

**PROJECTED ECONOMIC IMPACTS OF
PRESQUE ISLE DOWNS, INC. RACE TRACK AND SLOTS CASINO
ON THE NORTHWESTERN PENNSYLVANIA REGION**

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**March 6, 2006
Revised March 7, 2006**

Background

The development and operation of the proposed Presque Isle Downs, Inc. (PIDI) thoroughbred race track and slots casino (or, alternatively, racino) near the intersection of Interstate Highway 90 and State Route 97 in Summit Township in Erie County will involve substantial expenditures by PIDI, its employees, and its visitors. Those expenditures will stimulate economic activity throughout the Northwestern Pennsylvania region. The purchases of labor, supplies, and materials by the racino will generate indirect impacts as the providers of those goods and services, in turn, purchase labor, supplies, and materials from others. Similarly, the purchases of goods and services by PIDI employees will produce induced impacts as the suppliers of those outputs purchase and utilize labor and non-labor inputs. Finally, the purchases of food, beverages, lodging, and incidental items by racino visitors will induce analogous impacts from their suppliers.

Projected Resource Use, Revenues, and Expenditures

Economic impacts will be stimulated both during the construction of the racino and during its operation. As reported in Table 1, the estimated direct costs of constructing the racetrack, grandstand, casino facility, and associated infrastructure will be incurred mainly between 2005 and 2007, and will total \$183.9 million through 2010.

The projected expenditures on and use of key resources by PIDI for operation of the racino throughout the six-year period from 2005 through 2010 are summarized in Table 1 also. As shown in the table, PIDI plans to begin operation of the slots casino in November 2006 with 1,600 slot machines, and to add up to 400 slot machines in April 2007. Thereafter, at most 2,000 slot machines will be installed in the casino. Because the machines will not be produced within the region, their costs have not been included in Table 1 as sources of indirect economic impacts for the region.

Similarly, PIDI plans to initiate thoroughbred racing in late September or early October of 2007. It expects to have 15 days of racing in 2007, and to operate a full racing calendar with 100 days of racing in each subsequent year.

Table 1 next contains estimates of the net revenues that PIDI will earn from its operation of the slots casino and the racetrack, and the expenditures on labor and non-labor resources that PIDI will make in operating those facilities. Foremost among those expenditures are the wages, salaries, and benefits that will be paid to the projected 750 employees at the racino. That total includes 135 employees affiliated with the racetrack

and 625 employees affiliated with the slots casino. It is anticipated that employees will earn \$25,000 per year on average. The other key expenditures by PIDI that will stimulate indirect economic impacts within the region are: purchases of food and beverage supplies; expenditures on operating supplies, materials, and repairs; purchases of energy, water, and sewerage from public utilities; and spending on advertising and promotions.

Between 2006 and 2010, the net gaming revenues projected for the racino amount to \$593.5 million, of which \$579.7 million will be generated in the slots casino and \$13.9 million will originate at the racetrack. During that period, total expenditures on labor resources are projected to be almost \$75.0 million, and projected expenditures on the four key categories of non-labor resources total \$28.0 million.

Finally, Table 1 contains estimates of the net expenditures by visitors to the racino that will induce additional economic activity throughout the region. Their expenditures include their outlays, net of winnings, from playing slot machines in the casino and from pari-mutuel gaming on live and simulcast racing at the racetrack, and their spending outside the racino on food and beverages, lodging, and incidental items while partaking in that entertainment.

For local and regional residents, a portion of those expenditures would have been spent on alternative forms of entertainment or goods and services within the region if the racino were not available. Conversely, many of those racino visitors would otherwise have traveled to racetracks and casinos out of state in the absence of a racino in Erie County. Thus, the operation of Presque Isle Downs, Inc. will recover a portion of the expenditures that would otherwise have been made in other states by regional residents. The estimated net effect of such substitution and recovery of alternative expenditures in each year has been taken into account in the projections of net expenditures by visitors that are presented in Table 1.

As reported in the table, the projected spending by visitors to the racino on pari-mutuel and slot machine gaming, net of winnings, substitution, and recovery, totals \$539.2 million between 2006 and 2010. Their corresponding net expenditures on food, beverages, lodging, and incidentals in the region are \$276.6 million, in total, during that period.

Projected Direct, Indirect, and Induced Economic Impacts

Projections of the total direct, indirect, and induced economic impacts that, as explained above, will be stimulated by the construction and the first five years of operation of the racino are summarized in Table 2. The impact estimates have been produced by applying to the corresponding expenditure estimates in Table 1 economic multipliers from the Regional Input-Output Modeling System (RIMS II) that have been prepared by the Regional Economic Analysis Division of the Bureau of Economic Analysis in the U.S. Department of Commerce. The multipliers have been computed for the Northwestern Pennsylvania region consisting of Erie, Crawford, Warren, Mercer,

Venango, and Forest Counties. The multipliers produce estimates of the total impacts of the racino-related expenditures on the total output of all industries affected by the spending, on the earnings of households with workers employed in those industries, and on employment in those industries throughout the six-county region.

The estimates indicate that the planned \$183.9 million of direct expenditures on construction of the racino will stimulate, in total, \$352.9 million of direct, indirect, and induced output throughout the region. Associated with that incremental output will be \$109.8 million in earnings for regional workers. Those earnings will pay for 3,068 person-years of employment in the region.

The impacts of operation of the racino on output, earnings, and employment in the region and the county will also be substantial. Cumulatively over the five years from 2006 through 2010, the \$103.0 million of impact-stimulating expenditures on operation of the racino will yield an estimated \$115.9 million of additional output in the region. To produce that output, 1,031 additional person-years of labor will be provided by workers in the region, who will earn \$32.4 million.

Thus, in total, it is projected that the construction and the first five years of operation of the racino will generate cumulative economic impacts throughout the region consisting of \$468.8 million of additional output, \$142.3 million in additional earnings, and 4,099 additional person-years of employment.

