

Casino Gaming Industry

Research Brief

Evaluation of Post-Pandemic Non-Smoking Trends in U.S. Casinos

June 2022



c3gaminggroup.com

LAS VEGAS NEW ORLEANS PHILADELPHIA SINGAPORE MACAU PERTH GOLD COAST

KEY TAKEAWAYS



SMOKERS' TIME ON DEVICE ANALYSIS GOES AGAINST RESPONSIBLE GAMING

Casinos throughout North America have made commitments to support responsible gambling initiatives. Virtually all operators have links to websites that provide additional information regarding playing responsibly. A recent study commissioned by the Casino Association of New Jersey projects gaming revenue losses based on smokers having to take breaks, **which is the antithesis of one of the principles of responsible gaming.**



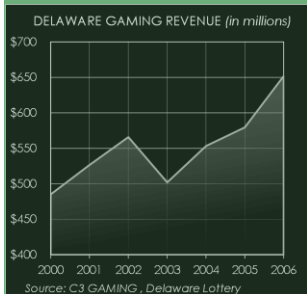
DEFECTING SMOKERS TO PA CASINOS DOES NOT HOLD WATER

With the conversion of The Rivers Philadelphia to a non-smoking property, the ongoing prohibition of smoking in Connecticut's two casinos, and the smoking prohibition in New York's commercial casinos, gamers in the region have few options left. Should the New Jersey Legislature close the smoking loophole and prohibit smoking in Atlantic City casinos, **gamblers from NY, NJ, and eastern PA will have only four options if they want to gamble in a smoking environment and none of them offers the same gaming/entertainment experience as Atlantic City.**



GGR NOT UNDER SEVERE THREAT, IMMEDIATE COST SAVINGS REPORTED

An examination of gaming revenues in commercial casinos post pandemic reveals that **those casinos that implemented smoking prohibitions did not experience any drop in revenues** or lost market share to nearby casinos that continued to offer smoking environments. COVID-19 caused a radical change in consumer attitudes towards smoking in casinos. Interviews with tribal casino management also revealed that profitability is increasing due to reduced maintenance costs. So far, 157 tribes were able to push smoking out of their casinos at no economic cost.



NEW PERFORMANCE DATA SHOWS POSITIVE TRENDS IN NON-SMOKING CASINOS

As legislators in NJ, PA, and RI debate the merits of closing their states' smoking loopholes, they should **not rely on forecasts predicated on data from 2002, 2008 or 2015, or consumer opinions from a survey conducted in 2008.** Headlines from this old data fails to mention other reasons for the decrease in gaming revenue. They need to look at current trends occurring in markets across the U.S. Data from multiple markets clearly indicate that banning smoking no longer causes a dramatic drop in gaming revenue. In fact, non-smoking properties appear to be performing better than their counterparts that continue to allow smoking.



LOCATION, LOCATION, LOCATION

In 2021, the gaming industry's foremost market research provider, Meczka Market Research/Consulting, presented the results of a research study conducted among gamblers in the Pacific Northwest to gauge their opinions regarding smoking, post-lockdown. The study revealed that the importance of smoking had diminished dramatically in light of the pandemic. **It found that "location, proximate to one's home" was the primary reason people chose a particular property (32%),** followed by "smoking is not allowed" (26%). "Smoking is allowed" was cited as a primary reason among only four percent of the sample.

INTRODUCTION

In May of 2020, as casinos across the United States began to resume operations after the onset of the pandemic, operators implemented a variety of measures in order to provide a safe environment for their employees and guests. These included the reconfiguration of their gaming floors to allow for more space between electronic gaming devices, the installation of plastic barriers at table games, cashier cages, and player rewards centers, enhanced cleaning of electronic gaming devices and other touch points, temperature checks at all entrances, and mask mandates for employees and guests. Commercial operators primarily relied on state gaming regulators to establish safety standards while Indian tribes turned to local and state health departments for guidance as well as their own tribal regulatory authorities.

Many Indian tribes established health and safety protocols that exceeded county and state requirements. One such protocol was the suspension of indoor smoking. For any number of reasons, including the difficulty in enforcing mask mandates when customers smoked or the recognition that COVID-19 was spread through airborne particulates, Indian casinos across the United States implemented smoking bans. Two years after the onset of the pandemic, 157 Indian casinos remain 100 percent smoke free.

Casinos in the Commonwealth of Pennsylvania and the State of New Jersey were obligated to adhere to state emergency declarations. These included mask mandates and bans on indoor smoking. Those bans went into place in June of 2020 and were lifted in June of 2021. Other states, such as Nevada mandated masks for all employees and guests but did not require any prohibitions on smoking or the consumption of beverages while on the casino floor, which in turn led to problems with enforcement.

In May of 2022, the authors of this Research Brief co-authored an article that was posted on Global Gaming Business News Online, addressing the debate on smoking in casinos that is currently taking place in the State of New Jersey.¹ The New Jersey Smoke Free Act of 2006 originally exempted Atlantic City casinos from the state's prohibition on smoking in all workplaces, retail stores, schools, childcare facilities, bars, and restaurants with casinos being the exception. Two identical bills are making their way through the State Legislature and are expected to be voted on this summer. Senate Bill S264 and Assembly Bill A2151 will close the smoking loophole that allows Atlantic City's nine casinos to permit smoking.

Atlantic City casino operators are opposed to closing the smoking loophole as they fear a precipitous drop in gaming revenues. In 2008, a short-lived attempt by the City of Atlantic City to close that loophole was quickly rescinded when gaming revenue

¹ <https://ggbnews.com/article/numbers-dont-lie/>

plunged by 20 percent in the ordinance's first week. Today, smoking is permitted on 25 percent of every casino's gaming floor although there are no physical barriers to prevent the movement of smoke or smokers from migrating into non-smoking areas. The casinos are opposed to the repeal of the loophole.

Two recent studies support the contention that a complete ban on smoking in Atlantic City's casinos would have a significant and deleterious effect on gaming revenues, tax revenues and employment. A recent study by Spectrum Gaming Group, commissioned by the Casino Association of New Jersey projected significant negative impacts including a drop of gaming revenue ranging from 4.2 percent to 10.9 percent. Non-gaming revenues would decline from 3.0 percent to 6.5 percent. The study further forecast that these declines would result in a net loss of 1,021 to 2,512 jobs.²

The study relied on historical data including the impact of a smoking ban on Delaware's three casinos in 2002, a 2008 smoking ban on Illinois's casinos, and a 2015 prohibition on smoking in New Orleans' two casinos. In addition, the study used data from a 2008 Atlantic City Visitors Profile Study along with recent interviews with casino executives.

The pandemic altered consumer expectations and consumer behavior in virtually every industry, including retail, entertainment, lodging, dining and casino gaming. One of those changes are in attitudes towards smoking in casinos. The purpose of this Research Brief is to offer readers a deeper examination into this topic, attitudes towards smoking prior to the pandemic, and recent trends that have emerged in the past twenty-four months.

WHAT WE KNEW ABOUT SMOKING IN CASINOS – PRE PANDEMIC

It has been a long held belief that statewide smoking bans have an immediate negative impact on gaming revenue. This was amply demonstrated in bans implemented in Delaware, Colorado, Illinois, Deadwood SD, and New Orleans. What is rarely discussed are the other mitigating factors that contributed to those initial declines. Also rarely mentioned is that, while gaming revenues declined during the first year that smoking bans were implemented, those revenues tended to recover in subsequent years.

It was also known that a slot machine in a smoking area generated more money than a machine in a non-smoking area. In fact, there is not a slot director in the industry that would have refuted that statement prior to the pandemic. Electronic gaming devices in non-smoking areas have consistently underperformed compared to machines located in smoking areas. What is never mentioned are some of the underlying factors including the mix of games found in non-smoking areas, their location of non-smoking areas within

² <https://www.spectrumgaming.com/wp-content/uploads/2022/02/spectrum-report-for-canj-released-february-2022.pdf>

the casino, and their general lack of energy compared to gaming areas in the center of the casino.

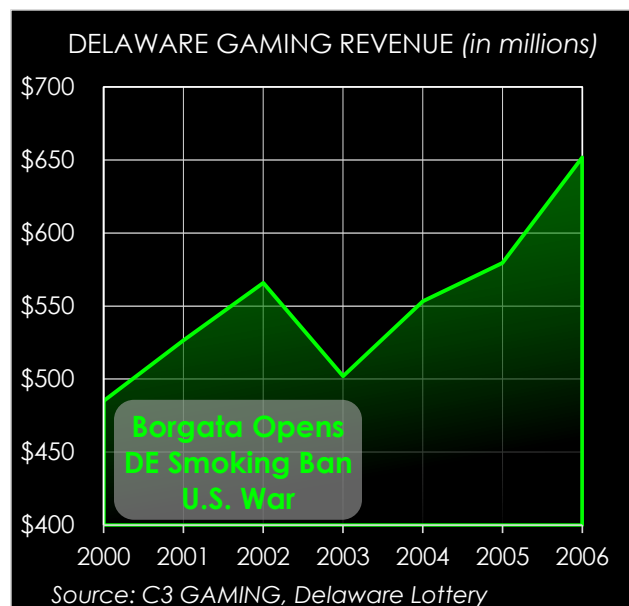
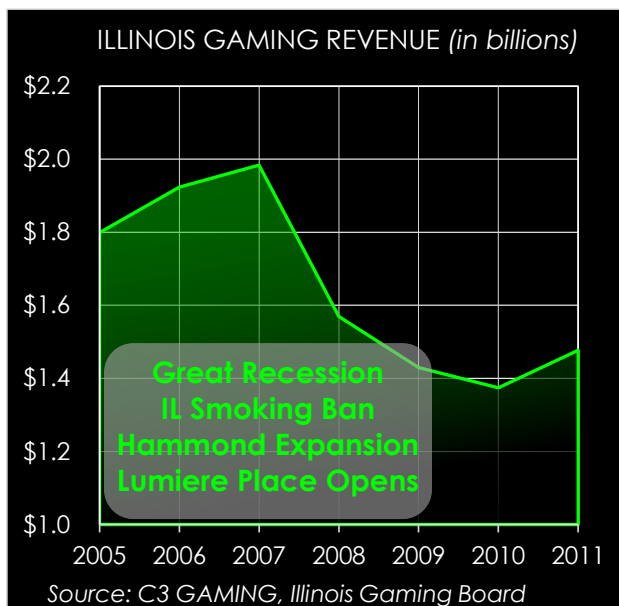
PRE PANDEMIC - SMOKING BANS CAUSE GAMING REVENUES TO DROP

In November of 2002, the State of Delaware implemented its ban on smoking within its three state-sanctioned casinos. This became the first test of such a ban in the casino industry. In 2003, gaming revenue declined 11.3 percent before regaining much of that loss in 2004, and resuming revenue growth in subsequent years. Nevertheless, this became a bellwether for predicting the impact of state mandated smoking prohibitions for the last twenty years.

