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legalization of riverboat casinos in Illinois, which involved fewer restrictions, mitigated Iowa's revenue gains as people chose the Illinois casinos.<sup>4</sup>

A casino with a tourism-based business model is a good way to limit some of the negative social effects of casinos while still reaping some economic benefits. For instance, if a problem gambler who is visiting comes to the local casino, they are unlikely to stay for long. The surrounding community remains, for all intents and purposes, unaffected by the social costs of problem gambling as the cost is borne by the visitor's home locality.<sup>5</sup> Additionally, attracting out-of-state gamblers brings in new revenue rather than reallocating local income.

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## Tax Revenue

Commercial casinos are one of the highest taxed industries in the US. Their taxation rates vary greatly from 6.25% in Nevada to 55% in Pennsylvania and even up to 70% in New York. In most states, however, casino tax revenue does not represent a major source of income. It is worth noting that casinos may act as a substitute entertainment good, reallocating spending from other economic sectors.<sup>17</sup> Depending on the diversity of the games on the floor, high taxes can deter against opening casinos due to different tax rates on facility types by some states.<sup>18</sup>

revenue.<sup>25</sup> Moreover, the increased revenue flows that are seen in the first years of operation are not guaranteed to last, especially if the market becomes oversaturated with gaming facilities.<sup>26</sup>

### Types of Taxes

In addition to standard taxes such as property tax levied on casino properties, there are three main forms of gambling taxation: licensure and application fees, admission fees, and taxes on adjusted gross receipts (AGR) or gross gaming revenue (GGR).<sup>27</sup>



the presence of casinos has a very small effect on employment in neighboring counties.<sup>44</sup> Geisler and Nichols also found that the impacts on neighboring employment are negligible.<sup>45</sup>

In addition to looking at general employment, Cotti examined the effects of casinos on specific industries, namely entertainment and hospitality. He found that “casinos increase employment in the entertainment sector by over 50 percent relative” to non-casino counties, though that increase includes jobs in the casinos themselves and in rural areas, where the entertainment sector was initially small.<sup>46</sup> Paired with the earnings increase Cotti found in the entertainment sector (see the following section), he concluded that casinos increased demand in the entertainment industry.<sup>47</sup> In the hospitality industry, excluding hotel casinos, he found that the effects on employment were not statistically significant.<sup>48</sup>

When considering whether these effects are sustainable, Cotti observed that the effects on employment change over time. In his study, he found that, within the host county, the positive employment effects are moderate for a few years before tapering off.<sup>49</sup>

## Income

Research findings on the impact of casinos on income growth is mixed. Cotti found that, although effects on income are positive, average weekly earnings increased by a much smaller amount than employment.<sup>50</sup> This positive relationship between casino introduction and income was confirmed by Geisler and Nichols' study as well as one conducted in 2013 by Douglas Walker and John Jackson. The Geisler and Nichols study found that casino counties had 10% more real per capita county income than non-casino counties, on average, in the riverboat casino states.<sup>51</sup> Similarly, when looking at the effects of casinos from 1991 to 2010, Walker and Jackson found a correlation between casinos and economic growth, as no earnings were associated with an increase in personal per capita income.<sup>52</sup> This finding supported their 1998 study, though contradicted the 2007 study. In all of their studies, their methods were the same, though the 1998 and 2013 studies included more periods of recession compared to that in 2007.<sup>53</sup>  
in 2007.

increase the income in a community in his 2008 study. He found no significant effect on per capita income.<sup>55</sup>

Using the same definition of urban areas mentioned above, Geisler and Nichols found that rural counties experienced greater increases in income than urban counties.<sup>56</sup> In fact, the two researchers found that the effects of casinos on real per capita income in urban areas were statistically insignificant, while those in rural areas were significant.<sup>57</sup> Geisler and Nichols also found that increases in income in neighboring counties are smaller than those in casino counties.<sup>58</sup>

When breaking the economy into entertainment and hospitality sectors, Cotti found a much steeper increase in earnings within the entertainment industry than in the economy as a whole, with a 19% increase from casino introduction.<sup>59</sup>

hotel rooms closed between 1966 and 1976. Following the legalization of casinos, total jobs in the city increased from 21,000 in 1977 to 62,000 in 1997, although the local unemployment rates remained higher than state and national rates. This confirms Cotti's work as well as Geisler and Nichols', demonstrating a connection between employment increases and the introduction of casinos.

