

ECONOMIC IMPACT OF THE

PASSAMAQUODDY TRIBE'S
PROPOSED
GAMING PROJECT

CALAIS, MAINE

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PREPARED BY THE WEFA GROUP
(WHARTON ECONOMETRIC FORECASTING ASSOCIATES)
BALA CYNWYD, PENNSYLVANIA

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ECONOMIC IMPACT OF THE PROPOSED PASSAMAQUODDY TRIBE'S GAMING PROJECT

Following is an analysis of the impact of the Passamaquoddy Tribe's proposed gaming project on the City of Calais, Washington County, and the State of Maine based on the WEFA Economic Impact Model. The WEFA Group is a leading international consulting firm specializing in analysis and forecasts of economic and industry trends regionally, nationally, and globally. The WEFA Group was formed from the merger of Wharton Econometric Forecasting Associates and Chase Econometrics in 1987. The WEFA Economic Impact Model was designed to evaluate the economic impact of gaming activities for any geographic locality in the United States. The model applies widely accepted econometric techniques and was validated using four separate markets.

Economic impacts are measured in terms of jobs, wages, the unemployment rate and tax collections. The model utilizes gaming related data and project data provided by Promus and economic data and forecasts for the designated local area collected by The WEFA Group. The model results can be used as a tool to help understand the direct and indirect economic benefits of a proposed gaming development, including generation of new jobs, the inflow of tourism revenue (hotels, restaurants, retail, etc.) and the incremental tax revenues that could be generated by the proposed project.

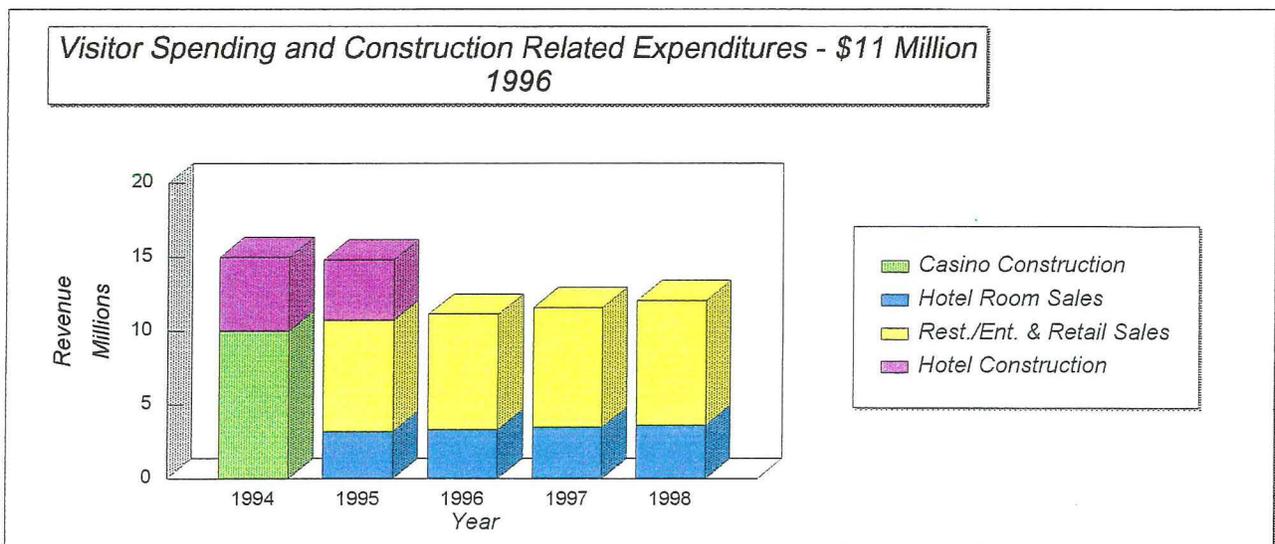
The economic impact study is presented in four sections.