What is never mentioned are other economic factors that may have also impacted a drop in gaming revenue. For example, in July of 2003, the Borgata Hotel and Casino opened in Atlantic City. The Borgata was a transformational property in that it was the first true integrated casino resort to open in Atlantic City in over a decade. Delaware's casinos compete with Atlantic City for gamers residing in the mid-Atlantic region and no doubt, a portion of those gamers diverted visits to play at the new property.

What is also never mentioned are global events that tend to impact consumer sentiments, particularly casino gamers. In March of 2003, the U.S. military invaded Iraq. That event affected casinos across the United States. Nevertheless, the headline, "Smoking ban in Delaware resulted in an 11.3 percent decline in gaming revenue" endures to this day.

The most often cited example of what a state-mandated smoking ban can have on a state's casino industry is Illinois. On January 1, 2008, Illinois's nine casinos were required to implement smoking bans in their casinos. Over the next twelve months gaming revenue declined by 20.9%. All of that loss was attributed to the smoking ban as smokers fled to casinos in Indiana, Missouri, and Iowa.



What is never mentioned is that a number of new competitors entered the market in 2008. These included Lumiere Place in St. Louis, MO. This land-based property, located four blocks from the Mississippi River consisted of a single level casino, a Four Seasons hotel, and a number of celebrity-chef restaurants. It had an immediate and deleterious impact on two riverboat casinos on the Illinois side of the river, the Argosy Casino in Alton and Casino Queen in East St. Louis.

Also not mentioned was the opening of the new casino at Horseshoe Hammond. MOAB (mother of all boats) was an immense barge that replaced the property's original riverboat casino. It increased the number of electronic gaming devices by 32 percent, and table games by 65 percent. It also featured a massive parking garage, events center, and multiple dining venues. It was, for all intents and purposes, an entirely new casino with nearly double the capacity as the riverboat it replaced.

The table below summarizes the performance of the region's casinos, including those Illinois casinos near St. Louis, those near Chicago as well as Northern Indiana casinos.

<i>GGR in millions</i>		GGR	GGR	GGR
Casino/Market	State	2007	2008	% Chg
Grand Victoria Elgin	Illinois	\$ 437	\$ 339	-22.4%
Joliet - Empress	Illinois	\$ 240	\$ 184	-23.4%
Joliet - Harrah's	Illinois	\$ 381	\$ 298	-21.9%
Hollywood Aurora	Illinois	\$ 273	\$ 220	-19.3%
IL Chicagoland	Illinois	\$ 1,331	\$ 1,041	-21.8%
Blue Chip	Indiana	\$ 257	\$ 182	-29.2%
Horseshoe Hammond	Indiana	\$ 445	\$ 484	8.8%
Majestic Star (I & II)	Indiana	\$ 253	\$ 234	-7.5%
Ameristar E. Chicago	Indiana	\$ 315	\$ 308	-2.3%
IN Chicagoland	Indiana	\$ 1,270	\$ 1,207	-4.9%
Argosy Alton	Illinois	\$ 126	\$ 91	-27.8%
Casino Queen	Illinois	\$ 189	\$ 160	-15.2%
St. Louis Region	Illinois	\$ 315	\$ 251	-20.3%

Source: C3 GAMING, Illinois Gaming Board, Indiana Gaming Commission

Another macro-economic factor never mentioned was the collapse of Lehman Brothers in September of 2008, the subsequent collapse of the U.S. housing market which in turn brought world financial markets to their knees, and the start of the Great Recession. Those events negatively impacted casinos across the United States and collectively the industry took years to recover, yet all that is mentioned today is the headline, "Illinois smoking ban resulted in a 21 percent decline in gaming revenue."

PRE PANDEMIC - SLOT MACHINES IN SMOKING AREAS MAKE MORE MONEY

It is an irrefutable fact that a slot machine located in a smoking area of a casino makes more money than a slot machine in a non-smoking area. In the 2021 study issued by Spectrum Gaming, the authors relied on interviews with slot and casino managers at seven Atlantic City casinos to substantiate this. Atlantic City casino operators concentrated up to 40 percent of their best performing machines in the state mandated confines of 25 percent of the gaming floor.

For slot directors, designing non-smoking sections is a particularly vexing issue. The most difficult task is assembling a representative sample of game titles. Invariably, compromises are made. A casino's most profitable game titles tend to be those machines that are placed on the floor on a participation basis. It makes sound economic sense to place those machines in portions of the gaming floor that have the highest amount of foot traffic. Those areas of course are in smoking zones because both smokers and non-smokers transit through them.

Non-smoking areas also tend to be located in secondary areas of the casino, often in areas that offer some degree of physical separation from the main floor so that smoke does not drift into the non-smoking zone. Often these areas are separated by glass partitions to further limit the migration of smoke. Given these physical barriers, non-smoking areas tend to lack the energy, noise and excitement found in the main casino, further reducing their appeal.

Also, the universe of players who will play in a smoking section of casino is larger than the universe of players who play in non-smoking areas. A smoker would never venture into a non-smoking area to play a slot machine whereas a non-smoker will endure a smoking section in order to play their favorite machine.

In a focus group conducted by one of the authors in a 2018 research study of midwestern gamblers, one player who identified as a non-smoker stated the issue most succinctly. She said, "I come to a casino to be part of the excitement. I do not want to sit behind a glass wall; I want to be in the middle of the casino. I want to have fun." That player, along with countless others, do so in order to play their favorite games and be part of the excitement that casinos offer. They are willing to endure playing in a smoking section in exchange for that excitement.

In properties that offer smoking and non-smoking zones, machines in smoking areas perform better than machines in non-smoking areas, but casinos that offer smoking do not perform any better than casinos in jurisdictions that prohibit smoking. One need only look at the revenue performance of casinos across the northeast United States that prohibit smoking. These 100 percent non-smoking properties generate win per unit per



day (WPUPD) averages that are some of the highest in the nation, and substantially more than those in Atlantic City.

Recent Net Slot Win Per Unit Per Day Comparison				
		Month	YTD	LTM
		Apr-22	Apr-22	Apr-22
Parx Casino	Non-Smoking	\$398	\$371	\$381
Empire City Casino	Non-Smoking	\$394	\$361	\$381
Connecticut Casinos	Non-Smoking	\$353	\$321	\$363
Resorts World NYC	Non-Smoking	\$342	\$313	\$330
Atlantic City Casinos	Smoking	\$302	\$260	\$275

Source: C3 GAMING, state gaming commissions
YTD or Year to Date, January 2022 through April 2022
LTM or Last Twelve Months, May 2021 through April 2022

PRE PANDEMIC - MOST GAMBLERS ARE SMOKERS

Another long held belief was that the majority of gamblers were smokers. These beliefs were again supported by data that showed machines in smoking areas performed far better than machines in non-smoking areas, and observations made by casino managers.

In a search of secondary research data, and one cited in the 2021 Spectrum report, the authors of this paper found one study conducted by Dr. C.A. Pritsos of the University of Nevada, Reno in 2006, entitled “The Percent of Gamblers Who Smoke: A Study of Nevada Casinos and other Gaming Venues.”³ At the time, it was generally believed that the majority of gamblers smoked while the percent of smokers in the U.S. population stood at 20.9 percent. With a sample size of n=17,723, the study conducted in casinos across the State of Nevada found the following:

- Overall, 22.6 percent of Nevada gamblers were identified as smokers.
- 21.5 percent of Las Vegas gamblers smoked.
- 22.6 percent of Reno/Sparks gamblers smoked.
- 17 percent of Lake Tahoe gamblers smoked.
- 36.5 percent of rural Nevada gamblers smoked.

Given that the percent of U.S. adults who identify as smokers has dropped from 20.9 percent in 2006 to 14 percent in 2022, it is safe to assume that percent of gamblers who

³http://www.njgasp.org/wp-content/uploads/2014/05/i_opinion_2006_NV_Gamblers_Who_Smoke_Report.pdf



are identified as smokers has also dropped. Nevertheless, the belief that the majority of gamblers are smokers persists.

WHAT WE LEARNED EARLY IN THE PANDEMIC

At the outset of the pandemic in March of 2020, casino operators, state health authorities and Indian tribes worked to improve gaming environments that would allow patrons to safely return. As casinos began to re-open, many chose to institute smoking bans in order to accommodate state mask mandates.

On May 5, 2020, the Angel of the Winds Casino Resort in Arlington, WA became the first Indian casino to announce that it would re-open as a non-smoking property, and that the decision would be permanent. By the end of 2020, approximately 160 Indian casinos across the United States implemented smoking bans in their casinos including Foxwoods Resort Casino and Mohegan Sun in Connecticut, as well as two of the largest casinos in California: the Pechanga Casino Resort and the Yaamava' Resort and Casino at San Manuel.

By the end of 2021, several tribes announced that those smoking bans would be permanent. These included the Ho-Chunk Nation, operator of five casinos in Wisconsin; the Forest County Potawatomi, operator of the Potawatomi Casino & Hotel in Milwaukee; the Navajo Nation, operator of four casinos in New Mexico and Arizona; and the Eastern Band of Cherokee Indians, owner of two casino resorts in North Carolina.