### Case Study: Springfield, Massachusetts

Springfield, Massachusetts is the third largest city in the state and has been characterized as a "Gateway City"<sup>69</sup> In other words, it is "a city experiencing economic hardships from the decline in industries that used to be a 'gateway' to the American Dream. Poverty and unemployment rates have been higher than their state counterparts. In 2010, Springfield's unemployment was 13.7%, which was 5.1% higher than the state's rate during the Great Recession. The median household income in the city was \$36,730 between 2014 and 2018, less than half of the state's \$77,378.<sup>72</sup> MGM Springfield, one of two resort style casinos in the state, was established in August 2018.<sup>73</sup> In its first year of operations, the casino contributed \$356.9 million in new personal income and \$97.4 million in new output in the Massachusetts economy. \$640.1 million was value added.<sup>75</sup> This increase in income is consistent with the studies mentioned above.

### Effects on Surrounding Businesses

Chad Cotti, in his study, split the entertainment and hospitality sectors of counties with casinos into subsectors to determine how casinos were impacting other businesses. He found that the performing arts sector experienced an increase in employment, though there was no data to check whether this increase was independent of the new jobs casinos created in this area.<sup>76</sup> When looking at the subsectors of museums, zoos, and parks as well as other recreational centers (including golf, skiing, bowling, etc.), there was a statistically significant effect from casino introduction.<sup>77</sup> In terms of hospitality subsectors, Cotti found that the hotel industry, excluding hotel casinos, shows no statistically significant effects on employment and only a marginally significant increase in income; examination of the food and restaurants sub-



that a cannibalization effect is possible with the introduction of casinos, where “gambling operations can hurt local firms, ultimately driving them out of business, specifically “those offering other leisure activities.”<sup>79</sup> He cites a study conducted at the University of Wyoming that found 78 businesses were converted to casinos in Deadwood, South Dakota within one year of casino legalization.<sup>80</sup>

Geisler and Nichols found an increase in labor force participation and a decrease in unemployment with the advent of casinos, causing them to suggest that the introduction of casinos has a net positive effect on jobs in the host county, and does not simply take employees from existing firms.<sup>81</sup> This is consistent with Thomas A. Garrett’s study and one conducted by Michael Wenz while he was a professor at Winona State University.<sup>82</sup>

### Crime

One of the largest concerns surrounding casino development is the timing

corresponding decrease<sup>87</sup> It should be noted that the Native American casinos analyzed showed a less severe crime increase and a substantial decrease<sup>88</sup>

The reasoning for this may lie in improved fiscal conditions as a result of the casino, which take time to impact the communities. However, this is purely speculative, and the Nichols study did not show a causal relationship between the rise and fall in crime and the introduction of a casino. However, it does indicate that casinos are associated with non-permanent crime increases<sup>89</sup> Data regarding embezzlement and fraud is not publicly available, which impacted the study's conclusiveness.

### Social Impacts

The introduction of casinos and their potential impact on individuals with gambling disorders are another area of concern. A gambling disorder is defined as "behavioral addiction, characterized by high involvement in gambling in terms of time and/or money spent on the activity, along with continued play despite substantial negative outcomes personally, socially, and/or financially"<sup>90</sup>

A study by Dr. Kahlil S. Philander, Assistant Professor of Hospitality Business Management at Washington State University, researched the effects exposure to casinos has on problem gambling<sup>91</sup> He modeled the likelihood of gambling and the severity of gambling problems as a function of the exposure quantity, the types of gambling, the duration of exposure, additional public health factors, and an error term (to account for statistical inaccuracies)<sup>92</sup>

The results of this model indicate that the presence of casinos has a positive correlation with the number of individuals

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Other studies on the prevalence of pathological and problem gamblers in relation to casino proximity reached similar results. In a New Zealand study by Jan Pierce et al., researchers found that proximity to casinos and gambling venues resulted in higher gambling rates and higher problem gambling rates.<sup>95</sup>

A study that anonymously surveyed casino patrons in Southern California indicated higher rates of at-risk gambling, problem gambling, and pathological gambling among casino patrons.<sup>96</sup> Many studies have examined problem gambling rates in the general population and this study sought to explore problem gambling prevalence among casino patrons. The study surveyed 176 casino patrons, which is smaller than the previous two studies (50,408 respondents and 12,529 respondents, respectively).<sup>97</sup> Similar conclusions around the presence of casinos and an increase in problem gambling were reached.<sup>98</sup>

Pathological and problem gambling are often associated with external costs such as higher rates of bankruptcy, job loss, and criminal activities.<sup>99</sup> A study that examined the impact of casinos in relation to these social costs used countywide data to assess the validity of the association.<sup>100</sup> The study employed two regressions >>BDC -18-2 (n)64Tc 0 Tw th754[(we)-7 (-9a31 0 Td [

