

**Casino Math Workbook
for
Beacon Hill**



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Executive Summary

February 2010

Casino Math Workbook for Beacon Hill was developed by United to Stop Slots in Massachusetts a statewide coalition of concerned citizens, taxpayers, activists and organizations across the political spectrum opposed to expanding predatory gambling in the Commonwealth. We are a volunteer, non-partisan organization that has been working diligently to organize and educate citizens and legislators about the economic and social costs of legalizing predatory gambling in the Commonwealth. No state that has legalized predatory slot machines has solved their fiscal problems. Many states with legalized predatory gambling have far greater fiscal problems than Massachusetts. **Casino Math Workbook for Beacon Hill** is a document developed to provide data-driven information to legislators and citizens. The executive summary contained herein will highlight the myths and misinformation promulgated by the industry.

The predatory gambling industry has spent millions of dollars on lobbyists to bring their product to Massachusetts. Political leadership has long resisted the "slippery slope" of predatory gambling until recently in the Commonwealth. Attorneys General have opposed predatory slots both as a matter of criminal impact and consumer protection. The influence of "big money" on the debate is irrefutable.

Predatory gambling business practices depend upon gambling addiction for profit; essentially exploiting the weaknesses of a minority, for the profit of the powerful. The business model of the predatory gambling industry is parallel to the tobacco industry and predatory lending practices which oppose the fundamental principles of the founders of the Commonwealth and our nation.

Legalizing predatory gambling is a permanent regressive solution to a temporary fiscal problem.

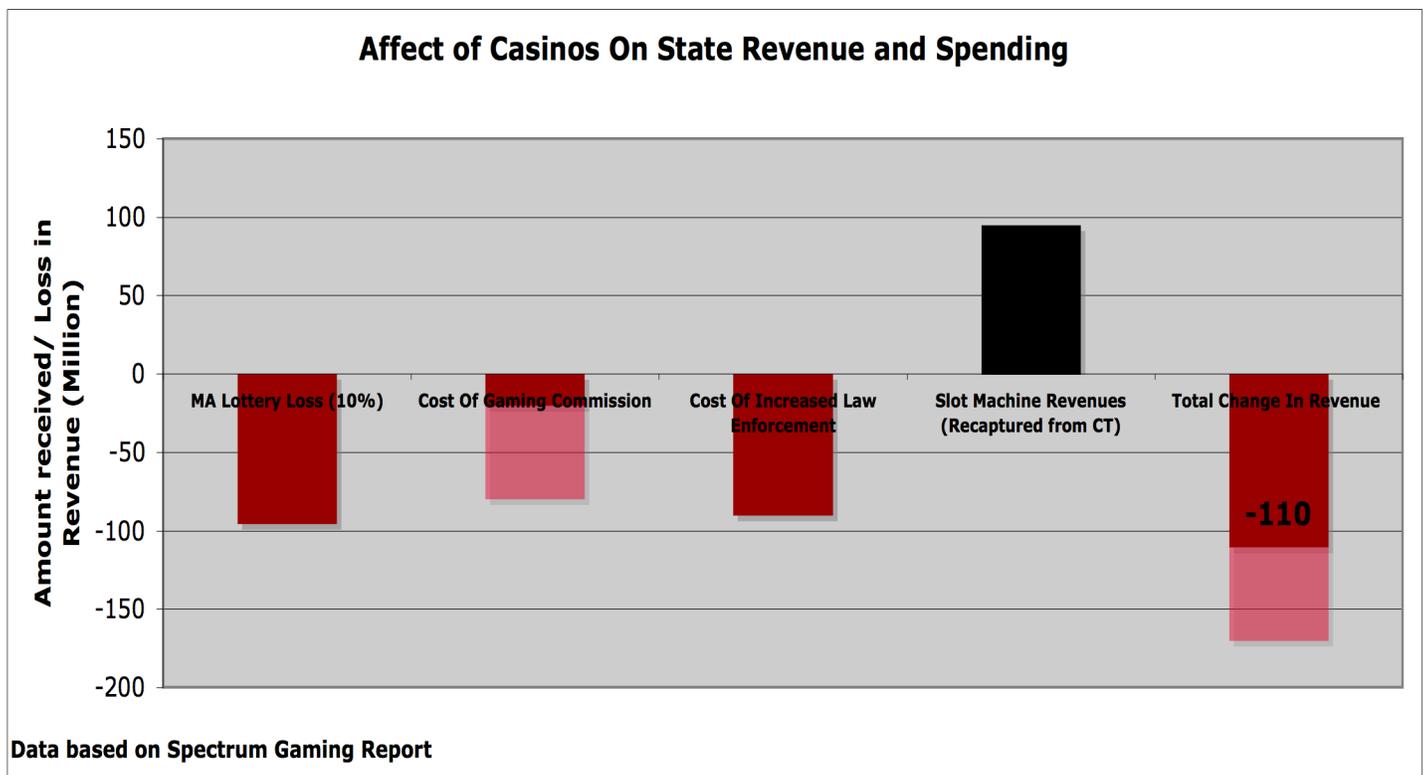
"Few are willing to brave the disapproval of their fellows, the censure of their colleagues, the wrath of their society. Moral courage is a rarer commodity than bravery in battle or great intelligence. Yet it is the one essential, vital quality for those who seek to change a world that yields most painfully to change. And I believe that in this generation those with the courage to enter the moral conflict will find themselves with companions in every corner of the globe."