Finally, additional economic impacts will be induced by the net expenditures by visitors to the racino on food and beverages outside the racino, on lodging, and on incidental items. As explained above, these projected impacts must account for the substitution of racino-related expenditures for expenditures that otherwise would have been made in the region, and the recovery of expenditures that otherwise would have been made outside of the region by people who will now visit the racino. Thus, the projections in the table do not attribute to the racino any economic activity that will occur in the region even if the racino is not constructed and operated. The estimates in Table 2 indicate that the \$276.6 million of relevant net expenditures by racino visitors between 2006 and 2010 will stimulate an additional \$458.0 billion of output, \$145.4 million in earnings, and 8,102 person-years of employment in the region throughout that period.

In summary, between 2005 and 2010, the construction and operation by Presque Isle Downs, Inc. of a racino in Summit Township and the incremental expenditures in Northwestern Pennsylvania by visitors to the racino will cumulatively stimulate throughout the region a projected \$926.8 million of additional output, 12,201 additional person-years of employment, and \$287.7 million of additional earnings for those workers during that six-year period.

Impacts on Tax Revenues

A preliminary estimate of the impacts of the proposed Presque Isle Downs, Inc. (PIDI) racino on the tax revenues of specific taxing authorities is summarized in Table 3. Estimates are presented for the federal government, for the Commonwealth of Pennsylvania, and for the local municipalities in the six county region of Northwestern PA. Further, these estimates include the initial application and licensing fees required by the Commonwealth, impacts during the start of the initial construction phase which occurred in 2005, as well as the estimated tax revenues for the first five years of operation (2006 through 2010).

The estimates are based primarily on the current tax rates for each type of tax considered, and in particular, the tax rates stipulated by the Commonwealth for the gaming industry, and specifically, for the operation of a slots casino in conjunction with a thoroughbred racetrack (i.e., a Category 1 license).

The federal government revenues are expected to result from the direct, indirect, and induced (DII) employment and earnings flowing from the operation of the PIDI racino. These include: Federal Insurance Contribution Act (FICA) taxes (i.e., Social Security and Medicare taxes) paid by employees and employers (totaling 15.3 percent); and federal unemployment taxes (of 6.2 percent) paid by employers under the Federal Unemployment Tax Act (FUTA), but also allowing for the maximum credit (of 5.4 percent), given that employers are also paying Pennsylvania unemployment taxes (discussed below). In addition, the PIDI racino will pay corporate income taxes (at marginal rates ranging from 34 to 38 percent) on the profits flowing from its endeavor each year.

In total, the federal government is expected to receive tax revenues of \$1.5 million in 2005 during the start of the construction, increasing to \$11.1 million in 2006 and to \$16.2 million by 2010, for a total of \$73.6 million over the 6-year period.

The Commonwealth will benefit from a variety of tax revenue sources. Some are specific to the slot machine operations, including the one time application and licensing fees, and four additional taxes levied on the gross slot revenues totaling 55 percent of these revenues in 2006 and 2007 and 52 percent of these revenues in 2008 through 2010 (when the PA Racehorse Development Fund tax rate is expected to drop to 9 percent from its maximum of 12 percent). The racetrack operation will also generate admission tax revenues of 5 percent and wagering tax revenues (on the total handle) of 0.875 percent.

Combined, the gross slot revenues are expected to produce tax revenues of \$10 million in 2006 increasing to almost \$77 million by 2010, for a total of \$306 million over the 5-year period. The racetrack admission and wagering tax revenues are expected to produce additional tax revenues of almost \$64 thousand in 2007 increasing to \$487 thousand by 2010, for a total of \$1.5 million over the 5-year period.

Pennsylvania personal income taxes (of 3.07 percent) and unemployment compensation taxes (of 0.09 percent) will be paid by individuals directly and indirectly employed as a result of the PIDI racino development. Pennsylvania employers, notably the PIDI racino and others benefiting from the racino operation, will also pay unemployment compensation taxes. This rate can vary between 2.208 percent and 10.3984 percent, based on an employer's experience rating. For this analysis, CONSAD used 3.752 percent, the rate applied to new employers.

These two taxes are expected to produce tax revenues of \$381 thousand in 2005 during the start of the construction, increasing to \$2.8 million in 2006 and to \$3.5 million in 2007, and then level off at about 2.6 million for 2008-2010, for a total of \$14.5 million over the 6-year period.

In addition, the Commonwealth will receive sales tax revenues of 6 percent on the direct, indirect, and induced (DII) net expenditures (i.e., sales) resulting from the PIDI racino operation, to the extent that these purchases are taxable items (most notably, the purchase of non-prepared food and clothing are not taxable). CONSAD adjusted the total DII sales to account for the taxable sales (it was estimated that approximately 50 percent of the total DII sales were purchases that are taxable).

The sales tax is expected to produce tax revenues of \$931 thousand in 2005 during the start of the construction, increasing to \$6.5 million in 2006 and to \$7 million in 2007, and then decreasing to \$4.6 million by 2010, for a total of \$27.8 million over the 6-year period.

Finally, the Commonwealth will receive corporate income tax revenues of 9.99 percent of the net income produced by the PIDI racino. These taxes are estimated at \$174 thousand in 2006 increasing to \$1.9 million by 2010, for a total of \$5.9 million over the 5-year period.

In total, the Commonwealth is expected to receive tax revenues of \$1.3 million in 2005, increasing to \$19.5 million in 2006 and to \$86.4 million by 2010, for a total of \$355.7 million over the 6-year period. With the one time application and licensing fees, the total tax revenues are estimated at \$406 million.

The local governments within the six county Northwestern PA region are also expected to receive tax revenues from a number of sources. First, the local municipalities will receive tax revenues on the earnings of workers directly and indirectly employed as a result of the PIDI racino. This will amount to about 1.13 percent of the direct, indirect, and induced (DII) earnings [almost all municipalities within the six county region levy a 1 percent earned income tax, but a few have earned income tax rates as high as 2.5 percent (the City of Erie levies a tax rate of 1.18 percent)]. In addition, an Emergency and Municipal Services (EMS) tax is levied by most municipalities on employees working in their jurisdiction, ranging from \$10 to \$52 per employee. Summit Township, where the PIDI racino is located, has an EMS tax of \$10, which it will receive from all

PIDI racino employees (and others working in the township). The remaining municipalities in the six county region have a weighted average EMS tax of about \$27 (based on the 18-64 working age population), which they will receive from workers indirectly employed as a result of the PIDI racino.