- I. Visitor Spending and Construction Related Expenditures**
- II. Impact on Jobs and Wages**
- III. Effects on the Economy**
- IV. Impact on Government Revenues**

I. VISITOR SPENDING AND CONSTRUCTION RELATED EXPENDITURES

This analysis assumes the gaming, hotel and entertainment complex is developed in 1994 at a construction cost of \$15 million and begins operation in early 1995 (total development cost of the project is estimated to be approximately \$25 million). Based on the Promus Casino Visitation Model, a distance-based gravitational model endorsed by The WEFA Group, annual visitation has been estimated to be approximately 787,000 with 312,000 visitors considered "new" or incremental to the existing tourism base. Incremental Hotel, Restaurant/Entertainment, and Retail spending in Calais/Washington County is expected to average approximately \$11 million annually.

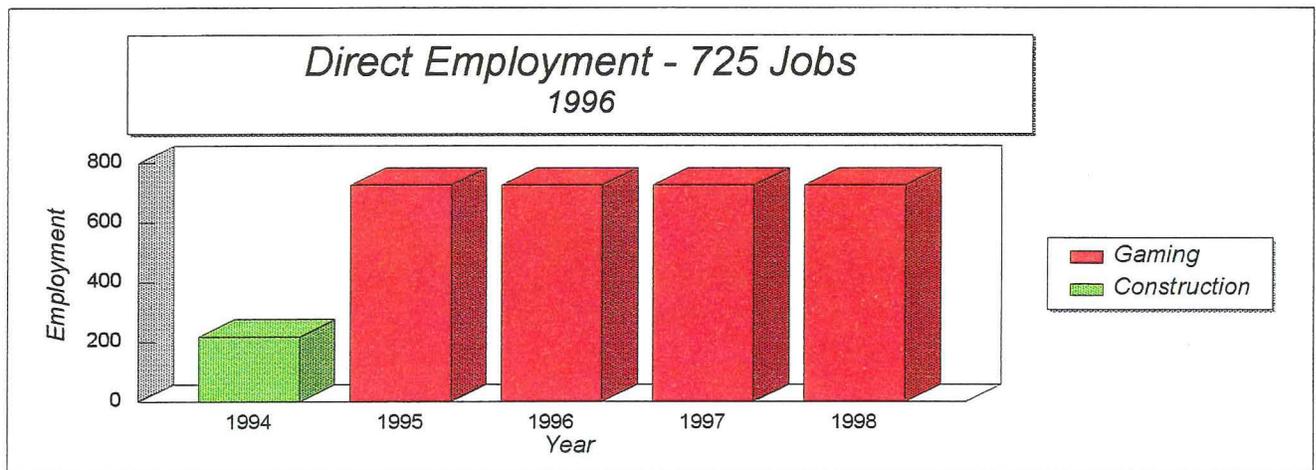
Incremental Visitor Spending and Construction Related Expenditures (000s)					
	1994	1995	1996	1997	1998
Casino Construction	\$10,000	\$0	\$0	\$0	\$0
Hotel Construction	\$5,000	\$4,125	\$0	\$0	\$0
Hotel Room Sales	\$0	\$3,201	\$3,329	\$3,462	\$3,600
Restaurant/Entertainment & Retail Sales	\$0	\$7,504	\$7,804	\$8,116	\$8,441
Total	\$15,000	\$14,830	\$11,133	\$11,578	\$12,041