THE MMRC RESEARCH STUDY

In 2021, Mike Meczka of Meczka Market Research/Consulting (MMRC), the gaming industry's foremost market research provider, presented the results of a research study conducted among gamblers in the Pacific Northwest to gauge their opinions regarding smoking, post-lockdown. The results, first made public at the National Indian Gaming Association conference in Las Vegas revealed that the importance of smoking had diminished dramatically in light of the pandemic. The study found that "location, proximate to one's home" was the primary reason people chose a particular property (32 percent), followed by "smoking is not allowed" (26 percent). "Smoking is allowed" was cited as a primary reason among only 4 percent of the sample.

What is the main reason you choose to visit this casino most often?

	N=	Total	Loc. A	Loc. B
Primary Selection Factor		1,481	449	1,016
		%	%	%
Location/Closest casino/home		32	36	30
Smoking Is Not Allowed		26	27	26
Complimentary Hotel Room		9	3	12
Other		8	8	8
Free Play Offers		7	8	7
Competitive Gaming Machines		6	6	6
Competitive Player's Rewards Program		5	4	5
Smoking Is Allowed		4	3	4
Food Offers		2	2	2
2x or 3x Point Days		1	2	1
Complimentary Shows		< 1	< 1	< 1

Source: MMRC

POST PANDEMIC REVENUE TRENDS

While market research is important in understanding shifts in consumer attitudes towards smoking, it does not measure the impact of those attitudes on actual property performance. A more accurate measure is gaming revenue performance in markets and properties that have implemented smoking bans and how their performance compared to nearby properties that did not have smoking bans in place. This section examines gaming revenue trends in a number of commercial markets, and commercial casinos that share customers with Indian casinos.

PENNSYLVANIA TRENDS

In June of 2020, casinos in Pennsylvania re-opened with mask mandates and property-wide smoking prohibitions in place. In June of 2021, those smoking bans were lifted. Two casinos, the Mount Airy Casino Resort in Mount Pocono, and Parx Casino in Bensalem chose to keep their smoking bans in place.

In order to better compare individual property performance for the periods pre and post smoking bans, the authors looked at four distinct operating periods. Period 1 includes gaming revenue from July 2018 through February 2019. Period 2 includes gaming revenue from July 2019 through February of 2020 (the last full month prior to the start of the pandemic). Period 3 includes July 2020 through February of 2021 (the height of the pandemic), and Period 4 includes July 2021 through February 2022, (the eight-month period after the state-mandated smoking ban was lifted).

THE POCONOS MARKET

Mount Airy Lodge and Casino competes with Mohegan Pocono, both located in northeast Pennsylvania, approximately forty miles apart. They compete for a share of

the greater Scranton/Stroudsburg/Wilkes Barre/Binghamton gaming market. When the smoking ban was lifted, Mohegan Pocono chose to rescind the smoking ban while Mount Airy kept the ban in place.

Looking at the table below, the far right column compares Period 4 (July 2021-February 2022) to Period 2 (July 2019-February 2020). In Period 4, Mount Airy experienced a 0.4 percent increase in gaming revenue while Mohegan Pocono saw a 1.7 percent decline in net gaming revenue.

Mohegan Pocono vs. Mount Airy - Net Gaming Revenue Summary									
REVENUE IN MILLIONS	Period 1	Period 2	Period 3	Period 4	Percentage Change				
	Jul '18 - Feb'19	Jul '19 - Feb'20	Jul '20 - Feb'21	Jul '21 - Feb'22	P2 v P1	P3 v P2	P4 v P3	P4 v P2	
Mohegan Pocono	\$ 148	\$ 150	\$ 102	\$ 148	1.7%	-32.0%	44.6%	-1.7%	
Mount Airy	\$ 124	\$ 123	\$ 110	\$ 123	-1.0%	-10.8%	12.6%	0.4%	

Source: C3 GAMING, Pennsylvania Gaming Control Board

If smoking was a deciding factor in why people chose a particular casino, it was not evident in these properties' recent performance. In fact, it appears that the non-smoking property was able to gain a modest amount of market share over its primary competitor that chose to reinstitute smoking.

THE GREATER PHILADELPHIA MARKET

The greater Philadelphia casino market is comprised of Parx Casino in Bensalem, Valley Forge Casino Resort in King of Prussia, Harrah's Philadelphia in Chester, The Rivers Casino Philadelphia, and Live! Casino & Hotel, with the last two located within the city limits of Philadelphia.

Two issues make it difficult to get a clean comparison of individual property performance. First, Live! Casino Philadelphia opened in January of 2021. A new casino normally attracts gamers from other properties, causing a shift in market share. Second, the City of Philadelphia re-instituted its mask mandate and smoking ban on August 11, 2021, which in turn forced The Rivers and Live! Casino to once again prohibit smoking until March 7, 2022.

Harrah's Chester, located outside of the city limits, did not have to comply with the smoking ban, and continued to allow patrons to smoke from June 28, 2021 until now. Likewise, the Valley Forge Casino also allowed smoking in their casino after the state lifted their ban in 2021. The Parx Casino decided to keep their smoking ban in place and continues to do so. The table below again divided each property's performance into four distinct eight month periods.

Philadelphia Market - Net Gaming Revenue Summary

REVENUE IN MILLIONS	Period 1	Period 2	Period 3	Period 4	Percentage Change			
	Jul '18 - Feb'19	Jul '19 - Feb'20	Jul '20 - Feb'21	Jul '21 - Feb'22	P2 v P1	P3 v P2	P4 v P3	P4 v P2
Parx	\$ 397	\$ 412	\$ 330	\$ 412	3.8%	-19.9%	24.9%	0.0%
Valley Forge	\$ 86	\$ 95	\$ 67	\$ 92	10.3%	-29.4%	37.5%	-2.9%
Harrah's Philadelphia	\$ 167	\$ 164	\$ 128	\$ 124	-1.6%	-22.0%	-3.1%	-24.5%
Rivers Philadelphia	\$ 201	\$ 204	\$ 108	\$ 150	1.6%	-47.3%	38.9%	-26.8%
Live! Philadelphia	\$ -	\$ -	\$ 19	\$ 139	n/a	n/a	626.6%	n/a
Market Total	\$ 851	\$ 876	\$ 652	\$ 917	2.9%	-25.5%	40.6%	4.7%

Source: C3 GAMING, Pennsylvania Gaming Control Board

Both Parx and the Valley Forge Casino are located in suburban areas north of Philadelphia and are approximately thirty minutes apart by car, and compete for the same northern suburban market. Comparing Period 4 (July 2021-February 2022) to Period 2 (July 2019-February 2020), Parx's gaming revenue remained flat while Valley Forge declined 2.9 percent. It would appear that smokers did not leave Parx in droves to play at Valley Forge.

Harrah's Chester is located on the southern edge of Philadelphia, an approximate twenty minute drive from Live! Philadelphia. Harrah's Chester and The Rivers Casino were significantly impacted by the opening of Live! Casino. Nonetheless, Harrah's was not able to stem a near identical percent decline in net gaming revenue as The Rivers despite offering a smoking environment since July of 2021. Smokers from Philadelphia did not flee to the smoking property even though it was available twenty minutes away.

MORE RECENT EVENTS IN THE NORTHEAST

- On April 29, 2022, The Rivers Casino Philadelphia, the third highest performing property in the state, announced that it would voluntarily ban smoking on its property effective immediately.
- Mohegan Sun in Uncasville, CT has been 100 percent smoke-free since re-opening in 2020. There has been no indication that they intend to alter that policy.
- Foxwoods Resort Casino in Mashantucket, CT re-opened in 2020 with a limited smoking area in its casino. Leadership subsequently increased the area where smoking is prohibited to include all gaming areas, transit corridors, and shopping areas. The only remaining place where guests can smoke today are in designated guest rooms on two floors of the Pequot Tower. All other visitors must step outside to smoke.
- Legislators in the State of Rhode Island are currently considering eliminating the smoking loophole at its two state-licensed casinos. Unions representing employees

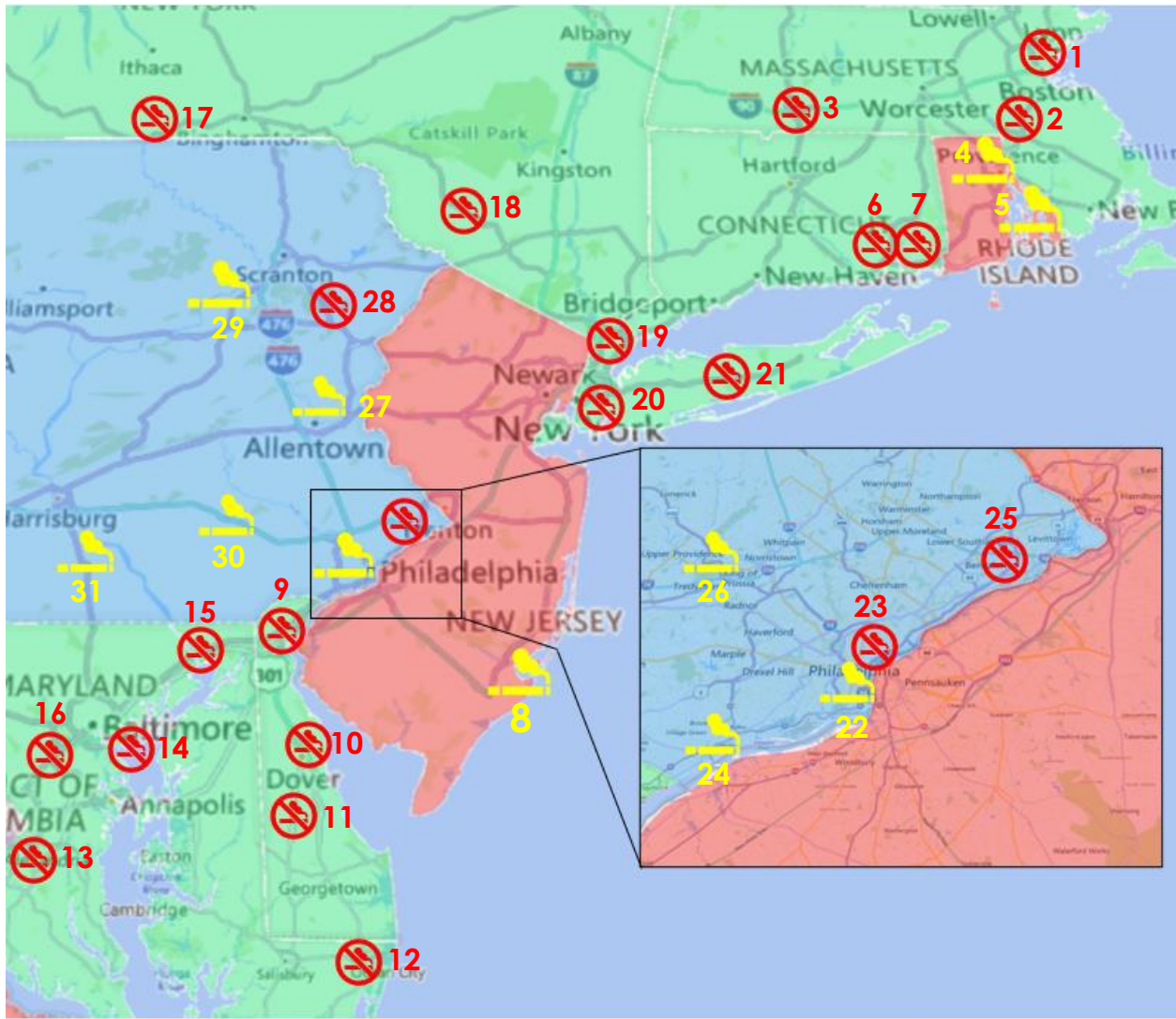
at those properties have pressured both the legislature and casino managers to enact property-wide smoking prohibitions.