The earned income and EMS tax revenues are estimated at \$131 thousand in 2005 during the start of the construction, \$929 thousand in 2006 increasing to \$1.2 million in 2007, and then declining from 2008-2010 to \$806-\$864 thousand, for a total of \$4.7 million over the 6-year period.

Erie County will also receive increased hotel occupancy tax revenues equal to 5 percent of the direct hotel expenditures made by PIDI racino visitors in Erie County, to the extent that they can be attributable to visiting the racino. The five surrounding counties all have hotel occupancy taxes of 3 percent and may also receive some of these increased hotel occupancy tax revenues from the direct hotel expenditures made by PIDI racino visitors in their counties. However, because it is uncertain as to how to distribute the direct hotel expenditures among the six counties, the analysis presently assumes all hotel occupancy tax revenues will accrue to Erie County.

The hotel tax revenues are estimated at \$163 thousand in 2006 increasing to \$1.4 million by 2010, for a total of \$5.5 million over the 5-year period.

Summit Township (and the Fort LeBoeuf School District) will receive property tax revenues equal to 1.426 percent of the value of the PIDI racino and Erie County will receive property tax revenues equal to 0.468 percent of the value of the PIDI racino. The value of the racino has been estimated on the basis of the proposed total investment in land and property. The major capital expenditures are estimated to occur in 2006 and 2007, with less modest investments occurring in 2008 through 2010.

The property tax revenues are estimated at \$2.3 million in 2006 increasing to \$3.5 million by 2010, for a total of \$15.9 million over the 5-year period.

In total, the local government tax revenues are estimated at \$131 thousand in 2005 during the start of the construction, increasing to \$3.4 million in 2006 and to \$5.8 million by 2010, for a total of \$26 million over the 6-year period. It should be noted that these local tax estimates do not adequately represent the total amount of local tax revenues because the distribution of the Commonwealth's tax revenues, among local taxing authorities, and specifically related to the slot machine operations, has not yet been decided by the Commonwealth.

For all three governmental bodies, the total tax revenues estimated to be generated as a result of the Presque Isle Downs, Inc. (PIDI) racino are estimated at \$50.3 million in application and licensing fees in 2006, and then, another \$34 million in 2006 once the racino begins operations, increasing to \$108.3 million by 2010, for a total of \$505.7 million over the entire period of the analysis.

Impacts on Police Capabilities

The site where Presque Isle Downs, Inc. proposes to develop a racino is located in Summit Township. The township does not have a local police force. Instead, it relies on the State Police for enforcing the law and maintaining public order. Thus, any increase in the need for police services that might accompany operation of the racino will affect the capabilities of a large state agency, and not those of a local agency.

Also, for the proposed racino to have an adverse impact on police capability, its development and operation must have an adverse impact on crime. The available empirical evidence relating to this impact is, however, quite equivocal.

The most pertinent extant empirical evidence relates to the relationship between casinos and criminal activity. The most extensive statistical study of the effects of proximity to a casino on the incidence of crime is a multilevel time-series analysis conducted by the National Opinion Research Center (NORC) at the University of Chicago. The analysis was part of the Gambling Impact and Behavior Study that was conducted for the National Gambling Impact Study Commission (NGISC). It examined changes in a variety of annual county-level measures of criminal activity between 1980 and 1997 in a sample of 100 communities. Among those communities, the number located within 50 miles of a casino increased, without any reversions, from five in 1980 to 45 in 1997. The measures of criminal activity in each community included the numbers of larcenies, burglaries, motor vehicle thefts, assaults, and robberies per 100,000 population and two FBI crime indices. The results of the analysis detected no statistically significant increases in any of the crime measures throughout the 18-year period. Based on these results, the authors conclude:

This is not to say that there is no casino-related crime or the like; rather, these effects are either small enough as not to be noticeable in the general wash of the statistics, or whatever problems that are created along these lines when a casino is built may be countered by other effects.¹

The Gambling Impact and Behavior Study also included case studies of ten communities that had populations of at least 10,000 people and were located within 50 miles of at least one major casino. Interviews were conducted with seven or eight prominent people in each of the communities. In the interviews, an overall reduction in crime was reported in two communities, and three communities reported an overall increase. The patterns of changes in the rates of specific types of criminal activity also varied substantially among the ten communities.²

¹ National Opinion Research Center (NORC), *Gambling Impact and Behavior Study*, report to the National Gambling Impact study Commission, April 1, 1999, p. 70.

² *Ibid.*, p. 78.

In addition, in its report³, the NGISC explicitly cited two other studies of the relationship between casinos and criminal activity. First, in relation to white-collar crime, a study conducted by Jay S. Albanese reported:

An examination of arrest trends for embezzlement, forgery and fraud in nine of the largest casino markets shows no consistent pattern, although more jurisdictions report more decreases than increases in arrests.⁴

Second, based on a review of available information on gambling and crime in ten jurisdictions that have commercial casinos, Jeremy Margolis stated that he found little documentation of a causal relationship between casinos and crime.⁵

On the basis of those research results, the NGISC concluded: “Taken as a whole, the literature shows that communities with casinos are just as safe as communities that do not have casinos.”⁶ The absence of coherent empirical evidence that casinos are associated with elevated rates of criminal activity indicates that any adverse impacts of the proposed racino on police capabilities in and near Summit Township should be minor. In fact, the evidence suggests that the overall impacts of a well-managed casino on those capabilities might, on balance, be favorable.

Impacts on Demand for Affordable Housing

The development and operation of the proposed racino in Summit Township will doubtless be accompanied by increased demand for affordable housing by employees of the racino and any ancillary activities that are stimulated by the racino. Because the unemployment rate in Erie County is appreciably higher than the unemployment rate statewide (5.1 percent in Erie County and 4.3 percent statewide in December 2005), it is likely that much of the increased employment stimulated by the racino will be fulfilled by currently unemployed residents of the county. Thus, the additional housing units that will be demanded by new employees will likely correspond to a small portion of the increase in employment.