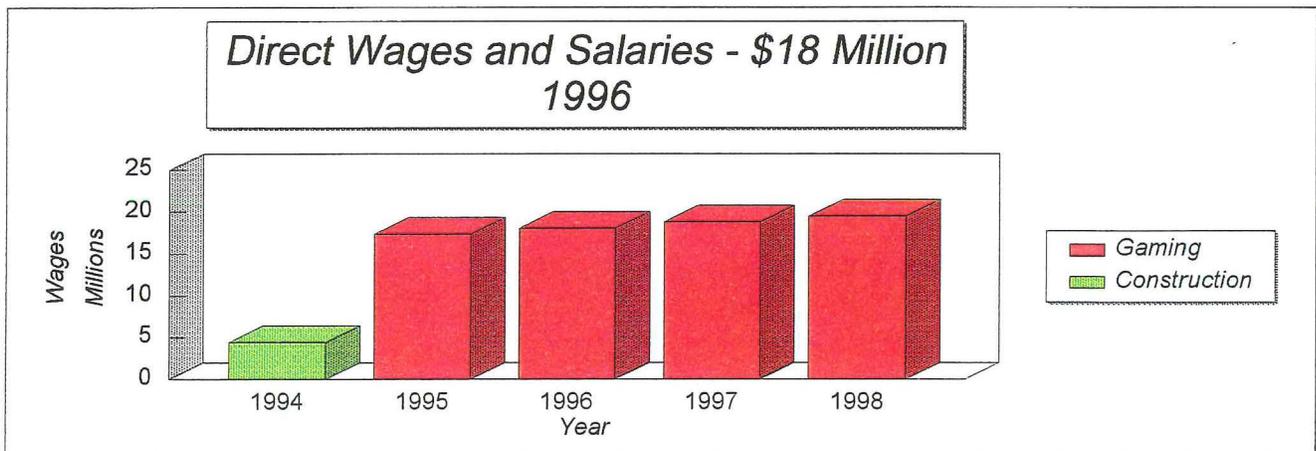
IIA. DIRECT IMPACT OF GAMING ON JOBS AND WAGES

Calais/Washington County will begin to see the impact of the project in 1994 with the construction of the gaming, hotel, and entertainment facility employing nearly 220 construction workers creating over \$4.4 million in direct wages and salaries. The gaming, hotel and entertainment facility will create 725 direct casino jobs infusing over \$18 million in wages salaries into the Calais/Washington County economy during 1996.

Direct Employment		<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Casino Jobs		0	725	725	725	725
Construction Jobs		218	0	0	0	0
		218	725	725	725	725



Direct Wages & Salaries		<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Gaming		\$0	\$17,342,000	\$18,035,680	\$18,757,107	\$19,507,391
Construction		\$4,415,400	\$0	\$0	\$0	\$0
Total Direct Wages & Salaries		\$4,415,400	\$17,342,000	\$18,035,680	\$18,757,107	\$19,507,391