-Senator Edward M. Kennedy

The Inconvenient Truth About Revenues

FACTS:

- 📁 **10% of net revenue** will be **lost** to the Massachusetts **Lottery** that funds **Local Aid** with the introduction of casinos in Massachusetts.
- 📁 The Total Cost of regional impacts and social services are not known but estimated in the multi-millions.
- 📁 An independent cost-benefit analysis is needed.



(See Appendix 1)

Graph Sources:

Grinols, Earl L., Mustard, David B. and Dille, Cynthia Hunt, *Casinos, Crime and Community Costs*. June 2000.

Fiscal Impacts of Foxwoods Casino on the Town of Ledyard, Connecticut. Mayor Wesley J. Johnson, December, 2001.

Cost of Gaming Commission Estimated between 20 and 80 Million Dollars

MYTH: Adding Slot Machines to Racetracks will bring an immediate \$200 million in revenue to Massachusetts

Fact-check Breakdown:

Number of Daily Visitors*	Average daily gross profit per Machine**	# of Machines needed to sustain guests*	Daily total Gross Revenue of Machines	Annual Gross Revenue of Machines	State revenue Received
10,000 visitors	\$257	1,850	\$475,450	\$173,539,250	\$45,120,205
20,000 visitors	\$257	3,700	\$950,900	347,078,500	\$90,240,410
40,000 visitors	\$257	7,400	\$1,901,800	\$694,150,000	\$180,480,820

*Machine:guest ratio based on Foxwoods casinos numbers of daily guest and slot machines

**Average daily profit based on Foxwoods 2007 profits

(See Appendix 2)

FACTS:

 **To make \$200 million in tax revenue, race tracks would need to have over 40,000 daily visitors.**

This is equal 2x the population of Middleborough every day.

