

The Hoosier Riverboats: A Look at Rising Sun



The Riverboat Gambling Act, which took effect July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for the express purpose of riverboat gambling in the state of Indiana. These licenses could be granted in counties that had held a referendum and approved riverboat gambling. Five were authorized for the Ohio River and five for Lake Michigan. To date, as illustrated in **Table 1**, nine certificates of suitability have been awarded and eight boats have opened. The award of the fifth Ohio River license is pending.

Located in southeast Indiana at the highest point of the Ohio River between Cincinnati and Louisville, Ohio County is the smallest in the Hoosier state. Its population in 1993 was 5,500; that of its county seat, Rising Sun, was 2,411. In 1990, 10.7% of Rising Sun's population was below the poverty level. More than three-quarters of the work force traveled outside the county for employment, whereas one-third held jobs out of state. The per capita income was \$10,786, or 82% of the state's, which stood at \$13,149. Manufacturing employment comprised the largest share of the work force.

Ohio County, and principally the city of Rising Sun, conducted a selection and endorsement process. The mayor and the city council appointed a local task force of four citizens which, along with the assistance of an outside consultant, Monte Denbo Associates, Inc., conducted interviews with each casino that applied and made recommendations to the city council. Four applicants were reviewed, with two remaining at the conclusion of the process. The city entered into project agreements with both.

On June 30, 1995, the Indiana Gaming Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Rising Sun. Grand Victoria Casino & Resort by Hyatt (formerly Rising Sun Riverboat Casino & Resort, LLC) received its license on September 16, 1996, and, after two test cruises, commenced full-time gaming opera-

tions two weeks later on October 4. What follows is a review of Grand Victoria's first year of operation.

Development Activities

The 2,700-passenger riverboat opened with 40,000 square feet of gaming space. A 200-room hotel with a 125,000-square-foot permanent pavilion and 2,000 parking spaces opened on July 25, 1997. Construction of an 18-hole golf course is slated to begin this year pending approval by the Army Corps of Engineers, and a 1,100-seat event showroom that is part of the pavilion was completed last December.

Grand Victoria spent \$32 million more than the \$94.5 million agreed to for the development of the project. This included an additional \$15.8 million for the boat, an extra \$6.6 million for casino equipment, and \$10.8 million more for land-based construction. Grand Victoria estimates that it might incur an additional \$16 million in construction costs to complete the development.

Other Commitments

As **Table 2** illustrates, Grand Victoria is on schedule with all of its incentive payments. The Rising Sun Redevelopment Commission has used the \$2 million from the casino for:

- Main Street improvements, including new cement and brick sidewalks, Victorian-style lamp posts, benches, and street repaving;
- Walnut Street improvements, including new drainage systems, street widening, curbing, and new sidewalks;
- establishment of a revolving loan program to help local residents develop their individual properties and businesses;
- creation of a Downtown Business Retention and Recruitment Program;
- downtown "incubator" buildings, purchased by the Redevelopment Commission, that will be renovated and resold to promote business development;

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Table 1
Awarding of Riverboat Gambling Licenses in Indiana

City/County	Company	Date Certificate of Suitability Awarded	Date Opened
Gary/Lake	Trump Indiana Inc.	December 9, 1994	June 11, 1996
Gary/Lake	The Majestic Star Casino	December 9, 1994	June 11, 1996
Evansville/Vanderburgh	Aztar Indiana Gaming Corp.	February 10, 1995	December 8, 1995
Rising Sun/Ohio	Grand Victoria Casino & Resort by Hyatt	June 30, 1995	October 4, 1996
Lawrenceburg/Dearborn	Indiana Gaming Company, LP/ Argosy Casino	June 30, 1995	December 13, 1996
Hammond/Lake	Empress Casino Hammond Corp.	November 17, 1995	June 29, 1996
East Chicago/Lake	Showboat Marina Partnership	January 8, 1996	April 18, 1997
Michigan City/La Porte	Indiana Blue Chip Hotel & Riverboat Casino Resort Corp.	April 17, 1996	August 22, 1997
Harrison County	Caesar's Riverboat Casino, LLC	May 20, 1996	NOT OPEN