IIB. INDIRECT IMPACT OF GAMING ON JOBS AND WAGES

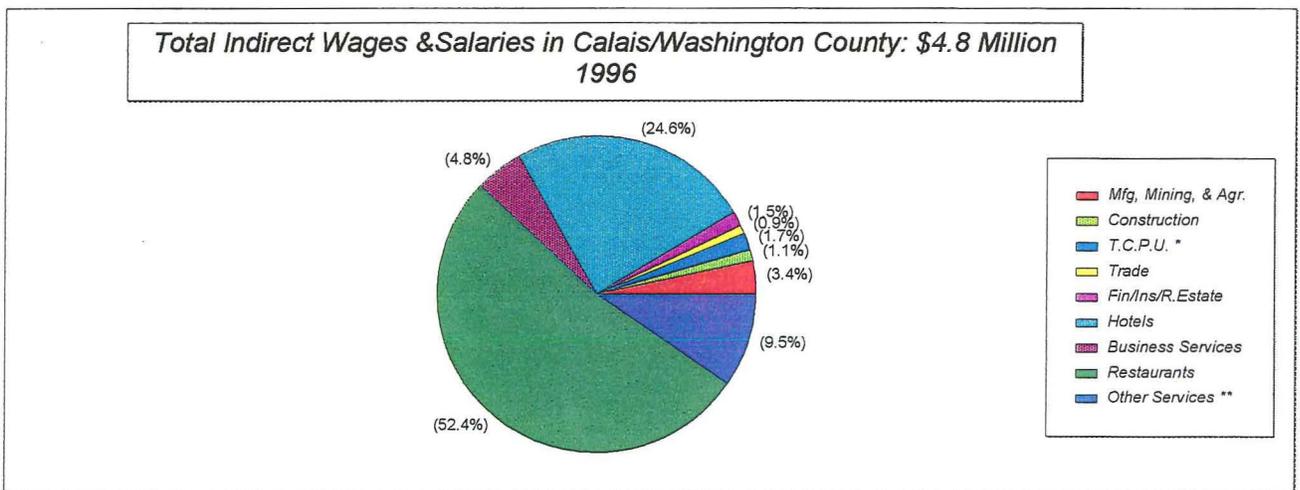
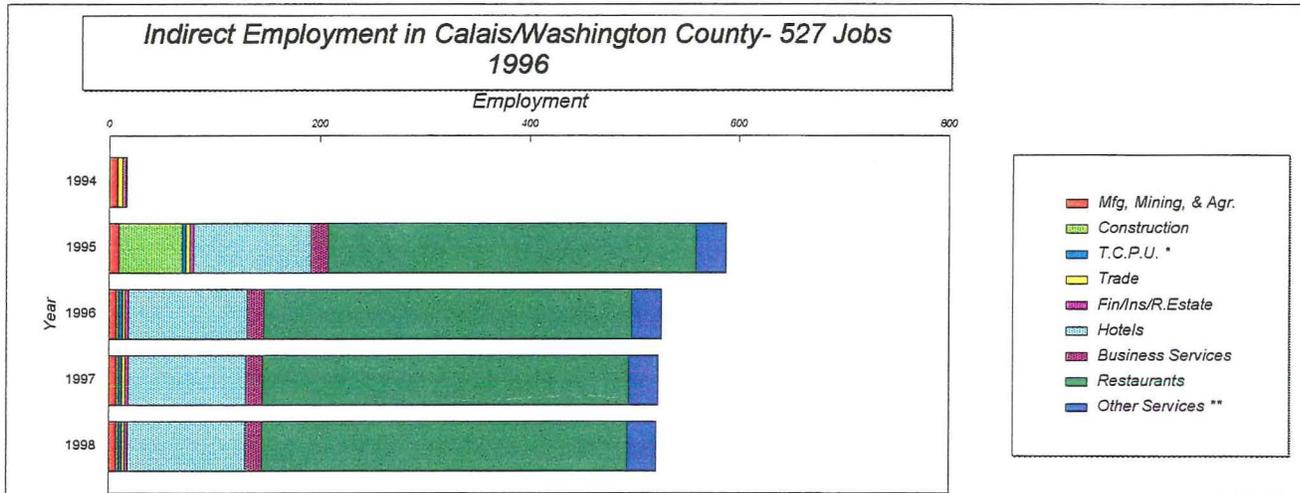
New purchases resulting from incremental spending in the economy by gaming and related businesses is expected to create over 670 statewide indirect jobs within nine supply industries, approximately 527 of which are expected to be in Calais/Washington County. These jobs will create an annual statewide payroll of \$6.0 million of which \$4.8 million is expected to be in Calais/Washington County. Restaurant/Entertainment wages and salaries do not include "tip" compensation.

Total Indirect Jobs Created by the Gaming & Related Industries in the Calais/Washington County Economy

Year	Mfg/Mining/ Agriculture	Const.	T.C.P.U. *	Trade	Fin./Ins./ Real Estate	Hotels	Business Services	Retail/ Restaurant/ Entertainment	Other Services **	Total
1994	7	0	1	4	0	0	3	0	0	15
1995	9	60	3	4	3	112	16	351	29	587
1996	7	3	3	3	3	112	16	351	29	527
1997	7	3	3	3	3	111	16	349	28	523
1998	6	3	3	3	3	111	16	348	28	521

Total Indirect Wages & Salaries Generated by the Gaming & Related Industries in the Calais/Washington County Economy

Year	Mfg/Mining/ Agriculture	Const.	T.C.P.U. *	Trade	Fin./Ins./ Real Estate	Hotels	Business Services	Retail/ Restaurant/ Entertainment	Other Services **	Total
1994	\$164,234	\$682	\$12,988	\$60,297	\$2,823	\$545	\$42,602	\$1,573	\$6,603	\$292,347
1995	\$206,737	\$1,266,015	\$84,063	\$59,590	\$69,262	\$1,144,149	\$230,203	\$2,435,988	\$445,668	\$5,941,675
1996	\$164,416	\$55,162	\$82,937	\$43,767	\$71,198	\$1,189,547	\$232,308	\$2,533,262	\$460,826	\$4,833,423
1997	\$166,581	\$58,682	\$85,190	\$44,662	\$73,203	\$1,236,818	\$246,109	\$2,634,763	\$475,413	\$5,021,421
1998	\$168,377	\$62,555	\$87,679	\$45,484	\$75,463	\$1,286,023	\$260,058	\$2,740,248	\$490,614	\$5,216,501



