



**THE NELSON A.
ROCKEFELLER
INSTITUTE
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HIGHLIGHTS

- State-local gambling revenues from lotteries, casinos, racinos, and pari-mutuel wagering increased by 2.0 percent in fiscal 2010, but were still 0.5 percent lower than collections in FY 2008. One state, Pennsylvania, accounted for nearly half the nationwide growth in 2010.
- At least 10 states enacted measures to expand gambling and generate more revenues in the wake of the Great Recession.
- In fiscal 2010, the 43 states with legalized lottery operations collected about \$417 million or 2.6 percent more in income from state lotteries, the largest source of gambling revenue, than in the previous year.
- Total state-local revenues from commercial casinos increased by 0.4 percent in fiscal 2010, but were still 7.7 percent below the level of 2008.
- The 12 states that have racinos collected \$2.9 billion in fiscal 2010, a 2.7 percent increase from the previous year.
- New York continues to lead the states in total gambling-related revenues, followed by Pennsylvania, Florida and New Jersey.

Back in the Black

States' Gambling Revenues Rose in 2010

Lucy Dadayan and Robert B. Ward

Introduction

Gambling revenues to states rose modestly in fiscal 2010, with a 2.0 percent gain from the preceding year. The increase put gambling revenues back in the black after a 2.5 percent decline in the previous year, but collections in 2010 were still slightly below the 2008 level.

Interstate competition continues to produce both winners and losers among states, particularly in the Northeast. Results in fiscal 2010 confirmed that state-sanctioned gambling tends to generate relatively slow revenue growth, except when policymakers expand the market by authorizing new casinos or other operations. As with other fiscal choices, states may overlook the short-term nature of rapid growth in such revenue, ignoring longer-range implications as they balance annual budgets.

This report examines the four major types of legalized gambling from which states earn significant revenues — lotteries, casinos, racinos (hybrids of casinos and racetracks), and traditional pari-mutuel wagering. In addition, the report provides an overview of revenues from Indian casinos in states for which we were able to collect data.

State-sanctioned and operated gambling has expanded gradually and continuously over the last four decades. From the late 1970s until 2008, overall gambling revenue rose every year as one reflection of broader increases in consumer spending and as state policymakers broadened the range of legalized gambling activities. Fiscal 2009 brought the first year-to-year decline of state lotteries and related games during the modern era. Overall gambling revenue to states fell by 2.5 percent that year, we showed in a September 2009 report.¹

Currently, 43 states operate lotteries, 15 allow commercial casinos,² 12 have racinos, and over 40 states allow pari-mutuel wagering. Lotteries and casinos generate the bulk of gambling-related revenues. While traditional casinos experienced dramatic growth during the 1990s, much of that growth has shifted to racinos in recent years as more states have approved such facilities. Pari-mutuel betting, once the major source of gambling revenue for states, now represents less than 1 percent of the total.

All states except Hawaii and Utah collect revenue from lotteries, casinos, racinos, or pari-mutuel wagering. (In Alaska, legal gambling occurs only where sponsored by Native American tribes.) When tax revenue weakens during economic downturns, states often consider expanded gambling among other options for balancing budgets. Such has clearly been the case during the Great Recession and its aftermath, as states have searched for ways to offset sharp declines in tax revenues. In fiscal 2010, at least 10 states enacted measures to expand gambling. Pennsylvania legalized poker and other table games at its casinos and racinos. New York joined nine other states in a multi-state lottery game and expects to generate some \$19 million in additional revenue as a result. New Hampshire imposed a 10 percent tax on gambling winnings greater than \$600 annually. Looking forward, Ohio is preparing for the 2012 opening of four casinos as a result of a voter-approved referendum in 2009. Officials in Massachusetts and Maine are among those continuing to study potential legalization of casinos.

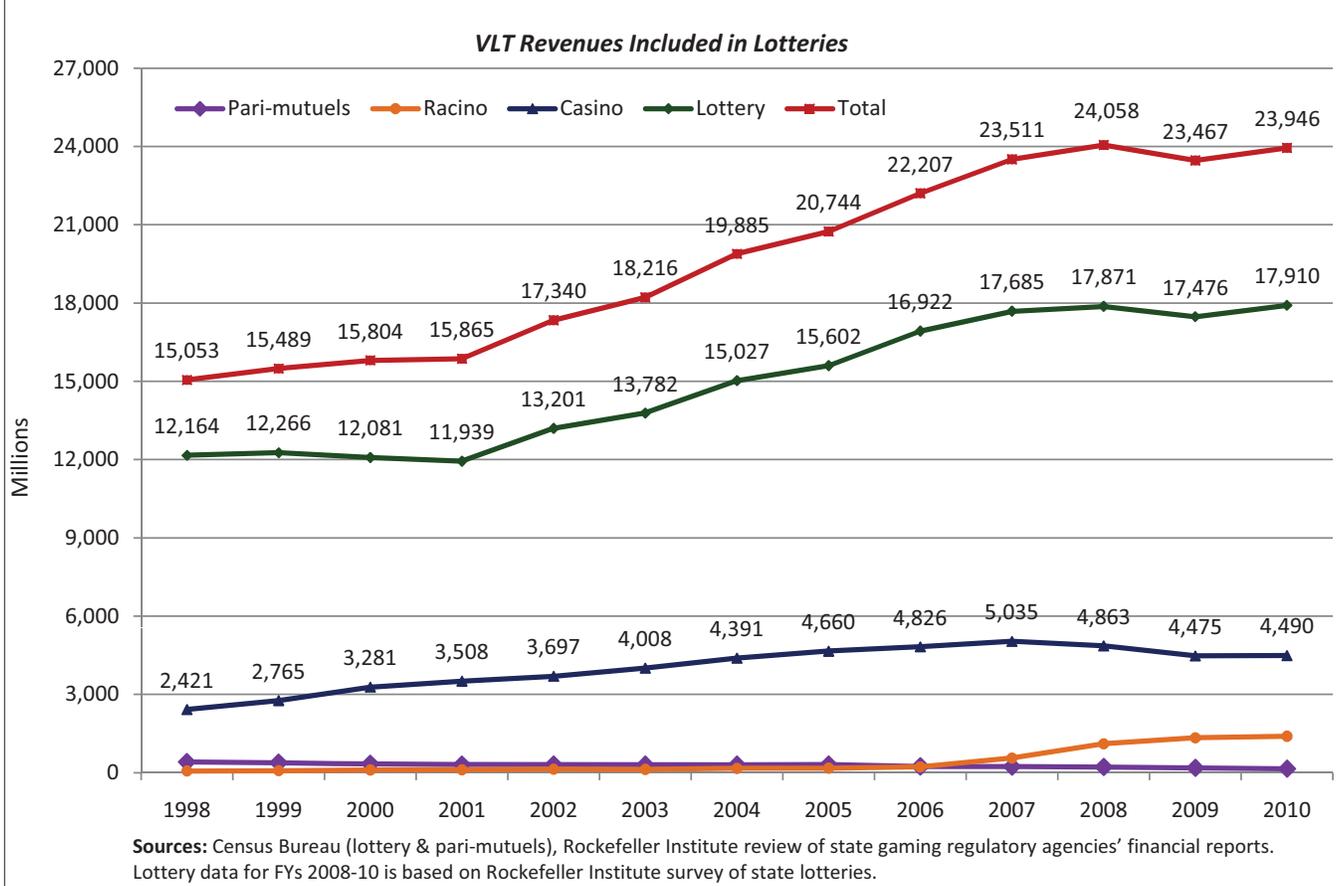
In addition to enacted proposals, there were also a number of failed proposals for gambling expansion during 2010. In Hawaii, one of two states with no state-sanctioned gambling, the governor gave serious consideration to a legalized gambling initiative but the measure has not been enacted. In Maryland, the governor proposed expanding legalized gambling by installing slot machines at airport terminals.³

Trends in Overall Gambling Revenue

States' revenues from the four major types of gambling rose continuously from 1998 to 2008, dropped in 2009, and resumed growth in 2010. Income from lotteries, commercial casinos, racinos, and pari-mutuel wagering combined increased by 59 percent from fiscal year 1998 to 2010 — rising from \$15 billion to \$24 billion (see Figure 1), for an average annual increase of 4 percent. After adjusting for inflation, revenues from these sources increased by 23 percent from fiscal 1998 to 2010.

A significant proportion of the growth in such revenue is attributable to expansion of gambling activities such as legalization in new states, opening of new casinos and racinos, and introduction of new lottery games. The precise amount of these gains is difficult to determine. In fiscal 2010, state and local governments collected just under \$24 billion in gambling revenues, about \$8.9 billion or 59 percent more than in 1998. An estimated \$1.2 billion of the 2010 total is attributable to lottery legalization in six states since 1998: Arkansas, North Carolina, North Dakota, Oklahoma, South Carolina, and Tennessee. Another \$1.3 billion of 2010 gambling revenues is due to racino legalization in new states over the same period. Finally, about \$576 million of 2010 collections is attributable to casino legalization in three states — Kansas, Michigan, and Pennsylvania — since 1998. Some additional gains have come from introduction of new lottery games and other changes

Figure 1. Trends in State Gambling Revenue, FY 1998-2010



for which revenue data are not available. In total, more than 35 percent of growth in gambling revenue over the period is attributable to legislated policy changes.

Over the past three years, gambling revenue has softened significantly along with other economic activity. State revenue from all major gambling activities declined by 2.5 percent in fiscal 2009, and rose by 2.0 percent in 2010. Of the \$479 million increase in revenues nationwide during 2010, just less than half — \$235 million — came in Pennsylvania. Despite the year-over-year gain, revenues were still 0.5 percent below the level of fiscal 2008. Such weakness in revenues from gambling activities is likely driven partly or largely by declines in consumers' discretionary income, which has also been reflected in indicators such as retail sales and travel expenditures. States have seen periods of slower growth in gambling revenue in past business cycles, but outright declines on a year-over-year basis are rare. For the period for which we have data on combined revenues from lotteries, casinos, racinos, and pari-mutuel gambling, 1998 through 2010, every individual year except for fiscal 2009 showed an increase in revenue. Before that period, data on collections from the largest source of state gambling revenue — lotteries — show an unbroken string of annual increases dating to 1977-78, the first years for which currently comparable Census data are available.

