

Gaming Research Tips

.....quick start for studies, reports and papers

© 2004 UNLV International Gaming Institute Betty McNeal, author bmcneal@ccmail.nevada.edu

Tip Sheet # 13: Gaming Revenue

Sin tax. Legalized gambling, viewed variously as an immoral act or frivolous entertainment is taxed by governing bodies without sympathy or apology.

Taxes are levied on gross gaming revenue, which in Nevada casinos a few years ago exceeded \$8 billion for the fiscal year.

Casinos may also pay a special tax on each gaming device, a tax on live entertainment and more. Riverboats impose admission fees when players get on board to add to the usual state revenue share.

Calculating floor revenue. Table gross revenue equals "closing bankroll plus credit slips for cash, chips or tokens returned to the cage, plus drop, less opening bankroll and fills to the table".

Each casino game has special calculation methods defined in the regulations.

Gaming glossary. To interpret revenue publications read the notes for definitions of important terms. You may need to know the meaning of: win, drop, handle, AGR (adjusted gross revenue), AGP (adjusted gross profit), win per capita, coin-in, hold percent and more.

Gaming audits. Beyond the daily rules and procedures are full-scale, mandatory periodic independent audits conducted every 3 years. The Nevada

Gaming Control Board publishes a booklet, "What to Expect From an Audit".

Gaming Audit Procedures Manual. This is the Bible for correct auditing and cash handling for Nevada.

It contains definitions, procedures and thousands of details for accounting, machine fills, paperwork and more.

It is documented with references to the Nevada Revised Statutes and the Gaming Regulations. Accurate figures are necessary so the state can get its lawful share of casino intake.

The MICS. These are the "Minimum Internal Control Standards," another state publication showing mandatory procedures and minute steps to follow to handle cash and perform proper accounting.

Compliance and strict accuracy must be maintained to prevent revenue slipping away through skimming.

Revenue reports. A quick Internet search for the commission or board governing the gaming jurisdiction you are studying will reveal current revenue statistics and sometimes past years.

No uniform reporting system. Revenue is reported in different ways. Sometimes there are no official reports for public distribution, such as with Indian gaming,

particularly if you need breakdowns by casino or tribe.

Table game revenue is usually separated from slots. Revenue by slot denominations may be calculated. Comparative charts may show percent change from one period to another.

Some reports list named casinos and some reports are by geographic regions only.

American Gaming Association. This is a quick source for basic gaming revenue statistics in the United States. Also contains annual studies and surveys that may contain revenue statistics. See the "State of the States" report.

Fee-based reports. Gaming consultants, gaming analysts and investment banking firms obtain revenue statistics, but many of their publications are sold on a subscription basis and the costs may be high. Typical data suppliers may be: Bear Stearns, Deloitte & Touche, Morgan Stanley and Christiansen Capital Advisors.

Statistics Canada. A generic site for Canadian figures of all types. A search on gaming can show data on casino revenue, lottery revenue, gaming wages and average gambling expenditure per household.

Interactive gambling revenue. Internet gambling figures can only be guessed at due to lack of regulations. Mobile gaming with hand-held devices is popular in Europe and was predicted to reach Euro 3 billion by the year 2008.

Other gambling revenue. Casinos are not the only sources of gaming revenue for states. Search the Internet for revenue on lotteries, horse racing, greyhound racing, bingo and such.

Suggested topics for research.

- success of NJ revenue used for community redevelopment
- effect of recent tax rate increases on the health of the industry
- use of a portion of revenue for problem gambler identification and treatment
- revenue results when marketing to younger players
- non-smoking casinos and their impact on revenue
- how to determine what portion of gaming revenue can be attributed to high rollers
- comparison of gaming and non-gaming revenue in megaresorts
- how gambling on credit affects revenue counts

For more information.

Commercial Casino Gaming in the United States: A Jurisdictional Analysis of Gaming Taxes, Licenses and Fees. Prum & Bybee. *Gaming Research & Review Journal*, V. 4, Issue 1, 17-41 (1999).

Casino Gaming Market Research Handbook. Miller & Assoc., Annual.

Racetrack Gaming: \$2.1 Billion in Revenue Last Year. *Blood Horse Magazine*, May 2003.

Auditing the Casino Floor. Robinson, C. (date?)

Casino Credit and Collection Law. Cabot, A. 1989.