

**Members**

Sen. Luke Kenley, Co-Chairperson  
Rep. William Crawford, Co-Chairperson  
Sen. Ron Alting  
Sen. John Broden  
Sen. Robert Deig  
Rep. Trent Van Haften  
Rep. Jeff Espich  
Rep. Matt Bell  
Ernest Yelton  
William Sheldrake  
Jerrold B. Carrington



# GAMING STUDY COMMITTEE

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Authority: P.L. 182-2009(ss)

## MEETING MINUTES<sup>1</sup>

Meeting Date: September 14, 2009  
Meeting Time: 10:00 A.M.  
Meeting Place: State House, 200 W. Washington St.,  
Room 404  
Meeting City: Indianapolis, Indiana  
Meeting Number: 2

**Members Present:** Sen. Luke Kenley, Co-Chairperson; Rep. William Crawford, Co-Chairperson; Sen. Ron Alting; Sen. John Broden; Sen. Robert Deig; Rep. Trent Van Haften; Rep. Jeff Espich; Rep. Matt Bell; Ernest Yelton; William Sheldrake; Jerrold B. Carrington.

**Members Absent:** None.

Co-Chairperson Rep. William Crawford called the meeting to order at 10:05 a.m. Rep. Crawford made introductory remarks regarding the agenda and introduced the members of the Committee.

### (1) Effective Gaming Tax Rates and Local Distributions of Gaming Revenue

Jim Landers, senior fiscal analyst for the Legislative Services Agency, presented a report (Exhibit A) estimating the effective gaming tax rates paid by Indiana's riverboat casinos and racinos. The report also included a comparative analysis of effective gaming tax rates in Indiana versus effective gaming tax rates in neighboring states.<sup>2</sup> In addition to the report on effective gaming tax rates, Mr. Landers discussed a table (Exhibit B) reporting the FY 2009 distributions of revenue to local communities from gaming taxes paid by the riverboat casinos and racinos; supplemental admission tax replacement payments by the state; and local development

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

<sup>2</sup> The report is available on the Internet at the General Assembly homepage at the URL address described above. No fee is charged for viewing, downloading, or printing the report or table from the Internet.

agreement payments by the riverboat casinos.

Rep. Crawford directed the Committee's attention to a news article highlighting potential challenges to the casino industry from out-of-state competition and the potential that gaming markets in the state could be saturated (Exhibit C)

## **(2) Movement of Existing Riverboat Casinos in Gary to New Locations**

There are two riverboat casinos located in Gary at the same docksite on Lake Michigan in Buffington Harbor. Both casinos (Majestic Star I and Majestic Star II) are owned and operated by Majestic Star, LLC. Majestic Star, LLC also owns and operates casino properties in Tunica, Mississippi, and Black Hawk, Colorado.

George Angelone, Deputy Director of the Office of Bill Drafting and Research, Legislative Services Agency, presented a memorandum on the state statutes governing the movement of a riverboat casino license located in Gary to another location (Exhibit D). The memorandum included a discussion of any authority permitting the potential conversion of such a license from a license for a riverboat casino to one for a land-based casino. The Committee also discussed: (1) state laws concerning the determination of navigable waterways for purposes of the riverboat gaming statute; and (2) the requirement that riverboat casinos must be self-propelled.

The following individuals testified on behalf of the city of Gary and Majestic Star, LLC: Rep. Charlie Brown; Ronier Scott (President, Gary City Council); Rudy Clay (Mayor of Gary); Don Barden (CEO, Majestic Star, LLC); Larry Buck (General Manager, Majestic Star Casinos); and Sen. Earline Rogers.

Rep. Brown discussed the history of riverboat gaming in Gary. He explained that moving one of the Majestic Star casino operations from Buffington Harbor to a land-based facility on I-80/94 would generate additional revenue that could be used to construct a teaching hospital and trauma center in Gary adjacent to the new medical school facility at IU-Northwest. He indicated that the move would not only help Majestic Star better compete against potential competition in Illinois but it would generate additional tax revenue due to better location and better access to customers. Rep. Brown commented that he envisioned funding for the hospital would come from increased gaming revenue as well as from other sources.

