



UNIVERSITY OF MASSACHUSETTS SCHOOL OF PUBLIC HEALTH AND HEALTH SCIENCES

Lottery Revenue and Plainridge Park Casino: Analysis of First Year of Casino Operation

Executive Summary

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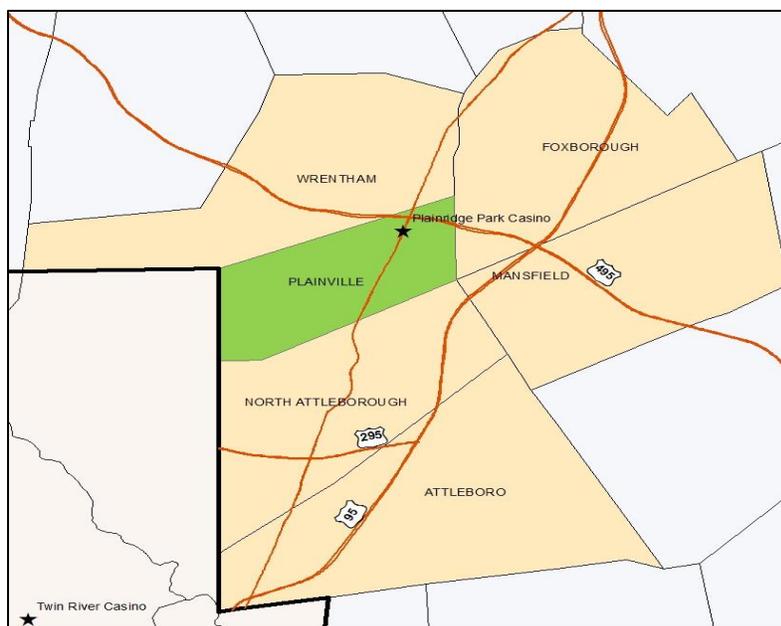
Background

The slot parlor at Plainridge Park opened in Plainville, Massachusetts on June 24, 2015. Additional casinos are scheduled to open in Everett and Springfield in future years. With the introduction of expanded 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 2015 total lottery sales in Massachusetts were \$5.014 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 2015, the Lottery's net profit was \$985.8 million, of which \$945.8 million was distributed to the Commonwealth's municipalities in the form of direct local aid. In Fiscal Year 2015, Plainville received \$675,071 from the Lottery, which represents 15.6 percent of the town's total state aid and 2.3 percent of total receipts.

Casino tax revenue will also contribute to local aid, with 82 percent 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 percent of tax revenue to local aid.

