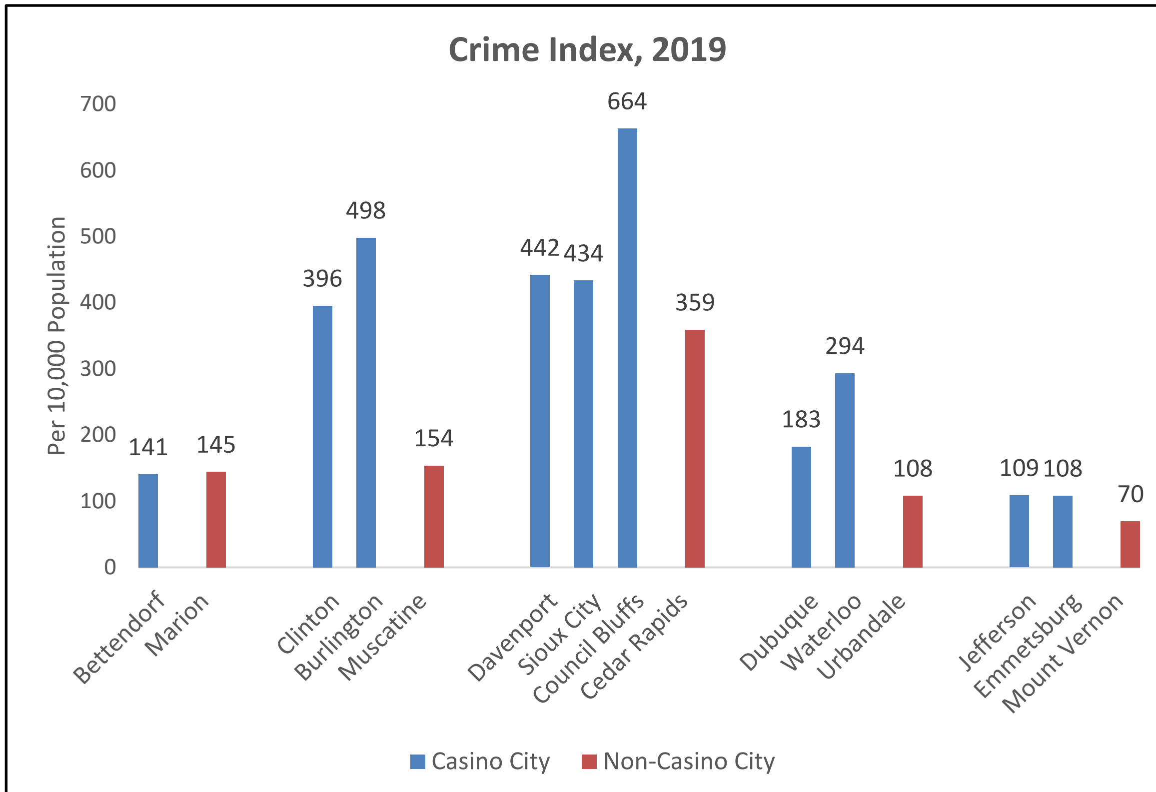
SOCIAL IMPACTS

Social Impacts of Casinos on Host Communities

- This section compares the social impacts in casino communities vs. non-casino communities
- About studying social impacts
  - State did not seek to determine whether the presence of a casino was responsible for negative social impacts
    - Study sought to determine whether communities with casinos experienced greater impacts in a variety of areas such as crime, bankruptcies, and divorces
      - For the most part, Spectrum found that they did
      - Caution: correlation does not equal causation
  - Economic impacts are easier to measure than social impacts

Crime Rate, Casino Cities vs. Non-Casino Cities

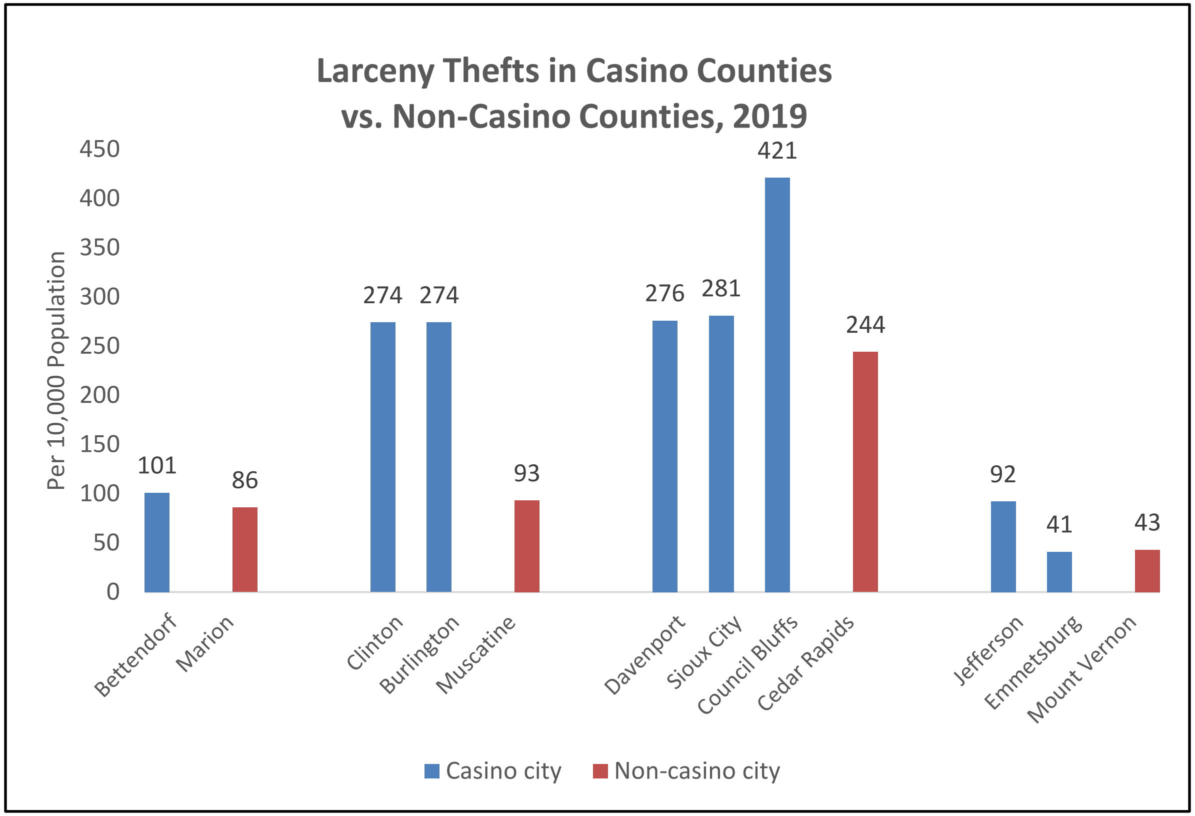
- Casino communities had, for the most part, higher crime rates than similar communities where casinos were not located.
- The crime index consists of four types of violent crime – murder, rape, aggravated assault and robbery – and four types of property crime – burglary, larceny-theft, motor vehicle theft and arson.