The available empirical evidence indicates that the supply of affordable residential real estate will be ample to satisfy that increase in demand. First, the *2003 American Community Survey* conducted by the U.S. Census Bureau estimated that there were 116,272 housing units in Erie County, of which 63,013 were specified as owner-occupied. Most of the remaining 53,259 units doubtless were rental units. Second, a tabulation of the residential properties that were listed as active and available in the

³ *National Gambling Study Commission Report*, Washington, DC, June 18, 1999, p. 7-14.

⁴ Jay S. Albanese, Ph.D., Professor and Chair, Department of Criminal Justice, Virginia Commonwealth University, “Casino Gambling and White Collar Crime: An Examination of the Evidence”, presented at *Gambling and Gaming: Winners or Losers?*, April 30, 1999, p. 32.

⁵ Jeremy Margolis, former director of Illinois State Police, former U.S. Attorney for Northern District of Illinois, and former Inspector General of Illinois, “Casinos and Crime: An Analysis of the Evidence, December 1977.

⁶ NGISC, *op. cit.*, p. 7-14.

Multiple Listing System of the Erie County Board of Realtors on December 16, 2005 identified 987 properties with an average value of \$85,665. Finally, data compiled by the Economics Division of the PNC Financial Services Group for February 2006 indicate that, in 2005, housing permits were issued in Erie County for 890 housing units, including 730 single family units. In combination, this information demonstrates that there should be more than enough affordable housing in the county to accommodate the increased employment that will be directly or indirectly generated by the racino.

Impact on Demand for Social Services

Much of the impact that development and operation of a racetrack or casino in any locality stimulates in the form of increased demand for health care, child care, and public transportation is associated with increases in population that are attracted by the racino rather than increases in the need for such services by preexisting residents. As explained above, however, much of the increased employment that will be stimulated by the racino will likely be fulfilled by currently unemployed residents of the county. Moreover, to the degree that health care, child care, or transportation services will be demanded by employees of the proposed racino in Summit Township, their cost will be defrayed by the wages, salaries, and benefits provided to the employees. Indeed, to the degree that racino employees and other workers whose employment is stimulated by the racino are currently receiving publicly funded social services, the public financing requirements for those services will decline.

Further, the available supply of health care resources in Erie County is sufficient to satisfy any increase in demand for health care services that development and operation of the racino generates. The major health care facilities in the county include: two tertiary facilities (Hamot Medical Center and Saint Vincent Health System) with 849 beds, two community hospitals (Corry Memorial Hospital and Millcreek Community Hospital) with 217 beds, one rehabilitation hospital (HealthSouth Rehabilitation Hospital of Erie) with 100 beds, one pediatric orthopedic hospital (Shriners Hospital for Children) with 30 beds, and one Veterans Medical Center with 87 beds. The staffs of those facilities collectively represent most medical specialties, and provide ample physician, nursing, medical technology, and therapeutic capabilities to serve the current and future demands of the county's population.

The supply of child care services in Erie County is less easily documented. Recent surveys of Erie County residents have not identified the availability of child care services as a problem, however.⁷ However, if the availability of services is inadequate to meet the

⁷ Brian Bosworth (2001), *Toward an Economic Development Strategy for Erie: Findings and Recommendations of Consultants*, The Future Works Company and Regional Technology Strategies, Inc., October 16; COMPASS (Community Objectives Met through a Partnership of All Segments of Society) (2001), *Household Survey and Community Forums: Summary of Overall Results*, prepared for the United Way of Erie County, May; Erie County Department of Housing assisted by Graney, Grossman, Ray, Colosimo and Associates, Inc. (2002), *The Erie County Citizen Survey: Draft*, February; Amy Onest (2002), *Perceptions of the Quality of Erie County Life from the COMPASS Study*, Final Report, Strategy Solutions, Inc., May.

demands of racino employees, PIDI has indicated its willingness to consider adding a day care center in existing outbuildings on its site that would provide child care services that would comply with all applicable state and local guidelines.

Except for school transportation, people in Northwestern Pennsylvania do not rely heavily on public transportation. Thus, adverse impacts of the racino on traffic flow and congestion are more pertinent concerns than are impacts on public transportation. PIDI will mitigate those impacts by making improvements to specific intersections and traffic routes that will serve the racino and that have been required by Summit Township and the Pennsylvania Department of Transportation. The extension of Pennbriar Drive, in particular, will have the favorable effect of enhancing response times for emergency vehicles to certain sites.

Finally, in a study commissioned by the USA Niagara Development Corporation with the Center on Gaming Research (CGR), the NORC was "...unable to detect a statistically significant association between the presence of a casino and community-wide indicators of social dysfunction, e.g., divorce rates, health impacts, and others."⁸ Yet, in its report to the NGISC, the NORC also states: "The availability of a casino within 50 miles (versus 50-250 miles) is associated with about double the prevalence of problem and pathological gamblers, according to the combined patron and survey results."⁹ The prevalence rates are not different, however, in the results from the telephone survey alone. Moreover, the patron survey was expressly designed to intercept patrons of gambling facilities, with the specific intent of interviewing an atypically large proportion of problem and pathological gamblers. Comparison of the results from the two surveys indicates that the patron survey was successful in fulfilling its specific intent. Only when the results obtained from this intentionally atypical group of respondents were combined with the results from the representative group of respondents to the telephone survey was a difference in prevalence rates detected. The notable difference in results from the telephone survey alone and from the two surveys in combination makes any inference drawn from the entire body of evidence quite equivocal. In addition, the degree to which any difference in prevalence rates that might exist among communities with different proximity to casinos is due to pathological gamblers being attracted to areas where casinos are located rather than to the actuation of latent problem or pathological gamblers is unknown.

Nevertheless, if problem or pathological gambling is detected at the racino, PIDI's compliance with the provisions of the Gaming Act will be sufficient to avoid adverse impacts from problem or pathological gambling on the delivery of social services in the region. Gaming facilities operated by the MTR Gaming Group in other jurisdictions have successfully mitigated such impacts by implementing similar programs.

