



UNIVERSITY OF MASSACHUSETTS SCHOOL OF PUBLIC HEALTH AND HEALTH SCIENCES

Lottery Revenue and Plainridge Park Casino: Analysis After Two Years of Casino Operation

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Executive Summary

Background

The slot parlor at Plainridge Park opened in Plainville, Massachusetts on June 24, 2015. Two additional casinos are scheduled to open in Everett and Springfield and are currently under construction. With the introduction of casino gambling in Massachusetts, the Commonwealth has made protection of the lottery a priority. The Legislature required all prospective casino operators to be a licensed state lottery agent.

In fiscal year 2017, total lottery sales in Massachusetts were just over \$5.0 billion, a decrease of approximately 2.6% compared to fiscal year 2016 when sales were a record-high \$5.2 billion. Lottery revenues are the largest source of unrestricted local aid in Massachusetts and the second largest source of all local aid, after Chapter 70 education aid. Local aid is distributed from a single pool according to a formula devised by the Legislature; local sales do not determine the amount of local aid that a municipality receives. In fiscal year 2017, the lottery's net profit was a \$1.039 billion, an all-time record high, of which \$958 million was distributed to the Commonwealth's municipalities in the form of direct local aid. In fiscal year 2017, Plainville received \$729,447 from the lottery and other direct local aid sources, which represents 16.6% of the Town's total state aid and 2.0% of total receipts.

Casino tax revenue will also contribute to local aid, with 82% of tax revenue from Plainridge Park Casino allocated to local aid. The Category 1 casinos scheduled to open in Everett and Springfield will contribute 20% of tax revenue to local aid. As of December 2017, a total of \$199,948,775 has been collected in state taxes and race horse assessments, of which \$163,223,490 consists of state taxes.¹

Methods

The Massachusetts Lottery has provided fiscal year and agent-specific lottery sales data to the SEIGMA Economics team at the UMass Donahue Institute. Fiscal year data dates from 2003 to 2017. Agent-specific lottery revenue dates from June 2014 to July 2017. Changes in revenue are analyzed at several levels, including statewide, in the host and designated surrounding communities near the casino, for agents at different driving distances from the casino, and for communities and regions most represented in the patron survey data. Plainville is the host community and Attleboro, North Attleborough, Foxborough, Mansfield, and Wrentham are the officially designated surrounding communities.

Key Findings

- No large, significant decline in lottery revenue can be attributed to Plainridge Park Casino.
- No obvious pattern between lottery sales growth and proximity to the casino was detected. Sales have not uniformly increased at greater distances from the casino.
- In the first year after the opening of Plainridge Park Casino, lottery revenue in Plainville increased approximately 25%. It has remained at that level in the second year of operation.
- Sales for other agents in Plainville have not notably declined since the opening of Plainridge Park casino.
- Compared to the year prior to the casino opening, gains in lottery revenue in Plainville have been sufficient to offset declines in the surrounding communities, leaving sales essentially unchanged, but not matching gains in rest of the state.

¹ <https://massgaming.com/wp-content/uploads/Revenue-Report-12-2017.pdf>

- Over the two year period since the opening of the casino, changes in average bi-weekly sales for agents in the surrounding communities of Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham vary, but collectively decline compared to the year prior to the casino opening.
- Over the two-year period since the opening of the casino, average bi-weekly sales in Plainville and the surrounding communities combined are essentially unchanged compared to the year prior to opening.
- Relative to the rest of the state, lottery sales for agents within a 15-minute drive of Plainridge Park Casino grew more slowly (year 1) or decreased (year 2) compared to the year prior to the casino opening.
- Relative to the rest of the state, lottery sales for agents within a 16-30 minute drive of Plainridge Park Casino grew more rapidly compared to the year prior to the casino opening.
- Massachusetts is one of the largest lotteries in the country, both in per capita terms and in absolute terms. As late as fiscal year 2012 and 2013, lottery revenue in Massachusetts exceeded lottery revenue in Florida and California, respectively.
- Growth in lottery revenue in Massachusetts has been slower than growth in lottery revenue nationwide and in other New England states.
- Lottery sales in Massachusetts in fiscal year 2017 decreased 2.6% over fiscal year 2016 (a record sales year), when sales increased 4.3% over fiscal year 2015.
- Between fiscal year 2003 and fiscal year 2017, lottery revenue has grown at an annualized rate of 1.38%. Inflation over the same period has grown at an annualized rate of 2.04%.
- In Plainville and the surrounding communities of Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham, lottery revenue grew more slowly in fiscal year 2016 than the state wide average (2.1% vs. 4.3%) and decreased more in fiscal year 2017 (-3.8% vs. -2.6%).
- With the exception of the Berkshires region, sales growth in the Metro Boston and Southeast Region (the source of 85% of recaptured gambling dollars) lagged behind other regions in the state in the two years following the opening of the casino.

Discussion

Statewide lottery revenue grew 4.3% in fiscal year 2016, a time period that nearly corresponds to the first full year of operation of Plainridge Park Casino, which opened June 24, 2015. In fiscal year 2016, lottery sales established an all-time sales record. In fiscal year 2017, however, statewide lottery revenue declined 2.6%. Lottery sales for the Town of Plainville increased 25% in the year after the casino opened relative to the prior year and remained at that level in the second year. This increase is due to increased lottery sales at Plainridge Park Casino.

Sales for lottery agents in the surrounding communities of Attleboro, Foxborough, Mansfield, North Attleborough, and Wrentham, *combined*, did not decline in the first year following the opening of the new casino, but grew more slowly, increasing 3.6% over the year prior to the casino opening compared to 5.2% for lottery sales statewide. In the second year of operation, sales in the *combined* surrounding communities decreased by 1.5% relative to the year prior to the casino opening compared to a 2.8% increase statewide relative to the base period prior to the casino opening. Even when including Plainridge Park Casino, sales for agents within a 15-minute drive of the casino follow a similar pattern, growing more slowly in the first year (3.78%) and decreasing (0.37%) in the second year. However, it should also be noted that sales for agents within a 16-30 minute drive of the casino performed better than the state as a whole, increasing in both years following the opening of the casino, by 5.70% in year 1 and 3.12% in year 2 compared to the year prior to opening.

Overall, the gains in lottery revenue in Plainville have been sufficient to offset declines in the surrounding and nearby communities, but not enough to match gains in the rest of the state over the two year period since the opening of Plainridge Park Casino. However, the difference is not statistically significant and it is not possible to conclude any directional change in lottery revenues. In other words, statistically, lottery sales in the host and nearby communities (designated surrounding communities and those within a 15-minute drive) remain unchanged.