Source: FBI Uniform Crime Reports

Larceny Thefts, Casino Counties vs. Non-Casino Counties

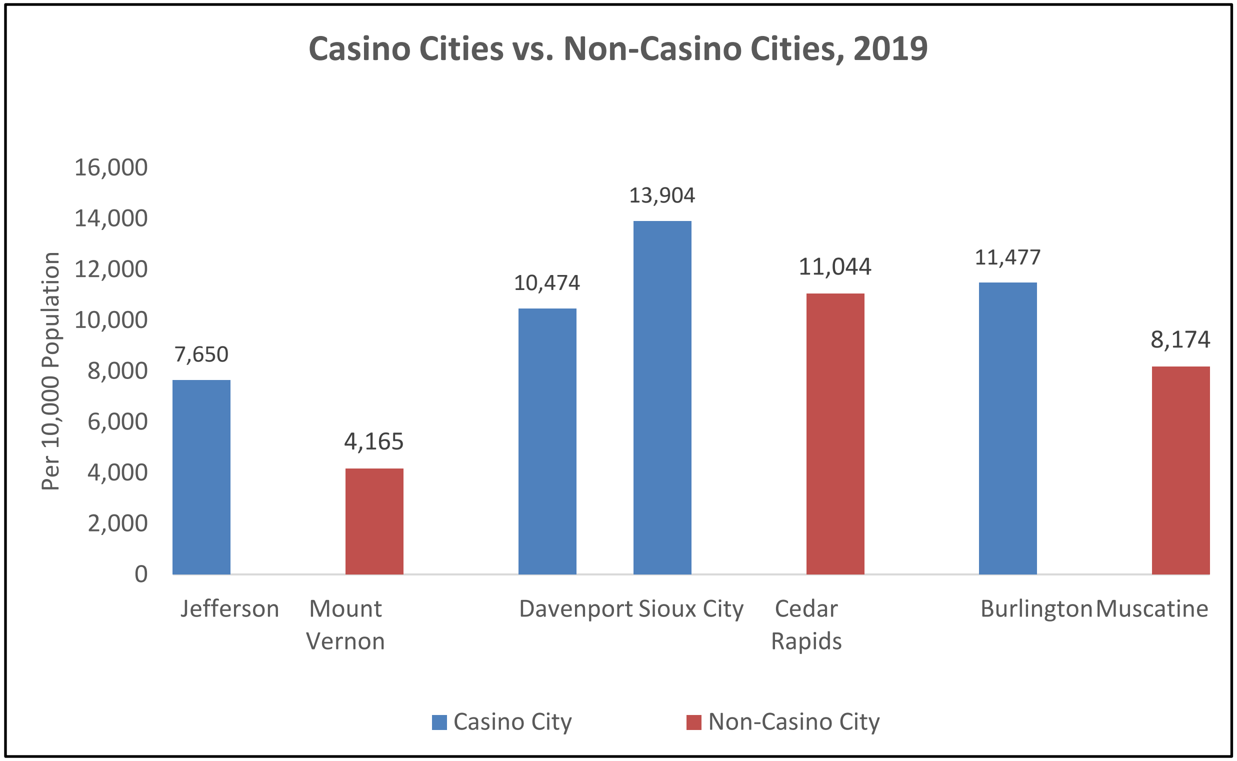
- Larceny thefts were more prevalent in casino communities.
- Trespassing incidents were also more likely to occur at casinos. (Casinos are required to evict self-excluded gamblers. They are often arrested for trespassing.)



Source: FBI Uniform Crime Reports

Emergency Calls, Casino Cities vs. Non-Casino Cities

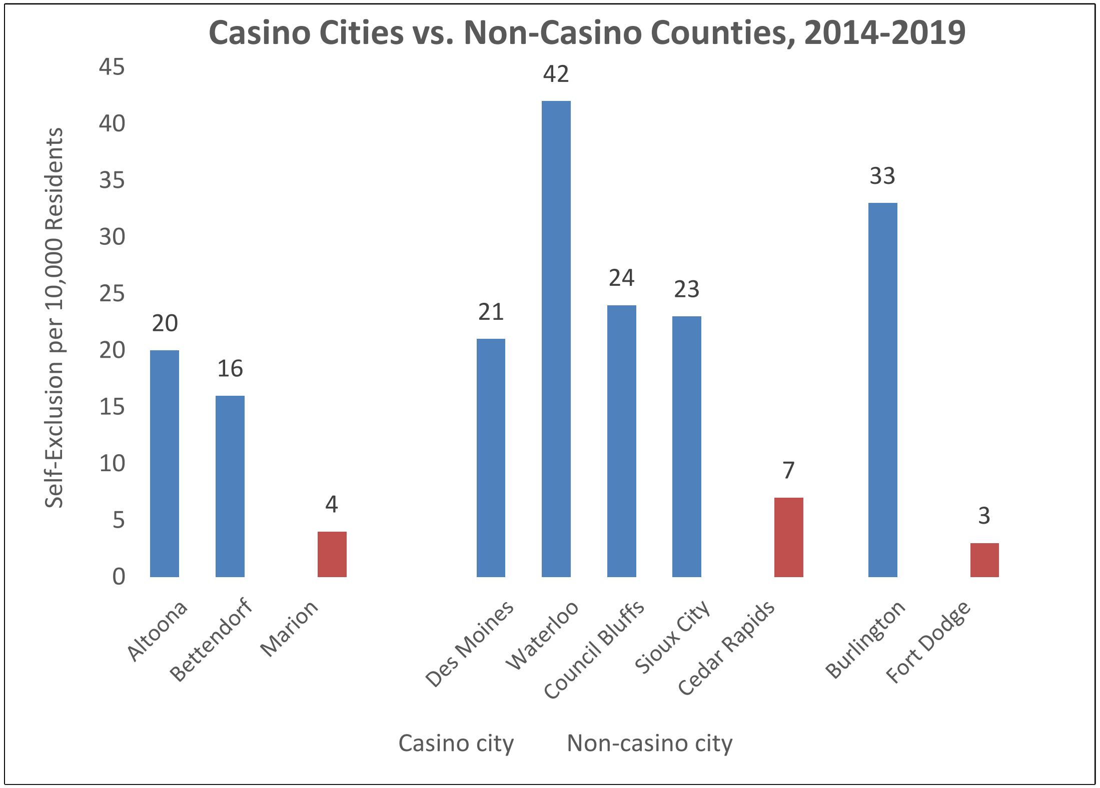
- Calls for emergency service were, for the most part, considerably higher in casino cities than in non-casino cities.
- Many of the 911 calls involved non-residents.
- Our survey was limited by the number of city officials who agreed to provide data.



Source: Local police departments

Self-Exclusion Rates, Casino Cities vs. Non-Casino Cities

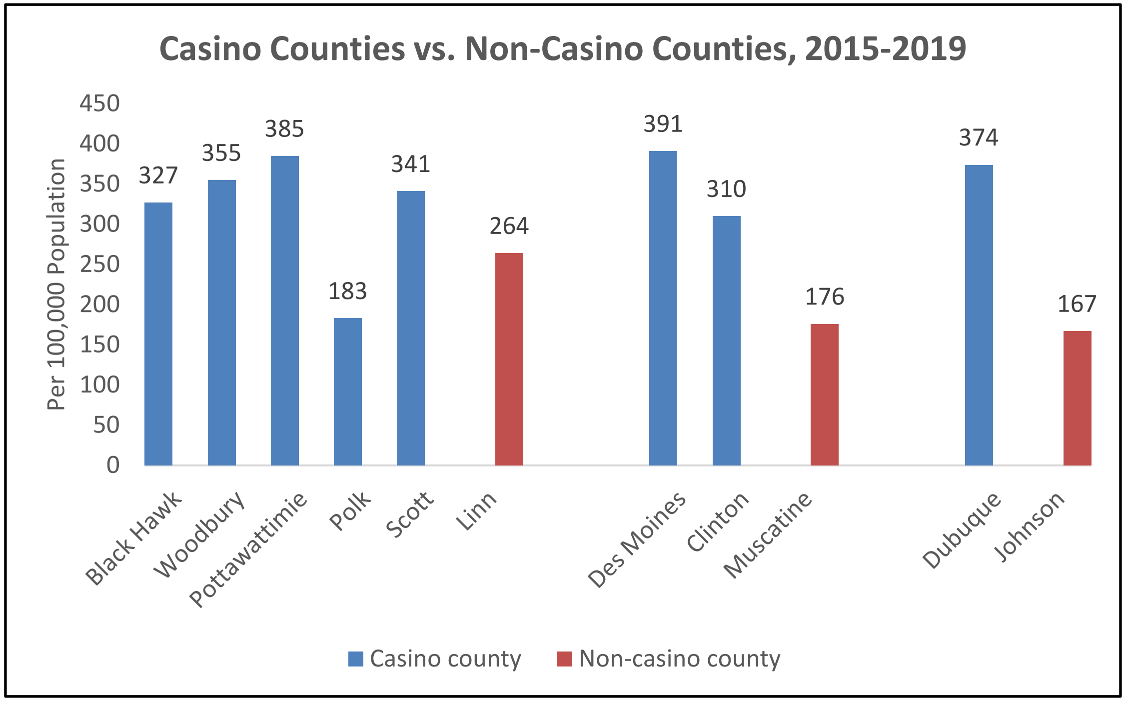
- Gamblers who self-excluded themselves from Iowa casinos were mostly from cities that had casinos.
- Iowa law allows a gambler to self-exclude for either life or five years.
- Nearly one-third of self-excluders do not live in Iowa.
- The city with highest number of self-excluders was Omaha, NE.



