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Atlantic City Gaming Win & Non-Gaming Revenue

Source: NJ Division of Gaming Enforcement

Month of July	July 2016	Change from Prior Year	July 2015
Total Gaming Win (includes Internet)	\$275,284	6.9%	\$257,503
Internet Gaming Win	\$17,369	38.6%	\$12,532

Second Quarter Ended June, 2016 & 2015 (\$ In Thousands)	Q2 - 2016	Change from Prior Year	Q2 - 2015
Total Revenue (Gaming & Non-Gaming)	\$ 880,414	.6%	\$ 875,331

For the Six Months Ended June, 2016 & 2015 (\$ In Thousands)	June 30, 2016	Change from Prior Year	June 30, 2015
Casino Licensees:			
Casino	\$ 1,208,618	2.2%	\$ 1,182,631
Rooms	\$ 193,649	1.4%	\$ 191,038
Food & Beverage	\$ 210,385	-1.0%	\$ 212,425
Entertainment & Other	\$ 70,396	-0.7%	\$ 70,907
Casino Licensees Total Revenue	\$ 1,683,048	1.6%	\$ 1,657,001
Third Party Business Sales	\$ 93,047	-0.1%	\$ 93,123
Combined Sales	\$ 1,776,095	1.5%	\$ 1,750,124

Atlantic City Statistical Transportation Data

Source: South Jersey Transportation Authority

Travel Mode	Jan – June 2016	Change from Prior Year	Jan – June 2015
AC Expressway			
Total Toll Paying Traffic Pleasantville Toll Plaza	8,990,533	3.4%	8,696,434
AC Airport			
Scheduled Service Passengers	597,035	5.5%	566,087
Charter Passengers	31,652	-39.7%	52,520
Total Air Passengers	628,687	1.6%	618,607
Casino Buses to AC	30,874	-6.4%	32,997
Casino Bus Passengers	538,938	-9.9%	598,463
NJ Transit Rail Service to AC			
Rail Passengers	537,159	-1.8%	547,057

Legislative Update

Assembly Bill #2811 – (Caputo) - Requires each casino licensee conducting Internet gaming in this state to prominently advertise the name of its Atlantic City casino on its Internet gaming websites and advertisements. The Assembly approved-2811 by a vote of 67-10 and requires gaming websites affiliated with Atlantic City casinos to promote gaming halls on their websites and in their advertising. The bill would require the N.J. Division of Gaming Enforcement to review each licensee’s Internet gaming website and related advertising to ensure compliance with the requirements. The bill now awaits review in the Senate.

Real Estate Update

Borgata Hotel Casino & Spa – In early August, Boyd Gaming completed the sale of its half of Atlantic City's Borgata casino to MGM Resorts International, according to Philly.com. Nevada-based Boyd said it received \$589 million from the transaction, after deducting its share of Borgata's currently outstanding debt. It will use the proceeds to pay down debt and for "general corporate purposes." That amount does not include Boyd Gaming's 50 percent share of any future property tax settlement benefits. The Borgata, Atlantic City's top casino, estimates it is due property tax refunds totaling \$160 million, including amounts due under court decisions rendered in its favor and estimates for open tax appeals. The transaction includes the Borgata casino and hotel, and its non-gambling Water Club hotel next door in the city's Marina District.

Revel Atlantic City – A Connecticut property developer is one of the people in the running to operate a casino at the shuttered Revel Atlantic City so long as current owner Glenn Straub can first secure a temporary certificate of occupancy and a suitable liquor license, according to Worldcasinodirectory.com. The Press of Atlantic City reported that Robert Landino, Chief Executive Officer for development firm Centerplan, registered a business called Revel North Beach with the New Jersey Department of the Treasury in May and wants to lease out the Atlantic City property’s casino along with some of its 1,500 rooms. Glenn Straub initially indicated that the facility would reopen by June 15, but to no avail. He recently indicated that there will be a soft opening on October 1 and said the property would be fully functional by the end of December.

Showboat – Showboat Renaissance, LLC purchased the property from Stockton University in January 2016. On July 8th the Showboat reopened as a hotel, with a bar and two restaurants, and without a casino facility. According to Worldcasinodirectory.com, the hotel has a total of 852 rooms, will keep the same name and be based on a Marti Gras theme.

Taj Mahal Casino – The Associated Press reported that the Trump Taj Mahal casino is scheduled to close on October 10 since, according to Carl Icahn, it is losing millions of dollars a month. The property has had its challenges over the last few years given its long battle with unions where, most recently, the main casino workers union has been on strike against the casino since July 1.