Of the 47 states with gambling revenue and for which information is available, 17 states reported declines during 2010, with seven states reporting decreases of more than 5 percent. Tables 1 and 2 show state-by-state revenue collections and the percentage change in major gambling revenue from fiscal year 2009 to 2010.

The Impact on State Budgets

Gambling revenue plays a consistently significant, if relatively small, role in state budgets. State revenues from lotteries, commercial casinos, racinos, and pari-mutuel wagering combined amounted to no less than 2.1 percent and no more than 2.5 percent of state own-source general revenues (taxes, charges, etc.) between fiscal years 1998 and 2009. For all 50 states, gambling revenue represented an average 2.4 percent of own-source general revenue in fiscal 2009. (We are not able to calculate that proportion for fiscal 2010 because Census data on overall revenues for that year are not yet available.)

In fiscal year 2009, Nevada, Rhode Island, and West Virginia had the highest share of gambling revenue as a percentage of revenue. In Nevada, gambling revenue made up 12.5 percent of own-source general revenue. Both in Rhode Island and West Virginia, the proportion was 8.4 percent (see Table 3). Alabama, Arkansas, and Wyoming rely the least on revenue from gambling. As a share of states' own-source revenue, collections related to gambling declined in 29 states from fiscal year 1998 to 2009. Ten states increased their dependence on gambling revenue by less than 1 percentage point, while eight saw increases of more than 1 percentage point. West Virginia and Rhode Island experienced the largest increases in dependence on gambling revenue over the period, at 6.0 and 3.9 percentage points, respectively.

Figure 2 shows the cumulative percentage change in states' total tax collections compared to the change in revenues from lotteries, casinos, racinos, and pari-mutuels for fiscal years 1998-2010. As shown, trends in the two revenue sources were roughly equivalent over the period, with gambling receipts surpassing taxes in fiscal 2009 and 2010. The latter period was atypical, having brought the sharpest decline in tax revenues since the Great Depression. We also show growth in revenues from gambling activities that states had legalized as of 1998, excluding revenues from casinos, racinos, and lotteries that were approved in later years. As mentioned earlier in this report, newly legalized operations increased the revenues from the "1998 basis" level by more than 35 percent.

Table 4 shows three related measures of gambling revenue in each state, including the state's share of the nationwide total, revenue per resident above 18, and revenue as a percentage of personal income in the state. New York and Pennsylvania collect the largest shares of such revenue, at 11.3 and 8.9 percent of the national total, respectively.

Table 1. Gambling Revenues From Lotteries, Casinos, Racinos, and Pari-Mutuels, FY 2009 and 2010

State	VLT revenues included in racinos									
	FY 2009 (\$ millions)					FY 2010 (\$ millions)				
	Lottery	Casino	Racino	Pari-mutuel	Total	Lottery	Casino	Racino	Pari-mutuel	Total
United States	15,972.4	4,474.5	2,839.0	181.2	23,467.2	16,389.9	4,490.3	2,916.0	149.6	23,945.9
New England	1,340.6	0.0	311.5	17.7	1,669.9	1,384.5	0.0	317.3	14.7	1,716.5
Connecticut	283.0			7.6	290.6	285.5			7.1	292.6
Maine	49.8		26.5	2.9	79.2	52.2		28.2	2.4	82.8
Massachusetts	859.4			2.8	862.2	903.5			2.1	905.6
New Hampshire	68.2			2.0	70.1	66.2			1.6	67.8
Rhode Island	59.3		285.1	2.5	346.8	55.6		289.1	1.5	346.1
Vermont	20.9				20.9	21.6				21.6
Mid-Atlantic	4,452.4	495.2	1,491.2	43.6	6,482.4	4,602.0	646.9	1,572.7	41.6	6,863.2
Delaware	37.4		212.4	0.1	249.9	36.9		237.7	0.1	274.7
Maryland	492.9			1.6	494.6	510.6			1.5	512.1
New Jersey	887.2	379.4			1,266.6	924.2	327.3			1,251.5
New York	2,124.4		429.9	27.9	2,582.3	2,214.7		464.0	22.5	2,701.1
Pennsylvania	910.5	115.8	848.9	13.9	1,889.1	915.7	319.6	871.0	17.5	2,123.8
Great Lakes	2,373.4	1,568.2	107.8	28.6	4,077.9	2,433.7	1,486.2	120.3	27.0	4,067.1
Illinois	625.0	532.2		6.9	1,164.1	657.9	483.0		7.0	1,147.9
Indiana	178.9	767.9	107.8	4.0	1,058.6	189.7	752.4	120.3	4.5	1,066.9
Michigan	737.2	268.0		7.5	1,012.8	713.7	250.8		6.7	971.1
Ohio	702.3			9.5	711.8	728.6			8.4	737.0
Wisconsin	129.9			0.7	130.6	143.8			0.3	144.2
Plains	658.9	684.8	102.9	5.5	1,452.1	666.3	707.2	100.8	5.4	1,479.7
Iowa	60.6	212.2	102.9	3.8	379.4	57.9	209.8	100.8	3.9	372.4
Kansas	67.3			0.3	67.5	69.0	5.6		0.0	74.6
Minnesota	118.2			0.7	119.0	122.2			0.6	122.9
Missouri	256.3	456.7			713.0	259.7	474.7			734.4
Nebraska	30.2			0.2	30.5	32.0			0.1	32.1
North Dakota	6.4			0.3	6.7	5.7			0.3	6.0
South Dakota	119.9	15.9		0.3	136.0	119.8	17.0		0.4	137.2
Southeast	3,934.7	773.4	742.5	34.7	5,485.2	4,025.0	713.1	726.0	26.8	5,490.9
Alabama				2.4	2.4				2.1	2.1
Arkansas	N/A			5.3	5.3	82.8			4.7	87.5
Florida	1,287.9		103.9	14.1	1,405.9	1,246.8		138.1	11.5	1,396.4
Georgia	872.1				872.1	883.9				883.9
Kentucky	204.4			4.4	208.8	214.3			0.0	214.3
Louisiana	135.9	461.3	62.1	6.0	665.3	133.7	426.1	58.7	5.3	623.7
Mississippi		312.1			312.1		287.0			287.0
North Carolina	413.9				413.9	432.2				432.2
South Carolina	260.4				260.4	272.4				272.4
Tennessee	280.2				280.2	288.9				288.9
Virginia	439.4				439.4	430.3				430.3
West Virginia	40.6		576.4	2.4	619.4	39.8		529.2	3.3	572.3
Southwest	1,282.6	0.0	83.2	13.2	1,378.9	1,350.1	0.0	79.0	11.9	1,441.0
Arizona	129.1			0.3	129.4	141.9			0.3	142.1
New Mexico	40.8		69.2	0.6	110.6	43.6		65.1	0.0	108.8
Oklahoma	69.2		14.0	1.6	84.8	70.0		13.9	1.3	85.1
Texas	1,043.5			10.6	1,054.1	1,094.6			10.3	1,104.9
Rocky Mountain	164.7	94.9	0.0	2.2	261.9	160.1	107.7	0.0	1.7	269.4
Colorado	119.6	94.9		0.6	215.1	112.9	107.7		0.5	221.1
Idaho	35.0			1.3	36.3	36.5			0.9	37.4
Montana	10.1			0.1	10.2	10.6			0.1	10.7
Wyoming				0.2	0.2				0.2	0.2
Far West	1,765.1	858.0	0.0	35.7	2,658.8	1,768.2	829.3	0.0	20.6	2,618.1
California	1,048.7			30.7	1,079.4	1,089.7			15.5	1,105.3
Nevada		858.0			858.0		829.3			829.3
Oregon	596.0			2.1	598.1	536.0			3.0	539.0
Washington	120.4			2.9	123.3	142.5			2.0	144.5

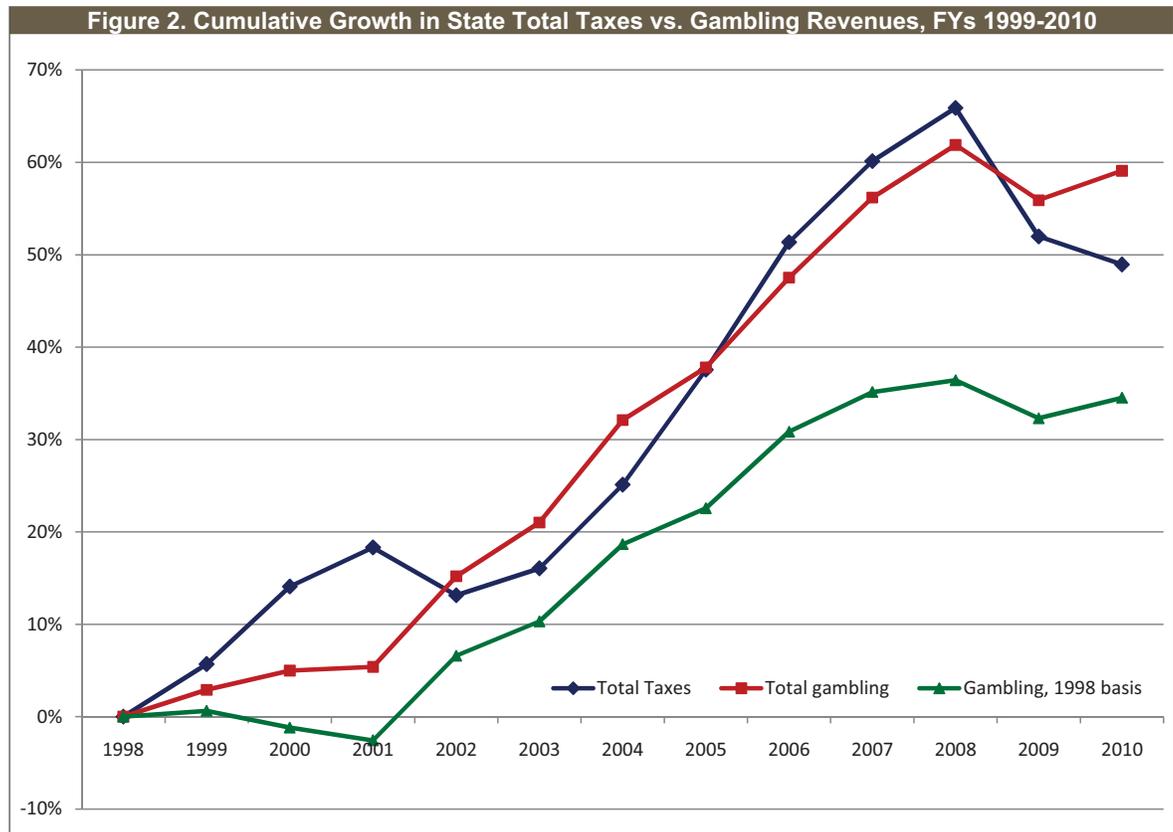
Sources: Census Bureau (pari-mutuels), Rockefeller Institute survey of state lotteries, & review of state gaming regulatory agencies' financial reports for casino & racino revenues.