Source: Iowa Racing and Gaming Commission

Contacts with Iowa Problem Gambling Services, Casino Counties vs. Non-Casino Counties

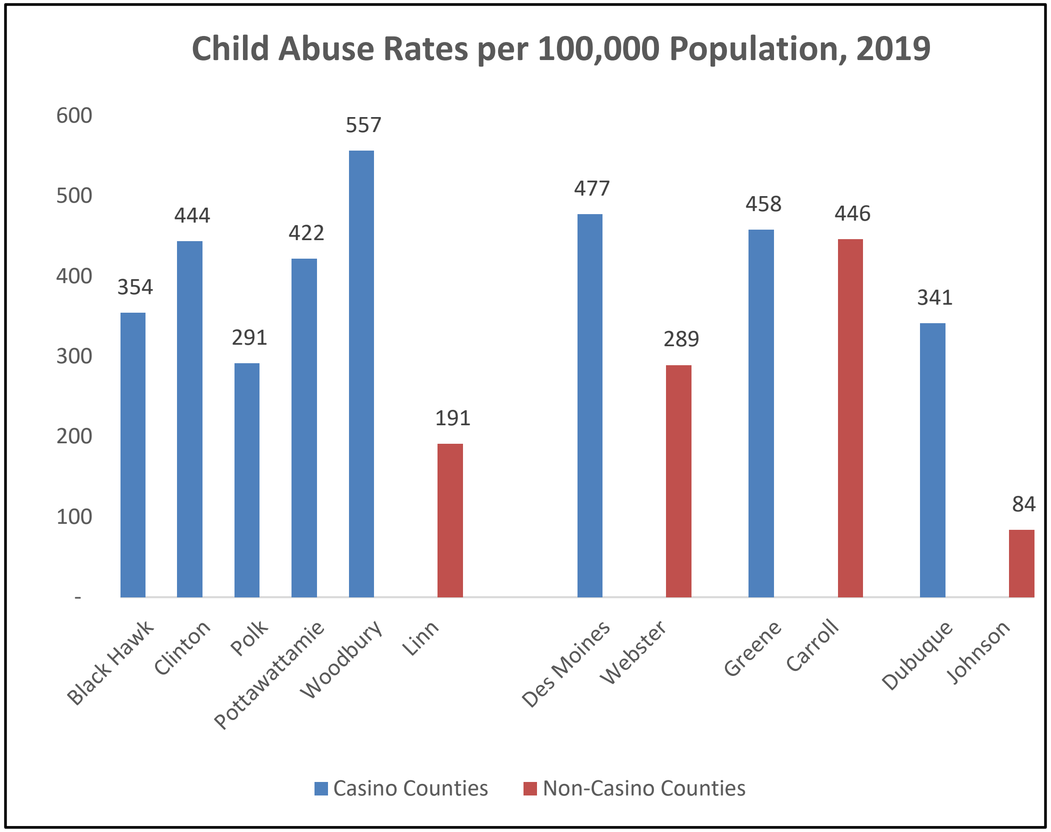
- The vast majority of Iowans who sought help from Iowa Problem Gambling Services resided in counties where casinos were located.



Source: Iowa Problem Gambling Services

Child Abuse, Casino Counties vs. Non-Casino Counties

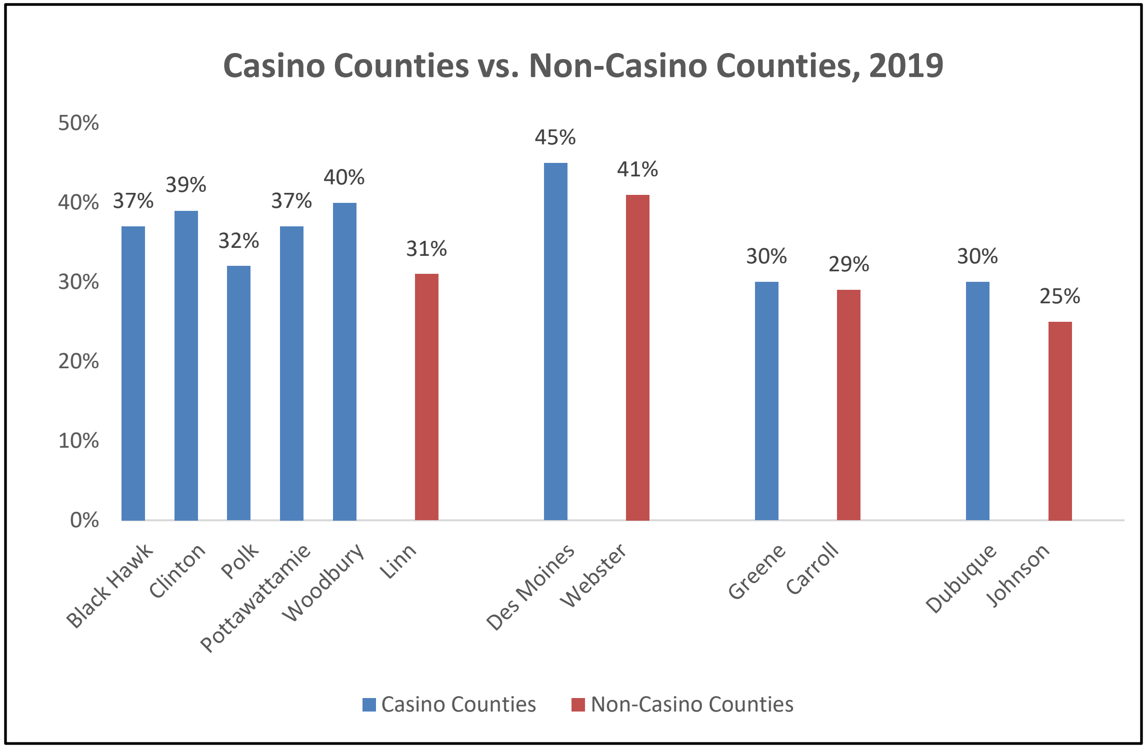
- Under Iowa law, a person is guilty of child abuse if a child is subjected to physical or sexual abuse, denied critical care or allowed access to obscene material.
- Casino counties had higher rates than did non-casino comparison counties.



