

RIVERBOAT CASINO ACCOUNTING DATA

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Casino Accounting Data

The goal of this portion of the project was to collect and analyze accounting data from the riverboat casinos to determine the impact their spending had on surrounding communities and throughout the state.

The team initially requested the riverboat casinos provide us with data on their expenditures for various categories of goods and services, such as advertising, donations, and capital expenditures. Certain other financial data also were requested for researchers working on other areas of this study (the data request form is included at the end of this appendix). The response to the initial request was disappointing. Only three of the thirteen casinos returned complete forms, while one casino returned information in a format that rendered it useless. A second request was sent to the non-reporting casinos, but no responses were received as of the end of February. Thus, the team had to rely on the quarterly financial reports that riverboats are required to submit to the Attorney General's office.

The spending reported to the Attorney General was broken into two broad categories: payroll, and spending for goods and services. The payroll data included gross wages and benefits, as well as the number and percent of their employees who resided in Louisiana. The data on spending for goods and services included the total amount purchased from entities in Louisiana as well as the percentage this represented of total expenditures for goods and services. The taxes paid by those riverboats not responding to our requests were estimated to be 25 percent of their total revenue, which includes include all gaming fees and taxes, state and local sales taxes, and property taxes. This is approximately the same percent reported by the four casinos that provided us with data.

Finally, the reports submitted to the Attorney General were by calendar years (January to December), whereas some of those riverboat casinos that provided data to us did so by most recent fiscal year (any year-end other than December 31). Rather than reconstruct their reports to convert fiscal years to calendar years, we simply assumed that fiscal years

were equivalent to calendar years. In both cases, the data cover twelve full months of operations allowing for meaningful comparisons and analysis.

I. CASINO REVENUE

Riverboat gambling revenues in Louisiana have increased steadily since the first riverboats began operating in April of 1994 (see Table 1). However, much of this increase is due to expanded casino operations, as statewide the average revenue per operating square foot of casino space and average win per passenger has not changed substantially since 1995 (see Table 1).

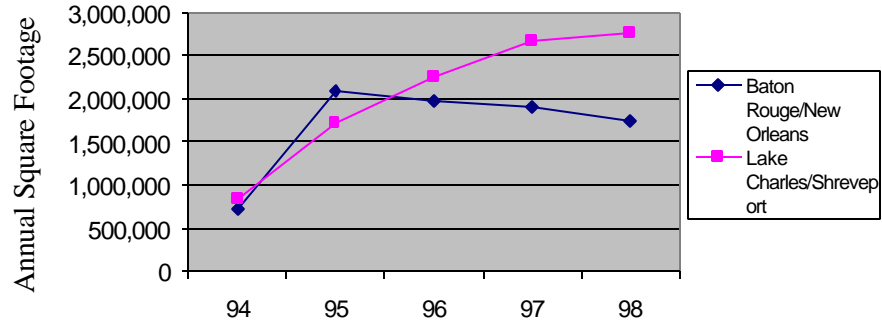
Table 1

Revenue, Operating Square Footage, Revenue per Square Foot, Number of Passengers and Average Win of Louisiana Riverboat Casinos					
Year	Casino Revenue (Millions)	Average Operating Sq. Footage (Thousands)	Annual Revenue per Sq. Foot	Number of Passengers	Average Win per Passenger
1994	\$545	129.7	\$4,199	11,940,301	\$47
1995	\$1,050	317.7	\$3,305	24,310,793	\$60
1996	\$1,212	353.9	\$3,423	28,472,520	\$58
1997	\$1,245	383.5	\$3,247	27,067,837	\$62
1998	\$1,323	375.2	\$3,527	25,413,619	\$57

During this time, however, several boats relocated from the New Orleans market, which turned out to be rather disappointing as a gambling venue, to the more lucrative markets in Lake Charles and Shreveport, located near the Texas border (see Figure 1).