Table 2. Gambling Revenues From Lotteries, Casinos, Racinos, and Pari-Mutuels, Percent Change FY 2009 to FY 2010

State	VLT revenues included in racinos				Total
	Lottery	Casino	Racino	Pari-mutuel	
United States	2.6	0.4	2.7	(17.4)	2.0
New England	3.3		1.9	(17.2)	2.8
Connecticut	0.9			(6.9)	0.7
Maine	4.7		6.5	(16.1)	4.6
Massachusetts	5.1			(24.3)	5.0
New Hampshire	(2.8)			(19.1)	(3.3)
Rhode Island	(6.2)		1.4	(40.7)	(0.2)
Vermont	3.0				3.0
Mid-Atlantic	3.4	30.6	5.5	(4.6)	5.9
Delaware	(1.3)		11.9	(4.1)	9.9
Maryland	3.6			(4.2)	3.5
New Jersey	4.2	(13.7)			(1.2)
New York	4.2		7.9	(19.6)	4.6
Pennsylvania	0.6	176.0	2.6	25.2	12.4
Great Lakes	2.5	(5.2)	11.6	(5.6)	(0.3)
Illinois	5.3	(9.2)		2.3	(1.4)
Indiana	6.0	(2.0)	11.6	14.4	0.8
Michigan	(3.2)	(6.4)		(10.4)	(4.1)
Ohio	3.7			(12.3)	3.5
Wisconsin	10.7			(54.9)	10.4
Plains	1.1	3.3	(2.0)	(3.0)	1.9
Iowa	(4.4)	(1.1)	(2.0)	3.6	(1.9)
Kansas	2.6	NM		(95.1)	10.5
Minnesota	3.4			(9.6)	3.3
Missouri	1.3	3.9			3.0
Nebraska	5.8			(31.0)	5.5
North Dakota	(10.3)			(4.3)	(10.1)
South Dakota	(0.1)	7.3		36.6	0.9
Southeast	2.3	(7.8)	(2.2)	(22.5)	0.1
Alabama				(13.3)	(13.3)
Arkansas	NM			(11.4)	N/M
Florida	(3.2)		32.9	(18.8)	(0.7)
Georgia	1.4				1.4
Kentucky	4.8			(100.0)	2.6
Louisiana	(1.6)	(7.6)	(5.5)	(11.8)	(6.2)
Mississippi		(8.0)			(8.0)
North Carolina	4.4				4.4
South Carolina	4.6				4.6
Tennessee	3.1				3.1
Virginia	(2.1)				(2.1)
West Virginia	(1.9)		(8.2)	36.2	(7.6)
Southwest	5.3		(5.0)	(9.4)	4.5
Arizona	9.9			(2.7)	9.9
New Mexico	6.8		(5.9)	(94.1)	(1.7)
Oklahoma	1.1		(0.7)	(20.0)	0.4
Texas	4.9			(3.0)	4.8
Rocky Mountain	(2.8)	13.4		(25.4)	2.9
Colorado	(5.6)	13.4		(15.0)	2.8
Idaho	4.3			(32.2)	3.0
Montana	4.9			(10.4)	4.7
Wyoming				(20.3)	(20.3)
Far West	0.2	(3.3)		(42.4)	(1.5)
California	3.9			(49.4)	2.4
Nevada		(3.3)			(3.3)
Oregon	(10.1)			40.3	(9.9)
Washington	18.4			(28.3)	17.3

Sources: Census Bureau (pari-mutuels), Rockefeller Institute survey of state lotteries, & review of state gaming regulatory agencies' financial reports.

Note: N/M = Not Meaningful.



State revenue from gambling also varies widely when adjusted for population. In Nevada and Rhode Island, such revenue amounts to over \$400 per adult resident.⁴ In 27 states, gambling revenue is less than \$100 per resident above age 18, and in another 13 states it is less than \$200.

Nationwide, gambling revenue as percent of personal income is slightly less than 0.2 percent. West Virginia reports the highest level of gambling revenue by this measure, at 0.9 percent of personal income.

California, Florida, and Texas show relatively high proportions of the national total, at 4.6 percent or above, but those figures are driven by the states' comparatively high populations and economic activity. All three states are below national averages in terms of gambling revenue per resident and as a percent of personal income. On the other hand, four smaller states— Delaware, Rhode Island, South Dakota, and West Virginia report relatively low shares of the national total but rank well above national averages in gambling revenue per resident and as a percent of personal income.

Lotteries

While casinos and racinos are the focus of attention in many states, lotteries remain the primary source of gambling revenue to governments. Currently, 43 states have legalized state lotteries to raise revenues.⁵ New Hampshire was the first, in 1964, followed by New York in 1967. By 1996, 37 states had legalized lotteries,

Table 3. States' Reliance on Gambling Revenue		
State	Percent change in gambling as share of own-source revenue, FY 1998-2009	Gambling revenue as share of states' own-source general revenue, FY 2009
United States	(0.1)	2.4
Nevada	(3.3)	12.5
Rhode Island	3.9	8.4
West Virginia	6.0	8.4
South Dakota	(1.9)	6.2
Indiana	1.1	5.1
Oregon	(2.1)	4.9
Delaware	(1.8)	4.9
Missouri	1.1	4.8
Louisiana	0.9	4.6
Pennsylvania	1.9	4.5
Georgia	0.2	4.0
Mississippi	(1.0)	3.6
Iowa	0.7	3.6
New Jersey	(1.1)	3.5
Florida	0.3	3.3
Michigan	0.7	3.1
Illinois	(0.2)	3.0
New York	(0.3)	3.0
Massachusetts	(1.0)	3.0
Maryland	(0.9)	2.4
Ohio	(1.8)	2.0
South Carolina	2.0	2.0
New Hampshire	(1.2)	1.9
Tennessee	1.8	1.8
Connecticut	(0.6)	1.8
Texas	(1.5)	1.8
Virginia	(0.1)	1.6
Maine	(0.1)	1.6
Colorado	(0.5)	1.6
North Carolina	1.5	1.5
Kentucky	(0.4)	1.5
New Mexico	0.9	1.3
California	(0.2)	0.9
Idaho	0.1	0.9
Arizona	(0.1)	0.8
Oklahoma	0.6	0.7
Kansas	(0.3)	0.7
Wisconsin	(0.3)	0.6
Vermont	(0.9)	0.6
Minnesota	0.1	0.6
Washington	(0.3)	0.5
Nebraska	(0.0)	0.5
Montana	(0.1)	0.3
North Dakota	0.2	0.2
Arkansas	(0.1)	0.1
Alabama	(0.0)	0.0
Wyoming	(0.0)	0.0
Alaska	N/A	N/A
Hawaii	N/A	N/A
Utah	N/A	N/A