With the conversion of The Rivers Philadelphia to a non-smoking property, the ongoing prohibition of smoking in Connecticut's two Indian casinos, and the fact that smoking is prohibited in New York's commercial casinos, gamers in the region have few options left. Should the New Jersey Legislature close the smoking loophole and prohibit smoking in Atlantic City casinos, gamblers from the New York, New Jersey, and eastern Pennsylvania regions will have only four options if they want to gamble in a smoking environment. These are:

- Harrah's Philadelphia in Chester, PA, a racetrack casino that does not have a hotel.
- The Valley Forge Casino Resort in King of Prussia, PA, a casino with a total of 486 lodging keys, the majority of which were built in 1973.
- Live! Casino Hotel Philadelphia, a 209-key hotel casino located in the city's stadium district.
- Wind Creek Bethlehem, a 282-key hotel casino located in Bethlehem, PA.

While each of the aforementioned properties are attractive, they do not offer the beachside resort experience, entertainment options and breadth of dining found in Atlantic City. It is unlikely that a gamer who happens to smoke will forego an Atlantic City gaming/entertainment experience simply because an alternative casino, located in a central city, offers indoor smoking.

The map on the following page illustrates the smoking status of each property in the greater northeastern and Mid-Atlantic regions.



1	Encore Boston Harbor	MA	17	Tioga Downs Casino Resort	NY
2	Plainridge Park Casino	MA	18	Resorts World Catskills	NY
3	MGM Springfield	MA	19	Empire City Casino	NY
4	Bally's Tiverton	RI	20	Resorts World Casino NYC	NY
5	Bally's Twin River Lincoln	RI	21	Jake's 58 Casino Hotel	NY
6	Mohegan Sun	CT	22	Live! Casino & Hotel Philadelphia	PA
7	Foxwoods Resort Casino	CT	23	Rivers Casino Philadelphia	PA
8	Atlantic City (9 Resort Casinos)	NJ	24	Harrah's Philadelphia	PA
9	Casino at Delaware Park	DE	25	Parx Casino	PA
10	Bally's Dover Casino Resort	DE	26	Valley Forge Casino Resort	PA
11	Harrington Raceway & Casino	DE	27	Wind Creek Bethlehem	PA
12	Ocean Downs Casino	MD	28	Mount Airy Casino Resort	PA
13	MGM National Harbor	MD	29	Mohegan Sun Pocono	PA
14	Horseshoe Casino Baltimore	MD	30	Hollywood Casino Morgantown	PA
15	Hollywood Casino Perryville	MD	31	Hollywood Casino York	PA
16	Live! Casino & Hotel Maryland	MD			

BLUE CHIP MICHIGAN

The northern Indiana/southwestern Michigan market is ultra-competitive and relies on the Chicagoland region for a portion of its market share. Looking at the table below, gaming revenues at the Blue Chip Casino and Horseshoe Hammond (both smoking properties) were down 10.5 percent and 7.1 percent, respectively (Period 4 compared to Period 2). The cause for this dip is likely attributable to the May 2021 opening of Hard Rock Northern Indiana in Gary, IN.

Blue Chip Casino is located near Michigan's southwestern border and the closest indoor smoking option for residents of southern Michigan including Grand Rapids, Lansing, Battle Creek, Kalamazoo, and northeastern Indiana. Prior to the pandemic, gamblers from this region were accustomed to smoking on the gaming floors at the various tribal casinos. Post shutdown, Gun Lake Casino, FireKeepers Casino Hotel, and the collective Four Winds casinos decided to go smoke-free.

The table below details casino revenue performance for those commercial properties in Northern Indiana. It does not include any Indian casino properties as they are not obligated to publicly disclose gaming revenues. Despite being the only property in the region that permits smoking, Blue Chip's performance suggests that smoking is not translating into an increase in gaming revenue. Even smoking patrons who used to have the option of gambling at the Four Winds Casino, ten miles away in New Buffalo, MI did not venture to Blue Chip in order to smoke while gambling.

Northern Indiana Market - Gross Gaming Revenue Summary									
REVENUE IN MILLIONS	Period 1	Period 2	Period 3	Period 4	Percentage Change				
	Jul '18 - Feb'19	Jul '19 - Feb'20	Jul '20 - Feb'21	Jul '21 - Feb'22	P2 v P1	P3 v P2	P4 v P3	P4 v P2	
Blue Chip Casino	\$ 99	\$ 103	\$ 71	\$ 93	4.1%	-31.7%	31.1%	-10.5%	
Ameristar Casino	\$ 146	\$ 144	\$ 148	\$ 157	-1.3%	2.9%	5.7%	8.7%	
Hard Rock Casino NI	\$ -	\$ -	\$ -	\$ 249	n/a	n/a	n/a	n/a	
Horseshoe Hammond	\$ 251	\$ 270	\$ 237	\$ 251	7.4%	-12.1%	5.7%	-7.1%	
Majestic Star	\$ 57	\$ 57	\$ 53	\$ -	-0.2%	-6.8%	n/a	n/a	
Majestic Star II	\$ 39	\$ 36	\$ 30	\$ -	-7.7%	-16.2%	n/a	n/a	
TOTAL	\$ 594	\$ 611	\$ 540	\$ 749	2.9%	-11.6%	38.7%	22.6%	

Source: C3 GAMING, Indiana Gaming Commission

The map below illustrates Blue Chip's monopolistic position as being the only smoking property that now serves the southwestern Michigan markets. Other regional properties that permit indoor smoking include:

40 To 50 minutes west of Blue Chip: Hard Rock Northern Indiana, Ameristar East Chicago, Horseshoe Hammond. **Three hours south of Blue Chip:** Horseshoe Indianapolis, Harrah's Hoosier Park.



NEW ENGLAND MARKET

The New England gaming market is comprised of casinos in four states: Connecticut, Rhode Island, Maine, and Massachusetts. While New Hampshire recently authorized the introduction of historic horse racing machines at the state's sixteen parimutuel facilities, those machines did not begin to operate until 2022.

As previously mentioned, Mohegan Sun and Foxwoods have been smokefree since 2020 and neither tribe has issued any statement regarding the future direction of its smoking policy. Rhode Island's two casinos remain smoking properties, although there is a movement afoot to close that state's smoking loophole. Massachusetts casinos are all smokefree as are the casinos in Maine.

Encore Boston Harbor opened on June 23, 2019 and quickly became the state's best performing property. MGM Springfield, located in western Massachusetts, opened on August 24, 2018. Plainridge Park is a harness racing track located south of Boston in Plainridge. Its slot parlor opened in June of 2015. The table below details the recent performance for the region's seven casinos, looking at the same eight month periods (July-February) as in previous tables.

Select Northeastern U.S. - Net Slot Revenue Summary

REVENUE IN MILLIONS	Period 1	Period 2	Period 3	Period 4	P2 v P1	P3 v P2	P4 v P3	P4 v P2
	Jul '18 - Feb'19	Jul '19 - Feb'20	Jul '20 - Feb'21	Jul '21 - Feb'22				
Encore Boston Harbor	\$ -	\$ 180	\$ 162	\$ 251	n/a	-10.0%	55.0%	39.6%
MGM Springfield	\$ 95	\$ 121	\$ 95	\$ 132	26.4%	-21.2%	38.9%	9.5%
Plainridge Park	\$ 110	\$ 91	\$ 74	\$ 92	-17.2%	-18.9%	24.5%	0.9%
MA Total	\$ 206	\$ 392	\$ 331	\$ 475	90.5%	-15.5%	43.6%	21.3%
Twin River	\$ 285	\$ 255	\$ 144	\$ 231	-10.4%	-43.6%	60.3%	-9.6%
Tiverton Casino	\$ 55	\$ 70	\$ 47	\$ 71	26.8%	-33.0%	51.8%	1.7%
RI Total	\$ 340	\$ 325	\$ 191	\$ 302	-4.4%	-41.3%	58.2%	-7.1%
Foxwoods Casino	\$ 294	\$ 286	\$ 204	\$ 241	-2.7%	-28.7%	17.9%	-16.0%
Mohegan Sun	\$ 376	\$ 363	\$ 300	\$ 337	-3.6%	-17.3%	12.2%	-7.2%
CT Total	\$ 671	\$ 649	\$ 504	\$ 578	-3.2%	-22.3%	14.5%	-11.0%

Source: C3 GAMING, Ct.gov, MassGaming Commission, Rhode Island Lottery

Encore Boston Harbor and MGM Springfield had an impact on all casinos in the region. Looking at Period 2 (July 2019-February 2020) Twin River saw a 10.4 percent decline in gaming revenue. Smoking did not save it from cannibalization. Likewise, Foxwoods saw a decline of 2.7 percent and Mohegan Sun had a decline of 3.6 percent. Both casinos were smoking properties at the time. They lost revenue due to new competition.