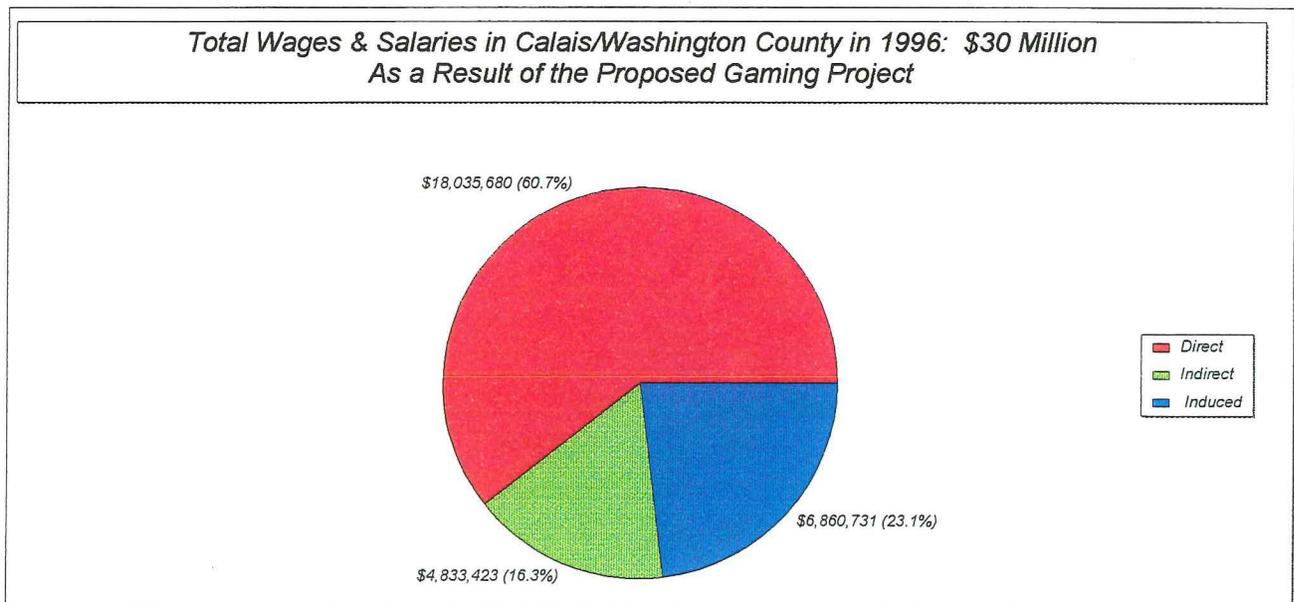
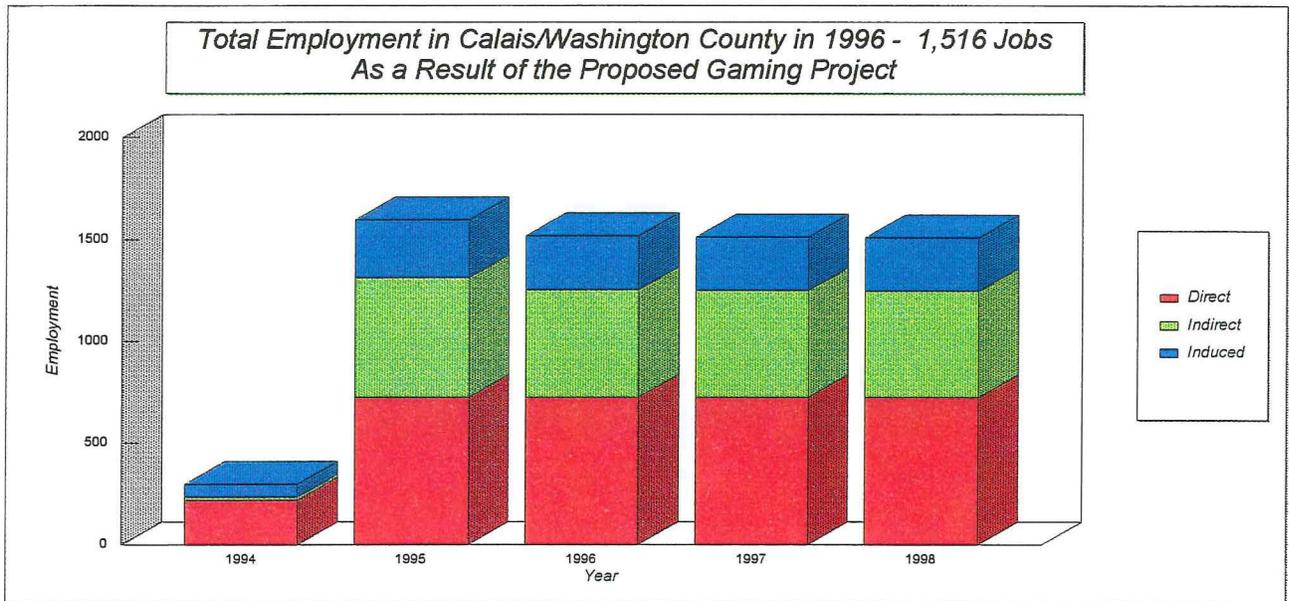
* Transportation, Communications and Public Utilities