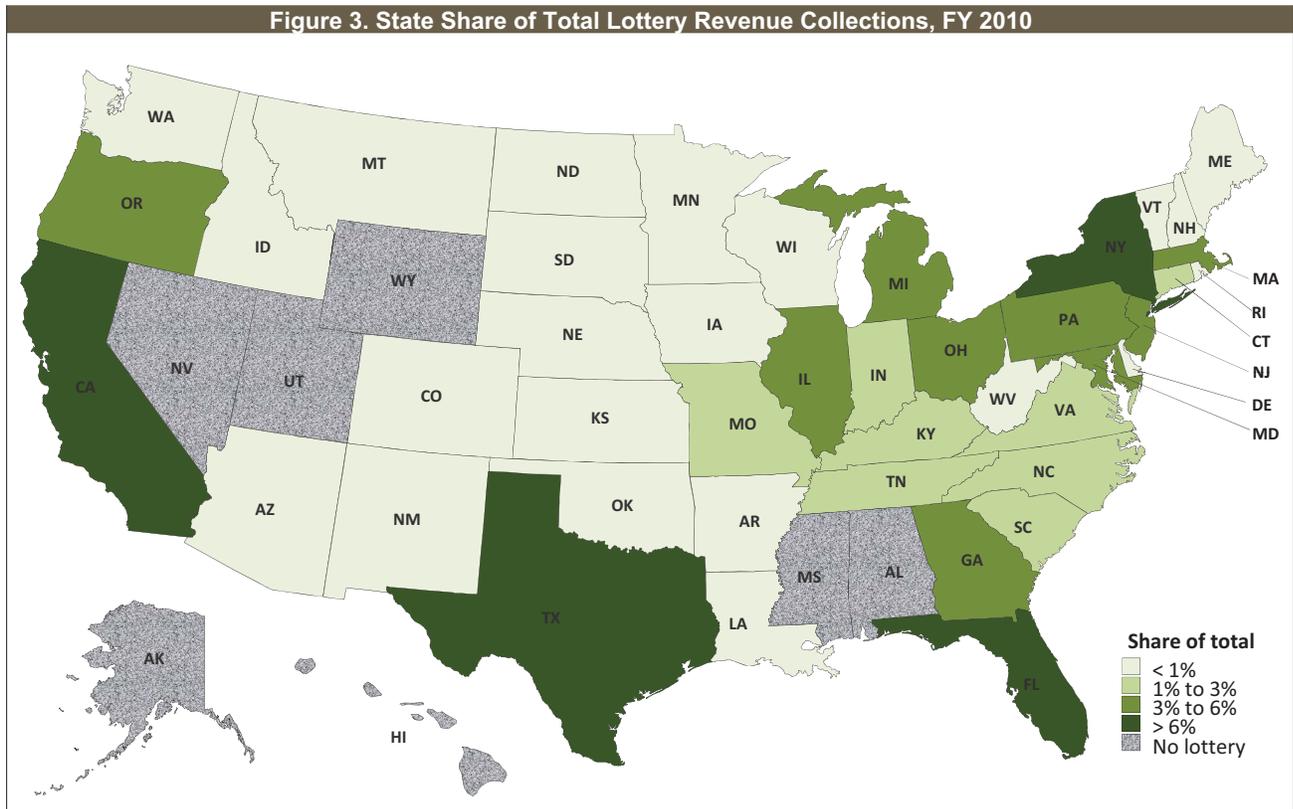
Source: Census Bureau for state general own-source revenue data.

Table 4. Gambling Revenue: Ranking the States

State	State share of gambling revenue, FY 2010		Gambling revenue per resident 18 & above		Gambling revenue as % of personal income	
	Percent	Rank	Dollars	Rank	Percent	Rank
	100.0%		102.3		0.2%	
Alabama	0.0	46	0.6	46	0.0	46
Arizona	0.6	32	29.8	41	0.1	39
Arkansas	0.4	36	39.7	34	0.1	33
California	4.6	6	39.5	35	0.1	36
Colorado	0.9	28	58.1	32	0.1	32
Connecticut	1.2	23	106.1	20	0.1	26
Delaware	1.1	26	396.9	3	0.8	4
Florida	5.8	3	94.4	21	0.2	19
Georgia	3.7	11	122.8	17	0.3	17
Idaho	0.2	41	32.8	38	0.1	35
Illinois	4.8	5	118.3	18	0.2	18
Indiana	4.5	8	218.8	6	0.5	5
Iowa	1.6	21	160.6	14	0.3	11
Kansas	0.3	39	35.1	36	0.1	38
Kentucky	0.9	29	64.6	28	0.1	25
Louisiana	2.6	15	182.6	9	0.4	9
Maine	0.3	38	78.6	23	0.2	23
Maryland	2.1	18	115.8	19	0.2	20
Massachusetts	3.8	10	176.6	12	0.3	16
Michigan	4.1	9	128.8	16	0.3	15
Minnesota	0.5	34	30.6	39	0.1	41
Mississippi	1.2	25	129.8	15	0.3	12
Missouri	3.1	14	160.9	13	0.3	10
Montana	0.0	44	14.0	44	0.0	44
Nebraska	0.1	42	23.5	43	0.0	43
Nevada	3.5	12	407.4	2	0.8	2
New Hampshire	0.3	40	65.9	27	0.1	30
New Jersey	5.2	4	186.0	8	0.3	14
New Mexico	0.5	35	70.6	25	0.2	24
New York	11.3	1	179.4	11	0.3	13
North Carolina	1.8	19	59.6	30	0.1	28
North Dakota	0.0	45	11.5	45	0.0	45
Ohio	3.1	13	83.7	22	0.2	22
Oklahoma	0.4	37	30.2	40	0.1	40
Oregon	2.3	17	181.8	10	0.4	8
Pennsylvania	8.9	2	214.3	7	0.4	7
Rhode Island	1.4	22	417.7	1	0.8	3
South Carolina	1.1	27	76.9	24	0.2	21
South Dakota	0.6	33	224.4	5	0.4	6
Tennessee	1.2	24	59.6	31	0.1	27
Texas	4.6	7	60.4	29	0.1	31
Vermont	0.1	43	43.5	33	0.1	34
Virginia	1.8	20	70.0	26	0.1	29
Washington	0.6	30	28.1	42	0.0	42
West Virginia	2.4	16	390.5	4	0.9	1
Wisconsin	0.6	31	33.2	37	0.1	37
Wyoming	0.0	47	0.4	47	0.0	47

Sources: Census Bureau (population) and Bureau of Economic Analysis (personal income).

Notes: Gambling revenue is based on the sum of lottery, casino, racino and pari-mutuel revenues for FY 2010. Population and personal income numbers are based on 2010 data.



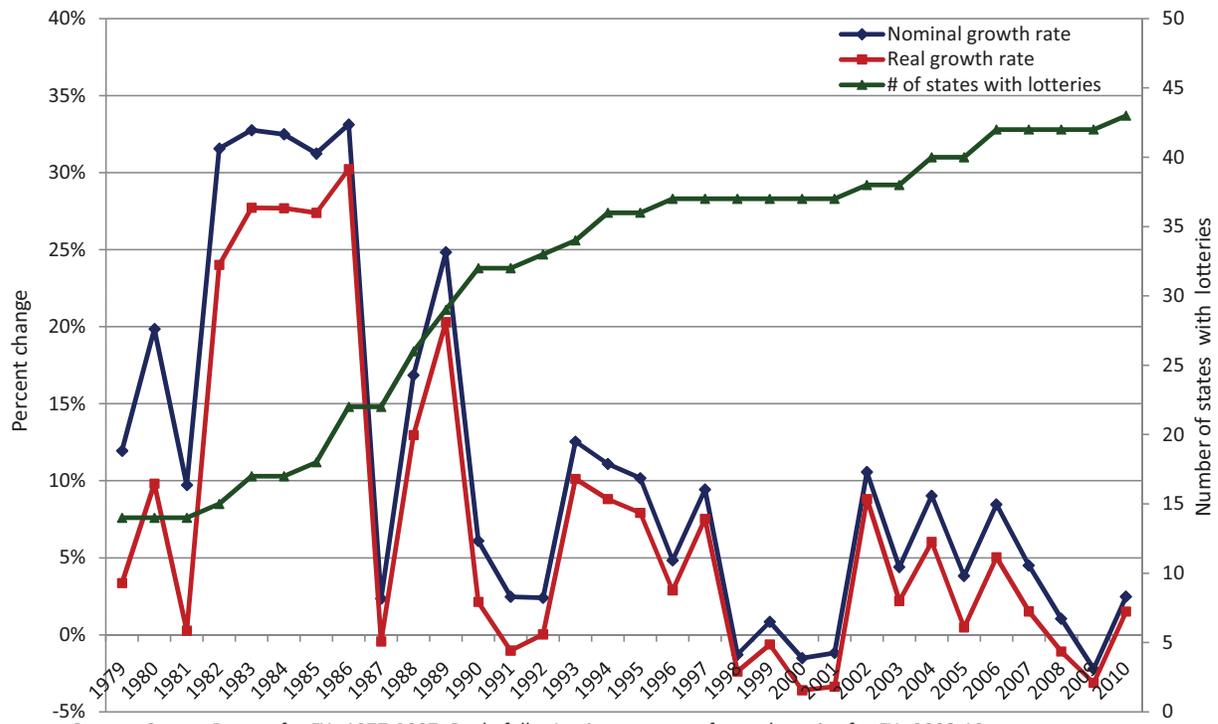
and another six states did so between 2001 and 2010. Arkansas is the latest state to legalize a lottery, in 2008.

Overall state revenues from lotteries, including revenues from video lottery terminals, more than doubled from \$8.8 billion in 1993 to \$17.9 billion in 2010, according to data collected by the Census Bureau and the Rockefeller Institute of Government. After adjusting for inflation, revenues from lotteries increased by nearly 44 percent for the same period.⁶ This large increase in revenues is partially attributable to the emergence of video lottery terminals (VLTs) since the early 1990s in states such as Delaware, New York, Rhode Island, and West Virginia. In addition, more states legalized lottery operations during the period. As of 1993 there were 34 states with lottery operations, while by 2010 the number had risen to 43. If we exclude the nine states that legalized lottery operations since 1993, lottery revenues increased by 80 percent in nominal terms and 27.3 percent in real terms from 1993 to 2010.

Figure 3 shows states' shares of nationwide revenue from lotteries, which vary significantly as described above. In 2010, about 40 percent of total lottery revenue was collected in California, Florida, New Jersey, New York, and Texas. About 81 percent of total lottery revenues were collected in 15 states. The remaining 28 states collect less than one-fifth of total lottery revenues.

Figure 4 shows the year-over-year growth in lottery revenue collections, both in nominal and real terms. The graphic also shows the number of states with lottery operations for each year since 1977. While lottery revenues grow almost every year, the growth in

Figure 4. Year-Over-Year Growth Rate in Commercial Casino Revenue to State-Local Governments



Source: Census Bureau for FYs 1977-2007, Rockefeller Institute survey of state lotteries for FYs 2008-10.
 Notes: Inflation adjustments are based on the Bureau of Economic Analysis's price index for GDP (NIPA Table 1.1.4).

revenue has been generally downward since 1986, despite the growing number of states legalizing lottery operations. After year-to-year declines in both nominal and adjusted terms in fiscal years 1999-2001, revenue growth rebounded before declining modestly over the past few years. Real, year-over-year growth in lottery collections declined by 0.8 percent in fiscal 2010, which is a slight improvement from the 2.1 percent decline in fiscal 2009.