Councilman Scott discussed how the Buffington Harbor location is limited in terms of expansion and would therefore not be a good site for a land-based casino. He indicated that potential customers coming from the Chicago area must pass by casinos in Hammond and E. Chicago to get to the Buffington Harbor location. He also indicated that studies show that sites on I-80/94 are prime locations and that a land-based casino in that area would increase gaming revenue and would result in economic development around the new casino site.

Mayor Clay also discussed the advantages of moving one of the casinos from Buffington Harbor to a land-based facility on I-80/94. He stated that traffic studies indicate that approximately 600,000 vehicles travel along that route each day as opposed to the much lower traffic flow traveling past Buffington Harbor each day. Mayor Clay also indicated that he is not opposed to the state allowing any of the other casinos to move to land-based operations nor would he be opposed to the state moving the location of the remaining Buffington Harbor license. Mayor Clay commented that moving a casino to a land-based facility in Gary would be an important part in improving the Gary economy.

Larry Buck presented financial information relating to Majestic Star I and Majestic Star II (Exhibit E). The presentation highlighted the decline since 2006 in the gross gaming revenue and gaming tax revenue generated by the two casinos and analyzed the potential reasons for

these declines.

Don Barden provided a retrospective on the Majestic Star casinos and discussed the factors that have affected the financial condition of the casino operations and the market areas served by the casinos. Mr. Barden indicated his total investment in the two properties totals roughly \$600 M and that the properties employ 1,253 people. He stated that when he purchased the former Trump Casino (currently called Majestic Star II) for \$253 M in 2005 he did not foresee a number of changes that have significantly affected the markets served by Majestic Star I and Majestic Star II and the ability to finance new capital investment. Mr. Barden stated that these factors included: (1) the extent that tribal casino operations would expand in southeastern Michigan; (2) the extensive casino facility that Horseshoe Casino was able to build and which opened last year in Hammond; and (3) the deterioration of the financial markets which has severely limited access to capital.

Mr. Barden suggested several ways of preserving the casino industry in the state and helping it to thrive, including allowing all casinos to undertake land-based operations, ensuring a fair regulatory environment, and providing a tax credit for future capital investment.

In terms of the two Gary casino licenses, Mr. Barden stated that he supports being able to move one license to a land-based facility within Gary and that he supports relocating the remaining license to northeast Indiana. He also commented that at a land-based facility he envisions a number of amenities in addition to the casino facility. Mr. Barden indicated that land-based facilities are more appealing to customers and that given the challenges in the capital markets a land-based facility would be more attractive to investors than a boat. He also commented that movement to a land-based facility would generate more revenue.

Sen. Rogers discussed the history of riverboat gaming in Gary and the need for a land-based casino in Gary. She also indicated that it would be important for a study to be conducted to assess the revenue impact of a land-based casino in Gary.

The following individuals testified regarding the potential for a casino license to be moved to Ft. Wayne, Steuben County, or other locations in northeast Indiana: Robert Meeks, Gary Nielander (Executive Director, Steuben County Economic Development Corporation); Troy Stremming (Senior Vice President, Ameristar Casinos); Jim Brown (General Manager-Gaming, Hoosier Park Racing and Casino); Ryan Soultz (Director of Government Affairs, Boyd Gaming); and Councilman Mitch Harper (Ft. Wayne City Council).

Robert Meeks testified that if one of the Gary riverboat casino licenses were to be moved, he would support moving that license to Steuben County and allowing a land-based casino to be developed there. He commented that Steuben County has a favorable location at the intersection of I-80 and I-69 and that it is a tourism center with the population of the county increasing from about 33,000 people in the winter to about 100,000 people in the summer. Mr. Meeks asked the Committee to recommend legislation allowing Steuben County to hold a referendum on casino gaming at the next general election.