Looking at Period 4 (July 2021-February 2022), Twin River continued to see an erosion of market share, despite being one of only two casinos in the region to offer smoking. Mohegan Sun saw a smaller decline of 7.2 percent while Foxwoods saw a greater decline of 16 percent. If smoking were the reason for this decline and not the increased competition, Foxwoods would have no doubt reacted and re-instituted smoking. As a sovereign nation, they could do so. Nevertheless, Foxwoods, along with Mohegan Sun remain non-smoking facilities. They did not let the headline (Foxwoods revenue declines by 16 percent and Mohegan Sun revenues decline by 7.2 percent) detract them from the primary reason they saw decreases in revenue, two new integrated casino resorts in their primary market.

NATIONAL SHIFT TO NON-SMOKING

The vast majority of casinos in the United States allowed indoor smoking prior to the pandemic-related shutdowns in March 2020, with commercial casinos in Delaware, Illinois, New York, Massachusetts, Maryland, New Hampshire, and Ohio being notable exceptions. During that shutdown, Indian tribes and commercial casino operators had a chance to rethink their smoking policies. Coming out of the shutdown, a trend emerged with an increasing number of tribal and commercial operators deciding to ban indoor smoking in their casinos. As a result, there are now more states that offer a mix of 100 percent non-smoking casinos and casinos that still permit indoor smoking, as well as states that only have 100 percent smokefree casinos.

GREEN SHADED STATES

Green shaded states indicate states where all casinos in the state do not permit indoor smoking in casinos. Before the shutdown, only **Illinois, Ohio, Maryland, Massachusetts, Delaware, New Hampshire**, and **Maine** had state laws in place banning smoking in casinos and racinos. Post shutdown, **New York** and **Colorado** join the list as sovereign tribes in those states decided to ban indoor smoking at their casinos along with the already existing commercial statewide bans. The tribal casinos in **Connecticut** and **North Carolina** decided to ban indoor smoking, making all casinos in those states smokefree.

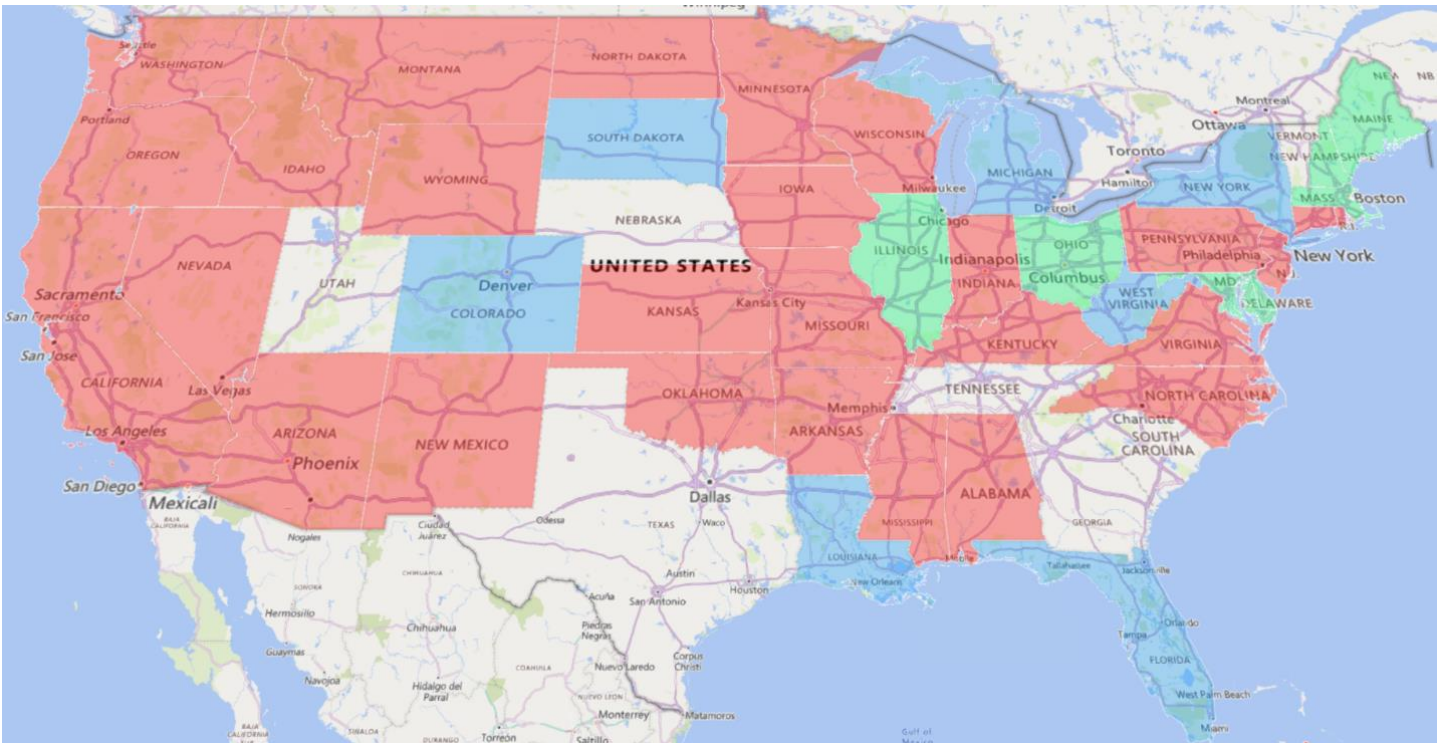
BLUE SHADED STATES

Blue shaded states present states that offer a combination of smokefree casinos and casinos that permit indoor smoking. There are now many more states shaded in blue post shutdown as tribal enterprises and commercial operators put smoking bans in place. Notably, the vast majority of tribal casinos in **Minnesota, Wisconsin, and Michigan** are now smokefree indoors. An increasing number of sovereign tribes in **Washington, Oregon, California, Arizona, New Mexico, Oklahoma, Idaho, Montana, Wyoming, Louisiana, Mississippi, and Alabama** are smokefree. Despite **Pennsylvania** not having a statewide ban, multiple casinos have decided to implement a smoking ban voluntarily. Commercial smoking bans have been in place in **Deadwood, SD, Detroit, MI, Florida, and Colorado** jurisdictions. Additionally, Four Winds South Bend and French Lick in **Indiana** do not permit indoor smoking.

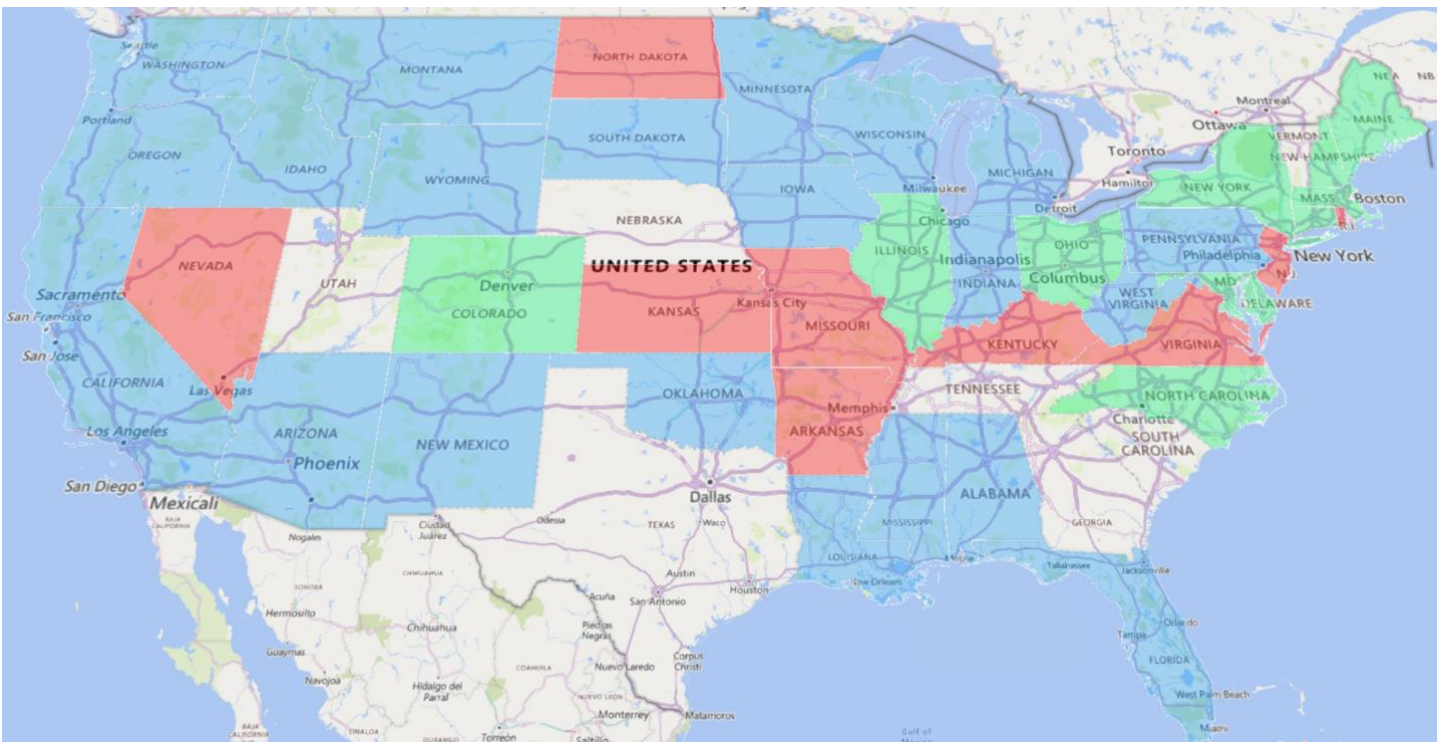
RED SHADED STATES

States shaded in red represent states that have no indoor smoking bans at casinos. This is either a result of sovereign tribal policy or no state law in place that would ban smoking inside commercial casinos. What is clear in the following maps is the national shift from red shaded states to blue or green shaded states as tribal enterprises and commercial operators have decided to implement smoking bans post shutdown. Today, fewer states remain that still allow smoking at all casinos including **New Jersey, Rhode Island, Virginia, Kentucky, Missouri, Kansas, Arkansas, North Dakota, and Nevada**. Notably, **Nevada** has one casino-resort that is smokefree, Park MGM.

