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**SHOW ME THE VLT MONEY**

**MARCH 2004**



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# **SHOW ME THE VLT MONEY**

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**MARCH 2004**

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## Show Me the VLT Money

While there has been much hoopla surrounding the introduction of video lottery terminal in to New York State, the early indications are that the financial returns from these terminals have been somewhat disappointing.

Video lottery terminals at racetracks in New York were authorized in 2001 soon after the events of 9/11. Due to problems with the size of the vendor fee payable to racetracks and questions involving the constitutionality of the VLT's, the first "racinos" were not running until the winter of 2004. The first three racinos up and running were all developed in part by Delaware North, the giant private hospitality and food service corporation headquartered in Buffalo. Delaware North owns and operates the racetrack at Finger Lakes which is southeast of Rochester, and it manages the gaming facilities at Saratoga Gaming and Racing and Buffalo Raceway. Saratoga is owned by private investors. Buffalo is owned by the Erie County Agricultural Society. Saratoga opened in January, Finger Lakes opened in February, and Buffalo Raceway opened in March. To date, business has been about the same at all three venues. The per diem win per VLT or electronic gaming device is approximately \$160 at each locale.

It might sound impressive until you see the figures from similar electronic games in other areas. According to figures from the Legislators' Guide to Video Lottery Terminal Gambling, published by the Maryland Department of Legislative Services in 2004, the daily gaming device win average is much higher everywhere else.<sup>1</sup> The figures given in the report are: Delaware racinos, \$293,<sup>2</sup> Iowa racinos \$237, West Virginia racinos \$232, Rhode Island racinos \$311, Louisiana racinos \$243 and Ontario racinos \$407 Canadian, which translates into \$260 in 2002. Additionally in 2003, the casinos in Illinois did \$409 per machine in 2003.<sup>3</sup> The two enormous casinos in Connecticut are doing more than \$335 so far for the 2004 fiscal year.<sup>4</sup> Atlantic City for 2002 with over 38,000 slot machines had a daily win of \$234.<sup>5</sup> Why is upstate New York State at \$160 trailing the field when it so far only has 3,300 machines? Why is per machine win in New York State running less than 50% of what might reasonably have been anticipated? The closest gambling locale to Saratoga Springs is two hours away at the Oneida Indian casino at Turning Stone which has machines which probably are not the caliber of Saratoga's. The Saratoga region is fairly prosperous with unemployment rates in New

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<sup>1</sup> The numbers for this guide are in Chapter 6 pp. 43–48 of the Legislators' Guide.

<sup>2</sup> The numbers for 2003 in Delaware for should show a somewhat smaller win per machine. Some of this drop may be attributable to anti-smoking legislation in Delaware, but the number may be closer to \$250 per machine.

<sup>3</sup> These figures are derived from the Illinois Gaming Board' posted data at <http://www.igb.state.il.us/revreports/january2004statreport.pdf>. In 2003, the daily per machine win at the Elgin casino was \$768.

<sup>4</sup> See Connecticut Division of Special Revenue at <http://www.dosr.state.ct.us/PDFFolder/MohH0104.pdf> and <http://www.dosr.state.ct.us/PDFFolder/FoxH0104.pdf>.

<sup>5</sup> The New Jersey numbers for 2002 are derived from the Legislators' Guide and the New Jersey Casino Control Commission's annual report at [http://www.state.nj.us/casinos/2002\\_annua\\_%20report-%20njccc.pdf](http://www.state.nj.us/casinos/2002_annua_%20report-%20njccc.pdf).

York's Capital District below national, state and upstate New York averages.<sup>6</sup> Shouldn't it be doing better? Sure it's winter in upstate New York, but February and March were comparatively warm. Snow amounts in February and March were within normal ranges. Why aren't the numbers better? Shouldn't Saratoga's numbers be at least as good as West Virginia's? Eventually, given New York's urban demographics, shouldn't its numbers on per diem machine win exceed those of Illinois?

I don't believe it is time to panic in New York yet. People may need some adjustment to the new machines. Maybe there is a learning curve with people having to learn that their local racetrack is a de facto casino. Nobody is claiming that the first racinos were designed to be palaces. Perhaps \$150 per day per machine at Buffalo Raceway is actually a more than respectable number given the presence of thousands of slot machines in that region at Seneca Niagara, Casino Niagara, and Fort Erie. The weather is still a factor. Even a mild upstate winter can never be considered good weather, and business is certain to improve when the temperature heat up.. There is anecdotal evidence that the three racinos are doing great on weekends but are having problems on weekdays. Could it be that the limited return given to the New York racino operators have made their racinos less desirable recreational attractions?<sup>7</sup> Are some of the initial machines in use at the racinos unattractive or undesirable to the players? Do some manufacturers produce games that people just aren't playing?

Again, there's no reason to panic. No businesses are failing, and Maybe it's just growing pains, but unless the VLT money starts showing up faster in New York, there may be some cause for concern. So far, the money in New York hasn't shown.

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<sup>6</sup> The February 2004 unemployment rate in the Capital District was 5%. In Saratoga County, it was 4.7%. The State rate was 6.9%, and the national rate was 6%. In other upstate areas, the figures were 6.6% for Binghamton, 7.4% for Buffalo, 6.6% for Rochester, and 6.9% for Syracuse. See <http://www.labor.state.ny.us/agency/pressrel/prtbur.txt>.

<sup>7</sup> The return to the operators of the racino in New York is less than the percentage going to other racino operators. See generally Legislators' Guide, supra at Chapter 7.