As of the writing of this report, lottery revenue data are not available from the Census Bureau for fiscal year 2010. Rockefeller Institute staff surveyed the states and obtained state lottery revenue data for fiscal years 2009 and 2010 for all 43 states that have lottery operations.

Since one purpose of this report is to discuss revenue trends from different types of gambling, we have collected lottery revenue data for traditional lottery and VLTs separately for the four states that have both types of the games: Delaware, New York, Rhode Island, and West Virginia. For fiscal years 2008-2010, we report revenues collected from VLTs under racinos. However, VLT revenues are included in lottery revenues for 1977 to 2010 in Figure 4 above.

Looking at the last three years for the 43 states with lottery operations, lottery revenue collections increased by \$417.5 million or 2.6 percent from fiscal 2009 to 2010, and increased by only 0.6 percent compared to collections in fiscal 2008 (see Table 5). After adjusting for inflation, revenues increased by 1.5 percent only from fiscal year 2009 to 2010, and were down by 1.7 percent compared to revenue collections in 2008. In fiscal 2009 the states with lottery

Table 5. State Lottery Revenue, FY 2008 and 2009					
State	\$ millions			Percent change	
	FY 2008	FY 2009	FY 2010	FY 2009-10	FY 2008-10
United States	16,285.3	15,972.4	16,389.9	2.6	0.6
Arizona	144.5	129.1	141.9	9.9	(1.8)
Arkansas	N/A	N/A	82.8	N/A	N/A
California	1,094.9	1,048.7	1,089.7	3.9	(0.5)
Colorado	122.3	119.6	112.9	(5.6)	(7.7)
Connecticut	283.0	283.0	285.5	0.9	0.9
Delaware	39.5	37.4	36.9	(1.3)	(6.5)
Florida	1,283.4	1,287.9	1,246.8	(3.2)	(2.9)
Georgia	867.7	872.1	883.9	1.4	1.9
Idaho	34.8	35.0	36.5	4.3	5.0
Illinois	657.0	625.0	657.9	5.3	0.1
Indiana	217.1	178.9	189.7	6.0	(12.6)
Iowa	56.5	60.6	57.9	(4.4)	2.4
Kansas	70.0	67.3	69.0	2.6	(1.4)
Kentucky	192.1	204.4	214.3	4.8	11.5
Louisiana	131.9	135.9	133.7	(1.6)	1.4
Maine	49.5	49.8	52.2	4.7	5.5
Maryland	529.4	492.9	510.6	3.6	(3.6)
Massachusetts	913.0	859.4	903.5	5.1	(1.0)
Michigan	752.4	737.2	713.7	(3.2)	(5.1)
Minnesota	116.3	118.2	122.2	3.4	5.1
Missouri	266.7	256.3	259.7	1.3	(2.7)
Montana	11.0	10.1	10.6	4.9	(3.6)
Nebraska	31.0	30.2	32.0	5.8	3.2
New Hampshire	75.6	68.2	66.2	(2.8)	(12.4)
New Jersey	882.1	887.2	924.2	4.2	4.8
New Mexico	40.8	40.8	43.6	6.8	6.9
New York	2,131.8	2,124.4	2,214.7	4.2	3.9
North Carolina	348.3	413.9	432.2	4.4	24.1
North Dakota	5.9	6.4	5.7	(10.3)	(3.4)
Ohio	672.2	702.3	728.6	3.7	8.4
Oklahoma	71.6	69.2	70.0	1.1	(2.3)
Oregon	703.0	596.0	536.0	(10.1)	(23.8)
Pennsylvania	928.0	910.5	915.7	0.6	(1.3)
Rhode Island	59.5	59.3	55.6	(6.2)	(6.7)
South Carolina	266.1	260.4	272.4	4.6	2.4
South Dakota	123.3	119.9	119.8	(0.1)	(2.9)
Tennessee	286.1	280.2	288.9	3.1	1.0
Texas	1,036.7	1,043.5	1,094.6	4.9	5.6
Vermont	22.6	20.9	21.6	3.0	(4.4)
Virginia	455.3	439.4	430.3	(2.1)	(5.5)
Washington	130.3	120.4	142.5	18.4	9.4
West Virginia	40.8	40.6	39.8	(1.9)	(2.6)
Wisconsin	141.3	129.9	143.8	10.7	1.8

Source: Rockefeller Institute survey of state lotteries.

Note: VLT revenues are excluded for Delaware, New York, Rhode Island & West Virginia.

operations reported the largest decline in collections since 1977. While revenues from lottery collections grew in fiscal 2010, the growth was not universal.

Among 43 states, 13 reported declines over the year, with two – North Dakota and Oregon – seeing double-digit declines. Among states reporting increases in lottery revenues, the largest was Washington, at 18.4 percent, followed by Wisconsin at 10.7 percent. Eight states reported growth of over 5 percent. In terms of dollar value, New York reported the largest increase at 4.2 percent or \$90 million more in fiscal 2010.

Commercial Casinos

Commercial casinos are operated by businesses and taxed by the states. Currently, 15 states have legalized and operational commercial casinos. Nevada was the first to legalize the operation of casinos in 1931, followed by New Jersey in 1976. Another 13 states have legalized casinos since 1989 (see Table 6). Kansas, Maryland, and West Virginia are the most recent three states that legalized casino operations. In Maryland, the first casino, which hosts VLTs, was opened in September 2010. In West Virginia, the first casino was opened in July of 2010.

One state, Nevada, is home to 60 percent of U.S. casino facilities and in fiscal 2010 collected about 18 percent of all state revenue from casinos nationwide (despite a tax on casino activity that is relatively low, at 6.75 percent). Indiana and Illinois also collected relatively large shares of overall casino revenue, at 16.8 and 10.8 percent, respectively, in fiscal 2010.

Total state-local revenues from casinos increased by 85 percent, from \$2.4 billion to \$4.5 billion, between fiscal years 1998 and 2010. After adjusting for inflation, such revenue rose 43 percent. As Figure 5 shows, the year-over-year growth rate in revenues from casinos has been mostly downward since 2004 both in nominal and real terms, but showed something of a spike in fiscal 2010.

Table 6. Casino Legalization and Opening Date, Distribution, and Format

State	Legalization Date	First Casino Opening Date	# of Operating Casinos, FY 2010	Casino Format
Colorado	November 1990	October 1991	40	Land-based
Illinois	February 1990	September 1991	9	Riverboat
Indiana	November 1993	December 1995	11	Riverboat (10), Land-based (1)
Iowa	July 1989	September 1991	14	Riverboat (7), Land-based (7)
Kansas	April 2007	December 2009	1	Land-based
Louisiana	July 1991	October 1993	14	Riverboat (13), Land-based (1)
Maryland	2008	September 2010	1	Land-based
Michigan	December 1996	July 1999	3	Land-based
Mississippi	June 1990	August 1992	30	Dockside, land-based
Missouri	August 1993	May 1994	12	Riverboat
Nevada	1931	1931	256	Land-based
New Jersey	1976	1978	11	Land-based
Pennsylvania	July 2004	October 2007	4	Land-based
South Dakota	November 1989	November 1989	34	Land-based
West Virginia	2009	July 2010	1	Land-based

Figure 5. Year-Over-Year Growth Rate in Commercial Casino Revenue to State-Local Governments



Source: Rockefeller Institute analysis of state gaming regulatory agencies' financial reports.

State and local government revenue from casinos increased by \$15.8 million or 0.4 percent from fiscal 2009 to 2010, but were still down by \$373 million or 7.7 percent compared to revenues in fiscal 2008. Revenues declined in eight of 13 states with commercial casinos in fiscal year 2010. New Jersey and Illinois reported the largest declines at 13.7 and 9.2 percent, respectively. Pennsylvania and Colorado reported the highest growth at 176 percent and 13.4 percent, respectively. The large increase in casino revenues in Pennsylvania is primarily attributable to the opening of three casinos since May 2009. In addition, in fiscal 2010 Pennsylvania authorized the casinos to run table games. If we exclude Pennsylvania, tax revenues from casino operations show a 4.3 percent decline nationwide from fiscal 2009 to 2010.

While officials in Pennsylvania are counting on tax revenues collected from casinos and racinos, officials in New Jersey continue blaming the decline in casino revenue in their state on new competition in the form of casino and racinos in neighboring Pennsylvania. Differences in state tax rates also come into play: New Jersey has a low gambling tax rate of 9.25 percent, compared to Pennsylvania's 55 percent for slot machines and 16 percent for table games.

Table 7 shows state-by-state revenue collections and growth rates from commercial casinos for fiscal years 1998-2010. In fiscal 2010, states took in just less than \$4.5 billion from commercial casinos, which is below the fiscal year 2005 collections. As the numbers on Table 7 show, the peak year for revenue collections was fiscal 2007. The trends depicted on Table 7 are an indication that casino revenues are clearly not recession-proof.

