



Economic Impacts of Casino Gaming

Capital Investment and Employment

Casino entertainment is both capital-intensive and labor-intensive. No other economic development tool can generate as many jobs, as fast, and absent expenditure of public funds than casino gaming. The earliest riverboat casinos cost between \$25 million and \$50 million to develop. As the riverboat industry has matured, investment in riverboat casinos facilities has grown. Today, it's not uncommon for a single riverboat casino, plus ancillary amenities, to require a \$100 million-plus investment. Large land-based casinos with attached hotels frequently cost in excess of \$500 million. To build facilities of these magnitudes requires the talents of local contractors, plumbers, electricians, woodworkers, and other local craftsmen. Even in large metropolitan labor markets, casinos tap heavily into local construction labor pools.

Casinos also require relatively large staffs, in fields as diverse as accounting, marketing, restaurant management, and security. Although many casino employees work directly with customers on the casino floor, many also work behind the scenes, in jobs no different than those that are necessary to run any other business. Casino jobs are in five different functional areas:

- Gaming Operations (including machine technicians, cashiers, dealers, table games supervisors);
 - Casino Services (including security, food and beverage, retail, purchasing, and maintenance and facilities specialists);
 - Marketing (including public relations, market research, and advertising professionals);
 - Human Resources (including employee relations, compensation, staffing, and training specialists);
- and
- Finance and Administration (including lawyers, accounts payable, audit, payroll, and income control specialists).

According to research conducted in 1999 by Arthur Andersen for the American Gaming Association, about 325,000 Americans work in commercial casinos. A single riverboat casino may employ 1,000 to 1,500 persons; large land-based casino hotels can employ upwards of 5,000 people. Casino jobs are good jobs -- the average annual income of an employee is around \$30,000, and most of these jobs provide health insurance and retirement benefits. As an added plus, the industry also has excellent track record of hiring from the local workforce and training the unemployed, the underemployed, and minority members of society.

Casino gaming also generates indirect jobs, through both the purchase of goods and services

by casinos themselves as well as through general expansion of the local economy via expenditures by both casino patrons and casino employees. For example, local businesses that supply kitchen equipment, electrical supplies, or printing services are likely to benefit from a casino's business. Field studies and econometric modeling suggest that commercial casinos in the United States support approximately 400,000 indirect jobs through gaming industry spending.

Tourism

In addition, casinos boost local tourism/leisure-oriented economic sectors (hotels, restaurants, theaters, specialty retail) and can catalyze additional private capital investment by helping re-cast abandoned central business districts as thriving office and commercial centers.

This effect has been particularly striking in Illinois river towns like Joliet, where city officials credit a riverboat casino with revitalizing a downtown that had been dealt crippling blows by economic downturns of recent decades.

No Subsidies Required

Casino-related economic development is especially noteworthy in that it generally neither requires expenditure of public funds on infrastructure nor demands incentives like tax breaks. The major challenge for cities in search of a local casino operator has not been to put together an incentive package to compete against other cities, but rather to choose from among several potential operators proposing various levels of spending on public facilities and amenities. Especially in the near term, local communities in attractive markets -- particularly where the relevant statute restricts the number of local casinos and where the community has a say in the selection of casino operators -- will continue to dictate the terms of their relationships with casino-company suitors.

Tax Revenue

Casinos are also proven sources of local and state tax revenue. Casino gaming companies contribute to federal, state and local government through gaming-related and other taxes. Direct taxes include property, federal/state income, and sales and use taxes, which all industries pay, and gaming taxes which are levied only on the gaming industry at rates typically ranging from 6.25 percent to 20 percent of gaming revenues. In 1998, direct gaming taxes paid by commercial casinos in the U.S. amounted to \$2.5 billion. Gaming taxes, by far the largest tax paid by the industry, are often designated by governments for expenditures on such things as infrastructure improvements, education, benefits for the elderly and disabled and historical restoration. Some examples of gaming tax payments by state in 1998 include Illinois, where casinos generated \$337 million in gaming tax; Mississippi, where casinos generated \$262 million in gaming tax; and Louisiana, where casinos generated \$315 million in gaming tax. Levels of tax revenue achieved in a particular state depend on factors like the tax rate, casino size, and the volume of casino business.

Every dollar of tax revenue paid by casinos is a dollar that governments don't have to raise through compulsory taxes on private citizens.

Consumer Sovereignty

It's worth noting at this juncture that a state's economic interest in casino gaming is not the only reason for removing casino prohibitions. There is an economic benefit / personal liberty interest in legalizing casinos that goes far beyond tax revenue, job creation, capital investment, and other justifications that we frequently place in the "economic impact" category. As

Canadian economists Reuven and Gabrielle Brenner have explained,

"The truth is that the gambling industry is like any other entertainment industry. It uses hotels, machines, computers, video equipment, croupiers and what not; new games as well as new technologies for selling the games are being invented. There is no difference between this industry and, let us say, that linked with the production of operas, plays or ballets -- though, instead of hotels, theaters and concert halls are being built. In the latter 'industries,' too, people pay for the tickets, and the singers, artists and theater-owners get the money. Thus, money is being redistributed.

"So whether or not these industries create wealth or redistribute (or even destroy) it doesn't depend on whether or not it attracts tourists from outside, but on something far broader and more fundamental. *People's willingness to make greater efforts, to work harder and longer, depend on their expectation that they can become richer -- richer meaning, among others, having entertainment choices, being able to spend their hard-earned money the way they wish.* (emphasis added)

"What happens when you restrict people's entertainment choices? They either go elsewhere to spend their money, or they have less incentive to work." (Source: "Case Against Casinos Here Doesn't Add Up," *Montreal Gazette*, April 21, 1991)

Conclusion

Despite casino gaming's promise as a source of economic development and tax revenue, gaming should not be viewed as a panacea for the fiscal woes of a state or local jurisdiction. Casino gaming is more appropriately viewed as an amenity that in smaller metropolitan areas can be a cornerstone in the local tourism/entertainment market, and in larger metropolitan areas as simply another component of a regional tourism/entertainment package.