⁸ CGR, Inc. (2005). *Seneca Niagara Casino, Fiscal and Economic Impact on Niagara Falls, NY*. Prepared for: USA Niagara Development Corporation, June, p. 14.

⁹ NORC (1999), *Op. cit.*, p. ix.

Impacts on Tourism, Including Historical and Cultural Resources

The study commissioned by the USA Niagara Development Corporation with the CGR focused on competitive analysis of existing casinos and new casinos proposed for Niagara Falls. The analysis revealed that "...in urban settings, there is a little evidence that these operations [casinos] destroy other sectors in the leisure industry."¹⁰ Indeed, part of Niagara Falls' economic development plan is to target tax revenues generated from casinos to promote additional special events. The racino in Summit Township should have similar favorable effects on tourism in Erie County and throughout the region.

Further, with regard to historical and cultural resources, PIDI has commissioned Christine Davis Consultants from Verona, Pennsylvania to conduct Phase I and Phase II archaeological surveys on the site of the racino. The surveys discovered six artifacts that were recovered from the site and donated to the Pennsylvania Historic and Museum Commission. Preservation of those artifacts is a direct favorable consequence of development of the racino.

¹⁰ CGR, Inc. (2005), *Op. cit.*

Table 1: Projected Resource Use, Gaming Revenues, and Expenditures by Presque Isle Downs, Inc. and Visitors

Activity	Resource Use or Expenditure Category	Year					Total	
		2005	2006	2007	2008	2009		2010
Construction	Expenditure	\$16,162,782	\$103,944,840	\$56,590,909	\$1,330,874	\$2,880,278	\$2,966,686	\$183,876,369
Operation	Slot machines	1,600 ^a	2,000 ^b	2,000	2,000	2,000	2,000	---
	Total casino gaming revenues ^c	\$18,240,000	\$131,788,800	\$138,998,000	\$143,167,940	\$147,462,978	\$147,462,978	\$579,657,718
	Total pari-mutuel gaming revenues	\$600,000	\$4,300,000	\$4,429,000	\$4,561,870	\$4,561,870	\$4,561,870	\$13,890,870
	Employment	615 ^d	750 ^e	750	750	750	750	---
	Expenditures							
	Labor (payroll @ \$25,000 / year)	\$2,562,500	\$16,218,750	\$16,218,750	\$18,750,000	\$18,750,000	\$18,750,000	\$75,031,250
	Food and beverage supplies	\$151,848	\$1,097,142	\$1,097,142	\$1,157,158	\$1,191,873	\$1,227,629	\$4,825,651
Total operating supplies and repairs	\$238,032	\$1,821,844	\$1,821,844	\$2,544,924	\$2,621,272	\$2,699,910	\$9,925,981	
Total utilities	\$65,071	\$542,157	\$542,157	\$1,011,875	\$1,042,232	\$1,073,499	\$3,734,833	
Advertising and promotions	\$410,000	\$2,000,000	\$2,000,000	\$2,300,000	\$2,369,000	\$2,440,070	\$9,519,070	
Visitors	Visitor expenditures (net of substitution and recovery)							
	Net visitor gaming expenditure	\$16,648,661	\$120,729,790	\$120,729,790	\$130,016,152	\$133,916,636	\$137,934,135	\$539,245,374
	Net visitor food and beverage expenditure	\$4,116,569	\$30,107,690	\$30,107,690	\$33,981,822	\$35,001,277	\$36,051,315	\$139,258,673
	Net visitor hotel/motel expenditure	\$3,259,104	\$23,819,721	\$23,819,721	\$26,784,164	\$27,587,689	\$28,415,320	\$109,865,999
	Net visitor incidental expenditure	\$811,869	\$5,938,941	\$5,938,941	\$6,709,845	\$6,911,140	\$7,118,474	\$27,490,268

^a 1,600 slot machines between November 7, 2006 and December 31, 2006.

^b 1,600 slot machines between January 1, 2007 and March 31, 2007; 2,000 slot machines between April 1, 2007 and December 31, 2007.

^c Projected average net win per day is \$190.

^d 615 workers employed in slots casino during November and December 2006.

^e 615 workers employed in slots casino all year; 135 workers employed at racetrack during October through December 2007.

**Table 2: Projected Total Direct, Indirect, and Induced Economic Impacts from Expenditures
by Presque Isle Downs, Inc., Its Employees and Its Visitors and Visitors**

