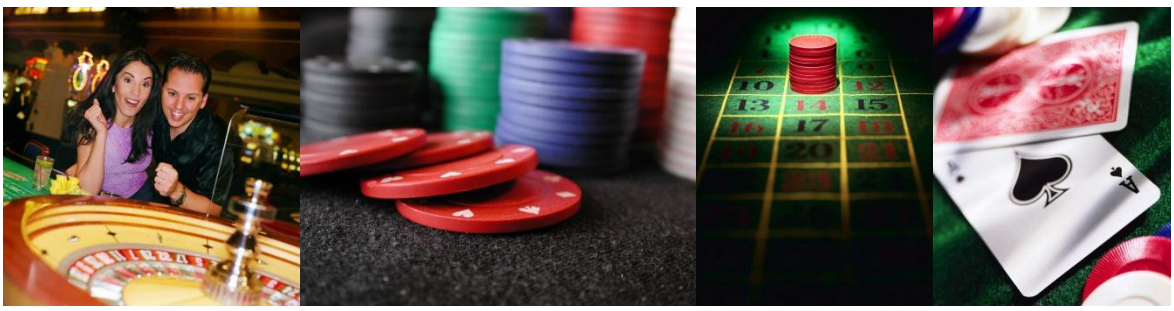
WEINSTEIN, CLOWER & ASSOCIATES
Economic and Policy Analysis

TEXAS ASSOCIATION OF BUSINESS

Economic Opportunities of Casino Gaming in Texas:

An Economic and Fiscal Impact Assessment

April 2013



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Executive Summary

A recent study estimated that Texans wager close to $3 billion annually on casino games. Unfortunately, all of that spending occurs outside the Lone Star State, depriving Texas of the associated jobs, income and tax revenues. If the state were to add casino gaming to the mix of recreational opportunities available to Texas residents and visitors, billions of dollars in new economic activity and thousands of new jobs would be generated.

The economic potential of casinos in Texas would be maximized by allowing gaming at thirteen existing race tracks, as well as six free-standing casinos and three casinos on Native American lands. Utilizing the IMPLAN input-output model for the State of Texas, we conservatively estimate that once fully operational, casinos would generate $11.8 billion in new economic activity across the state. This spending would increase salaries, wages and benefits by $3.4 billion and support more than 74,000 new jobs. Importantly, these will be new expenditures and not reallocations from other types of spending.

Further, we estimate total new annual tax revenues for the state, when all facilities are operational, at $1.2 billion while local taxing jurisdictions will reap about $416 million annually in new revenues.

Opponents of casinos claim their presence results in higher local crime rates, corruption of government officials, victimization of the poor and elderly, and serious gambling addiction. But a careful review of the academic literature finds this generally not to be the case. A small number of compulsive gamblers do impose some costs on society, but most gaming states have developed intervention programs targeted at gambling addicts, often financed by revenues generated through casino operations.

Texas prides itself on being one of the last bastions of free enterprise and entrepreneurship in the United States. We are also a state that believes strongly in self help and individual choice. No one is forced to patronize a casino or wager at race tracks, though the huge dollars Texans spend out-of-state on these pursuits indicates that many would be happy to spend that money at home. In the spirit of Texas values, voters should have the opportunity to indicate at the ballot box whether they're for, or against, casino gaming.

Introduction

The following reports the findings of our analysis of the economic and fiscal impacts of the introduction of casino gaming in Texas. Based on market analyses and industry experts, the Texas market could easily support having slot machines and casino games added to the entertainment offerings at existing racetracks across the state and allow Native American tribes to operate casinos on their sovereign land in Texas. In addition, conservative estimates indicate that two destination casinos could be located in the Dallas-Fort Worth region, one in San Antonio, and at least three venues along the Gulf Coast. We assess the substantial economic and fiscal impacts that would attend the development of casinos in Texas. Opponents of casino gaming often claim severe social impacts attend the introduction of casino gaming to communities. This report also reviews the academic and professional literature to address these concerns in an evidentiary fashion.

The first section of the report examines economic and fiscal impacts that will attend the introduction of casino gaming in Texas. Section 2 addresses social costs of gaming. The final section draws conclusions and offers a perspective on balancing the economic and fiscal gains against any potential social costs.

