



**“WHAT IF THEY ALL STAYED HOME?”**  
THE REAL NUMBERS BEHIND THE CASINO DEBATE

A REPORT PREPARED BY:  
THE AMERICAN POLICY ROUNDTABLE

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The real numbers behind the casino debate

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*The following presentation is built upon statistics obtained in the public domain from The American Gaming Association, International Gaming and Wagering Business, Studies from Wayne State University, Michigan and ShawneeResortsOhio.com and the Indian Gaming Association. The revenue data is the latest year available, 2003. The numbers will be updated as 2004 data is released.*

## THE BIG PICTURE

**Question:** Which is bigger: the state budget of Ohio or the gross revenue of all the casinos in Las Vegas?

**Answer:** The state budget of Ohio currently projected at over \$50 billion dollars for the biennium or over \$25 billion per year. All the Nevada casinos combined bring in about \$9.6 billion dollars annually.

**Question:** Which is bigger: the gross revenue of all commercial casinos (non-tribal) in ALL of America, or the state budget of Ohio?

**Answer:** They are just about the same. All the 443 commercial casinos in American including Las Vegas and Atlantic City bring in about \$27 billion annually, close to the projection for the budget in Ohio. When you add tribal casinos (\$16.2 billion) and racetrack casinos (\$2.3 billion) the annual total revenue for all forms of casino gambling is about \$45.5 billion.

**Question:** Which provides more direct tax revenue for its host state, all Nevada casinos including Las Vegas or the Ohio Lottery?

**Answer:** The casinos – but not by much. All Nevada casinos provided \$776 million in 2003 to the state on a gross revue of \$9.6 billion. The Ohio Lottery provides about \$630 million to Ohio schools on about \$2.1 billion in annual gross revenue.



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## THE REAL BIG PICTURE IN OHIO

How much is Ohio really losing to out of state casinos? If every Ohio gambler stayed in Ohio and gambled every single dollar in Ohio how big a dent would that tax revenue make in the state budget?

The American Gaming Association provides a great deal of statistical data on the gambling industry, particularly regarding casino gambling. The AGA is widely viewed by the industry as a credible source. The AGA numbers will be used in the following illustrations but only with the following disclaimer.

The actual number of people who go to casinos in America is not a determined fact based upon a real number count of real people. The casino industry relies upon telephone and mail-in surveys to create the base number of people who go to casinos. There are no turnstiles in casinos. There is no sign-in process to identify who is attending and how often they attend. The casino industry does not “take attendance” or chart admissions as a means of establishing how many unique gamblers visit their facilities. If such records do exist they are not compiled in any means available to the public. This disclaimer is very important to remember when considering the following numbers.

The AGA projects from surveys that 53.4 million Americans participate in casino gambling annually making 5.8 trips to a casino per year. In Ohio, the AGA projects that just under 20% of the adult population travels to casinos. Rounding all numbers upward (in the casinos’ favor) the number of Ohio adults who travel to casinos annually is about 1.6 million.

The total gross revenue for all casinos: tribal, commercial, racetrack in America is about \$45.5 billion. Divided by the number of players @ 53.4 million the average gambler spends about \$852 dollars per year in a casino.

Using the AGA numbers the potential gambling revenue from Ohio gamblers is 1.6 million players x \$852 dollars per year = \$1.363 billion dollars.



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## **WHAT IF ALL THE OHIO GAMBLERS STAYED HOME AND GAMBLED ONLY AT OHIO CASINOS?**

This is the crux of the argument forwarded by casino developers, tribal consultants and racetrack owners in Ohio. If their proposition was even remotely possible – if every Ohio gambler stayed home and gambled every dollar only in Ohio facilities the gross revenue would be \$1.363 billion. The tax money generated from that revenue would generate about \$300 million dollars based on a similar effective tax rate as the Michigan casinos (22%).

\$300 million dollars annually applied to the State Biennial budget is about 1.2% of the entire budget. The Ohio Lottery currently provides more than twice that much money to the State of Ohio.

And here is the catch – the 1.2% gain only happens if EVERY gambler in Ohio spends EVERY gambling dollar in Ohio and never spends a penny outside the state. Is it any wonder why regional casinos like those in Detroit have failed to save and revitalize the city's economy?