Impacts on Outputs of All Affected Industries										
Activity	Source of Impacts Resource Use or Expenditure Category	Era / Year					Total			
		2005	2006	2007	2008	2009		2010		
Construction		\$31,021,227	\$199,501,331	\$108,614,932	\$2,554,347	\$5,528,117	\$5,693,961	\$352,913,916		
Operation	Employee wages and salaries		\$2,474,863	\$15,664,069	\$18,108,750	\$18,108,750	\$18,108,750	\$90,543,750		
	Food and beverage supplies		\$233,542	\$1,687,404	\$1,779,710	\$1,833,101	\$1,888,094	\$7,421,850		
	Operating supplies and repairs		\$366,093	\$2,801,996	\$3,914,093	\$4,031,516	\$4,152,461	\$15,266,159		
	Utilities		\$98,498	\$820,662	\$1,531,676	\$1,577,626	\$1,624,955	\$6,026,901		
	Advertising and promotions		\$633,860	\$3,092,000	\$3,555,800	\$3,662,474	\$3,772,348	\$14,716,482		
Casino visitors	Food and beverage expenditure		\$7,148,422	\$52,282,003	\$69,009,434	\$60,779,717	\$62,603,109	\$241,822,685		
	Hotel/motel expenditure		\$5,113,535	\$37,373,143	\$42,024,354	\$43,285,085	\$44,583,637	\$172,379,753		
	Incidental expenditure		\$1,292,982	\$9,458,357	\$10,686,098	\$11,006,681	\$11,336,882	\$43,781,001		
Total net impact		\$31,021,227	\$216,863,127	\$231,794,566	\$143,164,262	\$149,813,067	\$153,764,196	\$944,872,497		
Impacts on Earnings of Households Employed in All Affected Industries										
Activity	Source of Impacts Resource Use or Expenditure Category	Era / Year					Total			
		2005	2006	2007	2008	2009		2010		
Construction		\$9,494,018	\$61,057,199	\$33,241,500	\$781,756	\$1,691,875	\$1,742,631	\$109,847,743		
Operation	Employee wages and salaries		\$687,775	\$4,353,113	\$5,032,500	\$5,032,500	\$5,032,500	\$25,162,500		
	Food and beverage supplies		\$68,301	\$493,494	\$520,490	\$536,105	\$552,188	\$2,169,612		
	Operating supplies and repairs		\$107,067	\$819,465	\$1,144,707	\$1,179,048	\$1,214,419	\$4,462,721		
	Utilities		\$19,873	\$165,575	\$309,027	\$318,298	\$327,846	\$1,140,618		
	Advertising and promotions		\$194,750	\$950,000	\$1,092,500	\$1,125,275	\$1,159,033	\$4,521,558		
Casino visitors	Food and beverage expenditure		\$3,971,666	\$29,047,899	\$32,785,662	\$33,769,232	\$34,782,309	\$77,260,712		
	Hotel/motel expenditure		\$1,628,900	\$11,905,097	\$13,386,725	\$13,788,327	\$14,201,977	\$54,911,026		
	Incidental expenditure		\$391,889	\$2,866,727	\$3,238,842	\$3,336,007	\$3,436,087	\$13,269,552		
Total net impact		\$9,494,018	\$68,127,420	\$83,842,869	\$58,292,208	\$60,776,666	\$62,448,991	\$292,746,044		
Impacts on Employment in All Affected Industries										
Activity	Source of Impacts Resource Use or Expenditure Category	Era / Year					Total			
		2005	2006	2007	2008	2009		2010		
Construction		270	1,735	944	22	48	50	3,068		
Operation	Employee wages and salaries		25	157	181	181	181	905		
	Food and beverage supplies		2	12	13	13	13	53		
	Operating supplies and repairs		3	20	28	29	30	109		
	Utilities		0	3	6	6	6	22		
	Advertising and promotions		5	26	30	31	31	123		
Casino visitors	Food and beverage expenditure		152	1,110	1,252	1,290	1,329	5,133		
	Hotel/motel expenditure		71	522	587	604	623	2,407		
	Incidental expenditure		17	121	137	141	146	562		
Total net impact		270	2,009	2,915	2,256	2,343	2,408	12,382		

Table 3: Projected Tax Revenues from Presque Isle Downs, Inc. to Different Taxing Authorities

Taxing Authority	Tax Type	Tax Basis	Tax Rate	Year of Operation						Total	
				2005	2006	2007	2008	2009	2010		
Federal Government	Federal Insurance Contribution Tax (FICA) (employer and employee paid)	Regional Direct Indirect Induced (DII) earnings	0.153	\$1,452,585	\$10,423,495	\$12,827,959	\$8,918,708	\$9,298,830	\$9,554,696	\$52,476,273	
	Federal Unemployment Tax Act (FUTA) Tax (employer paid)	First \$7000 of wages per employee for total DII employment	0.008	\$15,120	\$112,504	\$163,237	\$126,334	\$131,230	\$134,863	\$683,287	
	Corporate Income Taxes	Income from \$335,000 to \$10 million	0.34	\$0	\$592,697	\$4,131,782	\$4,084,605	\$5,167,614	\$6,516,916	\$20,493,614	
	<i>Total Federal Expected Tax Revenue</i>				\$1,467,705	\$11,128,696	\$17,122,978	\$13,129,647	\$14,597,674	\$16,206,474	\$73,653,174
Commonwealth of Pennsylvania	Application Fees (Category 1)	One Time	NA	\$321,250	\$0	\$0	\$0	\$0	\$0	\$321,250	
	Licensing Fees (Category 1)	One Time	NA	\$0	\$50,000,000	\$0	\$0	\$0	\$0	\$50,000,000	
	Slot Machine Taxes	Gross Slot Revenues	0.34	\$0	\$6,201,600	\$44,808,192	\$47,259,320	\$48,677,100	\$50,137,413	\$197,083,624	
	Host Community Facility Tax (Category 1)	Gross Slot Revenues	0.04	\$0	\$729,600	\$5,271,552	\$5,559,920	\$5,726,718	\$5,898,519	\$23,186,309	
	Economic Development and Tourism Tax	Gross Slot Revenues	0.05	\$0	\$912,000	\$6,589,440	\$6,949,900	\$7,158,397	\$7,373,149	\$28,982,886	
	PA Racehorse Development Fund	Gross Slot Revenues	0.12	\$0	\$2,188,800	\$15,814,656	\$12,509,820	\$12,885,115	\$13,271,668	\$56,670,059	
	Racetrack Admission Taxes	Admission Revenues	0.05	\$0	\$0	\$1,939	\$13,895	\$14,312	\$14,741	\$44,887	
	Racetrack Wagering Taxes	Total Handle	0.00875	\$0	\$0	\$62,073	\$444,859	\$458,205	\$471,951	\$1,437,089	
	Personal Income Tax and PA Unemployment Compensation Tax (employee paid)	Regional Direct Indirect Induced (DII) earnings	0.0316	\$300,011	\$2,152,826	\$2,649,435	\$1,842,034	\$1,920,543	\$1,973,388	\$10,838,237	
	PA Unemployment Compensation Tax (employer paid)	First \$8000 of wages per employee for total DII employment	0.03752	\$81,043	\$603,020	\$874,948	\$677,148	\$703,394	\$722,866	\$3,662,420	
	Sales Taxes	Adjusted Regional Direct Indirect Induced (DII) net expenditures (taxable sales)	0.06	\$930,637	\$6,505,894	\$6,953,837	\$4,294,928	\$4,494,392	\$4,612,926	\$27,792,613	
	Corporate Income Taxes	Net Income	0.0999	\$0	\$174,148	\$1,207,872	\$1,194,406	\$1,503,131	\$1,860,114	\$5,939,670	
	<i>Total Pennsylvania Expected Tax Revenue</i>				\$1,632,941	\$69,467,889	\$84,233,943	\$80,746,230	\$83,541,305	\$86,336,735	\$403,959,043
	Local Governments (within six county Northwestern PA region)	Earned Income Tax (six county region)	Regional Direct Indirect Induced (DII) earnings	0.013	\$123,422	\$885,656	\$1,089,957	\$757,799	\$790,097	\$811,837	\$4,458,768
Emergency and Municipal Services Tax (per employee) (within Summit Township)		Total Direct Employment for the Slot Machine and Racetrack Operations	\$10.00	\$0	\$6,150	\$7,500	\$7,500	\$7,500	\$7,500	\$36,150	
Emergency and Municipal Services Tax (per employee) (within remaining six county region)		Regional Direct Indirect Induced (DII) Employment less racino employment	\$27.00	\$7,290	\$37,638	\$58,453	\$40,661	\$43,022	\$44,773	\$231,837	
Erie County Hotel Taxes		Direct hotel expenditures by racino visitors	0.05	\$0	\$162,955	\$1,190,986	\$1,339,208	\$1,379,384	\$1,420,766	\$5,493,300	
Summit Township Real Estate Property Tax		Racino Construction Cost	0.01426	\$0	\$1,712,735	\$2,519,721	\$2,538,699	\$2,579,772	\$2,622,077	\$11,973,004	
Erie County Real Estate Property Tax		Racino Construction Cost	0.00468	\$0	\$562,104	\$826,949	\$833,178	\$846,657	\$860,541	\$3,929,429	
<i>Total Local Expected Tax Revenue</i>				\$130,712	\$3,367,238	\$5,693,567	\$5,517,045	\$5,646,432	\$5,767,495	\$26,122,489	
TOTAL ANNUAL EXPECTED TAX REVENUES				\$3,231,358	\$83,963,823	\$107,050,488	\$99,392,921	\$103,785,411	\$108,310,704	\$505,734,705	