Section 1: Economic and Fiscal Impacts of Gaming in Texas

There is little doubt that adding casino gaming to the mix of recreational opportunities available to Texas residents and visitors would add billions of dollars in new economic activity to the state. This is widely recognized simply because of the success of gaming facilities located on our doorstep in Oklahoma and Louisiana. Despite this widespread understanding, few Texans realize the magnitude of the economic activity we are gifting to our neighboring states.

To estimate the economic and fiscal impacts that would attend the development of a casino gaming industry in Texas, we draw on information provided in a large study by the Innovation Group, Inc. and other industry sources on potential sites for casino operations. The revenues associated with these facilities are modeled based on existing facilities in other states scaled to account for a conservative estimate of market potential at each facility. The net gain in revenues from gaming operations, plus food and beverage, entertainment, retail trade, and lodging that would occur to a varying extent at these facilities, serves as input into a publicly-available economic input-output model to estimate total economic and fiscal impacts at the state level. Importantly, these will be new revenues and not a reallocation of existing spending.

Location of Gaming Facilities

In this analysis, we do not independently assess or project specific locations for new and expanded gaming facilities in Texas. Our analysis is based on a previous report prepared by the Innovation Group, Inc. in July 2010 plus information provided by industry participants who modeled potential revenue based on a set of existing facilities in similar markets in the US. As with proposals from recent years, it is assumed that casino gaming facilities would be added to existing licensed dog and horse racetracks across the state. There are 13 such facilities in Texas (see Table 1). In addition, allowing casino gaming would permit casinos to operate on Native American lands in three areas of the state. Finally, even conservative estimates of market potential suggest that the Texas market could support six additional gaming facilities. Of these, three would likely be located in or near established tourism areas on the Texas coast, two would be located in the Dallas-Fort Worth area, and one in San Antonio.

Table 1: Location of Potential Gaming Facilities

Name	Market
Existing Tracks	
Saddle Brook Park	Amarillo
Lone Star Park	Dallas-Fort Worth-Arlington
Gillespie Fair	Fredericksburg
Longhorn Downs	Austin-Round Rock-San Marcos
Manor Downs	Austin-Round Rock-San Marcos
Sam Houston	Houston-Sugarland-Baytown
Gulf Greyhound	Houston-Sugarland-Baytown
Retama Park	San Antonio-New Braunfels
Laredo Downs	Laredo
Laredo Race Park	Laredo
Gulf Coast Racing	Corpus Christi
Tesoros Race Park	McAllen-Edinburg-Mission
Valley Race Park	Brownsville-Harlingen
Native American	
Alabama Coushata	Livingston
Kickapoo	Eagle Pass
Tigua	El Paso
Additional Locations (projected)	
Coastal North	Houston-Sugarland-Baytown
Coastal Central	Corpus Christi
Coastal South	Brownsville-Harlingen
North Central Texas (2)	Dallas-Fort Worth-Arlington
Central Texas	San Antonio-New Braunfels

Sources: Innovation Group, Inc., industry sources.

Gaming and Related Revenues

Previous studies have reported estimates of gaming revenue from casino-style games added to existing race tracks. Other reports and studies have examined the potential revenue at Native American casinos, which are based in part on historical performance prior to the Texas state government's successful use of court rulings to prevent tribes from conducting this economic activity on their lands. Gaming industry based experts used the Innovation Group, study, past performance on Native American casinos in Texas, and market experience to estimate gaming revenue potential from casinos in Texas. These estimates include highly important adjustments and assumptions: 1) the addition of increased casinos would lower the market potential for some venues in the Innovation Group study, and 2) the gaming venues in adjacent states would still attract some Texas residents.

The largest controlling factor for revenue at any given facility is the size of its base market and ability to attract non-local visitors. Thus, gaming revenues among the proposed venues will likely vary widely. Total gaming revenues, after winnings paid to gamblers, are expected to be $4.6 billion per year once all proposed facilities are fully operational. Under current tax rate proposals, this gaming activity will generate $1.65 billion in new tax revenue to the state.

