



UNIVERSITY OF MASSACHUSETTS SCHOOL OF PUBLIC HEALTH AND HEALTH SCIENCES

# EXECUTIVE SUMMARY

## Plainridge Park Casino First Year of Operation: Economic Impacts Report

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## Executive Summary

The purpose of the current Operating Report is to estimate the full economic impact of the first year of operations of the Plainridge Park Casino (PPC) on the Massachusetts economy. In order to do that, the UMass Donahue Institute’s Economics and Public Policy Research unit (UMDI) looked at two key aspects of operational effects. First, we worked directly with PPC to determine the economic footprint of PPC’s operations, including employment, wages, vendor spending, and fiscal impacts from taxes and other assessments paid to the state. Second, we analyzed the way that shifts in patron spending as a result of the expansion of gaming would affect the state. To do this analysis, UMDI employed the PI+ model from Amherst, MA-based Regional Economic Models Inc. (REMI) to estimate the direct and spin-off effects in the Massachusetts economy associated with casino operations and patron spending.

In Plainridge Park Casino’s first full 12 months of operation (July 2015 through June 2016), patrons spent approximately \$172.5 million on gambling and non-gambling activities at the facility.<sup>1</sup> In order to understand how that spending impacts the economy of the Commonwealth, it is critical to understand how these patrons would have interacted with the Massachusetts economy had Plainridge Park Casino never opened. Based on a survey administered on-site and described in some detail later in the report – and in greater detail in SEIGMA’s *Patron and License Plate Survey Report: Plainridge Park Casino 2016* – UMDI was able to estimate that the majority of spending at PPC, \$100 million, was spent by Massachusetts residents who, in the absence of PPC, would have spent their money gambling at an out-of-state casino. From a policy standpoint, the significance of these “recaptured” patrons is that it is essentially “new” money to the Commonwealth since these patrons would have otherwise spent their money in another state.<sup>2</sup> Another \$36.6 million in spending, just over a fifth of total on-site spending, was spent by Massachusetts residents who otherwise would have spent their money elsewhere in Massachusetts. The economic impact of these patrons is more nuanced than with the recaptured patrons. Since their spending has been reallocated from other Massachusetts businesses to PPC, any positive economic impact which comes from an increase in revenue at PPC is accompanied by a negative impact elsewhere in the Commonwealth.

**Table 1: Sources of Spending at Plainridge Park Casino**

Source of Spending	Estimated Spending (Millions of Dollars)	Share of Spending
Recaptured Spending by In-State Patrons	\$100.0	58.0%
Reallocated Spending by In-State Patrons	\$36.6	21.2%
Spending by Out-of-State Patrons	\$36.0	20.8%
<b>Total</b>	<b>\$172.5</b>	<b>100.0%</b>

**Source: SEIGMA Patron Survey**

The remaining \$36.0 million was spent by out-of-state residents. The extent to which UMDI considers their spending to be new to Massachusetts is largely a function of whether or not they would have visited Massachusetts in the absence of PPC. For more detail on patron spending behavior and its

<sup>1</sup> Table 15 on Page 22 and the description of data preparation on Page 35 provide more detail on this number.

<sup>2</sup> For the purposes of this report, “new” economic activity means economic activity new to the Commonwealth of Massachusetts. While Massachusetts residents choosing to spend their money in a Massachusetts casino rather than an out-of-state facility might be considered a simple reallocation of funds from one business to another from a national perspective, it is new to the state. Given the scope of our work, this report considers this money new.

impact on Massachusetts, see the section of the report titled, *Changes in Consumer Spending: Patrons and Their Spending Patterns*.

Table 2 details the types of economic activity which informed UMDI’s analysis. These data give a high-level summary of the basis for our economic modeling exercise. Using survey data and primary data from PPC, UMDI sought to capture any economic activity that would not have occurred in the Commonwealth if the casino had not opened. These economic activities were used as inputs into a REMI PI\* economic model, which calculated the total economic impacts of this new activity.

The revenue described above enabled PPC to employ an average of 556 employees over the course of the fiscal year and pay \$17.8 million in wages in fiscal year 2016. During the same period, PPC also supported \$19.1 million in spending on vendors, membership organizations, and charitable causes. As part of Massachusetts’ Expanded Gaming Act, 49% of PPC’s gross gaming revenue is levied by the state for taxes and support for horse racing. These assessments are in addition to normal federal, state, and local taxes. PPC has also entered into various agreements with the host community of Plainville, Massachusetts and the surrounding communities of Attleboro, North Attleborough, Foxborough, Mansfield, and Wrentham. Some of these agreements include payments to the communities. Taken together, Plainridge Park Casino spent \$77.6 million in payments to various Massachusetts government entities in fiscal year 2016. Finally, visitors to PPC spent an estimated \$3.2 million in the Plainville area in the course of visiting the casino. This is money which would have been spent elsewhere if PPC had not opened.