**ORIGINAL Table 2: Projected Total Direct, Indirect, and Induced Economic Impacts from Expenditures
by Presque Isle Downs, Inc., Its Employees and Its Visitors and Visitors**

Impacts on Outputs of All Affected Industries												
Source of Impacts		Era / Year										Total
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	2010	2010	2010	2010	
Construction		\$31,021,227	\$199,501,331	\$108,614,932	\$2,554,347	\$5,528,117	\$5,693,961					\$352,913,916
Operation	Employee wages and salaries		\$2,474,863	\$15,664,069	\$18,108,750	\$18,108,750	\$18,108,750	\$18,108,750	\$18,108,750	\$18,108,750	\$18,108,750	\$72,465,181
	Food and beverage supplies		\$233,542	\$1,687,404	\$1,779,710	\$1,888,094	\$1,888,094	\$1,888,094	\$1,888,094	\$1,888,094	\$1,888,094	\$7,421,850
	Operating supplies and repairs		\$366,093	\$2,801,996	\$3,914,093	\$4,031,516	\$4,152,461	\$4,273,406	\$4,394,351	\$4,515,296	\$4,636,241	\$15,266,159
	Utilities		\$98,498	\$820,662	\$1,531,676	\$1,577,626	\$1,624,955	\$1,672,284	\$1,719,613	\$1,766,942	\$1,814,271	\$5,653,417
	Advertising and promotions		\$633,860	\$3,092,000	\$3,555,800	\$3,662,474	\$3,772,348	\$3,882,222	\$3,992,096	\$4,101,970	\$4,211,844	\$14,716,482
Casino visitors	Food and beverage expenditure		\$7,148,422	\$52,282,003	\$69,009,434	\$60,779,717	\$62,603,109	\$64,426,501	\$66,250,893	\$68,075,285	\$69,900,677	\$241,822,685
	Hotel/motel expenditure		\$5,113,535	\$37,373,143	\$42,024,354	\$43,285,085	\$44,545,816	\$45,806,547	\$47,067,278	\$48,328,009	\$49,588,740	\$172,379,753
	Incidental expenditure		\$1,292,982	\$9,458,357	\$10,686,098	\$11,006,681	\$11,327,264	\$11,647,847	\$11,968,430	\$12,288,013	\$12,608,596	\$43,781,001
Total net impact		\$31,021,227	\$216,863,127	\$231,794,566	\$143,164,262	\$149,813,067	\$153,764,196	\$157,715,325	\$161,666,454	\$165,617,583	\$169,568,712	\$926,420,445
Impacts on Earnings of Households Employed in All Affected Industries												
Source of Impacts		Era / Year										Total
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	2010	2010	2010	2010	
Construction		\$9,494,018	\$61,057,199	\$33,241,500	\$181,766	\$1,691,875	\$1,742,631					\$108,008,979
Operation	Employee wages and salaries		\$687,775	\$4,353,113	\$5,032,500	\$5,032,500	\$5,032,500	\$5,032,500	\$5,032,500	\$5,032,500	\$5,032,500	\$20,138,388
	Food and beverage supplies		\$68,301	\$493,494	\$520,490	\$536,105	\$552,188	\$567,771	\$583,356	\$598,941	\$614,526	\$2,170,578
	Operating supplies and repairs		\$107,067	\$819,465	\$1,144,707	\$1,179,048	\$1,214,419	\$1,249,780	\$1,285,141	\$1,320,502	\$1,355,863	\$4,464,706
	Utilities		\$19,873	\$165,575	\$309,027	\$318,298	\$327,846	\$337,394	\$346,942	\$356,490	\$366,038	\$1,401,618
	Advertising and promotions		\$194,750	\$950,000	\$1,092,500	\$1,125,275	\$1,159,033	\$1,192,791	\$1,226,549	\$1,260,307	\$1,294,065	\$4,521,558
Casino visitors	Food and beverage expenditure		\$3,971,666	\$29,047,899	\$32,785,662	\$33,769,232	\$34,752,802	\$35,736,372	\$36,720,942	\$37,704,512	\$38,688,082	\$134,356,768
	Hotel/motel expenditure		\$1,628,900	\$11,905,097	\$13,386,725	\$13,768,327	\$14,150,929	\$14,533,531	\$14,916,133	\$15,298,735	\$15,681,337	\$54,911,026
	Incidental expenditure		\$391,889	\$2,866,727	\$3,238,842	\$3,336,007	\$3,433,172	\$3,530,337	\$3,627,502	\$3,724,667	\$3,821,832	\$13,269,552
Total net impact		\$9,494,018	\$68,127,420	\$83,842,869	\$58,292,208	\$60,776,666	\$62,448,991	\$64,121,316	\$65,793,641	\$67,465,966	\$69,138,291	\$342,982,174
Impacts on Employment in All Affected Industries												
Source of Impacts		Era / Year										Total
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	2010	2010	2010	2010	
Construction		270	1,735	944	22	48	50					3,068
Operation	Employee wages and salaries		25	157	181	181	181	181	181	181	181	724
	Food and beverage supplies		2	12	13	13	13	13	13	13	13	53
	Operating supplies and repairs		3	20	28	29	30	30	30	30	30	109
	Utilities		0	3	6	6	6	6	6	6	6	22
	Advertising and promotions		5	26	30	31	31	31	31	31	31	123
Casino visitors	Food and beverage expenditure		152	1,110	1,252	1,290	1,329	1,367	1,406	1,444	1,483	5,133
	Hotel/motel expenditure		71	522	587	604	623	641	659	677	695	2,407
	Incidental expenditure		17	121	137	141	146	151	156	161	166	562
Total net impact		270	2,009	2,915	2,256	2,343	2,408	2,473	2,538	2,603	2,668	12,201