Source: Iowa Department of Human Resources

Percentage of Single-Parent Families, Casino Counties vs. Non-Casino Counties

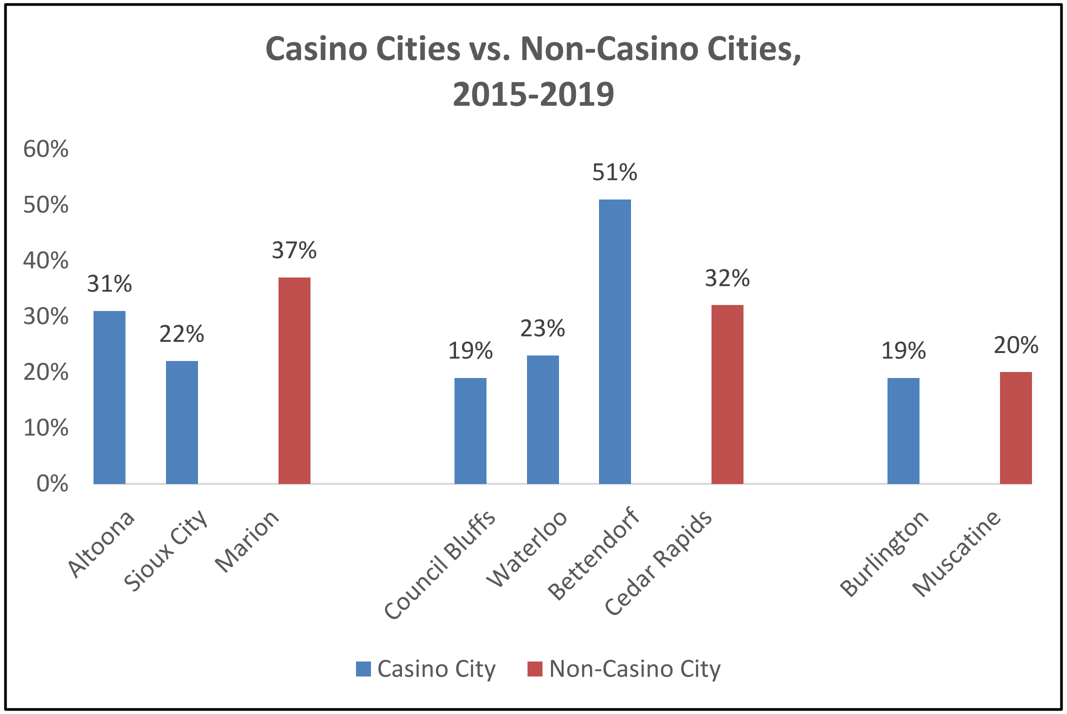
- Casino counties had a much higher percentage of single-parent families than did the counties without casinos.
- Children in single-parent families typically do not have the same resources available to children in two-parent families. They are more likely to drop out of school and experience divorce in adulthood.



Source: Federal Reserve Bank of St. Louis

Percent of College Graduates, Casino Cities vs. Non-Casino Cities

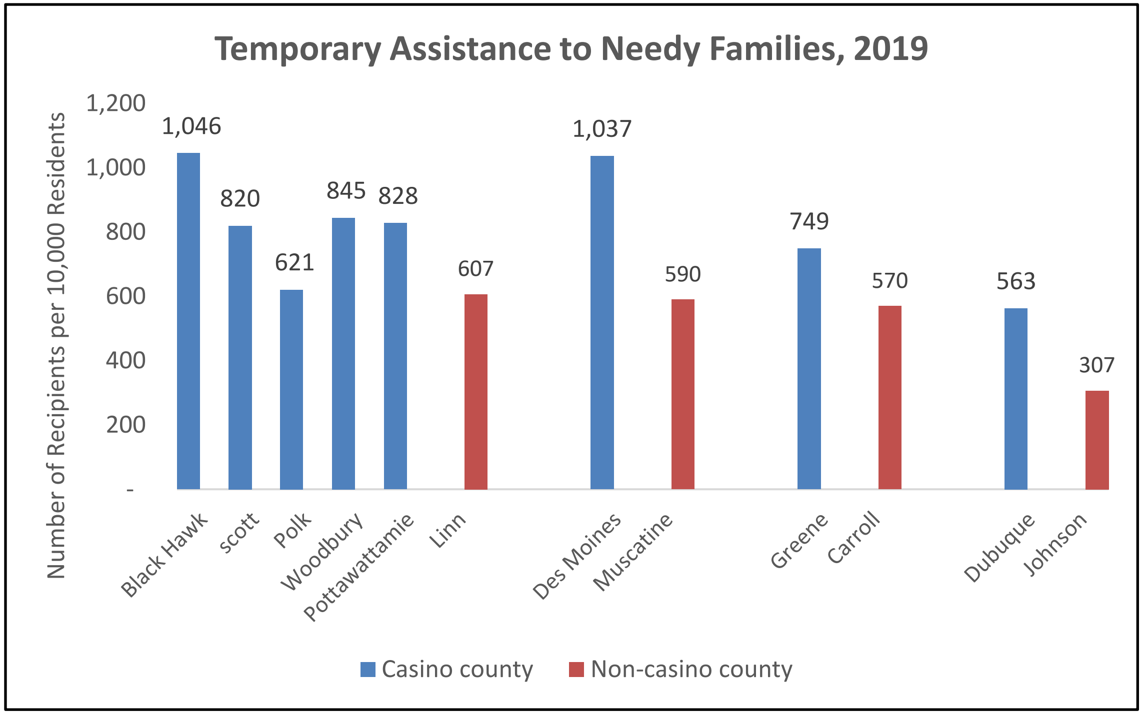
- Education levels in counties without casinos were generally higher than comparable casino counties. But Bettendorf, a casino county, had the highest percentage of college graduates of any county reviewed.



Source: US Census

Public Assistance, Casino Counties vs. Non-Casino Counties

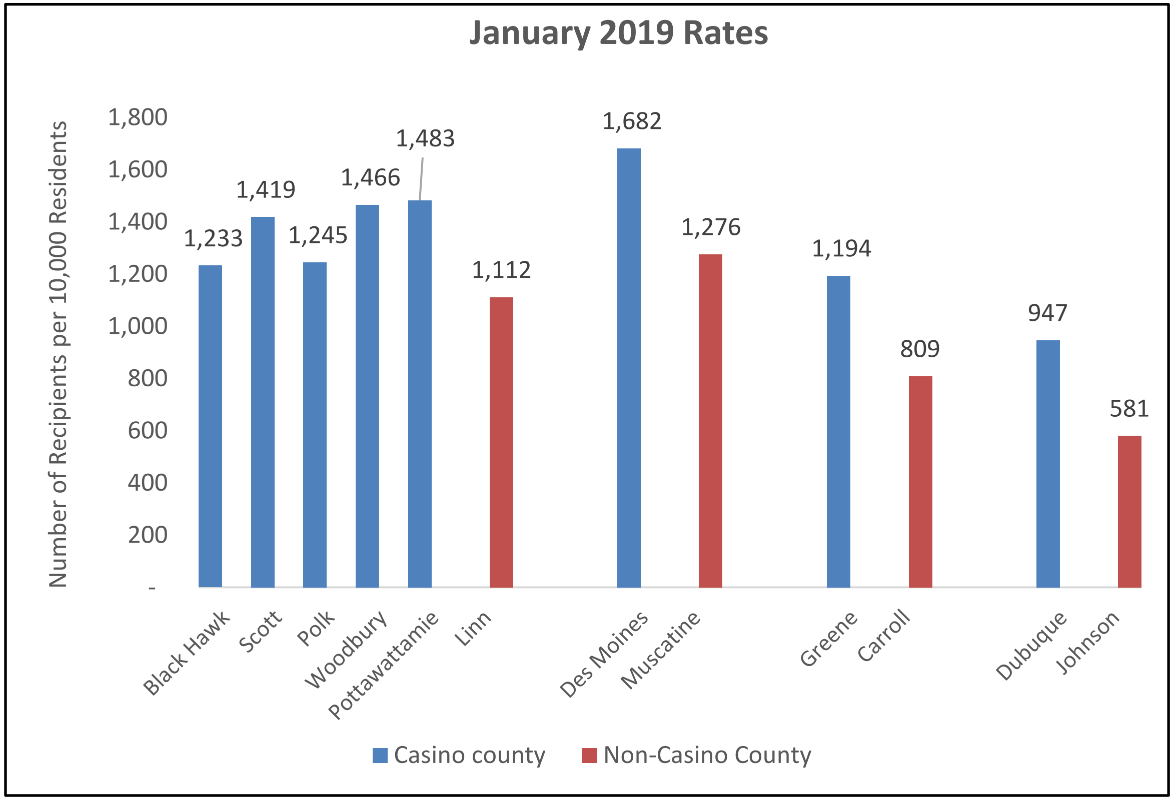
- Iowa's Temporary Assistance For Needy Families program provides cash assistance to families so that children may be cared for in their own homes or in the homes of relatives.
- Casino counties had higher rates than did non-casino counties.