** Automobile repair, Theaters, Health services, Social services, Professional services, etc.

IIC. DIRECT, INDIRECT, AND INDUCED EMPLOYMENT DUE TO GAMING

In addition to direct and indirect impacts, there are induced effects (i.e. additional jobs and wages) that result from the increased spending in the economy. Induced effects are consumer related expenditures that are a result of the increased activity in the nine supply industries. In 1996, statewide induced jobs could total over 300 accounting for approximately \$7.5 million in wages and salaries. Over 260 of these induced jobs will likely be in Calais/Washington County with a total payroll of almost \$6.8 million. Total jobs due to the project is expected to approach 1,700 with approximately 1,516 of these in Calais/Washington County accounting for about \$30 million in wages and salaries.

Year	Direct Jobs	Indirect Jobs	Induced Jobs	TOTAL	Year	Direct Wages (000s)	Indirect Wages (000s)	Induced Wages (000s)	TOTAL
1994	218	15	63	296	1994	\$4,415,400	\$292,347	\$1,491,165	\$6,198,912
1995	725	587	282	1,594	1995	\$17,342,000	\$5,941,675	\$7,007,062	\$30,290,736
1996	725	527	265	1,516	1996	\$18,035,680	\$4,833,423	\$6,860,731	\$29,729,834
1997	725	523	264	1,512	1997	\$18,757,107	\$5,021,421	\$7,133,558	\$30,912,086
1998	725	521	263	1,509	1998	\$19,507,391	\$5,216,501	\$7,417,168	\$32,141,060