The Eastern Shawnee tribes are claiming “Ohioans spent anywhere from \$12.2 billion to \$14.2 billion on gambling outside the state.” (EasternShawneeResorts.com, page 2) This claim is completely discredited by the data provided by the AGA. The only possible way such a number could even be considered is if it represents the “handle” or the actual accounting of every transaction in a casino including all the “house” money played and replayed by gamblers. The AGA has wholly discredited this type of calculation. The AGA states:

*“The only relevant figure...for the casino's accounting and to gauge the size of the gaming industry in relation to other industries – is the amount actually spent by customers, not the total amount they may have wagered repeatedly over the course of the evening. Legalized gambling is accurately depicted as a \$54 billion industry, the gross revenue reported by operators before salaries, taxes and expenses are paid.”* (AGA Industry Information Fact Sheet: Is legalized gambling a \$600 Billion Industry?)

## **BUT THINK OF ALL THE JOBS THAT WOULD BE CREATED IF \$1.363 BILLION WAS GAMBLED IN OHIO?**

There is no doubt that regional casinos have to hire people. If every dollar that was leaving Ohio was recaptured by Ohio casinos and used to hire an Ohioan at a good wage then a secondary benefit would result for the State. But there is no evidence that every gambler, or any traveling gamblers will stay home and gamble only in Ohio. Some will gamble more, taking money from other parts of the local economy and creating deficits in business growth. New gamblers will also appear. Not gamblers from out of



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state who stay for days and spend money outside the casinos. The new gamblers will siphon money from other areas of the local economy hurting local businesses and costing jobs. A recent Wayne State University study of the Detroit casinos reveals that 80% of the gamblers live in three nearby counties.

Regional casino revenue is found money for the new casino but lost money for the local economy. This substitution factor always costs jobs as local businesses must compete against the casinos to survive.

After the initial speculation and construction is over, regional casinos do little to create wealth or opportunity for the local economy. They do not attract other businesses. A visit to Detroit or Newell, West Virginia (home of Mountaineer Racetrack/Casino) is a clear indication of this economic reality.

### **WILL BUILDING OHIO GAMBLING RESORTS MAKE THE DIFFERENCE?**

This same argument has been tried all across America. Atlantic City was to be a premier resort destination. Detroit was going to “do casinos right”. Casinos were going to make Newell, West Virginia and Lawrenceburg, Indiana tourist attractions. Once again, the real numbers tell the story.

For the sake of giving every possible consideration to the gambling industry, forget the weather in Ohio for a moment. If Ohio were able to completely displace Las Vegas, becoming a bigger destination tourist attraction than the Strip itself, the gross gambling revenue would only be \$9.6 billion with a tax base going to the state of Ohio of \$776 million. The tax rate of 6.25% for Nevada casinos is much lower than Michigan’s rate of 22%. An operation the size of Vegas is much more expensive to run and the casinos have significant leverage in the Statehouse to keep their tax rates down.

What are the odds Ohio could displace the 256 casinos of Nevada and become a premiere gambling resort destination? No other Midwestern gambling venue has even come close. What are the odds with a nation so saturated with casinos that gamblers will choose to travel to Ohio as a resort destination in the dead of winter?

The reason Mountaineer in West Virginia, the casinos in Detroit, or the Illinois riverboats never became resort destinations is because they do not generate enough revenue to warrant such investment. The financial community and venture capitalists do not underwrite efforts to turn slot machine parlors into full-blown resorts, especially in non-resort climates. These regional casinos drain as much revenue as possible from the surrounding communities. They do not partner with non-casino owned enterprises. They become islands unto themselves servicing a limited clientele mostly of day-tripper gamblers who do not even spend the night at a casino property or go to a local non-casino restaurant or visit a non-casino retail establishment.



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**THERE IS A SERIOUS PROBLEM IN ALL THESE CALCULATIONS.  
ALL OHIO GAMBLERS WILL NOT STAY HOME.**

From Nevada to Washington D.C. experts on the gambling industry agree: Regional casinos, like those being proposed in Ohio do not build their business on traveling gamblers. The business base of a regional casino is predominantly local trade. These are new gamblers, who do not have the income or time to travel to casinos venues outside the state. And they are mostly people who do not have lots of expendable income to lose.

Regional casinos do not bring in lots of new money to local economies. Instead they drain local dollars from the local economy creating a substitution effect. Much of the local money disappears from the local economy as state lawmakers take their share back to the Capitol and casino owners send their profits outside the local region.