PRE SHUTDOWN MAP



POST SHUTDOWN MAP



TRENDS IN INDIAN GAMING

With smoking bans currently in place at 157 Indian casinos, the authors of this study sought to better understand how different tribal casino operators made the decision to ban smoking, gauge the reaction of employees and guests, and whether these bans will in fact become permanent. To this end they spoke with different operators. This was a purely qualitative exercise without the benefit of quantitative research. Nonetheless, comments and actions by a number of tribes echo what is now a trend in the casino industry: the movement to eliminate indoor smoking in casinos.

ANGEL OF THE WINDS CASINO RESORT

Angel of the Winds Casino Resort is located in Arlington, WA, approximately fifty miles north of Seattle. It operates in a hyper-competitive market. Three casinos owned by the Tulalip Tribe are located on Interstate 5, thirteen miles closer to Seattle. The Snoqualmie Casino is located twenty five miles due east of Seattle, and the Muckleshoot Casino is located thirty miles south of Seattle.

On May 5, 2020, Angel of the Winds re-opened and announced that it would permanently prohibit indoor smoking, becoming the first Indian casino to do so. Leadership had looked at their local demographics and found that 85 percent of the surrounding counties' adults were non-smokers. Prior the pandemic, Angel of the Winds provided a separate non-smoking room that was partitioned from the main casino floor. One question that was asked was why give fifteen percent of the population most of the casino.

With pent-up demand following the lockdown, the casino was very busy. Leadership closely monitored customer opinions. Both smokers and non-smokers commented how much they enjoyed it, citing that they did not smell like smoke when they left. Not surprisingly, the casino's employees loved it.

Over the course of the past two years, the casino began to see savings in other areas. Prior to the pandemic, an outside upholstery firm would come in every month and repair fifty chairs damaged by cigarette burns along with table game felt and bumpers. In addition, carpets are lasting longer. Maintaining the cleanliness of the casino became easier as machines were not coated with tar and soot, and employees did not have to constantly empty ashtrays.

Perhaps most important, the casino is now seeing a higher win per patron, probably indicating that they are attracting a wealthier demographic than prior to the pandemic.

As of the publication date of this Research Brief, the three casinos owned by the Tulalip Tribe remain non-smoking while the Snoqualmie Casino and Muckleshoot Casino are smoking properties.

THE FOND DU LAC BAND OF LAKE SUPERIOR CHIPPEWA

The Fond du Lac Band of Lake Superior Chippewa own and operate the Black Bear Casino Resort in Carlton, MN and the Fond du Luth Casino in Duluth, MN. The Black Bear Casino Resort consists of 1,800 electronic gaming devices, twelve table games, 408 lodging keys, four restaurants, a 2,000-seat entertainment venue, and championship golf course. The Fond du Luth Casino has 700 electronic gaming devices and two bars. Their primary competitor is the Grand Casino Hinckley, a property that remains a smoking facility.

As both casinos re-opened in June of 2020, leadership like other tribal enterprises across the United States, struggled to create policies that would ensure the health and safety of its guests and employees. Prior to the pandemic, both properties designated the vast majority of their gaming floors as smoking areas. Early in the re-opening process, those smoking zones were reduced but did little to prevent the migration of smoke into other parts of the property. It also became difficult to enforce mask mandates while continuing to allow smoking. A decision was ultimately made to prohibit smoking in all indoor areas at both casinos. That was followed by a decision to make that policy permanent.

Initially, leadership received a number of complaints from a very vocal minority. Nevertheless, those complaints quickly diminished followed by positive comments from both employees and guests. It also helped that casino profitability improved. Monthly mailers and other marketing material now prominently display the non-smoking symbol and has become a key point of differentiation.

An effort was made to better understand the cost savings associated with this new non-smoking policy. Stress on the HVAC system was reduced as the systems did not have to exchange air as often. Savings were then seen in a reduction in HVAC maintenance (replacement of belts, motors, wheels, etc.) Chairs, table game felt and bumpers also did not have to undergo reupholstery as frequently.

NORTHERN WATERS CASINO RESORT

Northern Waters Casino Resort is located in Watersmeet, MI. The casino features approximately 600 electronic gaming devices, six table games, a sportsbook and a 137-key hotel. It competes with about a dozen casino properties within a 100 mile radius.

The decision to temporarily prohibit smoking was made at the outset of the pandemic, primarily because of the enforcement of mask mandates. As COVID health measures evolved, so did its smoking policies. At first, patrons were asked to smoke in the property's events center. Leadership quickly found that smoking was eroding the infrastructure in that area. A wave of COVID infections in the community later in the pandemic forced tribal leadership to re-evaluate its policies. Ultimately, the decision was made to ban all indoor smoking on a permanent basis.



What leadership learned in this conservative region of the country where smoking in casinos was long permitted was that COVID had changed people's attitudes. They were more forgiving of these restrictions, and ultimately both smokers and non-smokers embraced the new policy.

Other benefits that are now becoming more evident are reduced maintenance and cleaning costs. In addition to longer replacement cycles on carpets, table game felts, and chair upholstery, gaming devices require less maintenance and repair.

Perhaps most important is employee satisfaction. As Michael Broderick, General Manager of the Northern Waters Casino Resort put it, "every team member counts right now." He went on to add, "gaming is experiential. Smokers appreciate the property more now...Analysts that try to measure the impact of smoking on gaming revenues are missing the big picture...COVID just changed the public's attitude towards smoking."

EASTERN BAND OF CHEROKEE INDIANS

In December of 2021, the Tribal Council for the Eastern Band of Cherokee Indians passed an ordinance prohibiting smoking in the tribe's two casinos. The move followed a temporary ban that was originally put in place at the outset of the pandemic.

With few exceptions, Indian casinos are not obligated to publicly disclose gaming revenues. Some tribes do report per capita distributions, the lion's share of which are derived from gaming revenues. In May of 2022, the Eastern Band of Cherokee Indians, operators of Harrah's Cherokee Casino Resort and Harrah's Cherokee Valley River Casino Resort reported its semi-annual per capita distribution. This covered the months October 2021-March 2022 (all smokefree) and their distribution was the highest amount ever recorded over the same prior year periods. It exceeded the June 2019 amount (pre-pandemic while smoking was still permitted in its casinos) by 22.1 percent. It tracked with the amount distributed in December 2021, which covered the months April 2021-September 2021 (all smokefree). That distribution was up 22.5 percent over the December 2019 period when smoking was still permitted.

It should be noted that North Carolina had long been the center of tobacco production in the United States, and the state's economy remains dependent on this industry.

Every stage of production of tobacco, from tobacco growing to final product manufacture, is located in North Carolina, and this state has been one of the centers of the U.S. tobacco industry. North Carolina ranks first in the United States in the production of tobacco, with 2006 annual farm income of \$506.2 million.⁴

⁴<https://www.ncpedia.org/anchor/key-industries-tobacco#:~:text=Every%20stage%20of%20production%20of,farm%20income%20of%20%24506.2%20million.>

One must suspect that it was not an easy decision for leadership to make given the close ties that the region and its population has had with the tobacco industry.

In addition to the aforementioned tribes, a number of other tribal governments have voted to permanently ban smoking in their casinos. These include the Ho-Chunk Nation, operator of five casinos in Wisconsin, the Forest County Potawatomi, operator of the Potawatomi Casino & Hotel in Milwaukee, WI, and the Navajo Nation, operator of four casinos in New Mexico and Arizona.

SMOKE-FREE TRIBAL CASINOS

According to the American Nonsmokers' Rights Foundation (ANRF), there are currently at least 157 tribal casinos in the U.S. operating smoke-free indoor casinos. The following list is sorted by state then by tribe or band.