Source: Iowa Department of Human Services

Food Assistance, Casino Counties vs. Non-Casino Counties

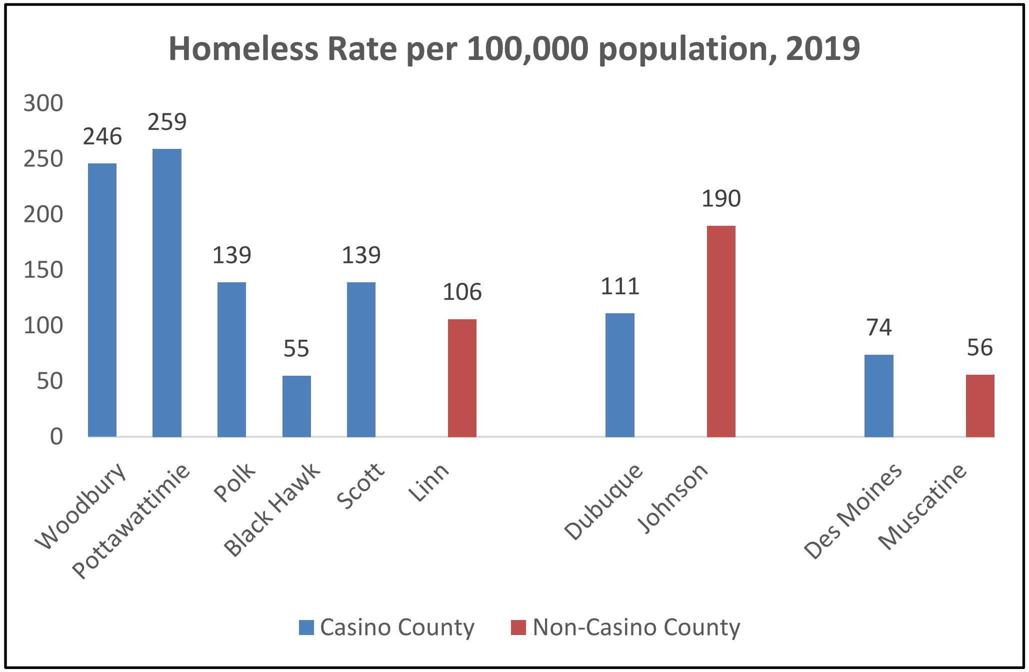
- Iowa provides food assistance to those in need.
- As with the public assistance program, casino counties had significantly higher rates than did their comparison counties.
- The program provides electronic cards that can be used to purchase groceries.



Source: Iowa Department of Human Services

Extent of Homelessness, Casino Counties vs. Non-Casino Counties

- Iowa estimates its homeless population by doing an annual census to identify homeless people.
- Casino counties have much higher rates of homeless people than do their non-casino comparison counties.
- Many of the casinos are in urban areas where shelters are located.



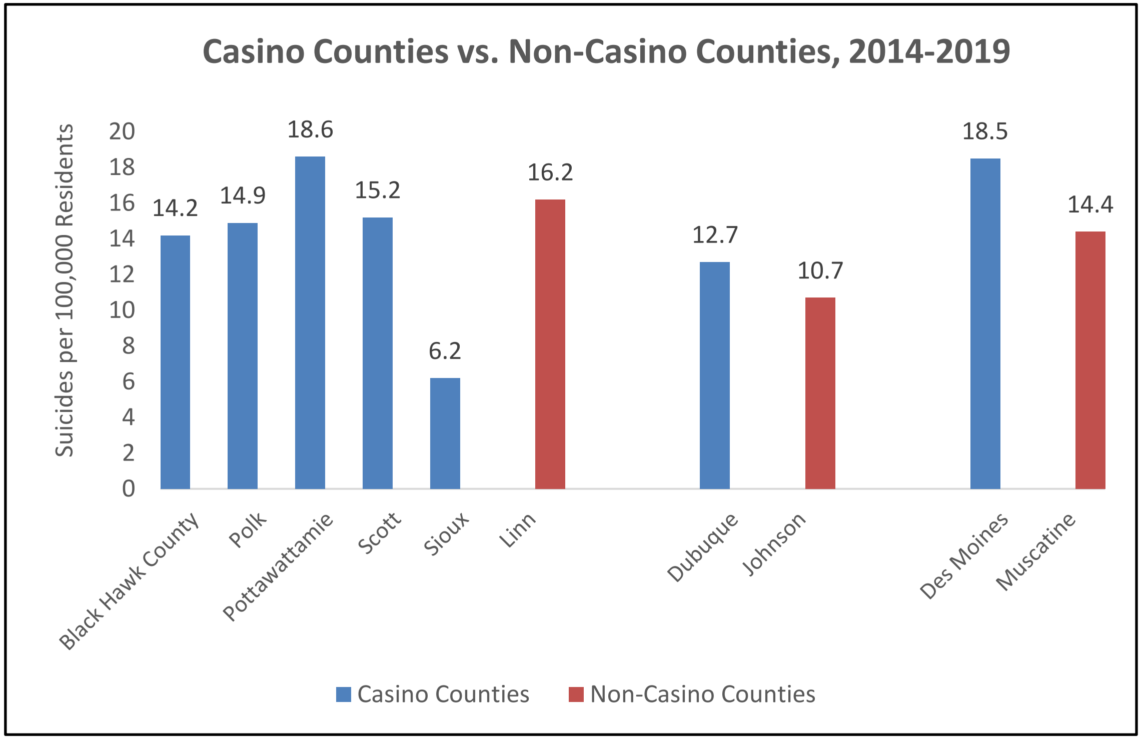
Source: Institute for Community Alliances

Life Expectancy, Casino Counties vs. Non-Casino Counties

- For 2019:
  - Linn County, the only metropolitan county in Iowa that does not have a casino, had a life expectancy of 78.4 years for males, and 82.3 years for females.
  - Those numbers were higher when compared with the casino metropolitan counties of Woodbury, Pottawattamie, Polk, Black Hawk, Dubuque and Scott.
  - The non-metropolitan county of Des Moines had a slightly higher life expectancy than its comparison county of Muscatine for females but a lower life expectancy for males.

Suicide Rates, Casino Counties vs. Non-Casino Counties

- Rates for Linn County, a metropolitan county without a casino, were higher than four of five of its casino comparison counties.
- The non-metropolitan casino counties of Des Moines and Dubuque had higher rates than their comparison counties without casinos, Johnson and Muscatine.