Table 2
Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid through 9/30/97	Status
A. Rising Sun Redevelopment Commission	\$3,500,000	Town of Rising Sun	\$2,157,296	Ongoing
B. Community Park	\$500,000	Town of Rising Sun	\$207,594	Ongoing
C. Rising Sun/Ohio Co. Convention, Tourism, & Visitors Bureau	\$300,000	Town of Rising Sun	\$300,000	Complete
D. Contribution to Rising Sun Regional Foundation	\$1 per admission, no limit	Town of Rising Sun	\$2,156,393	Ongoing
E. Road improvement advance	\$4,000,000	Town of Rising Sun	\$689,372*	Ongoing
F. Road improvements	Up to \$2,500,000	Town of Rising Sun	\$3,000,000**	Complete
G. Reimbursement for legal, financial, and consulting fees	Up to \$112,500	Town of Rising Sun	\$112,500	Complete

* These funds represent a non-recourse, non-interest bearing loan to the City of Rising Sun to be reimbursed to the Grand Victoria from a portion (15%) of riverboat tax revenue received by the city from the State.

** Grand Victoria currently is negotiating with Rising Sun as to whether or not \$500,000 of this expenditure will be considered a loan, to be repaid through a reduction in admission tax.

Table 3
Rising Sun Regional Foundation Grants

Grant	Amount	Grant	Amount
Switzerland County		Milan Housing for the Elderly, Inc.	\$2,500
Florence Regional Sewage District	\$75,000	Osgood Lions Club	\$2,500
Vevay Town Board	\$50,000	Dearborn County	
Vevay Park Board	\$35,875	Town of Dillsboro	\$50,000
Switzerland County Public Library	\$21,031	American Legion, St. Joseph Post 464 in St. Leon	\$50,000
Historic Vevay, Inc.	\$2,500	Hillforest Historical Foundation in Aurora	\$10,000
Switzerland County Emergency Units Inc.	\$1,400	Ohio County	
Ripley County		Rising Sun/Ohio County Community School Corp.	\$50,000
Town of Milan	\$50,000	Ohio County Historical Society	\$45,413
Sunman Elementary School	\$39,250	Rising Sun Soccer Association	\$2,500
St. Anthony of Padua Catholic Church	\$23,200	Multiple Counties	
Town of Versailles	\$20,000	Historic Hoosier Hills Resource Conserv. & Dev't. Council Inc.	\$38,635
Ripley County Department of Parks and Recreation	\$20,000	Educational Scholarships	\$13,000
Southern Ripley County Humane Society	\$20,000	New Horizons Rehabilitation, Inc.	\$12,981
Southeastern Indiana YMCA	\$15,000	Area 12 Council on Aging and Community Service	\$10,000
Milan Lions Club	\$14,000	Southern Indiana Rural Development Project, Inc.	\$8,000
South Ripley Junior Senior High School	\$6,425	American Red Cross, Dearborn/Ohio County Chapter	\$2,485
Versailles Police Department	\$5,110		

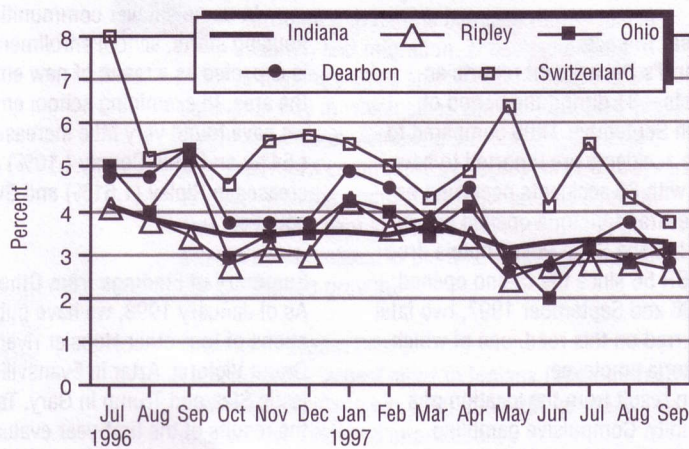
- creation of downtown parking areas;
- development of a Walnut Street Business District and a new City Government Center;
- riverfront development, including a new riverwalk between Grand Victoria and Rising Sun's business district, as well as a pedestrian plaza at the foot of Main Street;
- development of a Community Medical Center, to be completed by spring 1998; and
- development of a Sign and Technical Assistance Program to give business sign grants that will improve the appearance of the business district.