In addition to gaming revenues, casinos typically host dining and drinking activities. As the facilities become larger, entertainment venues are added, and hotel lodging becomes an important amenity and source of additional revenues. Larger casinos become comprehensive entertainment and hospitality venues that attract gamblers and non-gamblers to fine dining, superior accommodations, and performances by top entertainers. Revenue estimates for ancillary activities are scaled to the size of the potential gaming market and existing venue size. Smaller facilities are not assumed to have entertainment or lodging venues. This is not to say that a small market casino does not offer great

entertainment, the assumption for revenue estimates is that until gaming revenues reach a certain level, there will be no new entertainment offerings over current activities. Total revenue projections for non-gaming activities are estimated at about $78 million for lodging; food and beverage sales will be almost $142 million; and $23.6 million in entertainment event ticket sales, retail goods, and other hospitality services.

Modeling the Impacts of Gaming and Related Revenue

This analysis uses the IMPLAN economic input-output model development by the Minnesota Implan Group to estimate the total economic and fiscal impacts of having casino gaming in Texas. The IMPLAN model, originally developed for the US Forest Service, is widely used in academic and professional research. The model uses data on inter-industry transactions and household spending patterns from the US Census Bureau, Bureau of Labor Statistics, and other sources to estimate how spending in one industry generates economic activity in related industries. The impacts of any given industry are labeled direct, indirect, and induced effects. Direct effects are the spending by the industry being studied supported by operating revenues. Indirect effects capture business spending that spins off from the industry. For example, a casino retains an advertising agency to promote their venue. That advertising agency hires employees, purchases office supplies, rents office space, pays utilities, and hires a janitorial service to clean their office. The janitorial service, in turn, purchases supplies and hires employees. Induced effects capture the economic activity of the employees of all of these firms spending a portion of their earnings for goods and services in the study area. At each stage of spending, the model adjusts for spending that does not stay in the local area. If the casino gift shop sells t-shirts that are actually sewn in Southeast Asia, relatively little of the purchase price of that good is assumed to create economic activity in Texas. In performing this analysis, we had to make additional adjustments to the IMPLAN model.

As noted, the IMPLAN model adjusts for spending that does not occur in the study area, in this case Texas. Industries are aggregated in the model for ease of use and to make data collection and database management cost efficient so that these models are affordable. These aggregations are similar to industry categorizations used in federal government reporting. For example, furniture manufacturing is a highly aggregated description of a complex industry. More detailed assessments of this industry would consider differences among household furnishings and business furnishings. Business furnishings could be further separated by manufacturing materials (wood, metal, plastic), and so on. The IMPLAN model's relevant primary industry for this analysis includes amusement parks, arcades, and gambling industries. However, since the model is built on data about existing Texas industries, the spending patterns for gambling industries is not well represented. In particular, gambling industries have a different ratio of revenue to jobs and labor compensation than amusement parks and similar venues, though other expenditures for advertising, utilities and other business operating costs are similar. Therefore, based on data from relevant industry examples, we adjusted the IMPLAN model to account for gambling industry specific ratios of jobs and labor income to revenue. This adjustment greatly enhances model accuracy and, in this case, makes the projected impacts more conservative.

The final adjustment we made for assessing the economic and fiscal impacts of casino gaming in Texas is to account for the "comps" that casino's give to regular customers. Comps usually take the form of reduced cost or free meals, lodging, show tickets, and other visitor gifts. While receiving a comp may reduce or eliminate a visitor's food or lodging bill, and thus total revenues for those activities, the underlying business activity occurs at a level consistent with non-comp adjusted revenues. Therefore, we modeled comps as a reduction in gaming revenue to better capture the impacts of hotel, food and beverage, and other guest expenditures.

The IMPLAN model provides estimates of economic activity, value added, employment, labor income, property income, and indirect business taxes. Economic activity is essentially a measure of sales transactions. Value added indicates the additional economic value that business activities create in producing products or providing services. For this analysis, it is equivalent to contributions to gross state

product. Labor income includes salaries, wages, benefits, and proprietor's income associated with the estimated business transactions. Employment is the headcount number of jobs associated with direct, indirect, and induced economic activities. Property income captures the impacts of business activity on holders of property in the form of rents, royalties, dividends, and corporate profits. For example, the casino hires a worker, who then moves into a nice rent house. The owner of that rent house gains property income from the rental. Indirect business taxes are revenues to state and local taxing jurisdictions from indirect and induced activities from sales taxes, property taxes, permit and license fees, and other government revenue sources.