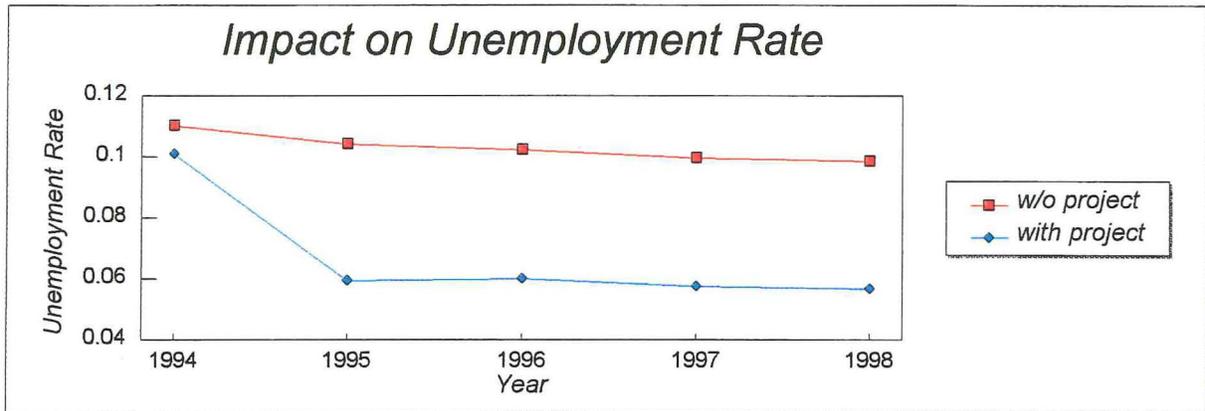
III. EFFECTS ON THE ECONOMY

EMPLOYMENT

With the project, the unemployment rate in Calais/Washington County could decline by more than 4.0 points from The WEFA Group's baseline forecast for Calais/Washington County in 1996.

UNEMPLOYMENT RATE

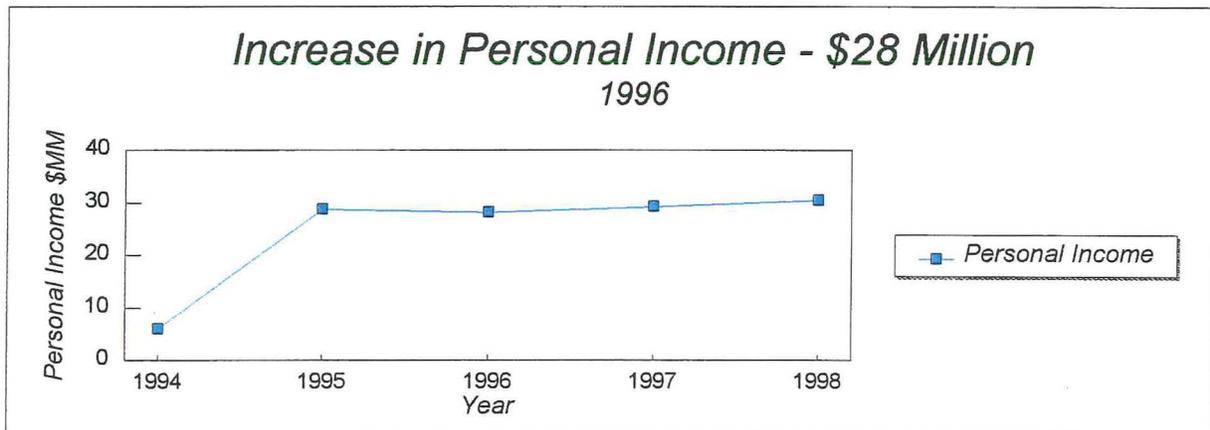
<u>Year</u>	<u>W/O PROJECT</u>	<u>W/ PROJECT</u>	<u>CHANGE</u>
1994	11.05%	10.10%	(0.95 pts.)
1995	10.44%	5.94%	(4.50 pts.)
1996	10.25%	6.02%	(4.23 pts.)
1997	9.98%	5.77%	(4.21 pts.)
1998	9.88%	5.69%	(4.19 pts.)



RESIDENT PERSONAL INCOME

Approximately 95% of the total wages and salaries created by the project will be paid to residents of Calais/Washington County. The direct, indirect, and induced effects of the gaming and related industries will result in an overall increase in personal income in Calais/Washington County of more than \$28 million in 1996.