Atlantic City Information

Fitch Ratings for SJTA – According to Business Wire, Fitch has affirmed the South Jersey Transportation Authority's (SJTA) \$433.3 million outstanding transportation system revenue bonds at 'BBB+'. Fitch has also affirmed SJTA's \$14.5 million outstanding subordinate transportation system revenue bonds at 'BBB-'. The Rating Outlook on both ratings remains Stable.

Moody’s Investor Service indicated that a \$73 million state loan should buy the city time to reach a state takeover deadline according to The Press of Atlantic City. But a closing of Trump Taj Mahal Casino Resort could further harm the city’s finances by reducing what casinos could pay in lieu of property taxes, Moody’s said. The state loan is credit-positive for the city and likely ensures bondholders will receive their money, analyst Douglas W. Goldmacher wrote in Moody’s Credit Outlook.

New Jersey Gaming News

North Jersey Casino Expansion – According to the Associated Press, the closure of Atlantic City’s Trump Taj Mahal casino may help bolster the arguments of both sides in a referendum on putting casinos in northern New Jersey. Debra DiLorenzo, chairwoman of the No North Jersey Casinos Coalition, indicated that the closure is “tragic” and “magnifies the importance of defeating the referendum.” Her group released a study in the spring predicting that

three to five Atlantic City casinos could shut down when faced with new in-state competition. That would be on top of the four others that closed in 2014. The group also predicted the loss of 23,000 to 30,000 direct and indirect jobs from these new closings.

Jeff Gural, who operates the Meadowlands Racetrack just outside New York City and wants to build a casino there with Hard Rock International, said the Taj Mahal closing proves the main point of North Jersey casino proponents: that Atlantic City's casino market is crumbling and its former customers are spending their money in other states. He also cited the \$200 million a year that North Jersey casinos would send to Atlantic City to help revitalize it.

Moody's Investors Service says casinos near the Taj Mahal, including the Tropicana, Bally's and Caesars, could benefit from its closure. But the agency predicted any such gains would be short-lived, citing the expansion of the Sugarhouse Casino 60 miles away in Philadelphia, the expected opening of a second Philadelphia casino by 2018 and the prospect of two new North Jersey casinos.

NJ.com reported that New York-based groups on either side of the fall referendum are gearing up for a fight. The New York Hotel and Motel Trades Council and a group backed by a Queens virtual casino operator are putting big dollars into advertising opposing the expansion, along with union President Peter Ward who represents about 5,000 New Jersey hospitality workers. According to The Daily News, Ward's group will launch a six-figure ad buy critical of the gambling expansion.

CalvinAyre.com reported that after winning a bruising political battle this year for a November 8 ballot referendum, Senate President Sweeney is "disappointed" at North Jersey casinos supporters for sitting idly on the sidelines as they watch their numbers fade even before the voting day arrives.

A poll conducted by Fairleigh Dickinson University PublicMind in June found that 58 percent are opposed to allowing casinos in the northern part of the state. A Monmouth University poll in June showed equal levels of support and opposition to the ballot question.

Gaming Regulation Changes Puts Atlantic City Casinos At-Risk – The Press of Atlantic City reported that Atlantic City casinos are most at-risk in the near term from pending gaming regulation changes, including the possibility of more casino gaming in the region, according to a report from Fitch Ratings. Pennsylvania, New Jersey and Arkansas all made progress toward expanded casino gambling, while the latter two may see additional changes in November. "The regulatory landscape casinos have contended with, in some cases for many years, is continuing to evolve," said Alex Bumazhny, Senior Director. "As iGaming gains steam, daily fantasy sports rules develop and individual states consider expansion, Atlantic City is not the only jurisdiction contending with the swift changes."

NJ Online Poker Market Seeks to Share UK Player Pools – Casino.org reported that the New Jersey online poker market hopes to solve its all-too-often inadequate traffic by going overseas and partnering with the United Kingdom. In early July, New Jersey Division of Gaming Enforcement Director David Rebeck announced the agreement, in principle at least, had been reached between the DGE and the U.K. Gambling Commission to share online poker liquidity. Essentially, the New Jersey online poker market would open up player pools with the U.K., which could greatly enhance revenues and enhance N.J.'s online poker market. 888, GVC's bwin.party and PokerStars all operate in both New Jersey and the U.K. Since the U.K. voted to leave the European Union in late June, this could potentially make for a "cleaner" situation than when the lines between Britain and other E.U. countries were fuzzier. But the Brexit withdrawal process would take up to two years, which could also complicate any potential agreements in the interim.