 **85% of Racetrack patrons live locally.**

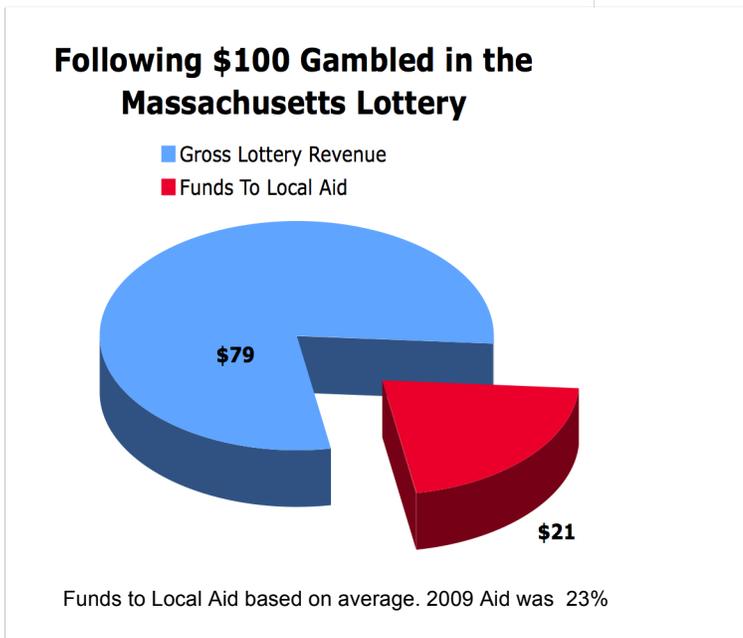
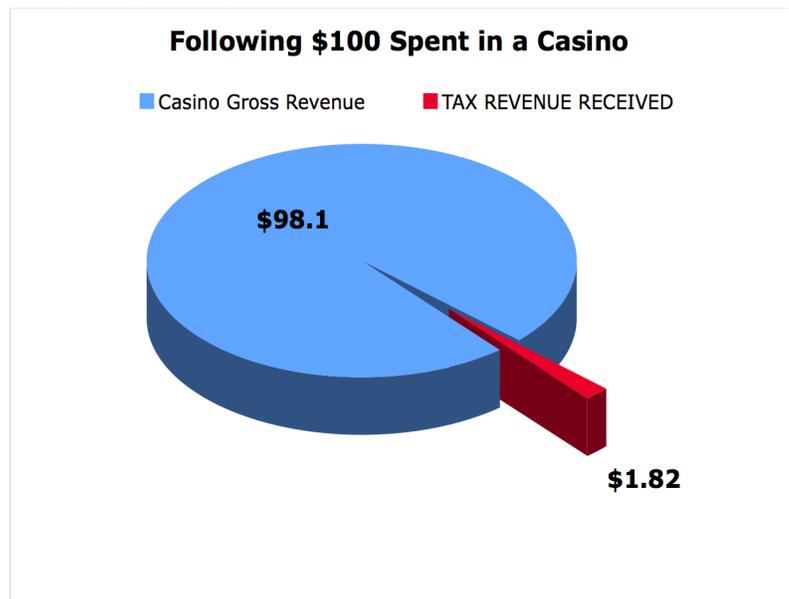
Conclusion: The Math Doesn't Add Up

MYTH: Casino revenue will increase Massachusetts Net state revenue

FACTS:

Citizens will have to **gamble and lose 11 times more money** in a casino to equate to the amount of revenue The Massachusetts Lottery brings in.

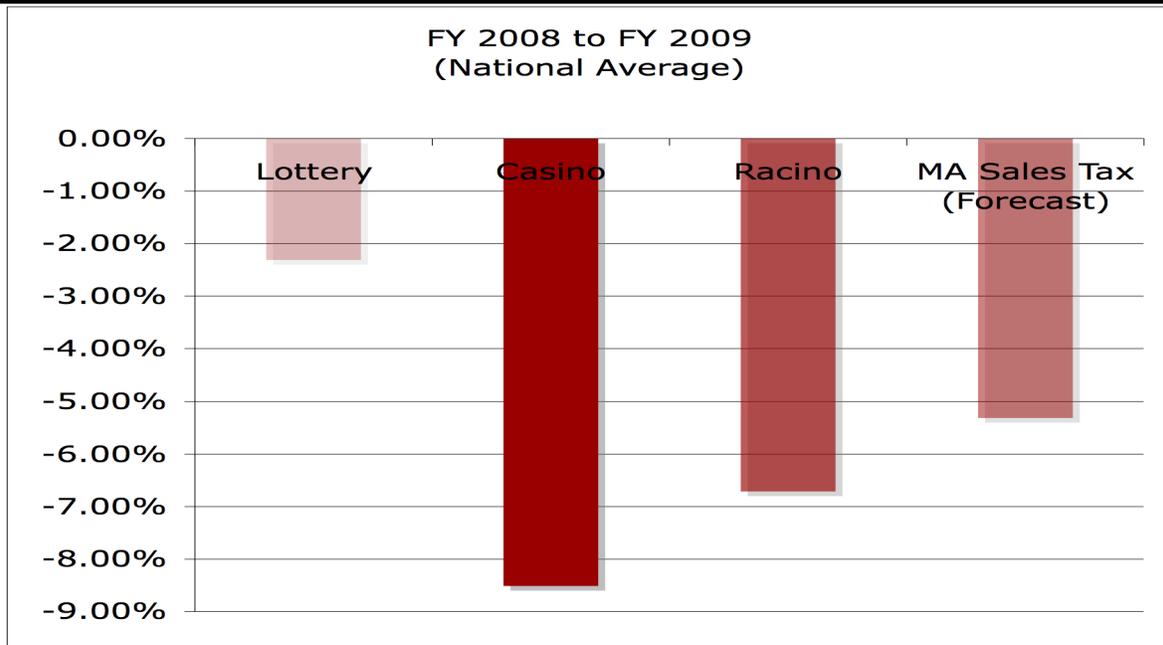
For every **\$100** gambled in a casino instead of the lottery,
Massachusetts loses \$19.18. (See Appendix 3)