Gary Nielander spoke briefly about the potential economic development benefits of a land-based casino to Steuben County.

Troy Stremming provided an overview of Ameristar Casinos and the company's riverboat casino in East Chicago. He also provided a map showing the location of Ameristar and the locations of current and potential competitors (Exhibit F). Mr. Stremming indicated that Ameristar has invested approximately \$700 M in Indiana, including \$40 M in capital investment over the last two years and additional investment in slot machines. He stated that a land-based casino located in Gary on I-80/94 would have a detrimental impact on the Ameristar Casino and would

significantly “cannibalize” business at Ameristar. Mr. Stremming stated that a land-based casino at the I-80/94 location would cut off traffic to the Ameristar in East Chicago coming from the south.

Jim Brown asked that the General Assembly use caution in considering relocating one of the Gary licenses to northeast Indiana because of the potential impact on Hoosier Park’s market. He indicated that approximately 20% of Hoosier Park’s customers come from Ft. Wayne and surrounding counties.

Mitch Harper spoke on the opposition to casino gaming in Ft. Wayne. He indicated that the Allen County Commissioners and the Allen County Prosecuting Attorney are opposed to having a casino in Ft. Wayne. He also indicated that there is no consensus on the casino issue among Ft. Wayne city council members or in the community.

Ryan Soultz gave an overview of Boyd Gaming and Blue Chip Casino in Michigan City. He indicated that Boyd Gaming paid \$245 M to purchase Blue Chip in 1999. He stated that Boyd Gaming spent \$170 M to open a new riverboat casino in 2006 and have since opened a hotel at the property. Mr. Soultz commented that investments and financing decisions by Boyd Gaming concerning Blue Chip Casino were based on the certainty and stability of the gaming markets within the state. He indicated that the level of certainty and stability currently in place would be eroded by moving an existing casino license. He also testified that if a license were to be moved, there may be casino operators that would like to bid on that license.

### **(3) Issues Relating to Admissions Taxes for Riverboat Casinos**

Mike Smith (Executive Director, Casino Association of Indiana) commented that the casinos do not like the admissions tax because it is difficult to administer. He indicated that the casinos may be willing to replace the admissions tax with an additional wagering tax.

### **(4) Gaming License Fees and Suppliers License Fees**

Ernie Yelton (Executive Director, Indiana Gaming Commission) explained the license fee issues. On the gaming license fee he indicated that the annual renewal fee for a riverboat casino license is \$5,000 and that this fee has not changed since 1993. However, the cost of regulatory oversight of the industry has increased by approximately 30%.

Mr. Yelton explained that the suppliers license fee was raised during the 2008 legislative session from \$5,000 to \$7,500, but that there was some thought that the increase could be sizeable for small suppliers. He indicated that annual sales for suppliers ranged from \$8,000 to \$43 M.

Mike Smith indicated that the annual renewal fee for the riverboat owners is adequate given all the other administrative costs that the casino owners pay for each year.

### **(5) Campaign Contribution Ban for Casino and Racino Owners**

Mike Smith commented about casino and racino owners being able to participate in political campaigns like other citizens. However, he suggested that this issue could be deferred to another time so as not to interfere with the discussions and consideration of other more important issues.

Rep. Crawford asked Sen. Kenley to outline the topics for the next meeting.

Sen. Kenley indicated that the next meeting would be held on October 19, 2009, in Room 431

of the State House. He indicated that the meeting would cover the following topics:

- (1) Competition from out-of-state gaming facilities and tribal-operated gaming facilities.
- (2) French Lick Casino issues, including modification of trust payments and subsidies paid by other gaming facilities.
- (3) Land-based gaming and maintenance of Coast Guard-compliant navigation systems at riverboat casinos.
- (4) Report on the purse structure for horse racing and breed development funds.
- (5) Ft. Wayne gaming referendum and issues relating to a Ft. Wayne/northeastern Indiana casino.

Rep. Crawford adjourned the meeting at approximately 3:30 p.m.