Figure 1

Operating Square Footage



The reason for this shift is apparent in table 2, which shows the gambling revenue per operating square footage in the different markets. Baton Rouge is the weakest market with the boats there doing approximate \$2,000 per square foot, per year. In the New Orleans market, the revenue per square foot was \$2,500 in 1995, but rose to \$3,500 as boats that began operations there moved elsewhere. Shreveport continues to lead the state with nearly \$5,000 annual revenue per square foot, despite the addition of several boats. Apparently the gaming market grew in Shreveport as more boats relocated there.

Table 2

Revenue per Operating Square Feet, by Market				
	Baton Rouge	New Orleans	Lake Charles	Shreveport
1994	\$2,684	\$3,584	\$4,751	\$4,884
1995	\$2,054	\$2,570	\$3,509	\$4,955
1996	\$2,133	\$3,084	\$3,014	\$4,954
1997	\$1,971	\$3,111	\$2,782	\$4,388
1998	\$2,038	\$3,542	\$2,896	\$4,727

It should be noted that the revenue per square foot in Lake Charles is not directly comparable to the other markets. The two casinos in Lake Charles--Players and the Isle of Capri--each operate two boats in order to simulate dockside gambling (one boat is always dockside and available for boarding). In contrast, the boats in Shreveport are not required to sail due to the shallow depth of the Red River, each boat there is operated by different ownership.

The Lake Charles/Shreveport market accounts for over 68 percent of the gambling revenue generated within the State. Thus, a little over two-thirds of every dollar generated comes out of the border market due to its proximity to the Texas. Passenger counts also agree with the revenue data with this market accounting for 67.7 percent of all passengers. Revenue for this market on a calendar year basis as of December 31, 1995 was \$633,776,728 representing 60.4 percent of all state revenue and as of December 31, 1998 was \$ 898,399,434 representing 67.9 percent of all state revenue.

This market, as a proportion of total state revenue, has grown by over 7 percent, while the percent of all passengers coming from this market has grown by 9.9 percent, while the state passenger count increased by only 4.5 percent. Since 1995 passenger counts within this market have increased by 21.7 percent and revenues have increased 41.8 percent. Thus, roughly two-thirds of all state casino revenue and passengers come from the Lake Charles/Shreveport market.

The Baton Rouge/New Orleans market has not performed as well as the border market over the same 1995-1998 time period. Revenue has increased a little over 2 percent since 1995 while its passenger count declined by 19 percent for the same time period. As a portion of the total market, the Baton Rouge/New Orleans market takes in 32.5 percent of all passengers and contributes 32 percent of statewide revenue. However, this market has experienced a steady decline since 1995 when it boarded 42 percent of all passengers and produced 40 percent of all revenue.

II. CASINO EXPENDITURES

In 1998, the total gaming revenue of the riverboat casinos was just over \$1.3 billion. It is estimated that just under 70 percent of this revenue stayed in Louisiana. Approximately 24 percent went to pay the wages, salaries and benefits of the 14,000 people who worked for the casinos; 25 percent were paid in taxes to state and local government, and 20 percent went for goods and services to operate the riverboats, of which approximately 70 percent was spent in-state. What remained was the earnings before interest, taxes, depreciation and amortization, which is commonly referred to as EBITDA (see table 3).

Table 3

1998 Revenue & Spending of Louisiana Riverboat Casinos

	Dollars (Millions)	Percent of Total Revenue	Spent in Louisiana (Millions)	Percent Spent in Louisiana
Payroll	309.70	23.36%	\$303.78	98.09%
Taxes	326.87	25.14%	\$326.87	100.00%
Operations	356.56	19.91%	\$258.88	72.60%
EBITDA	307.02	23.61%	\$15.80	5.10%
Total	1,300.15		\$905.33	69.63%

Although some Louisiana residents may own stock in corporations that conduct gaming operations in the state and thereby receive a portion of the profits, it was assumed that were gambling not permitted in Louisiana, these funds would have been invested in other enterprises, including gaming operations in other states. Moreover, to the extent that Louisiana investors may receive above-normal returns on their gaming investment, there is little reason to believe that these gains are spent in Louisiana. Thus, we assumed that approximately 5 percent of EDIDTA of the riverboats was retained and spent in Louisiana.