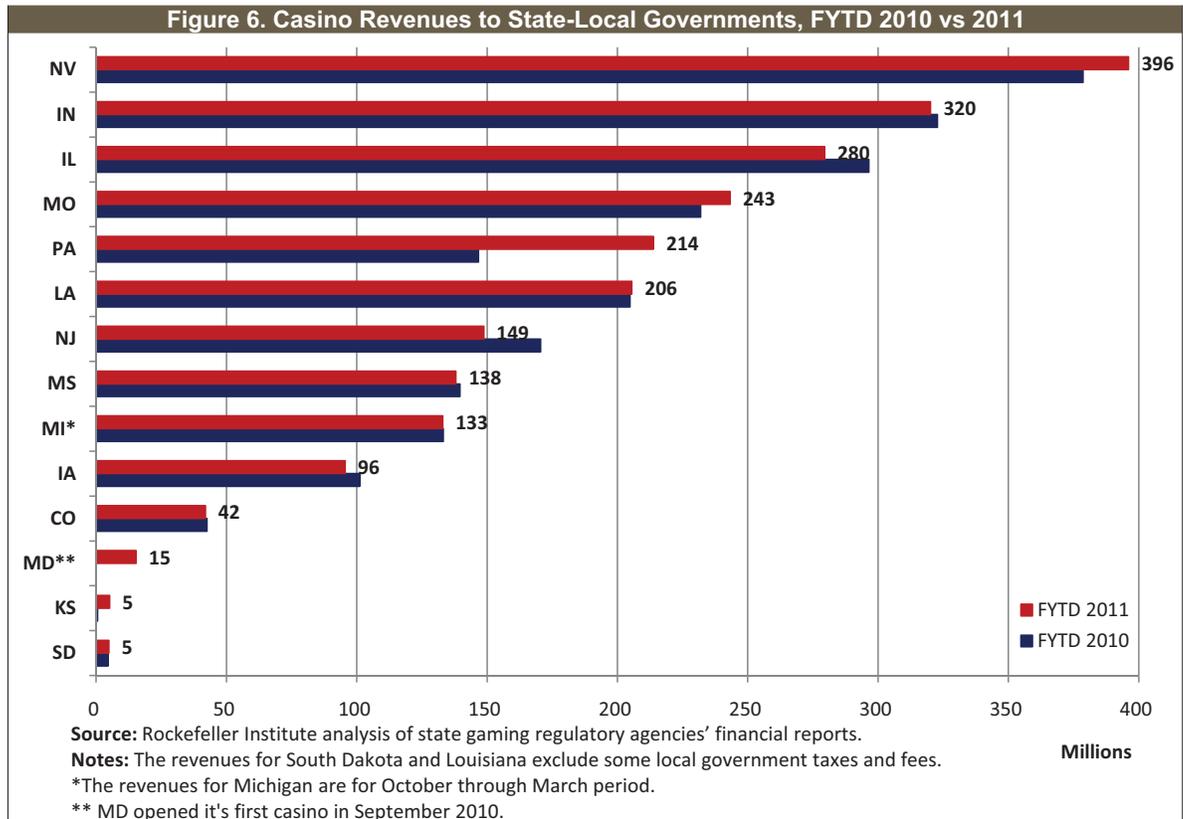
Table 7. Casino Revenues to State-Local Governments, FYs 2007-09

State	\$ millions													Percent change	
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 09-10	FY 08-10
United States	2,421.5	2,765.1	3,281.2	3,508.2	3,696.8	4,008.4	4,390.6	4,659.6	4,825.5	5,034.5	4,862.9	4,474.5	4,490.3	0.4	(7.7)
Colorado	61.7	74.2	76.5	88.7	95.7	97.5	98.5	99.1	106.1	112.0	108.2	94.9	107.7	13.4	(0.5)
Illinois	264.0	356.6	482.3	528.9	571.4	683.4	767.7	817.9	800.1	818.6	698.2	532.2	483.0	(9.2)	(30.8)
Indiana	323.9	404.0	444.8	470.2	513.2	670.6	742.1	774.9	803.2	851.5	812.4	767.9	752.4	(2.0)	(7.4)
Iowa	91.8	100.7	112.1	116.0	127.1	133.3	143.2	161.5	164.4	189.5	209.5	212.2	209.8	(1.1)	0.2
Kansas	N/A	5.6	N/A	N/A											
Louisiana	235.3	251.8	331.8	381.0	393.1	394.4	397.5	405.6	454.5	467.0	478.1	461.3	426.1	(7.6)	(10.9)
Michigan	N/A	13.3	118.1	167.4	203.3	202.0	219.1	289.2	308.4	316.1	284.9	268.0	250.8	(6.4)	(12.0)
Mississippi	250.3	281.5	314.5	320.5	327.4	329.4	332.2	334.6	273.6	332.3	344.6	312.1	287.0	(8.0)	(16.7)
Missouri	239.6	261.2	293.0	304.6	340.1	363.3	386.7	410.5	421.8	422.3	428.6	456.7	474.7	3.9	10.8
Nevada	584.1	637.9	707.6	727.1	711.6	721.8	854.5	904.2	1,002.4	1,036.7	980.1	858.0	829.3	(3.3)	(15.4)
New Jersey	361.5	375.0	391.3	394.0	402.7	400.7	436.5	449.1	477.3	473.3	441.5	379.4	327.3	(13.7)	(25.9)
Pennsylvania	N/A	60.8	115.8	319.6	176.0	425.4									
South Dakota	9.2	8.8	9.3	9.8	11.1	12.0	12.4	13.0	13.7	15.2	15.9	15.9	17.0	7.3	7.1

Source: Rockefeller Institute review of state gaming regulatory agencies' financial reports.

We also collected state fiscal year-to-date tax revenue data for 2010 and 2011. Figure 6 shows the revenue collections for the first six months of state fiscal years 2010 vs 2011. For all states but Michigan the numbers are for the July-December period. Since Michigan's state fiscal year runs from October 1st to September 30th, the numbers reported in here cover the October-March period. As shown in Figure 6, fiscal 2011 year-to-date revenues were down in seven out of 14 states compared to the same period of 2010. In Kansas, Maryland, and Pennsylvania the year-to-date growth in revenues are attributable to opening of new casinos.

Figure 6. Casino Revenues to State-Local Governments, FYTD 2010 vs 2011



Racetrack Casinos or Racinos

Racinos are racetracks that host electronic gaming devices such as slot machines, table games, or VLTs. In other words, racinos are a hybrid of casinos and racetracks. Revenue from this source represents the fastest-growing element in states' gambling portfolio. Currently, racinos are operational in 12 states. Rhode Island was the first state to legalize racinos in 1992, followed by five other states between 1994 and 2004 and another six between 2001 and 2008. Currently there are 45 racino facilities in the 12 states, with eight operating in New York and six in Pennsylvania (see Table 8).

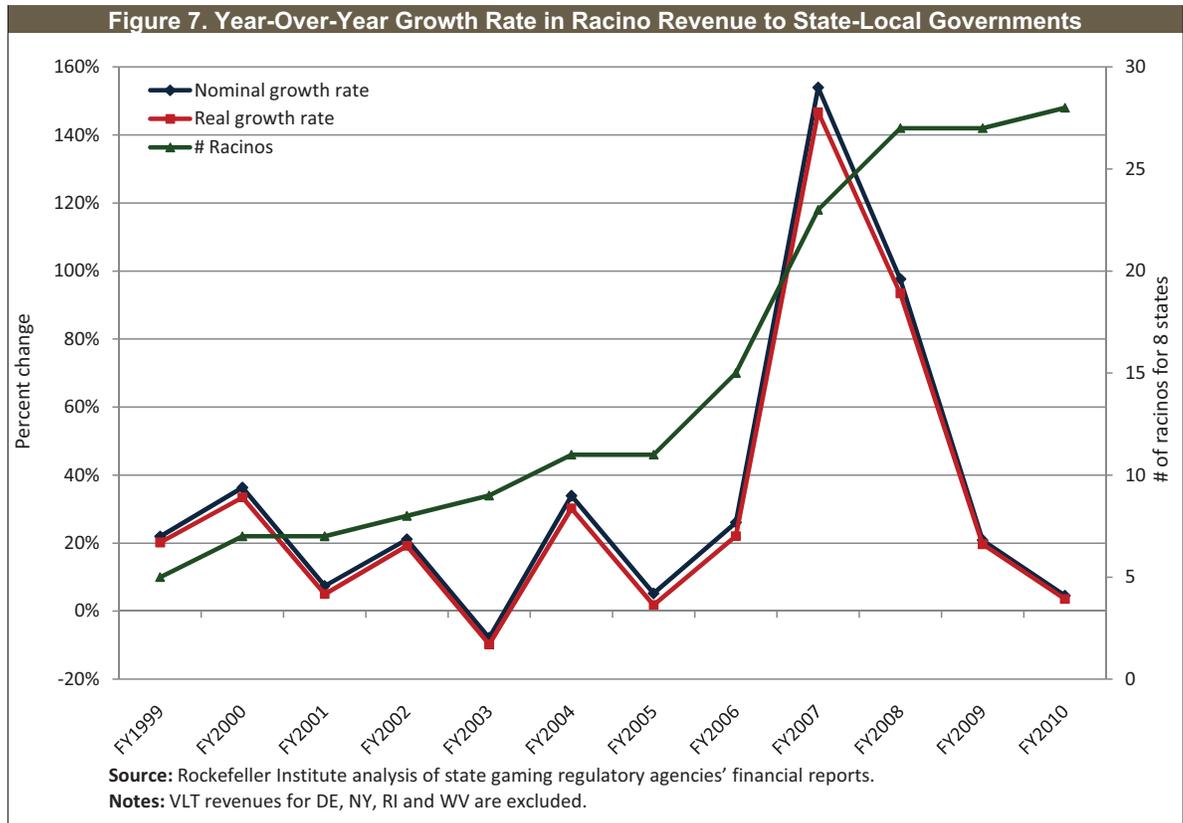
Four of 12 racino states—Delaware, New York, Rhode Island, and West Virginia—host VLTs only. In this report, revenues from these VLTs are reported in lottery revenues for historical nationwide data. However, to provide a better picture of racino revenues in recent years, we separated revenues from VLTs for fiscal years 1998-2010 where possible (see Table 9 below).

Total state revenues from racinos in eight states increased from \$63 million in fiscal 1998 to \$1.4 billion in fiscal 2010. Figure 7 shows year-over-year growth rate in racino revenues and the number of racinos for eight states. While revenues from racinos increased dramatically over time, such growth is mostly attributable to opening of new racinos, as depicted in Figure 7. The largest increase in revenues, 154 percent in fiscal 2007, was mostly due to the opening of five racinos in Pennsylvania and three in Florida during the year. However, the growth of revenues from racinos has slowed down dramatically since fiscal 2007 regardless of the expansion of racino industry nationwide.