**Table 2: Summary of Primary REMI Inputs**

<b>Measure</b>	<b>Units</b>	<b>Value</b>
Average Employment	Jobs	556
Total Wages	Millions of Dollars	\$17.8
Intermediate (e.g. B2B) Spending	Millions of Dollars	\$19.1
Government Revenue	Millions of Dollars	\$77.6
Estimated New Off-Site Spending	Millions of Dollars	\$3.2

**Source: Plainridge Park Casino**

Table 3 shows how the economic impacts of PPC were distributed around the state. While the analysis which produced these estimates used sub-state inputs and produced sub-state outputs, data related to consumer spending are only reported at the statewide level due small sample sizes in some regions of different types of patrons.<sup>3</sup>

In its first year of operation, the direct employment, wages, vendor spending, and fiscal activity associated with Plainridge Park Casino generated a total of 2,758 jobs, with 1,964 of those jobs existing in the private sector. Just over two-thirds of that employment impact occurred in the four-county Metro Boston region, which includes Norfolk County and the Town of Plainville. This new economic activity was

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<sup>3</sup> As an example, we are reasonably confident in the total amount of money spent on gambling at the casino which has been reallocated from activity elsewhere in Massachusetts (\$36.6 million). While our model allows us to estimate where these patrons live, and by extension, where they would have spent their money if not for the expansion of gaming, these geographic estimates are considerably more unreliable than the total estimates. As a result, economic model outputs, which are significantly informed by these data, are presented at the state level.

partially paid for by a decline in existing spending on other goods and services in Massachusetts as casino patrons shifted their spending away from other activities and towards PPC, leading to a loss of support for an estimated 340 jobs. On net, PPC created or supported 2,417 jobs in the Commonwealth, 1,633 of which were in the private sector.<sup>4</sup> The remainder were government positions supported by the revenue generated by PPC. The casino also supported \$143.7 million in new personal income and \$505.5 million in new output within the Massachusetts economy, of which \$362.4 million was value added (i.e., net new economic activity or gross state product).

**Table 3: Economic Impacts of Plainridge Park Casino by Region**

<b>Region</b>	<b>Total Employment</b>	<b>Private Non-Farm Employment</b>	<b>Output (\$M)</b>	<b>Value Added (\$M)</b>	<b>Personal Income (\$M)</b>
<b><i>Regional Operating Impacts:</i></b>					
Metro Boston	1,896	1,466	\$447.0	\$326.3	\$98.7
Southeast	376	247	\$48.3	\$29.9	\$31.7
Pioneer Valley	189	80	\$23.1	\$14.5	\$10.3
Central	231	131	\$30.2	\$18.7	\$17.4
Berkshires	27	11	\$3.2	\$2.0	\$1.4
Cape and Islands	38	29	\$4.6	\$2.9	\$2.8
<b>Total</b>	<b>2,758</b>	<b>1,964</b>	<b>\$556.4</b>	<b>\$394.4</b>	<b>\$162.2</b>
<b><i>Statewide Impacts from Changes In Consumer Spending:</i></b>					
<b>Total</b>	<b>-340</b>	<b>-331</b>	<b>-\$50.9</b>	<b>-\$31.9</b>	<b>-\$18.5</b>
<b><i>Statewide Net Impacts:</i></b>					
<b>Total</b>	<b>2,417</b>	<b>1,633</b>	<b>\$505.5</b>	<b>\$362.4</b>	<b>\$143.7</b>

Source: Regional Economic Models, Inc., UMDI Calculations

Broadly speaking, PPC’s impact on Massachusetts can be split into two parts. One part is the private sector activity resulting from PPC, including new employment and wages, intermediate spending on vendors, and reallocation of patron spending, either from out-of-state casino spending or from in-state consumption of other goods and services. The other part is the economic activity resulting from new state and local government spending made possible by revenue from PPC. Ultimately, while the private sector activity at PPC had both positive and negative impacts on each region of the Commonwealth, the majority of new employment outside of the immediate host region was the result of new tax revenue from PPC being spent across the state.

Table 4 shows the shares of employment impacts associated with private sector activity and government spending.

<sup>4</sup> Certain aspects of PPC’s operation were not modeled due to technical or data limitations. These include impacts resulting from new federal revenue or new sales for out-of-state vendors, as well as any impacts from the Massachusetts Gaming Commission’s Race Horse Development Fund. As a result, the output presented in this report may slightly underestimate the true economic impact of PPC.

**Table 4: Employment Impacts from Public and Private Sector Activity**

Source of Employment Demand	Employment Impact	Share of Total Impact
Employment Impacts from Private Sector Activity	778	32%
Employment Impacts from Government Spending	1,639	68%
Total Employment Impacts <sup>5</sup>	2,417	100%

Source: Regional Economic Models, Inc., UMDI Calculation

The employment impacts from PPC were largest in PPC’s own industry (Amusement, gambling, and recreation). This sector, however, did not see a substantial change beyond the direct employment at PPC. Other industries affected by the casino are a mixture of industries which are heavily represented in PPC’s vendor spending (also see Table 11). These include professional, scientific, and technical services, administrative and support services, and wholesale trade. Industries which are associated with an increase in general consumer spending, such as construction, retail trade, food services and drinking places, and real estate, were also affected by PPC vendor spending.

**Table 5: Top 10 Industries by Statewide Employment Impact**

Employment Impact by Industry Sector (Top Ten Industries)	Employment
Amusement, gambling, and recreation	560
Construction	281
Retail trade	104
Professional, scientific, and technical services	100
Administrative and support services	81
Food services and drinking places	62
Ambulatory health care services	43
Real estate	40
Wholesale trade	40
Personal and laundry services	28
All other industries	294
Total Private Non-Farm Employment	1,633

Source: Regional Economic Models, Inc., UMDI Calculation

To recap, less than a quarter of the jobs created or supported by the opening of PPC were actually at the facility. The majority of the employment impact related to PPC is the result of new state and local government spending due to the revenue collected on PPC’s gross gaming revenue. While an estimated 340 jobs were lost statewide as consumers shifted their spending towards PPC, that number was somewhat lower than expected, due to the majority of casino spending coming from “recaptured” patrons.

<sup>5</sup> The rows in Table 4 are the result of three distinct REMI simulations: 1) only private sector variables, 2) only public sector variables, and 3) all variables. Since the REMI PI+ model is a dynamic economic impact model where variables interact with one another in the course of calculating impacts, the first two rows should not be expected to add up to the last.