Economic and Fiscal Impacts of Proposed Casino Gaming in Texas

Total adjusted gaming revenue from the addition of casino gaming is expected to be $4.6 billion once all proposed facilities are fully operational, expressed in current year dollars. In addition, revenue from associated lodging, food and beverage, entertainment, and the sale of other goods and services will contribute about $243 million in revenue. As a result of this new business, total economic activity in Texas will increase by $11.8 billion annually (see Table 2). This level of economic activity will boost statewide employment by more than 74,000 jobs generating over $3.4 billion in new labor income. Property income in the form of rents, royalties, dividends, and corporate profits will increase by $1.9 billion. The boost to gross state product will be $5.9 billion per year.

Table 2: Economic Impacts of Casino Gaming in Texas

Description	Impact
Revenues (gaming, hotel, food & beverage, entertainment, other)	$ 4,750,872,000
Economic Activity	$ 11,844,670,000
Labor Income (salaries, wages, benefits)	$ 3,417,056,000
Employment (headcount)	74,146
Value Added (gross state product)	$ 5,905,096,000
Property Income*	$ 1,871,874,000

* Includes rents, royalties, dividends, and corporate profits.
Sources: Innovation Group, industry representatives, IMPLAN, Authors' estimates.

The activities quantified above represent a major opportunity to increase revenues for state and local government without the imposition of new taxes or higher tax rates. The largest source of new revenues would be gaming taxes. The proposed tax rate used in this analysis calls for a 20% state tax rate for gaming revenues, which is in-line with other gaming states. Direct state gaming taxes paid to the state will be about $945 million per year when all facilities are at full operation (see Table 3). However, this is only part of the fiscal impact picture. Other guest spending at casinos will also boost state and local tax revenues, as well as revenues associated with indirect and induced economic activities sparked by the casinos.

Direct revenues for state and local government from hotel occupancy taxes and sales and use taxes will total $15 million and $7.6 million each year, respectively. The new casinos will also pay taxes on real and business personal property. Estimates of total investment needs in facilities, equipment, fixtures, and furnishings exceed $6.7 billion. Some of this property will be exempted from taxation due to statutory exclusions and depreciation. If only about $5 billion of this property remains on local tax rolls, cities, school districts, counties, and other entities will share about $106 million using a conservative average property tax rate.

State and local government will also benefit greatly from indirect and induced spending activities in the form of sales and use taxes, property taxes, fees for licenses and permits, severance taxes, and non-tax sources of revenues such as speeding fines and hunting licenses. In addition, the state will enjoy gains in social insurance taxes from employers and employees based on the direct, indirect, and induced

effects of casino operations. Total indirect taxes paid to the state will be an estimated $260 million annually. Local jurisdictions will share about $302 million each year in new indirect tax revenues.

Summing direct and indirect sources of revenue for state and local taxing jurisdictions reveals a major contribution to government resources in Texas. Total new annual revenues for the State of Texas when all proposed casinos are operational will be $1.2 billion. New annual revenues for local taxing jurisdictions will total $416 million.

Table 3: Fiscal Impacts of Casino Gaming in Texas

Source	State	Local	Total
Direct			
Gaming	$ 944,728,000		$ 944,728,000
Hotel Occupancy*	$ 4,685,000	$ 4,685,000	$ 9,370,000
Sales and Use*	$ 10,333,000	$ 2,893,000	$ 13,226,000
Property**	0	$ 106,002,000	$ 106,002,000
Indirect***	$ 259,958,000	$ 302,523,000	$ 562,481,000
Totals	$ 1,219,704,000	$ 416,103,000	$ 1,635,807,000

* Local tax rate assumed at 6% for HOT and 0.0175 for sales and use tax. ** Based on assumed taxable value of $5 billion and a $2.10/$100 rate for combined property taxes. ***Indirect taxes include sales and use taxes, property taxes, contributions to social insurance, fees for permits and licenses, severance taxes, other non-tax revenues. Sources: Innovation Group, industry data, IMPLAN, author's estimates.