For every casino admission, Grand Victoria makes a \$1 contribution to the Rising Sun Regional

Foundation. To date, \$1,550,000 has been contributed to Dearborn, Ripley, and Switzerland counties to enable participating communities to establish community foundations. Another \$546,295 has been set aside as a permanent reserve fund. **Table 3** lists the grants the foundation made to organizations in southeastern Indiana through July 1997.

Rising Sun and Ohio County share one-half of the admission tax revenue generated by Grand Victoria. Every quarter, two counties and 14 municipalities receive a portion of the proceeds, with the formula for revenue sharing based on population—the greater the population, the more money the government will receive. Ripley and Switzerland counties are

Figure 1
Local and State Unemployment Rates



part of this plan, as are the following municipalities: Aurora, Dillsboro, Greendale, Moores Hill, St. Leon, and West Harrison (Dearborn County); Holton, Milan, Napoleon, Osgood, Sunman, and Versailles (Ripley County); and Patriot and Vevay (Switzerland County).

Community Activity

During the flooding that devastated much of southeastern Indiana in March 1997, Grand Victoria's management assisted the towns of Aurora and Patriot with flood relief. Although the casino closed during the period of March 3-9, the company paid 200 employees to assist in flood cleanup. Grand Victoria employees also staffed the emergency command centers in Aurora and Patriot and served meals to flood victims.

Employment and Earnings

In its application for an Indiana gaming license, Grand Victoria estimated it would employ 1,398 people in the casino and hotel, with annual wages totaling approximately \$39 million. As of October 1, 1997, it had 1,591 employees. Salaries and wages for 1996-97 came to \$38 million, including tips to dealers (but not to bar and wait staff). This was \$1 million less than the employee earnings Grand Victoria estimated in its application. However, the application estimate of first-year wages included a hotel, which did not open until July 1997, nine months into the casino's first year of operation. Part-time workers comprise 8% of all employees, and only full-time employees receive health care coverage and life insurance benefits.

In 1996, Grand Victoria had adjusted gross gaming receipts of \$135.3 million, or 23.6% more than its application estimate. Gross revenues totaled \$159 million—\$13.4 million more than the \$145.6 million

estimated in the application. However, Grand Victoria overestimated receipts per passenger per trip.

Total local taxes ran to \$12.9 million, or \$3 million more than the projection of \$9.9 million. Total state taxes were \$23.3 million, or \$4.7 million more than projected. Altogether, total gaming-related taxes paid came to \$36.2 million.

As of October 1997, 55% of Grand Victoria's employees were women, 4% comprised minorities, 21% were from Rising Sun, and 68% were residents of Dearborn, Ohio, Ripley, and Switzerland counties. The goal in its application was to have 90% of its employees comprising local residents, so the riverboat has fallen short in this respect. However, Grand Victoria employed 1,591 workers out of a local labor force of 42,292. It also competes with Argosy Casino in nearby Lawrenceburg for employees. As of October 30, 1997, 29% of Grand Victoria's employees were from out of state, with the majority residing in Ohio.

As **Figure 1** illustrates, unemployment rates for the local counties have decreased since 1996, as has the state unemployment rate. Obviously, the opening of riverboats in the area had an effect on unemployment, as did the region's growing economy. However, as of last September, unemployment rates for Dearborn and Switzerland counties were still above that of the state. The unemployment rate for Ohio County fell below the Indiana rate for May through August, then increased to the same level as the state in September. Ripley County maintained an unemployment rate below that of the state for the entire period.

Local Economic Impact

In addition to the gaming taxes paid to the city and state, Grand Victoria paid \$586,127 in sales and use taxes for the period October 1996 through September 1997. Moreover, it paid \$32,845 in property taxes during the same period. Payroll of \$38 million and purchases of \$3 million from local vendors also contributed to the local economy. This spending has led to several new developments since the riverboat opened, including five new bed-and-breakfast establishments, a new restaurant, an apartment complex, a gas station, and two new bank branches.