***When casinos
win,
communities
lose***

MYTH: Slots and Casinos are reliable revenue

When compared to other forms of gambling and Massachusetts sales tax, Casinos are by far the most volatile form of revenue.



Massachusetts Tax Revenue Forecasts for FY 2010 and FY 2011. The Beacon Hill Institute at Suffolk University. December 16, 2009

FACTS:

🎰 Nationally, casino revenues dropped nearly **9%** last year.

🎰 Heavier **competition** among casinos **shrinks** the number of gamblers and the size of their wagers.

Wall Street Journal: States End Up Losers in Gambling Pullback. August 10, 2009

🎰 “The **declining gambling revenue** adds to falling sales and income tax receipts that have forced states to **slash spending as they try to balance budgets.**”

Wall Street Journal: States End Up Losers in Gambling Pullback. August 10, 2009

Much like the tobacco industry Slots and Casinos need to attract new addicted users to gamble and bring in revenue.

MYTH: Expanding predatory gambling, slots/casinos creates long-term economic development

FACTS:

 For every **\$1 generated** by casinos, it **costs tax payers \$3** to address increased **crime, bankruptcies** and other **adverse affects**.

Gambling In America: Costs and Benefits, Dr. Earl Grinols. 2005

 “Casinos **siphon money away** from the **traditional consumer economy** where an economic multiplier effect triples the value of every dollar spent by creating goods and services.”

Source: Warren Buffet. CEO Berkshire Hathaway television interview 2004

 In the future, as revenues from existing gambling ventures are unable to keep pace with **government gambling dependence**, the gambling industry and legislators are likely to look towards expansion.”

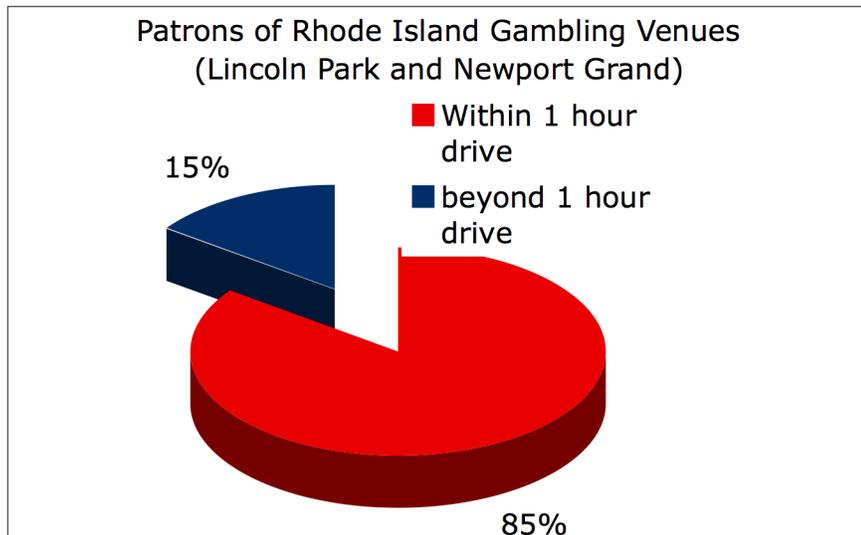
Source: For the First Time, a Smaller Jackpot. *Trends in State Revenues from Gambling*. By Lucy Dadayan and Robert B. Ward. September 21, 2009