Focusing on just the direct taxes that will be paid by the proposed casinos to the state allows us to consider what this revenue could support. $1.22 billion in new state revenues would fully fund each year:

- The hiring of almost 20,000 teachers
- Elimination of Chapter 41 (Robin Hood) Recapture from "wealthy" school districts.
- Resurfacing almost 1,500 miles of 4-lane urban roads
- Provision of health insurance (state pool rate, lowest deductible) for almost 20% of all uninsured children in Texas
- Assist with funding of much needed water projects in the state

Section 2: Social Costs of Gaming

Some opponents of casino gaming in Texas claim that its introduction will result in huge social costs for the host communities. Crime, victimization of the poor and elderly, and gambling addiction are all purported to rise dramatically with the introduction of casino gaming. For the most part, however, these assertions are based on broad assumptions ill-supported by rigorous analysis; others are based solely on anecdotes. In this section of the report we will separate those claims based on poor analytical technique from those based on careful research.

Does crime increase when casinos and racetrack gaming come to own?

No single argument against gaming has exhibited more disregard for scientific rigor than the claim of increased crime rates in communities with legitimate gaming operations. Opponents of gaming often cite the example of Atlantic City, whose crime rate tripled between 1978, the year gambling was legalized, and 1981. Similar claims have been made for Deadwood, South Dakota, Gulfport, Mississippi and other communities that have adopted casino gaming (Kindt 1995). However, examples also abound of communities with casinos actually recording a decrease in crime. For example, the number of thefts

and burglaries in the gaming cities of Lakewood, Colorado and Elgin, Joliet and Aurora, Illinois decreased between 1990 and 1994, even though each city registered an increase in population.

More recent research by academic scholars has found mixed results concerning the relationship between gambling and crime, with some crimes increasing and some decreasing in very inconsistent ways across different communities (Stitt et al 2003). Indeed Stitt and his colleagues conclude there can be "No definitive conclusion regarding the effect of casinos on crime." Other studies minimize the role of casinos as crime generators suggesting, instead, that while gaming locales may experience an increase in crime, these are not necessarily attributable to casinos themselves (Curran and Scarpitte 1991; Chang 1996). Another study finds that from a potential victim's perspective, the casino area of a city may be safer than the surrounding casino-free areas of the city simply because more people are present (Barthe and Stitt 2005).

Probably the most comprehensive analysis of the casino-crime link is Grinols *et al* (1999), a study that evaluated county-level data for seven offenses over 20 years and controlled for about 50 variables. The authors concluded that on average only 8 to 10 percent of crime in casino counties could be attributed to gambling.

Unfortunately, data on crime are often misrepresented. For example, in a report prepared for a 1995 meeting of the National Coalition Against Legalized Gambling (now known as the Stop Predatory Gambling Foundation), Kindt (1995) reported that between 1993 and 1994 robberies and burglaries in Gulfport, Mississippi doubled while rapes tripled; he linked the increase to the presence of casino gaming. Yet, the US Department of Justice's annual statistical compendium for that year, *Crime in the United States,* contained a footnote attached to the statistics reported for Gulfport warning that 1994 data were not comparable to 1993 data because of a municipal annexation that significantly expanded the city's boundaries.

Claims that casinos attract criminal activity ignore the well established relationship between tourism and crime rates. Of course, the number of out-of-town visitors to a community typically is not factored into the calculation of crime rate statistics. But ignoring the fact that tourist traffic fundamentally alters the social dynamic of a community raises doubts about the veracity of assertions about causal links between casinos and crime. It would be hard to identify a more wholesome enterprise than Disney World; but since the theme park opened in Orlando, Florida that metropolitan area has recorded a significant increase in crime rates. Among smaller communities, Vail, Colorado boasts very high crime rates. But no one would suggest that skiing encourages criminal activity (Lesieur 1995).

The bottom line is that tourism and crime more or less track in tandem. One explanation is that tourists are comparatively easy targets for criminals. In addition, some "tourists" may be criminals themselves (Lesieur 1995). Finally, there are probably other factors involved which are as yet poorly understood. As Grinols (1995) cautioned in a presentation to the National Coalition Against Legalized

Gambling:

Orlando does have a very high crime rate, but as I've said, there are a lot of explanations. You're not going to find a single one [explanation for crime increases] in just the number of tourists or in the fact that they're gambling tourists. There are other things that play a role.