Wind Creek Atmore	Alabama	Atmore	Poarch Band of Creek Indians
Wind Creek Montgomery	Alabama	Montgomery	Poarch Band of Creek Indians
Wind Creek Wetumpka	Alabama	Wetumpka	Poarch Band of Creek Indians
KCA Bingo	Alaska	Klawock	Klawock Cooperative Association
MIC Gaming Hall	Alaska	Metlakatla	Metlakatla Indian Community
BlueWater Resort & Casino	Arizona	Parker	Colorado River Indian Tribes
We-Ko-Pa Casino Resort	Arizona	Fort McDowell	Fort McDowell Yavapai Nation
Gila River Resorts & Casinos - Lone Butte	Arizona	Chandler	Gila River Indian Community
Gila River Resorts & Casinos - Wild Horse Pass	Arizona	Chandler	Gila River Indian Community
Gila River Resorts & Casinos - Vee Quiva	Arizona	Laveen	Gila River Indian Community
Twin Arrows Navajo Casino Resort	Arizona	Flagstaff	Navajo Nation
Casino Arizona	Arizona	Scottsdale	Salt River Pima-Maricopa Indian Community
Talking Stick Resort	Arizona	Scottsdale	Salt River Pima-Maricopa Indian Community
Desert Diamond Casinos & Entertainment - Why	Arizona	Ajo	Tohono O'odham Nation
Desert Diamond Casinos & Entertainment - Sahuarita	Arizona	Sahuarita	Tohono O'odham Nation
Desert Diamond Casinos & Entertainment - Tucson	Arizona	Tucson	Tohono O'odham Nation
Agua Caliente Casino Cathedral City	California	Cathedral City	Agua Caliente Band of Cahuilla Indians
Agua Caliente Casino Palm Springs	California	Palm Springs	Agua Caliente Band of Cahuilla Indians
Agua Caliente Resort Casino Spa Rancho Mirage	California	Rancho Mirage	Agua Caliente Band of Cahuilla Indians
Augustine Casino	California	Coachella	Augustine Band of Cahuilla Indians
Konocti Vista Casino Resort, Marina & RV Park	California	Lakeport	Big Valley Rancheria of Pomo Indians
Blue Lake Casino & Hotel	California	Blue Lake	Blue Lake Rancheria
Fantasy Springs Resort Casino	California	Indio	Cabazon Band of Mission Indians
Chicken Ranch Casino	California	Jamestown	Chicken Ranch Rancheria of Me-Wuk Indians
Coyote Valley Casino	California	Redwood Valley	Coyote Valley Band of Pomo Indians
River Rock Casino	California	Geyserville	Dry Creek Rancheria Band of Pomo Indians
Lucky Bear Casino	California	Hoopa	Hoopa Valley Tribe
La Jolla Trading Post & Casino	California	Pauma Valley	La Jolla Band of Luiseño Indians
San Pablo Lytton Casino	California	San Pablo	Lytton Rancheria of California
Twin Pine Casino & Hotel	California	Middletown	Middletown Rancheria Band of Pomo Indians
Casino Pauma	California	Pauma Valley	Pauma Band of Luiseño Indians
Pechanga Resort & Casino	California	Temecula	Pechanga Band of Luiseño Indians
Yaamava' Resort & Casino at San Manuel	California	Highland	San Manuel Band of Mission Indians
Tachi Palace Casino Resort	California	Lemoore	Santa Rosa Rancheria Tachi Yokut Tribe
Soboba Casino Resort	California	San Jacinto	Soboba Band of Luiseño Indians
Table Mountain Casino	California	Friant	Table Mountain Rancheria
Eagle Mountain Casino	California	Porterville	Tule River Indian Tribe
Redwood Hotel Casino	California	Klamath	Yurok Tribe of California
Sky Ute Casino Resort	Colorado	Ignacio	Southern Ute Indian Tribe
Ute Mountain Casino Hotel	Colorado	Towaoc	Ute Mountain Ute Tribe
Foxwoods Resort Casino	Connecticut	Mashantucket	Mashantucket Pequot Tribal Nation
Mohegan Sun	Connecticut	Uncasville	Mohegan Tribe
Miccosukee Resort & Gaming Center	Florida	Miami	Miccosukee Tribe of Indians of Florida
It'se Ye-Ye Casino	Idaho	Kamiah	Nez Perce Tribe
Clearwater River Casino & Lodge	Idaho	Lewiston	Nez Perce Tribe
Four Winds South Bend	Indiana	South Bend	Pokagon Band of Potawatomi Indians
Blackbird Bend Casino	Iowa	Onawa	Omaha Tribe of Nebraska
Prairie Flower Casino	Iowa	Carter Lake	Ponca Tribe of Nebraska
WinnVegas Casino Resort	Iowa	Sloan	Winnebago Tribe of Nebraska
Jena Choctaw Pines Casino	Louisiana	Dry Prong	Jena Band of Choctaw Indians
Bay Mills Resort & Casino	Michigan	Brimley	Bay Mills Indian Community
Leelanau Sands Casino & Lodge	Michigan	Peshawbestown	Grand Traverse Band of Ottawa and Chippewa Indians
Turtle Creek Casino & Hotel	Michigan	Williamsburg	Grand Traverse Band of Ottawa and Chippewa Indians
Island Resort & Casino	Michigan	Harris	Hannahville Indian Community
Northern Waters Casino Resort	Michigan	Watersmeet	Lac Vieux Desert Band of Lake Superior Chippewa Indians
Odawa Casino Mackinaw	Michigan	Mackinaw City	Little Traverse Bay Bands of Odawa Indians
Odawa Casino Resort	Michigan	Petoskey	Little Traverse Bay Bands of Odawa Indians
Gun Lake Casino	Michigan	Wayland	Match-e-be-nash-she-wish Band of Pottawatomi Indians
FireKeepers Casino Hotel	Michigan	Battle Creek	Nottawaseppi Huron Band of Potawatomi Indians
Four Winds Dowagiac	Michigan	Dowagiac	Pokagon Band of Potawatomi Indians
Four Winds Hartford	Michigan	Hartford	Pokagon Band of Potawatomi Indians
Four Winds New Buffalo	Michigan	New Buffalo	Pokagon Band of Potawatomi Indians
Soaring Eagle Casino & Resort	Michigan	Mount Pleasant	Saginaw Chippewa Indian Tribe
Saganing Eagles Landing Casino	Michigan	Standish	Saginaw Chippewa Indian Tribe



Fortune Bay Resort Casino	Minnesota	Tower	Bois Forte Band of Chippewa
Black Bear Casino Resort	Minnesota	Carlton	Fond du Lac Band of Lake Superior Chippewa
Fond-du-Luth Casino	Minnesota	Duluth	Fond du Lac Band of Lake Superior Chippewa
Cedar Lakes Casino Hotel	Minnesota	Cass Lake	Leech Lake Band of Ojibwe
White Oak Casino	Minnesota	Deer River	Leech Lake Band of Ojibwe
Northern Lights Casino Hotel	Minnesota	Walker	Leech Lake Band of Ojibwe
Grand Casino Hinckley	Minnesota	Hinckley	Mille Lacs Band of Ojibwe
Grand Casino Mille Lacs	Minnesota	Onamia	Mille Lacs Band of Ojibwe
Seven Clans Casino Red Lake	Minnesota	Redlake	Red Lake Band of Chippewa Indians
Seven Clans Casino Thief River Falls	Minnesota	Thief River Falls	Red Lake Band of Chippewa Indians
Seven Clans Casino Warroad	Minnesota	Warroad	Red Lake Band of Chippewa Indians
Bok Homa Casino	Mississippi	Heidelberg	Mississippi Band of Choctaw Indians
Glacier Peaks Hotel & Casino	Montana	Browning	Blackfeet Tribe
Fort Belknap Casino	Montana	Harlem	Fort Belknap Indian Community
Casino Apache	New Mexico	Mescalero	Mescalero Apache Tribe
Inn of the Mountain Gods Resort & Casino	New Mexico	Mescalero	Mescalero Apache Tribe
Fire Rock Casino	New Mexico	Church Rock	Navajo Nation
Northern Edge Casino	New Mexico	Fruitland	Navajo Nation
Flowing Water Navajo Casino	New Mexico	Waterflow	Navajo Nation
Isleta Resort & Casino	New Mexico	Albuquerque	Pueblo of Isleta
Route 66 Casino Hotel	New Mexico	Albuquerque	Pueblo of Laguna
Sandia Resort & Casino	New Mexico	Albuquerque	Pueblo of Sandia
Taos Mountain Casino	New Mexico	Taos	Taos Pueblo
Point Place Casino	New York	Bridgeport	Oneida Indian Nation of New York
Yellow Brick Road Casino	New York	Chittenango	Oneida Indian Nation of New York
The Lake House at Sylvan Beach	New York	Sylvan Beach	Oneida Indian Nation of New York
Turning Stone Resort Casino	New York	Verona	Oneida Indian Nation of New York
Akwesasne Mohawk Casino Resort	New York	Hogansburg	Saint Regis Mohawk Tribe
Seneca Buffalo Creek Casino	New York	Buffalo	Seneca Nation of Indians
Seneca Gaming and Entertainment - Oil Spring	New York	Cuba	Seneca Nation of Indians
Seneca Gaming and Entertainment - Irving	New York	Irving	Seneca Nation of Indians
Seneca Niagara Resort & Casino	New York	Niagara Falls	Seneca Nation of Indians
Seneca Allegany Resort & Casino	New York	Salamanca	Seneca Nation of Indians
Two Kings Casino	North Carolina	Kings Mountain	Catawba Indian Nation
Harrah's Cherokee Casino Resort	North Carolina	Cherokee	Eastern Band of Cherokee Indians
Harrah's Cherokee Valley River Casino & Hotel	North Carolina	Murphy	Eastern Band of Cherokee Indians
Choctaw Travel Plaza Antlers	Oklahoma	Antlers	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Atoka	Oklahoma	Atoka	Choctaw Nation of Oklahoma
Choctaw Casino - Broken Bow	Oklahoma	Broken Bow	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Durant West	Oklahoma	Calera	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Durant East	Oklahoma	Durant	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Grant	Oklahoma	Grant	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Heavener	Oklahoma	Heavener	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Hugo	Oklahoma	Hugo	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Idabel	Oklahoma	Idabel	Choctaw Nation of Oklahoma
Choctaw Travel Plaza McAlester	Oklahoma	McAlester	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Pocola	Oklahoma	Pocola	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Poteau	Oklahoma	Poteau	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Stigler	Oklahoma	Stigler	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Stringtown	Oklahoma	Stringtown	Choctaw Nation of Oklahoma
Choctaw Travel Plaza Wilburton	Oklahoma	Wilburton	Choctaw Nation of Oklahoma
Apache Casino Hotel	Oklahoma	Lawton	Fort Sill Apache Tribe of Oklahoma
Kiowa Casino - Verden	Oklahoma	Anadarko	Kiowa Tribe of Oklahoma
Kiowa Casino - Carnegie	Oklahoma	Carnegie	Kiowa Tribe of Oklahoma
Kiowa Casino & Hotel	Oklahoma	Devol	Kiowa Tribe of Oklahoma
Spirit Mountain Casino	Oregon	Grand Ronde	Confederated Tribes of Grand Ronde
Chinook Winds Casino Resort	Oregon	Lincoln City	Confederated Tribes of Siletz Indians
Indian Head Casino	Oregon	Warm Springs	Confederated Tribes of Warm Springs
Prairie Wind Casino & Hotel	South Dakota	Pine Ridge	Oglala Sioux Tribe
Kickapoo Lucky Eagle Casino Hotel	Texas	Eagle Pass	Kickapoo Traditional Tribe of Texas
ilani Casino Resort	Washington	Ridgefield	Cowlitz Indian Tribe
Quinault Beach Resort & Casino	Washington	Ocean Shores	Quinault Indian Nation
Shoalwater Bay Casino	Washington	Tokeland	Shoalwater Bay Indian Tribe
Little Creek Casino Resort	Washington	Shelton	Squaxin Island Tribe
Angel of the Winds Casino Resort	Washington	Arlington	Stillaguamish Tribe
Suquamish Clearwater Casino Resort	Washington	Suquamish	Suquamish Tribe
Quil Ceda Creek Casino	Washington	Tulalip	Tulalip Tribes
Tulalip Bingo & Slots	Washington	Tulalip	Tulalip Tribes
Tulalip Resort Casino	Washington	Tulalip	Tulalip Tribes
Legends Casino Hotel	Washington	Toppenish	Yakama Indian Nation