<u>Year</u>	<u>PERSONAL INCOME (\$ Millions)</u>
1994	\$6
1995	\$29
1996	\$28
1997	\$29
1998	\$31

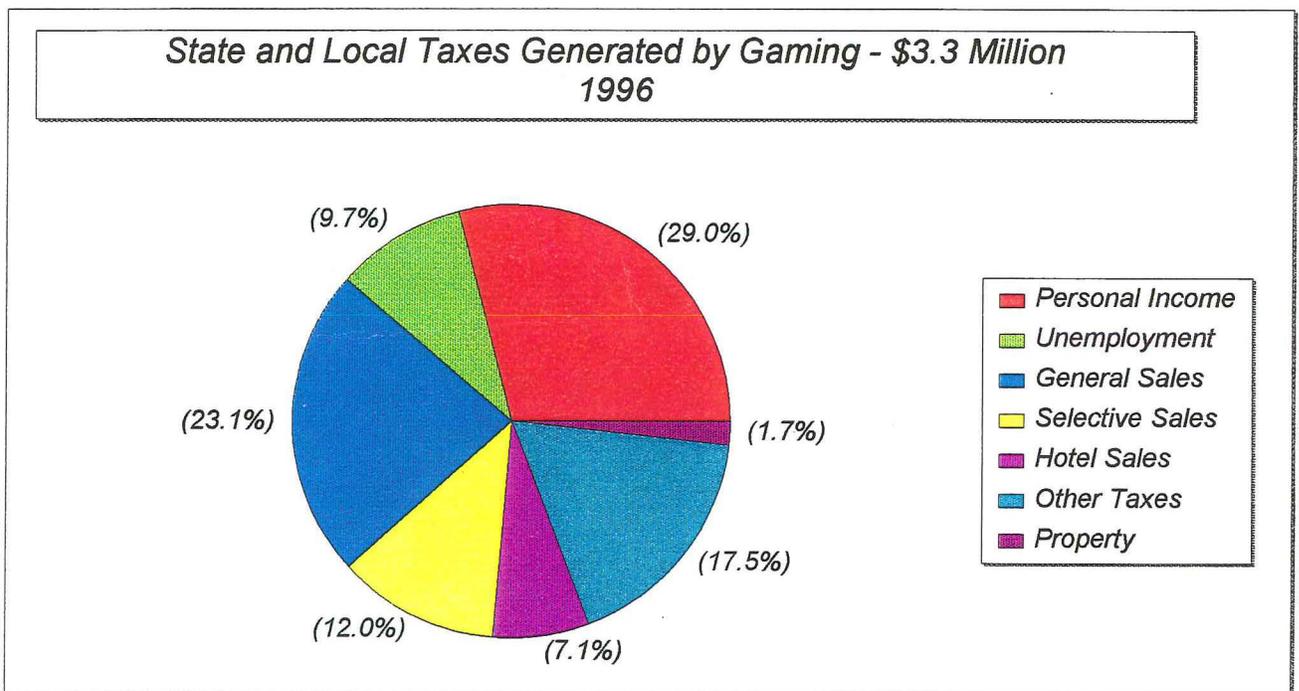


IV. IMPACT ON GOVERNMENT REVENUES

STATE AND LOCAL GOVERNMENT

The proposed gaming, hotel and entertainment complex is expected to generate approximately \$3.3 million annually in additional state and local tax revenues. The majority of the incremental tax revenue will be generated from personal income and general sales taxes.

Incremental State and Local Government Tax Collections								
Year	Personal Income	Unemployment	General Sales	Selective Sales *	Hotel Sales	Other **	Property***	Total Taxes
1994	\$207,421	\$62,089	\$165,420	\$85,941	\$0	\$38,124	\$12,338	\$571,333
1995	\$974,682	\$334,737	\$777,317	\$403,840	\$224,058	\$579,147	\$57,977	\$3,351,759
1996	\$954,328	\$318,360	\$761,084	\$395,407	\$233,020	\$575,406	\$56,766	\$3,294,477
1997	\$992,278	\$317,520	\$791,349	\$411,131	\$242,341	\$582,381	\$59,023	\$3,395,879
1998	\$1,031,728	\$316,799	\$822,811	\$427,476	\$252,035	\$589,632	\$61,370	\$3,501,851



* Selective Sales includes motor fuels, alcoholic beverages, tobacco products, insurance, and public utilities.

** Other taxes includes gift, documentary and stock transfer, certain licenses, and corporate income taxes.

*** Property taxes include new taxes generated from people moving into the area, and any increase in property values. This does not include any property taxes from the subject project.