Even in communities with casinos where crime rates have increased, establishing a causal link between gaming and criminal behavior is problematic. A New Jersey State Police study of crime in Atlantic City, for example, attributed that city's rising crime rate mostly to crimes reported by casino security personnel that were committed against casino patrons (Lesieur 1995). The study noted as well that street crime in Atlantic City showed no increase.

More broadly, any conclusion based on crime statistics is open to debate. With the exception of murder, reported crime statistics usually do not reflect the incidence of actual criminal activity. Indeed, it's

common to find examples of communities where reported year-to-year increases or decreases in crime are almost purely artifacts of the way in which crime data are collected and displayed.

Does casino gaming victimize the poor?

Opponents of casino gaming often claim that casinos victimize the poor, especially inner-city residents. For example, Michael McCarron, executive director of the Florida Catholic Conference, recently stated:

> There is historical and anecdotal evidence that casino gambling is accompanied by vice and social evils. Our opposition today is especially based on our belief that expansion of casino gambling will victimize the poor and encourage addictive gambling. We are concerned that as gambling revenue increases, reliance upon an unstable form of revenue would depend upon those who are addicted to gambling, many of whom are already among the ranks of the poorest in the community. Needy individuals are particularly vulnerable to the lure of the casino and the promise of great fortune. For those who are struggling to make ends meet, casino gambling can provide an attractive means to relieve financial burdens, which ultimately only leads to crushing debt and personal crisis. We oppose the current proposals in view of the potential harm to the common good of the residents of our state.[1]

However, there is little beyond limited anecdotal evidence to support these claims. Repeated surveys of casino patrons reveal that "poor people" do not frequent casinos to any large extent. In fact, the 1992 Texas Survey of Adult Gambling Behavior, conducted by the Texas Commission on Alcohol and Drug Abuse (TCADA), examined demographic and social trends among Texas citizens who gamble and concluded, among other things, that there is no discernible relationship between gaming frequency and income level.[2] This survey also determined that lower income cohorts prefer lottery games, bingo and betting with friends and co-workers on sporting events or cards to casino gaming. Indeed, those at the very lowest income levels -- that is, those earning less than $10,000 per year in 1992 -- were found most likely to gamble for social reasons (i.e. betting pools at work, etc.). Furthermore, there is no evidence to support the contention that low income individuals are more likely to develop serious gambling problems than others.

In short, there is scant evidence to support the contention that casinos create social problems unique to the poor. However, anecdotal data from Louisiana suggest that among those gaming activities available, video poker located in convenience stores and restaurants presents the greatest opportunity for irresponsible gambling by those least able to afford it. Limiting Texas' gaming activities to a few, well-financed casino operations should minimize the risk of "convenience gambling" becoming a problem. And we should remember that Texans already wager over $4 billion per year on aggressively advertised Texas lottery games and scratch-off tickets, most of which are sold through gas stations and convenience stores.

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[1] http://www.miamiarch.org/ip.asp?op=Article_11111145043338

[2] Frequent gamblers are those who report having gambled once or more per week. The gambling activities reported included lottery games, cards or dice at a casino, slot or video poker machines at a casino, bingo, sports events booked in Mexico or Las Vegas, sports events betting with friends, sports events with a bookie, games of skill (pool, darts, bowling), horse or dog racing, dog or cock fights, dice or cards not in a casino and not with friends, and speculative real estate or high risk stocks.

Does the presence of casinos and slots lead to compulsive gambling?

Compulsive gambling, or "problem gaming," is defined by the National Council on Problem Gaming as "an individual's inability to control the gambling. This may be due in part to a person's genetic tendency to develop addiction, their ability to cope with normal life stress and even their social upbringing and moral attitudes about gambling."[3]

Problem gambling includes all gambling behavior patterns that compromise, disrupt or damage personal, family or vocational pursuits. The essential features are increasing preoccupation with gambling, a need to bet more money more frequently, restlessness or irritability when attempting to stop, "chasing" losses, and loss of control manifested by continuation of the gambling behavior in spite of mounting, serious, negative consequences. In extreme cases, problem gambling can result in financial ruin, legal problems, loss of career and family, or even suicide.