Regional Gaming News

Delaware – No measures by the Delaware General Assembly (prior to the end of the legislative session) to provide financial assistance to Delaware casinos were taken, the Delaware State News reported. Like many other gaming jurisdictions, the issue in Delaware stems from competition in neighboring states and tax rates industry executives say are too high. With the casinos struggling, the Lottery and Gaming Study Commission approved legislation in 2015 that would have made major changes to the revenue-sharing model. The proposal carried an annual cost to

the state of \$45.8 million, however, and so it failed to find footing. This year, supporters brought back a modified version, but that too went nowhere.

Massachusetts – The lowellsun.com reported that once two resort casinos under development are open to gamblers, diners and shoppers, Massachusetts can expect to pull in about \$300 million in annual gaming revenue and municipalities can likely plan on more state aid flowing their way, according to Gaming Commission Chairman Steve Crosby. Estimating that both full-scale casinos -- MGM in Springfield and Wynn Boston Harbor in Everett -- will return "easily" between \$75 and \$100 million each per year and the slots parlor at Plainridge Park in Plainville will yield up to \$80 million annually. The state is due to receive 25 percent of gross gaming revenues from each casino, and receives 40 percent of gross gaming revenue from the slots facility, with an additional 9 percent of revenues from that facility going to a Race Horse Development Fund. When the casino law was approved, House Speaker Robert DeLeo and former Senate President Therese Murray said it could provide 10,000 to 15,000 long-term jobs and generate hundreds of millions of dollars a year for the state. When MGM and Wynn open -- expected in 2018 and 2019, respectively -- Crosby said he doesn't expect the state Lottery to see a decline in profit, which is returned to cities and towns as local aid.

Michigan - Detroit-area casinos saw a very slight decline in aggregate revenue for the second quarter, although year-to-date revenue remains on track with last year's numbers, as reported by Yahoo Finance. For Q2, the casinos saw sales decline 0.2 percent to just under \$350 million. Revenue at market-leader **MGM Resorts International** (NYSE: **MGM**) was down 0.7 percent to \$149.9 million in the second quarter, while MotorCity sales fell 0.1 percent to \$117.3 million. Greektown posted a gain of 0.4 percent to \$82.3 million.

Mississippi – The Washington Times reported that casino revenue continued to grow statewide in Mississippi in June, with gamblers losing more at casinos along the Mississippi River and the Gulf Coast. Figures released in July showed casinos won \$175 million in June, up 1.4 percent from \$173 million in June 2015. Revenue at the 16 Mississippi River casinos rose 2 percent from June 2015, rising to \$79 million. It was only the sixth month in the last three years that revenue has increased at those casinos.

New York – According to Bloodhorse.com, one of the last acts of the New York Legislature before its 2016 session ended June 18 was to send a message to one of its neighbors: New York is poised to act if New Jersey moves to build casinos near the New York border. The retaliation, according to a joint resolution adopted by the Senate and Assembly, would likely include stepping up the current timetable envisioned for additional casinos in downstate New York. The resolution didn't state where precisely new casinos might go, but lawmakers have said New York City would be a prime market location to compete with casinos if they are built across the Hudson River in northern New Jersey. Lawmakers have said the warning shot has a chief intended target: private financiers considering investments in potential New Jersey casinos. New York officials believe, rightly or wrongly, that investors in New Jersey might be scared off if officials on the east side of the Hudson River were to also permit casinos in such population centers as Manhattan.

Ohio – According to dispatch.com, Ohio's casinos have generated \$1 billion in tax revenue — more than half of it going to cities and counties — since opening in 2012. The Ohio Casino Control Commission released figures summarizing tax revenue paid by casinos in Columbus, Cincinnati, Cleveland and Toledo. The latest quarterly distribution figures released brought the total tax money collected to \$1,054,983,129 since the first casino opened in 2012. The casinos pay 33 percent of their gross revenue in taxes to the state, which distributes the money to several entities.

Pennsylvania – Casinos in Pennsylvania brought in record-high revenue for the 2015-2016 fiscal year, according to Phillyvoice.com. The Pennsylvania Gaming Control Board reported that the state's 12 casinos generated just over \$3.2 billion in revenue, a 3.6 percent increase from last year. This year's revenue was \$85.8 million more than the previous high set in 2012-2013. The PGCB estimates that the state's 12 casinos' combined tax revenue was \$1.4 billion for the year.