Impact on Tourism

Through September 1997, more than one-third of the total visits to Grand Victoria were made by Indiana residents, with approximately one-third of those visitors being from the local area. In 1996-97, Grand Victoria had 3,000,000 paid admissions, which is about 800,000—or 40%—greater than its attendance projection in the application.

According to the Rising Sun/Ohio County Convention, Tourism, & Visitors Bureau, occupancy at local B&B accommodations and inns increased be-

tween 1996 and 1997, resulting in approximately 27 new rooms. This the Bureau attributes to visitation to Grand Victoria.

Legal Issues and Other Impacts

The Ohio County Sheriff's Department reports an increase in DWI arrests—31 during the period of October 1995 through September 1996 compared to 92 a year later. Traffic accidents are reported to have decreased, however, with 60 accidents occurring on State Route 56 before Grand Victoria opened and 49 occurring afterward. Indiana State Police note a drop in fatal accidents on SR 56 since the casino opened; between October 1996 and September 1997, two fatal traffic accidents occurred on this road, one of which involved a Grand Victoria employee.

Other effects can result from the location of a riverboat in a community. Compulsive gambling might become a problem, which could lead to higher rates of bankruptcy and a greater need for social services. From October 1996 through October 1997, ten calls for help from gambling problems were made by Dearborn County residents, and one call was made by a Ripley County resident to the "Deal With It" line provided by the Commission for a Drug Free Indiana. In the previous year, residents of Dearborn or Ripley counties had made no calls. Nor did the Commission

for a Drug-Free Indiana receive any calls from Ohio County or Switzerland County residents in 1996 or 1997.

In some smaller communities, an impact on housing starts, school enrollment, and other factors is expected as a result of new employees moving into the area. In examining school enrollments, however, we have found very little increase in Dearborn County (.54%) and Ohio County (.10%) and only slight increases in Ripley (1.61%) and Switzerland (1.34%) counties.

Summary of Findings from Other Riverboats

As of January 1998, we have published annual evaluations of four other Hoosier riverboats in addition to Grand Victoria: Aztar in Evansville and Empress, Majestic Star, and Trump in Gary. **Table 4** summarizes the results of the first-year evaluation of these four boats.

Grand Victoria has met or exceeded most of its goals, as have the four others. Employment is one area in which projections still need to be met for several of the boats, including Grand Victoria. Overall, though, as can be seen from examining local incentives and tax payments, the local governments have enjoyed substantial fiscal returns from the presence of the riverboats.

Table 4
First-Year Evaluation of Four Indiana Riverboats

	<i>Aztar</i>	<i>Empress</i>	<i>Trump</i>	<i>Majestic Star</i>
Development spending	\$121 million (\$21 million more than estimated)	\$127.9 million (\$15.9 million more than estimated)	\$106 million (\$13 million more than estimated)	\$108.9 million (\$8.1 million more than est.)
Incentive payments	Ahead of schedule	On schedule except for commercial development and renovation of existing housing	On schedule except for renovation of hotel and police substation	On schedule
Employment	1,308 employees (slightly less than projected)	1,695 employees (twice the amount projected)	1,461 employees (signif. more than projected)	1,073 employees (signif. more than projected)
Wages, benefits, tips	\$30 million	\$31 million	\$32.7 million	\$24.4 million
Employment goals	Met or exceeded (except hiring from Vanderburgh County—goal 90%, actual 80%)	No specific goals (35% minorities and 51% from Hammond)	Has not met goals for minorities, Gary residents, and Lake County residents	Has not met goals for minorities, Gary residents, and Lake County residents
Total (state and local) gaming taxes paid (wagering and admissions)	\$28.2 million	\$52.4 million	\$42.4 million	\$27.7 million
Other local taxes paid	\$800,000 in sales and use taxes, \$2.2 million in property taxes	\$224,704 in sales and use taxes, \$341,646 in property taxes	\$140,467 in sales and use taxes	\$80,942 in sales and use taxes
Gross gaming receipts and total revenues	Less than projected	Higher than projected	Higher than projected	Less than projected