Overall revenues from racinos softened considerably in fiscal 2009 and 2010, although growth was still positive. If we include the four states that operate VLTs, revenues from racinos increased by 2.7 percent in fiscal 2010 compared to fiscal 2009, and by 8.4 percent compared to fiscal 2008. Five of 12 states reported declines in racino revenues in fiscal 2010 (see Table 9). In fiscal

Table 8. Racino Legalization and Opening Date, Distribution, and Format

State	Legalization Date	First Racino Opening Date	# of Operating Racinos, FY 2010	Racino Format
Delaware	1994	1995	3	VLTs
Florida	2006	2006	5	Slot machines
Indiana	2007	2008	2	Slot machines
Iowa	1994	1995	3	Slot machines / Table games
Louisiana	1997	2002	4	Slot machines
Maine	2004	2005	1	Slot machines
New Mexico	1997	1999	5	Slot machines
New York	2001	2004	8	VLTs
Oklahoma	2004	2005	2	Slot machines
Pennsylvania	2004	2006	6	Slot machines / Table games
Rhode Island	1992	1992	2	VLTs
West Virginia	1994	1994	4	VLTs (4), Table games (3)



year 2009- 2010 West Virginia and New Mexico reported the largest declines at 8.2 and 5.9 percent, respectively.

About 30 percent of total racino revenue was collected in a single state, Pennsylvania, in fiscal years 2009 and 2010. If we exclude Pennsylvania, the racino revenue from the other 11 states show a growth of 2.8 percent compared to collections in 2009 and only 3.3 percent growth compared to 2008. And this is given the fact that Indiana became a new racino state by opening two racinos in late fiscal 2008 and Florida opened two more racinos in fiscal 2010. If we exclude Florida, racino revenues from the other 11 states increased by 1.6 percent only in fiscal 2010 compared to fiscal 2009.

Table 9. Racino Revenues to State-Local Governments, FYs 1998-2010

State	\$ millions												Percent change		
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 09-10	FY 08-10
United States	151.6	196.1	258.3	287.1	334.7	308.2	366.9	520.2	596.8	1,057.2	2,690.9	2,839.0	2,916.0	2.7	8.4
Delaware	89.4	120.2	154.9	176.0	200.2	184.3	187.5	204.1	214.6	224.5	219.5	212.4	237.7	11.9	8.3
Florida	N/A	49.6	120.6	103.9	138.1	32.9	14.6								
Indiana	N/A	6.5	107.8	120.3	11.6	1,736.8									
Iowa	62.2	72.6	83.0	87.6	96.2	64.5	92.4	80.6	90.6	108.6	109.7	102.9	100.8	(2.0)	(8.1)
Louisiana	N/A	N/A	N/A	N/A	8.2	20.4	35.3	47.8	53.0	55.5	58.3	62.1	58.7	(5.5)	0.6
Maine	N/A	10.2	19.9	20.4	26.5	28.2	6.5	38.1							
New Mexico	N/A	3.3	20.4	23.5	30.0	39.1	38.4	46.4	61.9	65.6	67.1	69.2	65.1	(5.9)	(2.9)
New York	N/A	N/A	N/A	N/A	N/A	N/A	13.3	141.3	162.0	273.5	480.0	429.9	464.0	7.9	(3.3)
Oklahoma	N/A	4.5	10.0	10.8	14.0	13.9	(0.7)	28.7							
Pennsylvania	N/A	250.0	711.8	848.9	871.0	2.6	22.4								
Rhode Island	ND	296.1	285.1	289.1	1.4	(2.3)									
West Virginia	ND	590.2	576.4	529.2	(8.2)	(10.3)									

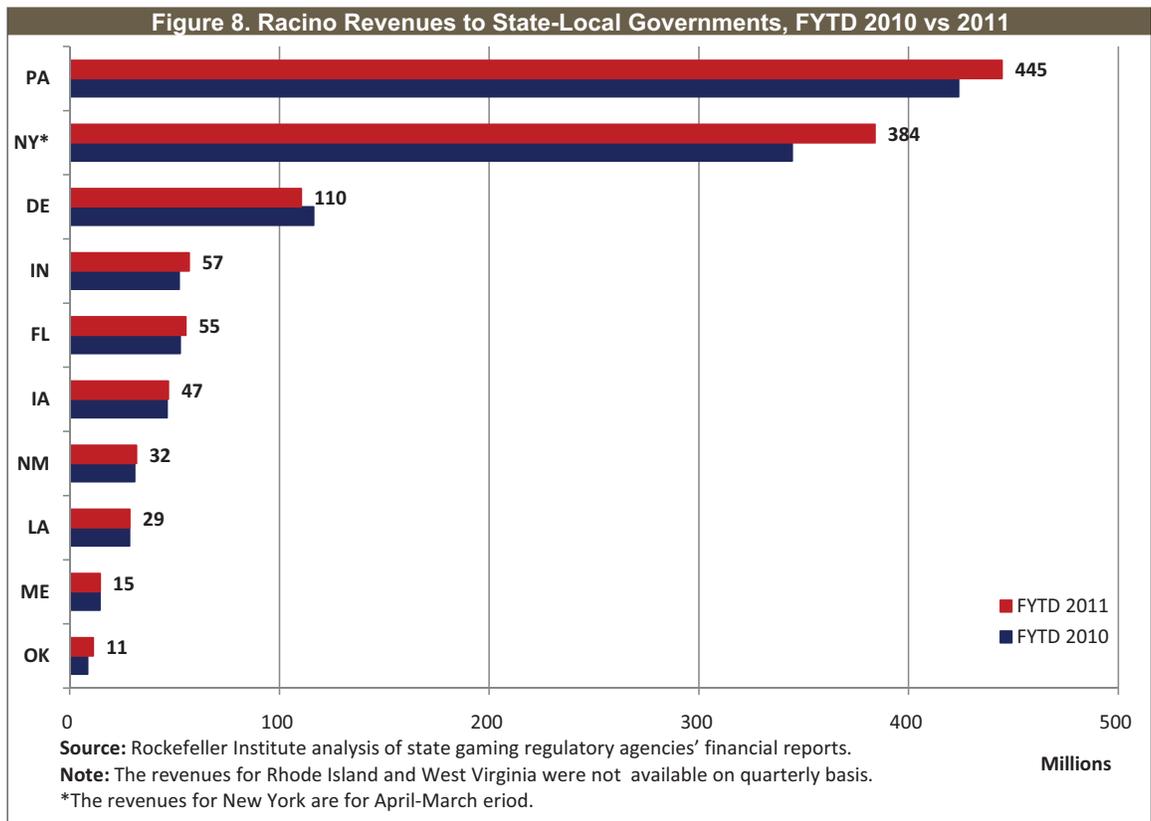
Source: Rockefeller Institute review of state gaming regulatory agencies' financial reports.
Notes: N/A - Not Applicable; ND - No Data.

We also collected state fiscal year-to-date racino tax revenue data for 2010 and 2011. Figure 8 shows the revenue collections for the first six months of state fiscal years 2010 versus 2011. For all states but New York the numbers are for the July-December period. Since New York's state fiscal year runs from April 1st to March 31st, the numbers reported in here cover April-December period. As shown on Figure 8, fiscal 2011 year-to-date revenues were down in Delaware only compared to the same period of 2010. In Pennsylvania the year-to-date growth in revenues are attributable to opening of new racinos.

Pari-Mutuel Wagering

Pari-mutuel wagering is the longest-established form of state-sanctioned gambling. It includes events such as horse racing, dog racing, and jai-alai, where wagers relate to the order in which participants finish. As other forms of gambling have become more widespread, pari-mutuel wagering has lost popularity, and state revenues have seen a steady decline.

Revenue collections from pari-mutuel wagering declined almost continuously. Overall state revenues from pari-mutuel wagering declined significantly from \$554 million in 1993 to \$150 million in 2010, according to data reported by U.S. Census Bureau. After adjusting for inflation, revenues from pari-mutuels declined by over 80 percent for the same period.



State	\$ millions			Percent change	
	FY 2008	FY 2009	FY 2010	FY 2009-10	FY 2008-10
United States	218.6	181.2	149.6	(17.4)	(31.5)
Alabama	2.7	2.4	2.1	(13.3)	(21.1)
Arizona	0.4	0.3	0.3	(2.7)	(33.7)
Arkansas	5.3	5.3	4.7	(11.4)	(10.5)
California	34.9	30.7	15.5	(49.4)	(55.5)
Colorado	2.7	0.6	0.5	(15.0)	(80.8)
Connecticut	8.3	7.6	7.1	(6.9)	(15.0)
Delaware	0.1	0.1	0.1	(4.1)	(18.9)
Florida	19.2	14.1	11.5	(18.8)	(40.4)
Idaho	1.7	1.3	0.9	(32.2)	(45.5)
Illinois	8.4	6.9	7.0	2.3	(15.9)
Indiana	4.2	4.0	4.5	14.4	7.6
Iowa	4.1	3.8	3.9	3.6	(4.6)
Kansas	1.9	0.3	0.0	(95.1)	(99.3)
Kentucky	5.7	4.4	0.0	(100.0)	(100.0)
Louisiana	4.5	6.0	5.3	(11.8)	17.7
Maine	3.0	2.9	2.4	(16.1)	(18.4)
Maryland	1.8	1.6	1.5	(4.2)	(14.7)
Massachusetts	3.5	2.8	2.1	(24.3)	(40.0)
Michigan	8.2	7.5	6.7	(10.4)	(18.1)
Minnesota	1.0	0.7	0.6	(9.6)	(34.1)
Montana	0.1	0.1	0.1	(10.4)	17.8
Nebraska	0.2	0.2	0.1	(31.0)	(36.3)
New Hampshire	2.9	2.0	1.6	(19.1)	(45.4)
New Mexico	0.7	0.6	0.0	(94.1)	(94.5)
New York	30.9	27.9	22.5	(19.6)	(27.2)
North Dakota	0.5	0.3	0.3	(4.3)	(46.9)
Ohio	10.7	9.5	8.4	(12.3)	(21.9)
Oklahoma	1.8	1.6	1.3	(20.0)	(26.9)
Oregon	3.7	2.1	3.0	40.3	(17.9)
Pennsylvania	23.2	13.9	17.5	25.2	(24.8)
Rhode Island	2.8	2.5	1.5	(40.7)	(47.4)
South Dakota	0.3	0.3	0.4	36.6	16.0
Texas	11.9	10.6	10.3	(3.0)	(13.7)
Washington	3.2	2.9	2.0	(28.3)	(36.4)
West Virginia	2.9	2.4	3.3	36.2	14.4
Wisconsin	0.9	0.7	0.3	(54.9)	(66.3)
Wyoming	0.2	0.2	0.2	(20.3)	(13.6)

Source: U.S. Census Bureau.