**CORRECTED Table 2: Projected Total Direct, Indirect, and Induced Economic Impacts from Expenditures
by Presque Isle Downs, Inc., Its Employees and Its Visitors and Visitors**

Impacts on Outputs of All Affected Industries															
Source of Impacts		Era / Year													
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	Total	2005	2006	2007	2008	2009	2010	Total
Construction		\$31,021,227	\$199,501,331	\$108,614,932	\$2,554,347	\$5,528,117	\$5,693,961	\$352,913,916							
Operation	Employee wages and salaries		\$2,474,863	\$15,664,069	\$18,108,750	\$18,108,750	\$18,108,750	\$72,465,181							
	Food and beverage supplies		\$233,542	\$1,687,404	\$1,779,710	\$1,833,101	\$1,888,094	\$7,421,850							
	Operating supplies and repairs		\$366,093	\$2,801,996	\$3,914,093	\$4,031,516	\$4,152,461	\$15,266,169							
	Utilities		\$105,005	\$874,878	\$1,632,863	\$1,691,849	\$1,732,305	\$6,026,901							
	Advertising and promotions		\$633,860	\$3,092,000	\$3,555,800	\$3,662,474	\$3,772,348	\$14,716,482							
Casino visitors	Food and beverage expenditure		\$7,148,422	\$52,282,003	\$69,009,434	\$60,779,717	\$62,603,109	\$241,822,686							
	Hotel/motel expenditure		\$5,113,535	\$37,373,143	\$42,024,354	\$43,285,085	\$44,583,637	\$172,379,753							
	Incidental expenditure		\$1,292,982	\$9,458,357	\$10,686,098	\$11,006,681	\$11,336,882	\$43,810,001							
Total net impact		\$31,021,227	\$216,869,634	\$231,848,781	\$143,265,450	\$149,917,290	\$153,871,546	\$926,793,929							
Impacts on Earnings of Households Employed in All Affected Industries															
Source of Impacts		Era / Year													
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	Total	2005	2006	2007	2008	2009	2010	Total
Construction		\$9,655,646	\$62,096,647	\$33,807,409	\$195,064	\$1,720,678	\$1,772,298	\$109,847,743							
Operation	Employee wages and salaries		\$687,775	\$4,353,113	\$5,032,500	\$5,032,500	\$5,032,500	\$20,138,388							
	Food and beverage supplies		\$68,271	\$493,275	\$520,258	\$535,866	\$551,942	\$2,169,612							
	Operating supplies and repairs		\$107,019	\$819,101	\$1,144,198	\$1,178,524	\$1,213,879	\$4,462,721							
	Utilities		\$19,873	\$165,575	\$309,027	\$318,298	\$327,846	\$1,140,618							
	Advertising and promotions		\$194,750	\$950,000	\$1,092,500	\$1,125,275	\$1,159,033	\$4,521,558							
Casino visitors	Food and beverage expenditure		\$2,283,873	\$16,703,746	\$18,853,115	\$19,418,708	\$20,001,270	\$77,260,712							
	Hotel/motel expenditure		\$1,628,900	\$11,905,097	\$13,386,725	\$13,788,327	\$14,201,977	\$54,911,026							
	Incidental expenditure		\$391,889	\$2,866,727	\$3,288,842	\$3,336,007	\$3,436,087	\$13,269,552							
Total net impact		\$9,655,646	\$67,478,997	\$72,064,042	\$44,372,230	\$46,454,183	\$47,696,634	\$287,721,931							
Impacts on Employment in All Affected Industries															
Source of Impacts		Era / Year													
Activity	Resource Use or Expenditure Category	2005	2006	2007	2008	2009	2010	Total	2005	2006	2007	2008	2009	2010	Total
Construction		270	1,735	944	22	48	50	3,068							
Operation	Employee wages and salaries		25	157	181	181	181	724							
	Food and beverage supplies		2	12	13	13	13	53							
	Operating supplies and repairs		3	20	28	29	30	109							
	Utilities		0	3	6	6	6	22							
	Advertising and promotions		5	26	30	31	31	123							
Casino visitors	Food and beverage expenditure		152	1,110	1,252	1,290	1,329	5,133							
	Hotel/motel expenditure		71	522	587	604	623	2,407							
	Incidental expenditure		17	121	137	141	146	562							
Total net impact		270	2,009	2,915	2,256	2,343	2,408	12,201							

\$926,793,929

\$287,721,931

\$12,201

