

## Casinos fall short of revenue projections

Written by Administrator  
Sunday, 08 December 2013 11:00 -

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Jonathan Quilter | Dispatch

Revenue has fallen short at Columbus' Hollywood Casino and other casinos across the state.

The empty row of slot machines squawking for players can't drown out Marla Wagner as she yells at her friend to take a smoke break at the Hollywood Casino on the eve of Thanksgiving.

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Bars and restaurants typically fill with friends and relatives reuniting before the holiday, but here, cocktail waitresses are short on tips and blackjack dealers help rookie card players at half-filled tables.

“We live near Dayton and drove over, and I thought this place would be packed, but it’s dead,” said Wagner, 46. “I wonder if the slots will ever hit since there isn’t anyone playing them.”

There have been winners in the first year with all four casinos open in Ohio. But weak attendance has left the state and many cash-strapped cities and counties waiting on the jackpot anticipated when voters approved the casinos.

The lackluster performance has led Columbus officials to reduce their expectations. Other major Ohio cities that banked more heavily on casino taxes have seen revenue shortfalls.

The four casinos are on pace to gross about \$868 million this fiscal year, \$90 million less than what Gov. John Kasich’s proposed budget anticipated in the spring.

Gross casino revenue is taxed at 33 percent, and nearly all of the tax money is dispersed to cities, counties and school districts.

Kasich’s revenue estimate of just under \$1 billion was the most conservative at any point since the casino proposal was put before voters in 2009. And it was still high.

The Ohio Department of Taxation estimated in 2009, before the vote, that the casinos would generate \$1.9 billion in annual tax revenue.

The state hired Spectrum Gaming Group of Atlantic City, N.J., in 2011 to predict casino revenue, and the company determined that it would be about \$1.1 billion.

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Kasich's finance staff said last week that the state's approved budget predicted about \$940 million in taxable gross casino revenue for this fiscal year, which ends in June 2014. But taxable casino revenue will be well below that figure, based on the past six months of casino revenue data.

"Estimates of casino revenue are very difficult to predict when you don't have any prior performance to go off of," said Fred Church, deputy director of the state's Office of Budget and Management.

The lower revenue is another hit for Ohio cities, counties and school districts that were told by Kasich's administration that casinos would help soften the blow of deep state cuts in local-government funding.

Many cities planned to spread the casino money throughout their general funds to fill gaps in employee costs or to fund new projects.

Columbus has reduced its expected casino revenue for 2014 by nearly \$1 million, to about \$11 million.

Columbus could have problems down the road if casino revenue doesn't improve, because the city pledged a percentage of casino revenue to purchase Nationwide Arena, home of the Columbus Blue Jackets.

The purchase contract states that the city is to pay off the loan for the arena by 2039.

But if casino-tax revenue doesn't cover the cost by then, the city would have to continue payments past 2039. That means the city would pay more in interest and divert more casino-tax money from its general fund, which pays for such things as police and fire protection.

City Auditor Hugh J. Dorrian said the arena purchase contract was based on casino revenue

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projections at the time the deal was made in 2011. He said he is not concerned about the low casino payouts.

“It’s true that if the collections continue to be slower, then it would take longer to pay it off,” Dorrian said.

Cincinnati had budgeted for nearly \$14 million in revenue during its biennial budget but has revised that down to \$10 million.

Cleveland received \$2 million less in casino revenue than it expected this year and is budgeting for less revenue in next year’s budget to prevent another shortfall.

Officials there said they didn’t anticipate that casino revenue would be this low.

Cleveland “always anticipated an adjustment period for casino revenue after all four casinos and the racinos were operational,” said Maureen Harper, spokeswoman for Cleveland Mayor Frank Jackson.

Of the four casinos, Columbus’ Hollywood Casino has been the biggest underperformer this year.

Spectrum projected that the casino would bring in \$381.7 million annually in revenue. Instead, the casino, owned by Penn National Gaming, is expected to bring about \$215 million to \$220 million this year.

The study forecast that Penn National’s other casino, in Toledo, would bring in \$235 million. But the actual revenue could be less than \$190 million.

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Cleveland's Horseshoe Casino is expected to finish about \$35 million under its projected revenue of \$280 million. The Horseshoe Casino in Cincinnati opened in March and is surpassing predictions for expected revenue, according to data provided by the Ohio Casino Control Commission.

Casino officials said Spectrum's estimates were counting on the state allowing video lottery terminals at horse tracks and other locations. Those terminals have affected casino slot revenue, said Bob Tenenbaum, a spokesman for Penn National.

"We've acknowledged initially our slot revenues are not what we'd hope," he said. "In terms of revenue, it is our experience it takes another one to two years, maybe even more, to get really stable casino revenues to know what they're going to be over the long run."

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