Bad River Lodge & Casino	Wisconsin	Odanah	Bad River Band of Lake Superior Tribe of Chippewa Indians
Potawatomi Carter Casino Hotel	Wisconsin	Carter	Forest County Potawatomi Community
Potawatomi Hotel & Casino	Wisconsin	Milwaukee	Forest County Potawatomi Community
Ho-Chunk Gaming Wisconsin Dells	Wisconsin	Baraboo	Ho-Chunk Nation
Ho-Chunk Gaming Black River Falls	Wisconsin	Black River Falls	Ho-Chunk Nation
Ho-Chunk Gaming Madison	Wisconsin	Madison	Ho-Chunk Nation
Ho-Chunk Gaming Nekoosa	Wisconsin	Nekoosa	Ho-Chunk Nation
Ho-Chunk Gaming Tomah	Wisconsin	Tomah	Ho-Chunk Nation
Ho-Chunk Gaming Wittenberg	Wisconsin	Wittenberg	Ho-Chunk Nation
Lake of the Torches Resort Casino	Wisconsin	Lac du Flambeau	Lac du Flambeau Band of Lake Superior Chippewa Indians
Menominee Casino Resort	Wisconsin	Keshena	Menominee Indian Tribe of Wisconsin
The Thunderbird	Wisconsin	Keshena	Menominee Indian Tribe of Wisconsin
Oneida Casino - IMAC	Wisconsin	Green Bay	Oneida Nation
Oneida Casino - Main Airport	Wisconsin	Green Bay	Oneida Nation
Oneida Casino - One-Stop Packerland	Wisconsin	Green Bay	Oneida Nation
Oneida Casino - West Mason	Wisconsin	Green Bay	Oneida Nation
Oneida Casino - Travel Center	Wisconsin	Pulaski	Oneida Nation
Legendary Waters Resort & Casino	Wisconsin	Bayfield	Red Cliff Band of Lake Superior Chippewa Indians
Mole Lake Casino Lodge & Conference Center	Wisconsin	Crandon	Sokaogon Chippewa Community
North Star Mohican Casino Resort	Wisconsin	Bowler	Stockbridge-Munsee Community
Shoshone Rose Casino & Hotel	Wyoming	Lander	Eastern Shoshone Tribe
Little Wind Casino	Wyoming	Ethete	Northern Arapaho Tribe
Wind River Hotel & Casino	Wyoming	Riverton	Northern Arapaho Tribe

SMOKING AND RESPONSIBLE GAMBLING

Casinos throughout North America, including commercial operations and tribally owned, have made commitments to support responsible gambling initiatives. Virtually all operators have links to websites that provide additional information regarding playing responsibly. For example, MGM Resorts has a link to GameSense and GameSense Tips, which gives advice to customers on how to gamble responsibly.

One of the tips reads as follows:

TAKE FREQUENT BREAKS

Every once in a while, it is a good idea to walk away from the game you're playing. Taking a break can help you make smarter decisions, so gambling stays what it should be – a fun activity.⁵

In its analysis of the Potential Impacts on Atlantic City Gross Gaming Revenue, the authors of that study state:

Casino operators fear that a smoking ban would not only put them at a disadvantage to their competitors in Pennsylvania and Connecticut, but also would result in lower GGR because of smoking breaks.⁶

This portion of the analysis, then estimates the reduction on time on device by smokers who take periodic breaks from gambling. It further concludes,

⁵ <https://www.mgmresorts.com/en/gamesense/gamesense-tips.html>

⁶ 2021 Spectrum Report, pg. 31

It is also possible that the smoker during the first or second break would cut his or her losses and leave the casino, thus losing less than the \$83.83 illustrated above.⁷

What the authors of that report unwittingly acknowledge is that a casino that prohibits smoking risks losing gaming revenue because a certain portion of players who smoke decide during their smoke break to walk away. In other words, they chose to play responsibly, and taking a periodic smoking break allowed them to do so. Their argument that a casino will make more money if smokers remain at their games is the antithesis of one of the principles of responsible gaming.

OPERATING COST SAVINGS

Operators across the country are realizing cost savings as a result of doing away with smoking indoors. These beneficial impacts are a direct result of immediate expense reductions and property managers are tracking longer term cost saving categories including insurance premiums and staff productivity measures (such as a reduction in sick days). Banning smoking brings about the opportunity to increase profitability with the inherent cost reductions combined with an unaffected top line. Below is a summary sample of reported cost savings from various tribal gaming enterprises. These impacts would be mirrored at any property that chooses to ban indoor smoking as all casinos share the elements highlighted below in common.

Reduced Costs Related to HVAC/Air Handling/Mechanical/Energy

- Reduction in maintenance call volume from staff to ramp up air handling systems to clear smoke.
- New ability to ramp systems down and maintain temperature and air quality, whereas before systems had to work extra hard to clear smoke and maintain comfortable temperatures and suitable air quality.
- Reduction in filter costs and maintenance due to less frequent filter changes and filters staying cleaner longer.
- Lower stress on mechanical systems (motors, belts, heat wheels, etc.).
- Coils are staying cleaner longer; ionization systems are running more efficiently.

Furniture, Fixtures, and Equipment

- Chairs, games, and other equipment/furniture are no longer covered in cigarette burns.
- No longer having to spend money on repairing chairs, table bumpers/rails/felts.

⁷ 2021 Spectrum Report, pg. 32

- Significant decrease in the tar/buildup/soot that deposits on ledges and inside gaming machines.
- Machine function and longevity is better as a result, especially on older games where parts can be limited.
- Overall, the property is cleaner because staff is not bogged down spending time and effort wiping down soot and dealing with ashtrays.
- No carpet burns, carpet will last longer now.
- Less maintenance expense in hotel rooms and floors that had smoking.

CONCLUSIONS

The pandemic has had a profound effect on consumer attitudes and behaviors across a wide range of industries, including casinos and casino-hotels, and customers have come to accept certain changes once thought unthinkable. Hotels have all but abandoned daily housekeeping for multi-night stays and lodgers have come to accept it. Room service, an amenity that was expensive to operate, has disappeared in most properties and customers accepted it. Casinos have shuttered buffets, first to adhere to COVID protocols, and then to discover that these money losing operations did not enhance profitability. Gaming customers accepted that too.

The 157 Indian casinos that chose to push smoking out of their buildings as COVID-induced lockdowns were lifted were able to do so at no economic cost. Customers readily understood that mask mandates were incompatible with smoking, and accepted the prohibition. What was surprising was that, even after mask mandates were lifted and smoking prohibitions remained in place, customers collectively accepted it. Having successfully pushed smoking out of their buildings at no economic cost, tribal casino operators have resisted the temptation to re-introduce smoking in their properties.

What is most telling of this phenomenon is that some of the largest Indian casinos in the United States, all of whom certainly had the physical capacity to accommodate smoking and non-smoking sections chose not to let smoking back in. Today, some of the largest casinos in North America including the Potawatomi Hotel & Casino in Milwaukee, the Pechanga Resort & Casino in Temecula, the Yaamava' Resort and Casino at San Manuel, Foxwoods Resort Casino, and Mohegan Sun have pushed smoking out and did not let the smoking policies of their competitors alter their decision. They could easily have rescinded their decisions if they saw negative economic consequences. Individually, they weighed the pros and cons of altering their policies and chose to remain non-smoking. They may know something commercial operators in states that permit smoking do not.

Another interesting phenomenon is what can best be called the obstinance of commercial casino operators who continue to oppose bans on indoor smoking. In their

defense, as leaders of publicly traded companies, they cannot voluntarily risk any reduction in gaming revenues, even if it were for a short amount of time. Their companies' performances are measured by the last quarter's results and is reflected in company stock prices. A prudent leader will not acquiesce to any policy that might reduce gaming revenue, even if it were temporary. Casino managers are motivated by the same principle. They are rewarded by the performance of their properties. Key metrics include gaming revenue and EBITDA.⁸ Even a temporary reduction in either of those numbers would be a reflection on their performance.

State regulatory authorities are also fearful of any diminution in gaming revenues. State governments are dependent on gaming tax revenues and state comptrollers have already budgeted those tax revenues in their future budgets. They do not want to see anything disrupt the flow of tax revenues. Collectively, operators, property managers, regulatory authorities and tax agencies do not want to see any disruption in the status quo. It is this myopic thinking that prevents them from accepting any change to current smoking policies.

Another area that must be considered is employee satisfaction and employee turnover. Casino operators across the United States bemoan the state of their labor markets, and the difficulty it is to attract and retain qualified personnel. Casinos compete for qualified candidates with other industries, all of which provide non-smoking environments. Casino employees now have a voice, and they too want smoking pushed out of their workplaces. The days when a casino manager can say, "just dummy up and deal the cards" are over.

As legislators in New Jersey, Pennsylvania, and Rhode Island debate the merits of closing their states' smoking loopholes, they should not rely forecasts predicated on data from 2002, 2008 or 2015, or consumer opinions from a survey that was conducted in 2008. They need to look at current trends occurring in markets across the United States. Data from multiple jurisdictions clearly indicates that banning smoking no longer causes a dramatic drop in gaming revenue. In fact, non-smoking properties appear to be performing better than their counterparts that continue to allow smoking.

Public policy makers and casino operators must also realize that when they state that they care about the health and safety of their customers, employees and their communities while continuing to allow indoor smoking, they are at the very least being disingenuous. And they must also recognize that their customers, employees and the greater public know it.

⁸ EBITDA is an acronym for earnings before interest, taxes, depreciation and amortization, a key measure of property performance.

ABOUT C3 GAMING

Casino Consultants Consortium (C3 Gaming) is the most diverse network of consultants in the gaming and hospitality industry. The firm provides clients with the most appropriate team of consulting professionals to solve their business problems and meet their business needs. C3's network is comprised of independent casino consultants, architectural firms, market research providers, marketing and advertising firms, business intelligence/ data/ technology firms, and financial professionals with high levels of expertise in the casino and hospitality industry. C3 Gaming' core services include casino feasibility studies, expansion studies, operations analysis, marketing analysis, market research, table game integrity, marketing plan development and business plan development.



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