Source: Iowa Department of Public Health

GAMING MARKET ANALYSIS

Current State of Iowa Gaming Market

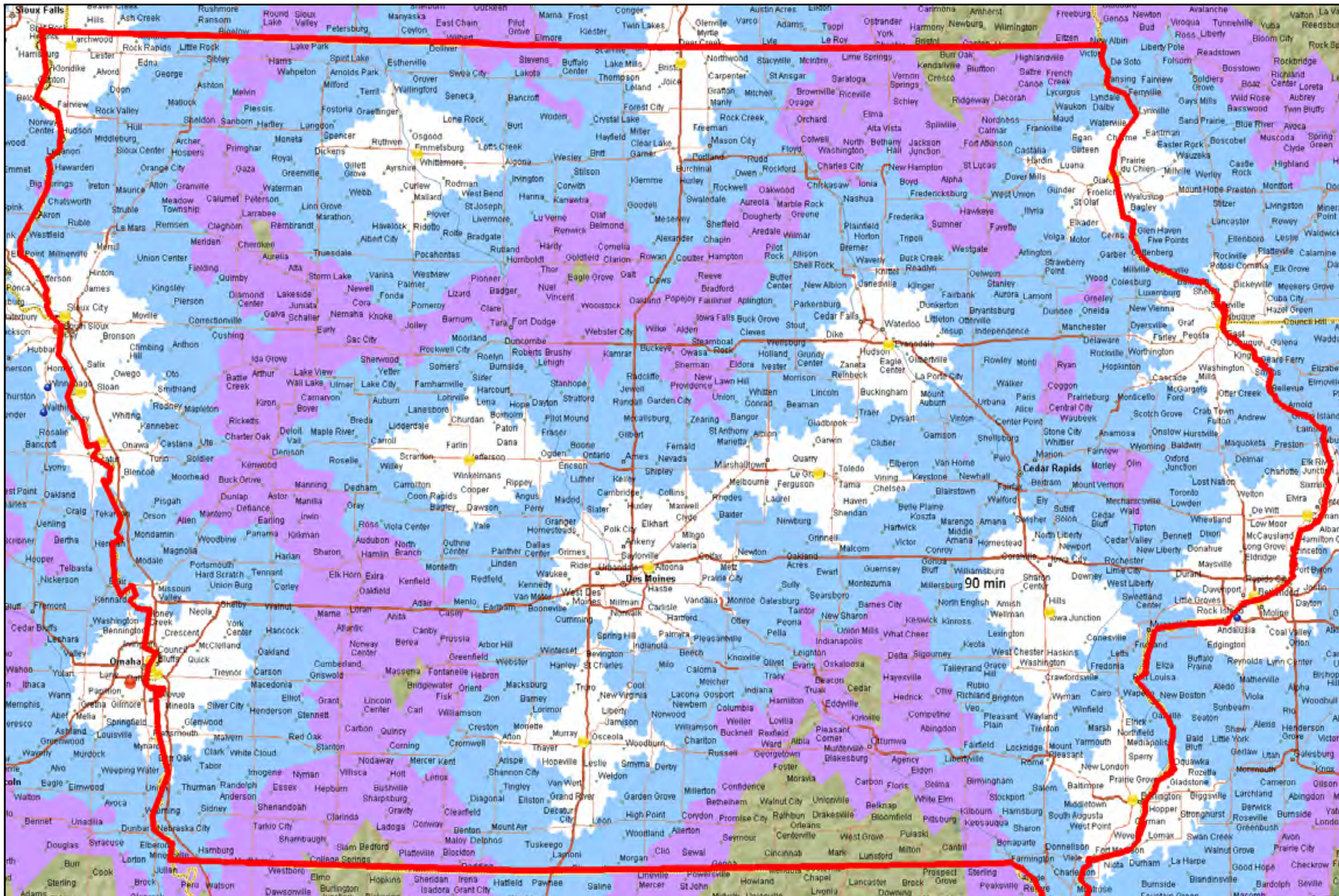
- Iowa casino industry is healthy
  - 19 commercial casinos
  - 4 compacted tribal casinos
- Recent Iowa commercial casino performance:

Calendar Year	Slot Win ($M)	Win per Slot per Day	Table Win ($M)	Win per Table per Day	Total Win ($M)	Win per Square Foot per Casino per Day
2017	$1,310.4	$215.7	$142.7	$899.6	$1,453.2	$5.64
2018	$1,310.5	$218.9	$147.4	$908.3	$1,457.9	$5.71
2019	$1,305.4	$220.9	$153.6	$926.4	$1,459.0	$5.77
2020 (290 days open)	$1,015.4	$223.3	$107.0	$870.0	$1,122.5	$5.66
9 Mos. '21 Annualized	$1,580.6	$288.3	$161.1	$1,082.7	$1,741.7	$6.98

Source: Spectrumetrix, Iowa Racing and Gaming Commission

- Commercial casino industry adjusted gross receipts ("AGR") on pace for a record year in calendar 2021

Current State of Iowa Gaming Market



Market is well served – no underserved areas

Most of the state is within a 60-minute drive of a casino

Legend:

Iowa casino

60 min. from a casino

90 min. from a casino

Source: Iowa Racing and Gaming Commission, Microsoft MapPoint

Gaming Industry in Nearby States

- Neighboring states are doing well, too

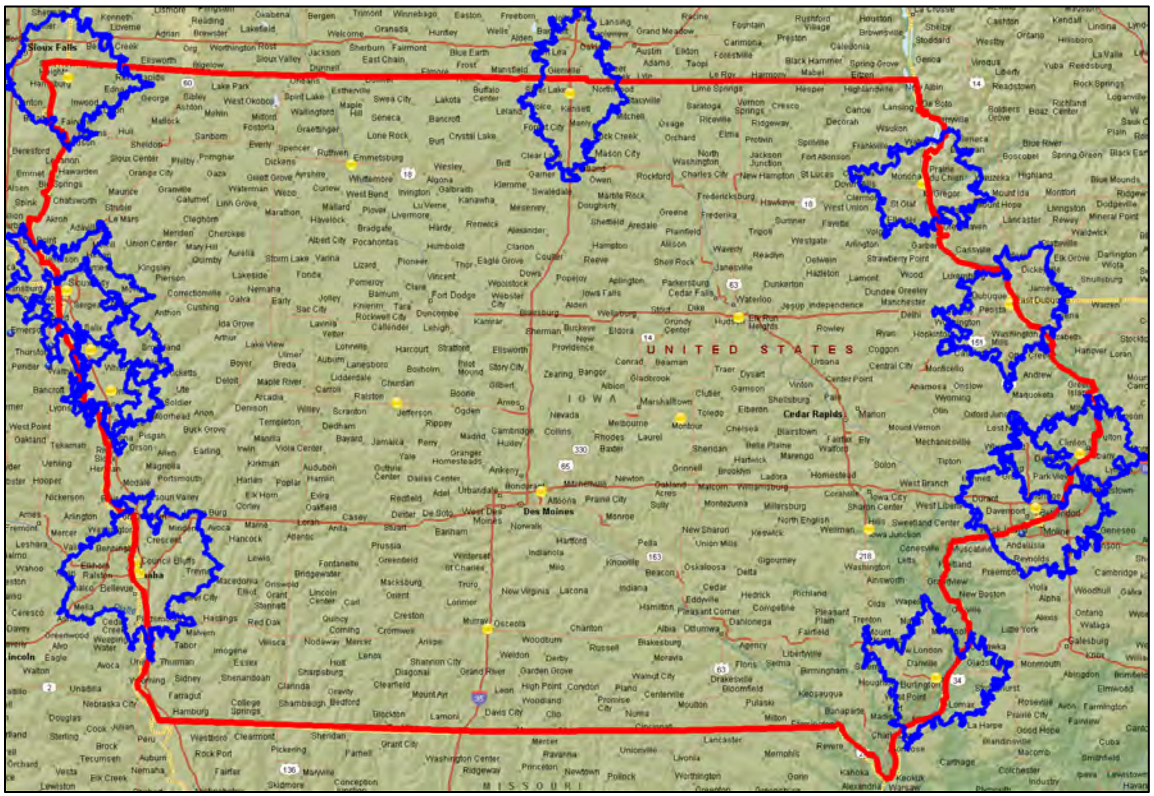
Total Win CY (M)	IL Casino	IL VGT	IN	IA	MO
2017	$1,406.5	$1,302.8	$2,220.9	$1,453.2	$1,727.1
2018	$1,373.5	$1,500.0	$2,222.6	$1,457.9	$1,744.2
2019	$1,354.2	$1,676.7	$2,188.1	$1,459.0	$1,719.4
2020	$494.0	$1,134.4	$1,568.2	$1,122.5	$1,249.7
9 Mo. 2021 Annualized	*$1,234.9*	*$2,444.8*	*$2,387.2*	*$1,741.7*	*$1,883.9*
Change 2017-2019	*-$52.3*	*$373.9*	*-$32.8*	*$5.8*	*-$7.7*
CAGR 2017 to 2021 Annualized	-3.20%	17.0%	1.8%	4.6%	2.2%

Source: Spectrumetrix, Spectrum Gaming Group

- Iowa growth rate outperforming other states
- Illinois casino industry struggling due to VGTs
  - Illinois gaming tax revenue up, but casino employment down

Iowa is a Net Importer of Casino Play

Iowa Border Casinos and 30-Minute Drive Times



- 14 commercial & 3 tribal casinos on borders
  - Originally riverboats
  - Had to be on river
  - Rivers are borders
- Capture play from
  - Illinois
  - Minnesota
  - Nebraska
  - South Dakota
  - Wisconsin

Nebraska Seeking to Repatriate Casino Play

- Nebraska has minimal gaming now
- Nebraska voters in November 2020 overwhelmingly approved constitutional amendments to allow casinos at the state's six licensed horse-racing tracks
  - New Nebraska act will place casinos at Iowa border
    - Omaha – Horsemen's Park
    - Lincoln – Lincoln racecourse
    - South Sioux City – Atokad Park Racetrack
  - Casinos proposed for nearby racetracks
    - Bellevue (near Omaha)
    - Columbus Agricultural Park
  - In Iowa, the casinos in Council Bluffs and Sioux City will feel the impact

What Does the Future Look Like?