Methods

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

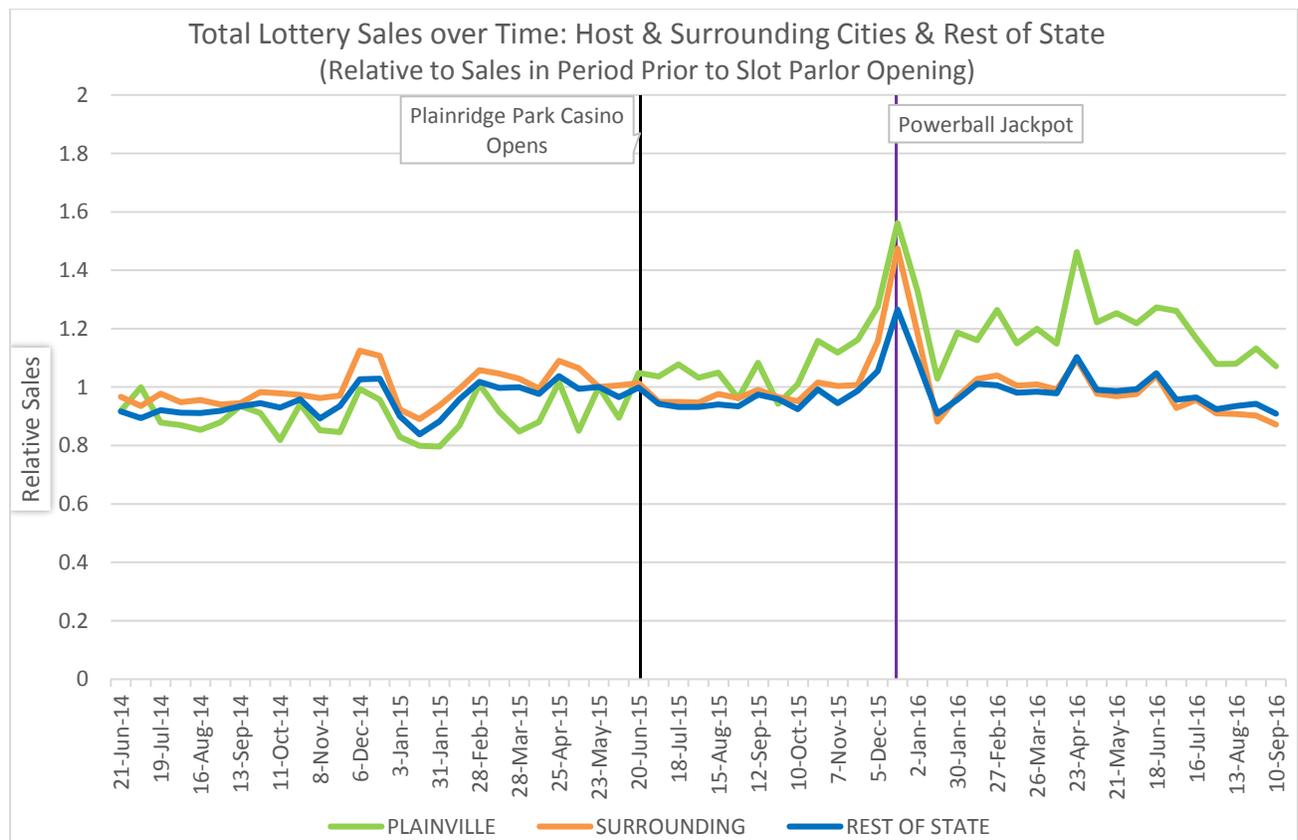


Key Findings

On average, lottery sales did not decrease near the casino following the opening of Plainridge Park Casino. Lottery revenue near the casino grew more slowly than the rest of the state with the exception of Plainville, where lottery revenue significantly increased.

- Statewide lottery sales increased 4.37% in Fiscal Year 2016, highest since 2012.
- Lottery sales in Plainville increased approximately 23% in Fiscal Year 2016.
- Year-over-year sales (sales in the year after the casino opened compared to the year before) increased 25.78% in Plainville versus 5.19% statewide.
- Year-over-year sales (sales in the year after the casino opened compared to the year before) increased in Plainville, Attleboro, and Mansfield whereas year-over-year sales in Foxborough, North Attleborough, and Wrentham decreased.
- Lottery sales at Plainridge Park Casino significantly increased after the opening of the casino relative to the prior year.
- On average, sales for other agents in Plainville and the surrounding communities did not decrease, but increased less than the rest of the state.
- It is unclear if the casino had differential impacts on communities, but no evidence was detected of negative impacts across all of the communities.

Bi-Weekly Sales Analysis by Community (June 2014-October 2016)



- Sales were examined bi-weekly since weekly sales are volatile due to when sales are recorded.
- Relative bi-weekly sales (sales each period relative to sales for the period prior to the opening of Plainridge Park Casino) increase for Plainville after the casino opening.
- Relative bi-weekly sales for Plainville were generally below surrounding communities and the rest of Massachusetts prior to the opening of Plainridge Park Casino, but above after.
- Relative bi-weekly sales for surrounding communities follow a similar trend as the rest of Massachusetts over the sample period.
- Relative sales at Plainridge Park Casino increased approximately four-fold after the opening of the casino and account for much of the sales increase in Plainville.
- Consistent with year-over-year sales, no overall decrease in sales in surrounding communities was detected and there was an increase in sales in Plainville.

Discussion

An analysis of lottery revenues one year after the opening of Plainridge Park Casino shows that, on average, lottery revenues have not decreased statewide or nearer the casino, whether this includes designated surrounding communities or agents within various driving distances. However, lottery revenues for agents nearer the casino grew more slowly on average than the rest of the state. Lottery revenues in the surrounding communities of Attleboro and Mansfield increased after the opening of the casino, whereas revenues in Foxborough, North Attleborough, and Wrentham decreased. Whether the casino had differential impacts on communities or is the source of variation in lottery revenue cannot be definitively determined as variation in lottery revenue may stem from other factors. It is also important to recognize that this result is based on one year of data and may not reflect longer term trends. Moreover, the result is not indicative of what may happen when casinos in Everett and Springfield open, both of which will be larger casinos with more non-gambling amenities.

Future Directions

The Economics team at the UMass Donahue Institute, with the cooperation of the Massachusetts Lottery, will continue to gather fiscal year and agent-specific data. This will allow a continued evaluation of lottery sales near Plainridge Park Casino and establish a longer baseline for the host communities of Everett and Springfield and their various surrounding communities.