 "When the money is not spent on cars and refrigerators and is instead **dropped into a slot machine**, it **leaves the economy**.”

Professor John Kindt. Diminishing Or Negating the Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling: 2003 Mich. ST DCL L. Rev. 281-313

MYTH: Casinos will attract a majority of gamblers from out-of-state.

FACT: Primary gamblers live locally.



FACT:

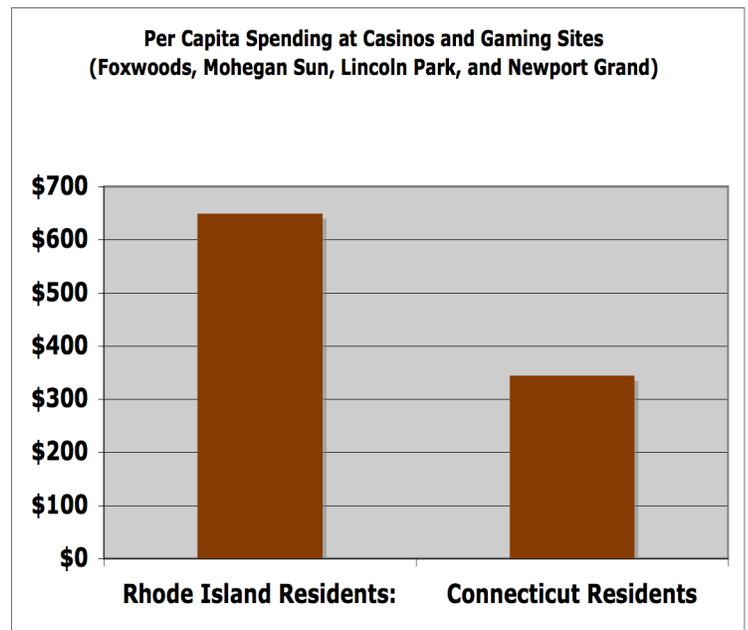
85% of patrons live within an hour's drive of Lincoln Park and Newport Grand live.

Not New Revenue, But Displaced Revenue

FACT:

🎰 Rhode Island residents have the **highest** per capita **spending** at studied gambling sites.

🎰 Connecticut has the **second highest** per capita **spending** at studied gambling sites.



“These relatively high spending levels indicate that Rhode Island residents may be ‘saturated’ with casino gambling.”

Appendices:

Appendix 1:

90 million is the net estimated tax revenue from recaptured "slot machine revenue" assuming a tax rate estimated between 15-25% on the ANGR (Adjusted Net Gaming Revenue)

Cost of Gaming commission is estimated between 20 million and 80 Million dollars.

The 80 million estimate is based on the creation of a gaming commission relative to 16% of Revenue, which would be approximately equal to the gaming commission in New Jersey, and be the best regulation in the country.

Appendix 2:

According to statistics released by Foxwoods Casino they have approximately 40,000 daily visitors to the casino; to support the guests, Foxwoods has approximately 7,400 machines, with an average profit of \$257 per day, per machine.

Based on 2007 numbers from a report done by Rick Green: "Slot profits down, but still eye-popping at Mohegan Sun, Foxwoods Casinos." January 23, 2009 .www.courant.com

Appendix 3:

Statistics based on total monies gambled at a 26% tax rate:

Money Gambled	\$100
Payout	\$93
Gross Profit	\$7
Taxable	26% of \$7 = \$1.82