Notes: Census Bureau reported data for 37 states for FYs 2008-2010. While there are about six more states that collect revenues from pari-mutuel wagering, we estimate that total pari-mutuel revenue from these states would not exceed \$10 million.

Table 10 shows tax revenue figures for pari-mutuel wagering for the fiscal years 2008-2010. As Table 10 shows, total state revenues from pari-mutuel wagering decreased 17.4 percent in fiscal 2010 compared to fiscal 2009 and by 31.5 percent compared to fiscal 2008. Of the 37 states where pari-mutuel wagering is allowed and information is available, 30 states reported declining revenues in fiscal 2010, with 23 states reporting double-digit declines. Only seven states reported increases in revenues from

pari-mutuel wagering. Over 50 percent of all revenue from pari-mutuel wagering is generated in five states – California, Florida, New York, Pennsylvania, and Texas.

Native American Casinos

Native American casinos are run by tribes and operate on Indian reservations. In 1987, the U.S. Supreme Court recognized that Native American tribal entities could operate gaming facilities free of state regulation. A year later, in 1988, Congress enacted the Indian Gaming Regulatory Act (IGRA) to provide terms and conditions for gambling on Indian reservations. States usually do not have authority to regulate or profit from these Indian casinos. However, some states have negotiated special revenue sharing agreements with the tribes. Currently, there are over 400 Native American casinos operated by over 200 tribes in 28 states.

Comprehensive data on state revenue from Native American casinos are not available. However, we provide data for nine states that have the largest share of the Native American casino revenue collections. We estimate that total state collections from Native American casinos are below \$2 billion for the nation.

Table 11 shows tax revenue figures for Native American casinos in nine states for fiscal years 2008-2010. As shown on Table 11, six states reported declines in collections from Native American casino operations in fiscal 2010 compared to collections in 2009.

The nine states for which we provide data in on Table 11 comprise at least three quarter of the nationwide revenue collections from the Native American casinos. The state of Florida signed an agreement with the Seminole Tribe of Florida in late 2010 and as part of the agreement the Tribe shares revenues with the state. Therefore, the large increase in revenues from Indian gaming nationwide in fiscal 2010 are partially attributable to the revenues collected in Florida.

Table 11. Native American Casino Revenue, FYs 2008-2010

State	\$ millions			% change	
	FY 2008	FY 2009	FY 2010	FY 2009-10	FY 2008-10
Arizona	111.2	97.5	89.0	(8.7)	(19.9)
California	244.7	408.8	411.0	0.5	68.0
Connecticut	411.4	377.8	359.3	(4.9)	(12.7)
Florida	N/A	N/A	287.5	N/A	N/A
Michigan	53.9	55.7	38.8	(30.4)	(28.0)
New Mexico	65.5	63.7	62.7	(1.7)	(4.3)
New York	148.0	70.4	129.6	84.1	(12.4)
Oklahoma	71.6	92.8	14.2	(84.7)	(80.2)
Wisconsin	45.1	121.8	52.2	(57.2)	15.8
Subtotal	1,151.3	1,288.7	1,444.2	12.1	25.4

Source: Rockefeller Institute review of state financial reports.

Conclusions

Revenue from legally sanctioned gambling plays an important, if relatively small, role in states' overall revenues. From 1998 through 2009, such revenue represented a remarkably consistent 2.1 to 2.5 percent of states' own-source revenues. While such an amount may seem almost inconsequential at first glance, governors and legislators often face politically difficult choices in closing budget gaps that are much smaller. Incremental gains in collections from comparatively small sources of revenue, such as gambling, can be politically attractive when alternative options are unpopular tax increases or service reductions.

States are most likely to legalize new gambling operations when tax revenues are depressed by a weak economy, or to pay for new spending programs. Additional steps to legalize, expand, and encourage gambling through various measures were particularly notable during and after the Great Recession as states have sought to respond to historic declines in tax revenues. Still, overall growth in revenue from gambling has been weak in recent years, compared to historical levels.

Within certain regions, expansion of gambling creates stiff competition for the same pool of consumers. As a trade publication reported recently, "mature" casino markets in New Jersey and Connecticut have seen significant declines in recent years due to new competition in nearby states, and Connecticut may experience further losses if Massachusetts moves ahead on casino legalization. Meanwhile, new facilities in Maryland may sap recent growth in Pennsylvania, while those in Ohio will compete with existing casinos in West Virginia, industry observers suggest.⁷

Assessing the overall fiscal impact of state-sanctioned gambling is also complicated by competition for consumers' disposable income. Some dollars that are spent on lotteries and casinos would otherwise be spent on retail sales, tourism, or other activities that generate tax revenues for states and localities.

Gambling legalization and expansion during tough times produces significant short-term revenue increases in some jurisdictions. But if experience is a guide, such growth will not continue over time.

Endnotes

- 1 Lucy Dadayan and Robert B. Ward, "For The First Time, A Smaller Jackpot," The Nelson A. Rockefeller Institute of Government, September 21, 2009, available at http://www.rockinst.org/pdf/government_finance/2009-09-21-No_More_Jackpot.pdf.
- 2 Maryland and West Virginia opened their first casinos in September 2010 and July 2010, respectively.
- 3 For more information on gambling developments in the states, see the National Conference of State Legislatures report available at <http://www.ncsl.org/?TabId=20000>.
- 4 In most states the legal gambling age is either 18 or 21 years. Hence, we adjust the gambling revenue to state population that represents age 18 or above.
- 5 In this report, we define lottery revenues as lottery proceeds transferred to various state programs.

- 6 Inflation adjustments are based on the Bureau of Economic Analysis's price index for Gross Domestic Product (NIPA Table 1.1.4). Collections are adjusted to 2010 dollars.
- 7 Charles Anderer, "Still room to boom," *Casino Journal*, June 2011, available at http://www.casinojournal.com/Articles/Focus_On/BNP_GUID_9-5-2006_A_1000000000001061577.

Sources of Data in This Report

The Rockefeller Institute of Government collected and analyzed data from four major types of gambling: lotteries, casinos, racinos, and pari-mutuel wagering. In addition, we provide some statistics for revenues from Native American casinos for few states. We obtained lottery revenue data for fiscal years 1977-2008 from the U.S. Census Bureau. The North American Association of State and Provincial Lotteries (NASPL) also reports annual state lottery revenues. The NASPL and Census Bureau figures track closely for most years. We also obtained lottery revenue data for fiscal years 2008-2010 from individual state lottery agencies for 43 states.

For casinos and racinos, we report revenue numbers for fiscal years 1998-2010. We use 1998 as the starting point because comparable state-level data on casino and racino revenues were not readily available before that year. We collected casino and racino revenue data from individual state gaming regulatory agencies. Separate racino data for two of 12 states—Rhode Island, and West Virginia—were unavailable for fiscal years 1998 to 2007. The racinos in these two states host video lottery terminals (VLTs) only. The only other two racino states hosting VLTs are Delaware and New York. These VLTs are generally considered part of the state lottery system and revenues to state and local governments from VLTs are counted in lottery revenues reported by the Census Bureau. Therefore, for historical analysis (as in Figure 1), we report revenues from VLTs as part of lottery revenues. However, for fiscal years 2009 and 2010 (as in Table 1) we report revenues from VLTs as part of racinos. In addition, we also report revenues from VLTs separately to show trends in racino operations (see Table 9).

Pari-mutuel wagering data for fiscal years 1977-2010 were obtained from the U.S. Census Bureau.

Finally, we obtained Native American casino revenue data for fiscal years 2008-2010 for nine states. While we were not able to obtain statistics for the remaining 19 states with Native American casino operations, we estimate that the revenues generated in the nine states for which we have statistics represent about 70-80 percent of total Native American casino revenues.

For purposes of comparison, another frequently cited source of data on state revenues related to gambling is the American Gaming Association's series of annual *State of the States* reports. The association, which represents commercial casinos across the country, provides extensive analysis of the industry's economic impact including tax revenues for states. Its reports include data on casinos and racinos, but do not include lottery or pari-mutuel revenues. The 2011 *State of the States* reported nationwide tax collections of \$7.59 billion, slightly higher than the \$7.4 billion total of casino and racino revenues we calculate based on data from individual states. Due primarily to the omission of lotteries, total revenues cited in the latest *State of the States* report represent just less than one-third of the total analyzed in this report.

About The Nelson A. Rockefeller Institute of Government's Fiscal Studies Program

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all 50 states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Robert B. Ward, deputy director of the Institute, who directs the Fiscal Studies Program. Shuqin Pan, graduate research assistant, assisted with data collection. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau.

Additional information about the Institute and its Fiscal Studies Program is available at www.rockinst.org.