- Nebraska casinos threaten Sioux City and Council Bluffs
  - At maturity (2025), Council Bluffs may lose 45% of market to new casinos
    - 80% of gaming revenue comes from Nebraska

Impact to Council Bluffs Market	Visits	AGR
Current (FY 2021)	3,666,857	$404,281,270
Est. loss to Nebraska	(1,506,000)	-$183,900,000
Council Bluffs three years after Nebraska casinos open	2,160,857	$220,381,270
% Retained	58.9%	54.5%

Source: Spectrum Gaming Group

  - Sioux City less at risk, but proximity of competition is a challenge
    - Hard Rock could retain nearly 60% of the market after a new casino is added

Impact to Sioux City Market	Visits	AGR
Current (FY 2021)	1,425,562	$87,071,790
Est. loss to Nebraska	(601,000)	-$35,520,000
Hard Rock three years after Nebraska casinos open	824,562	$51,551,790
% Retained	57.8%	59.2%

Source: Spectrum Gaming Group

- Loyalty programs and redeeming points nationwide is key

Iowa Adjusted Gross Receipts Forecast: Nebraska Competition will Cause Decline

- As shown, Nebraska casinos near Omaha and South Sioux City will cannibalize market
- Slow growth in Iowa's mature markets
  - Revenue growth in mature markets driven by population and income growth

Estimated Iowa AGR 3-Year Forecast with Nebraska Casinos Open in 2023

Year	Admissions	Change from 2021	AGR	Change from 2021	Employment	Change from 2021
FY 2021	16,394,655		$1,575,410,919		8,009	
2022	16,503,952	0.7%	$1,587,050,860	0.7%	8,090	1.0%
2023	15,260,000	-6.9%	$1,537,420,000	-2.4%	7,934	-0.9%
2024	14,580,000	-4.5%	$1,516,540,000	-3.7%	7,575	-5.4%

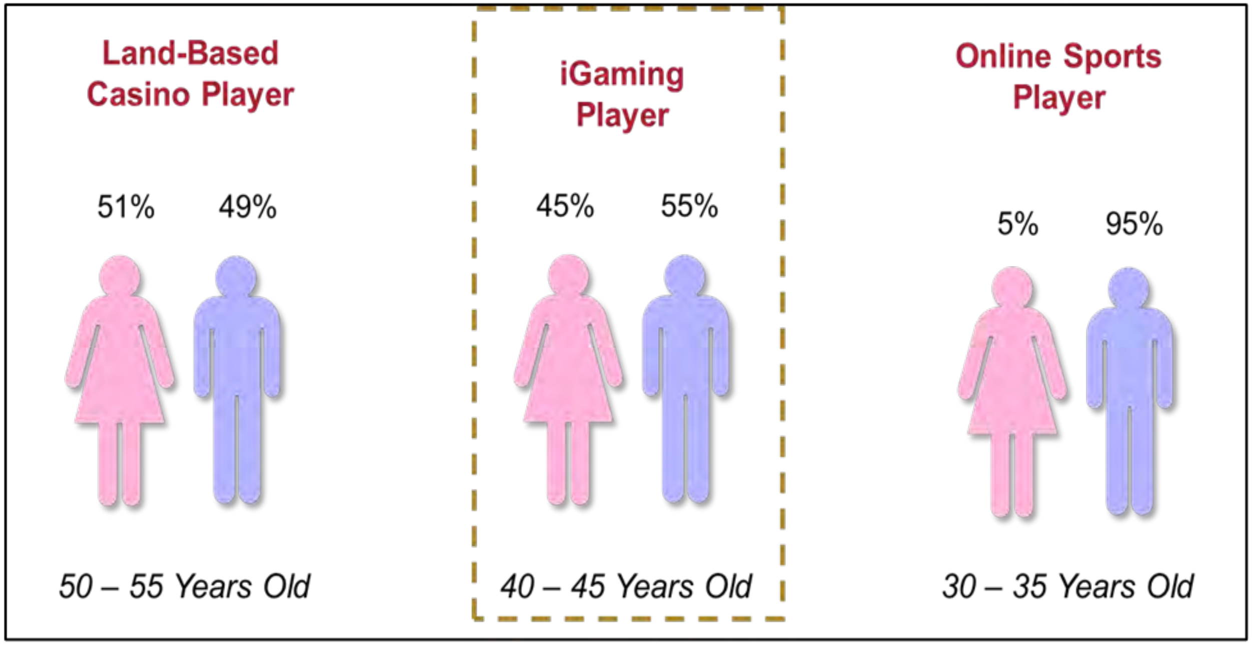
Source: IRGC, Spectrum Gaming Group

Elements of Success for Iowa Casino Industry

- Legislature and IRGC allowed industry to modernize and adapt:
  - Removed betting limits
  - Permitted land-based gaming
  - Authorized sports wagering
  - Removed some promotional play from Adjusted Gross Receipts calculation
  - Maintained funding for the Gambling Treatment Fund
  - Eliminated cruising requirement
  - Installed table games at racetrack casinos
  - Permitted credit at casinos
- Maintained stable tax rates
- Sought development and employment not merely taxes
- Did not expand gaming beyond casinos and racinos
- Reasoned additions to industry allowing properties to thrive
- Encouraged investment in non-gaming amenities to broaden market appeal

Database Analysis Show Igaming, Sports Betting have Different Demographics than Casino Gaming

- The infographic below illustrates the differing demographics among retail casino players, igaming players and online sports bettors. The differences emphasize that each form of gaming appears to cater to a distinct demographic.

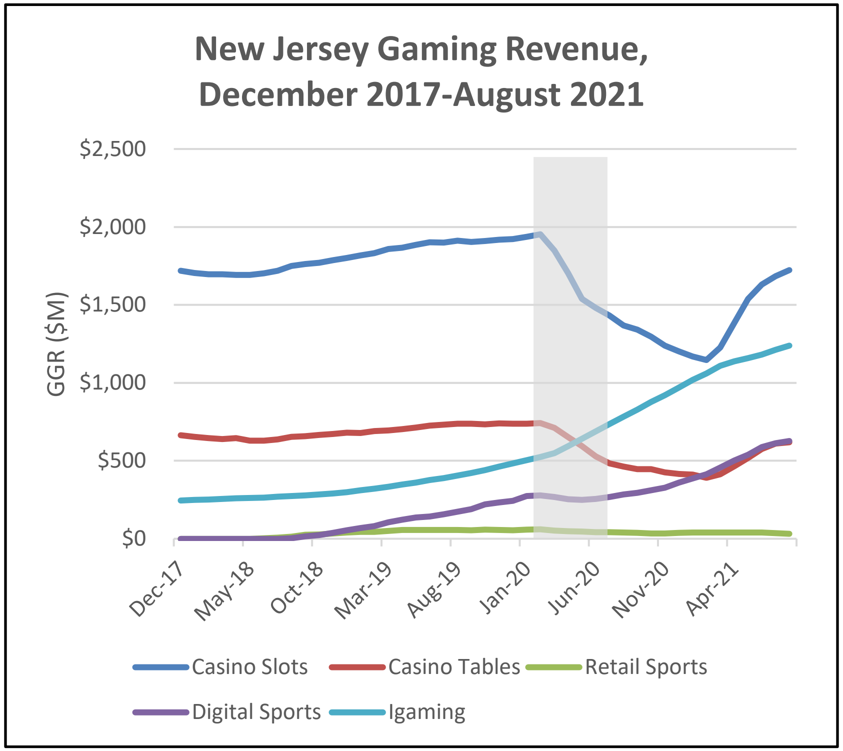


Source: Golden Nugget Online Gaming

Total Gaming Insight from New Jersey

New Jersey, the most tenured state for igaming and sports betting, experienced casino revenue growth during the ramp-up of both igaming and sports betting