Local gamblers who cannot afford to travel begin losing money they would have spent elsewhere in the economy resulting in a downward spiral. Businesses are forced to lay off employees and some are forced to close. New businesses do not find locating in casino environments a positive opportunity. Take a look at Newell, West Virginia, home of Mountaineer Racetrack Casino. Since the casino opened in the mid-90's no new business of any substance have moved into the area, other than a major strip club which recently burned down (arson investigation pending).

A recent Wayne State University Study revealed that Detroit's three casinos are populated mostly by "local" trade. Over 80% of the gamblers in Detroit's three casinos live in the three surrounding counties. After five years of operation the three Detroit casinos have failed to attract any significant businesses for the area surrounding the casinos.

The State Legislature of Illinois has discovered much the same. Casinos have been in operation in Illinois for over 15 years. From the start it was apparent that these facilities would be dominated by local trade. Today lawmakers in Illinois are attempting to repeal casino gambling provisions due to the negative impact on the state economy. (Marion Daily, March 8, 2005).



## CONCLUSIONS

The gambling industry is highly dispersed, highly diversified and definitely facing a “mature” market. The vast numbers of casinos, commercial, tribal and racetrack are now fighting over a market dominated by an aging population base with hundreds of casino options available. Mr. Keith Andrews, Vice President of corporate affairs for Casino Windsor recently stated:

*“The gaming market is dramatically different now from when the temporary casino opened 10 years ago (2004). Then there was an ‘incredible’ demand for gaming and growth was booming. Now the reality is that the regional gaming market is not growing... We’re in a market share fight. We have to do whatever we can to capture our fair share.”* (Crain’s Cleveland Business, Feb. 07, 2005).

All tax dollars paid by commercial casino operations in eleven states, including Las Vegas and Atlantic City total about \$4.3 billion dollars annually. No single state gains more than \$776 million annually (Nevada) with the average being much closer to Michigan’s \$250 million.

The claim that Ohio is losing “billions” to out of state gambling facilities is simply unsupported by the hard revenue data provided by the American Gaming Association.

The notion that Ohio could reclaim even the “millions” in tax dollars going to other states is questionable because no study exists to prove that local casinos will keep *all or any* Ohio gamblers within their home state boundaries. Promotions from other states facing shrinking markets and increased competition will most likely create even more “day-tripping” by Ohioans to out of state facilities.

If Ohio did open commercial casinos and racetrack casinos and every traveling Ohio gambler stayed home to gamble, the state might gain about \$300 million in taxes. The people who own the casinos would certainly make large profits much of which would be dispersed out of the state to executives, investors and shareholders of publicly traded casino corporations. Any profits to the state would be counter-balanced, however, by the shifting of dollars and jobs out of the non-casino economy into casino gambling. Poor cities facing serious decline would remain poor cities facing serious decline with a casino. The economic engine of a regional casino is not designed for urban redevelopment, nor has it ever accomplished such a mission.

Based upon mountains of evidence gathered by economic researchers for, against, and neutral on gambling the fact remains that Ohio casinos will not keep Ohio traveling gamblers at home. The vast majority of those who will gamble will be new gamblers. Their losses in local casinos will have a significant impact on the local economy.



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Tribal casinos provide a bit of an exception but not a positive one. If Ohio were to take the steps to become a Class III state and the Federal Government were to permit Tribal interests to reclaim land as sovereign nations in Ohio, then tribal casinos might open in the state. In Florida, tribal gambling venues pay almost no taxes to the state or local community. There is no guarantee as to what, if any, taxable income potential tribal casinos might bring to Ohio. Federal law governs tribal casinos and how much of their money can be spent. The notion that tribal casinos can create a significant tax revenue gain for Ohio or any local community is highly suspect based upon real data from across the nation.

According to the most recent report (2004) all Indian gaming contributed only \$1.8 billion in state and local taxes, defined as direct and indirect taxes. (Indian Gaming Association @ [Indiangaming.org](http://Indiangaming.org)) Therefore tribal casinos opening in Ohio would be the worst of all gambling vehicles for tax revenue creation for the state.



*The American Policy Roundtable is a non-profit public policy organization building independent state-based organizations in Ohio (The Ohio Roundtable) and Florida (The Florida Policy Roundtable). The Roundtable has a long history of opposition to legalized gambling based upon constitutional principles, economics and the negative social consequences attending the gambling industry.*



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