- Prior to commencement of sports betting, from December 2017 through May 2018, rolling last-12-months ("LTM") slot revenue averaged about $1.7 billion, and table games revenue averaged $650 million
- After retail and digital sports betting commenced, from December 2018 through May 2019, rolling LTM slot machine revenue averaged $1.85 billion and table game revenue averaged $700 million, increases of 8.8% and 7.6%

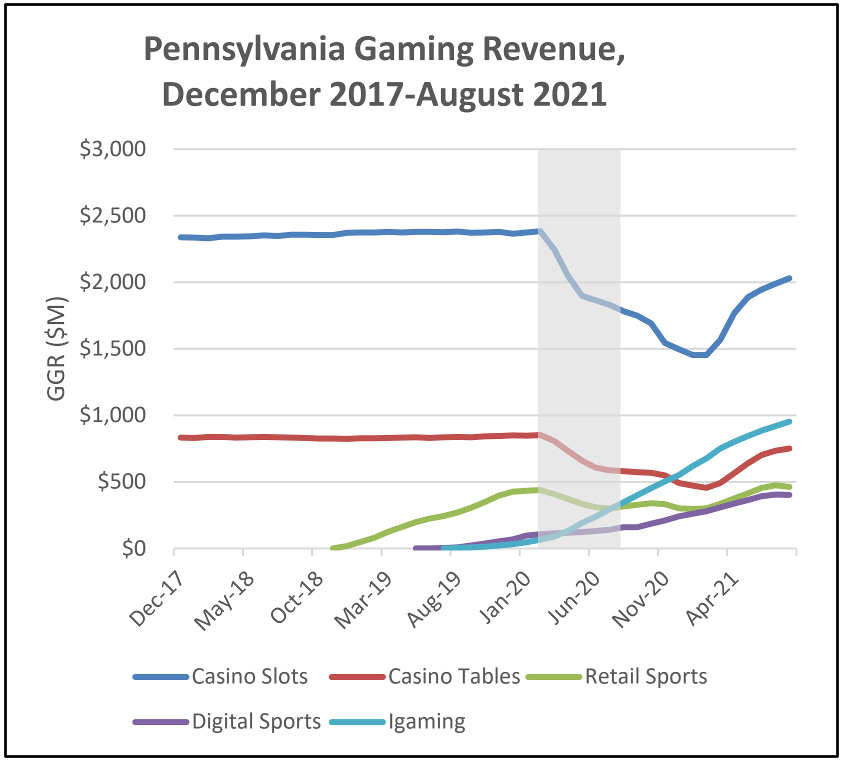


Source: New Jersey Division of Gaming Enforcement, Spectrum Gaming Group. Gray column shows period casinos were closed during the pandemic.

Total Gaming Insight from Pennsylvania

Although there was a modest uptick in casino revenue after sports betting was introduced in Pennsylvania, it was not as pronounced as New Jersey

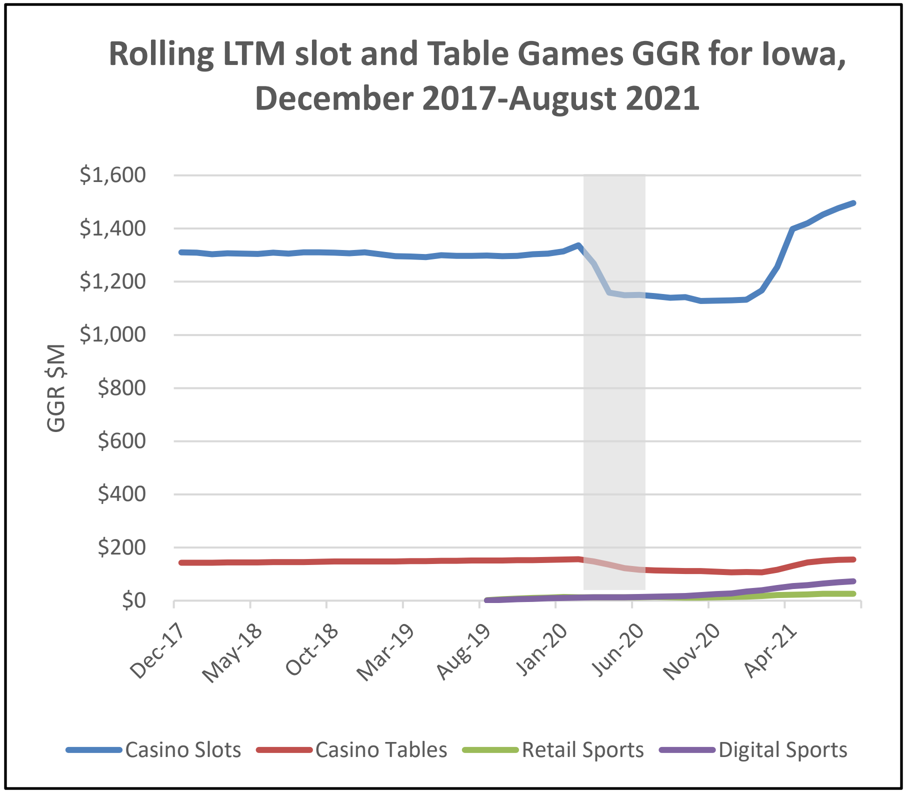
- Pennsylvania commenced sports betting in November 2019 and digital in July 2019
- Rolling LTM revenue averaged $2.35 billion from slots and $840 million from tables from December 2017 through October 2019
- After retail sports betting was launched, we observed a marginal (+1%) increase in slot play to $2.37 billion; table game play was relatively flat
  - However, after digital was introduced, table games revenue increased 2% to average $845 million
- Igaming commenced in July 2019, which could have tempered growth in casino activity as gamblers tried the online product



Source: Pennsylvania Gaming Control Board, Spectrum Gaming Group. Gray column shows period casinos were closed during the pandemic.

Total Gaming in Iowa: Experience and Key Takeaways

- In Iowa, table games revenue experienced a much more pronounced increase than slot revenue after sports betting was introduced (+4.7% vs +0.3%).
- Across all states observed (NJ, PA, RI, MS, IA), sports betting resulted in a positive increase in casino revenue, more pronounced for table games than slots.
- This comports with demographic studies Spectrum has reviewed that suggest table games players skew younger and have greater overlap with sports wagering demographic.
- Additionally, Spectrum believes that a compelling retail sportsbook will drive incremental traffic at the casino and can have a positive spillover effect on casino, food and beverage, and other revenue.



Source: State Gaming Commission, Spectrum Gaming Group.
Gray column shows period casinos were closed during the pandemic.

Evolution of Sports Wagering Will Bring Tech Advancements and New Products

- Spectrum believes sports betting will become increasingly "gamblified" through the increase of in-play wagering, skill-based wagering and esports wagering.
  - As the appetite for sports wagering grows, bookmakers will aim to continuously diversify product offering and betting opportunities to cater to different demographics and induce greater wagering volumes.
  - US sports are well suited for in-play wagering with all the stops/delays during a sporting event.
  - Esports betting will cater to an entirely different demographic than sports betting and is projected to grow 83% by 2024 ($880 million of GGR in 2024 vs. $480 million in 2021).
  - Additionally, media and league partnerships with sports betting entities will enable further integration between gambling and sports and entertainment.

About Spectrum Gaming Group

- Founded in 1993
- Specialize in studying, analyzing the economics, regulation and policy of legal gambling worldwide
- Policy of non-partisanship: We neither advocate for nor oppose legalized gambling
- Policy of independent research and analysis: We do not accept engagements that seek a preferred result; we tell clients what they need to know, not what they necessarily want to hear
- We have provided expertise in 42 US states and territories and in 48 countries on six continents. Clients include 22 US state and territory governments, six national governments, 22 Native American entities, numerous gaming companies (national and international) of all sizes, financial institutions, developers and other gaming-related entities
- We have testified or presented before 40 governmental bodies worldwide
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