True, the presence of casinos provides the opportunity for a person to gamble. But they do not, in and of themselves, lead to gambling addiction any more than the presence of liquor stores leads to alcoholism. What's more, because some form of legalized gambling is available in 48 states plus the District of Columbia, 85 percent of U.S. adults have gambled at least once in their lives.

Still, it's true that a very small percentage of adults are pathologically addicted to gambling. However, claims that the introduction of casinos will greatly expand their numbers, and impose huge social costs that outweigh any economic and fiscal benefits, are not borne out by the experience of the 40 states that currently allow casino operations.

A 1992 survey by the Texas Commission on Alcohol and Drug Abuse (TCADA), now part of the Texas Department of State Health Services, estimated between 270,000 and 360,000 potential "problem" gamblers in the state of Texas. But it's important to draw a distinction between "problem" and "compulsive" gamblers.[4] In a report widely touted by opponents of legalized gambling, Goodman (1994) estimates that each problem gambler costs society $13,200 per year.[5]

Other researchers have criticized Goodman's estimates. For example, Reno (1996) observes that many studies lump together problem and compulsive gamblers and, consequently, likely overstate the true social cost of gaming. Other studies that have focused only on pathological gamblers have drawn their samples from such a narrow strata of society that inferences to the general population are not statistically justified. Another problem involves confounding factors. The TCADA survey, for example, determined that nearly one-third of compulsive gamblers were also substance abusers, yet none of the widely reported estimates of the social costs of gaming control for such factors.

Questions as to the validity of estimates of gaming's social cost aside, another important issue to consider is whether the absence of casino gaming in Texas helps to prevent compulsive gambling. The 1992 TCADA survey found that a lack of gambling opportunities was not a deterrent for problem or compulsive gamblers. Moreover, Lesieur (1995) has noted that crimes committed by compulsive gamblers usually occur in their home cities and not in the communities where they go to gamble. Thus, to the extent individuals unable to control their gambling behavior are imposing the social costs identified by Goodman, these costs are already being borne by Texas' governmental agencies and citizens. Since it is unlikely Texas policymakers can convince their colleagues in Louisiana, Oklahoma, Nevada and other gaming states to forego their economic gains from casinos, why not capture tax revenues from in-state gaming to support social programs aimed at the existing population of compulsive and problem gamblers? As Brown (1995) has observed:

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[3] http://www.ncpgambling.org/i4a/pages/index.cfm?pageid=3390#temptationcause

[4] The Texas survey used the South Oaks Gambling Screen to identify problem and pathological gamblers.

[5] Costs attributed to problem gamblers include private money borrowed and not paid back, work time lost, salaries lost by those fired for their gambling activities, private insurance losses from fraud, embezzlement, check fraud, and criminal justice costs.

> As legalized gaming expands in this country, the population of compulsive gamblers will increase. The solution is not to restrict or eliminate a form of adult entertainment because a small percentage of the population is incapable of controlling or enjoying that form of entertainment. The solution is to acknowledge the problem and take appropriate steps to assist those who are affected by compulsive gambling and minimize the availability of gaming to them.

The upshot is that pathological gamblers will find a venue for their vice, whether that vice is served with legal or illegal gambling activities. Certainly compulsive gambling is a legitimate concern that should be addressed by any legislation that introduces casino gaming into Texas. For example, tax revenues earned from casino operations could be partially earmarked to fund treatment and intervention programs targeted at gambling addicts.

Summary

Concern about possible social costs from gaming is one of the major rallying cries of its opponents, and a number of widely-cited studies have argued that little good comes with casinos (Goodman 1994, Kindt 1994, Grinols 1994). Coming mainly from academics and research professionals, it seems reasonable to expect these studies to be dispassionate, analytical and cautious in their claims. They are instead characterized by a lack of objectivity and scientific rigor, and too often seem to reflect the predisposition of the authors toward the propriety of gambling.

A more balanced assessment of the social costs associated with casino gaming finds that:

- Assertions that introducing casinos increases criminal activity do not take account of the fact that any activity drawing out-of-town visitors is likely to increase the incidence of crime in a community,
- There is no reliable statistical evidence to suggest that casino gaming victimizes the poor,
- Compulsive gamblers do impose costs on society, though (1) estimates by opponents of gaming are exaggerated, and (2) Texas already is absorbing the social costs of compulsive gamblers without the additional tax revenues casino gaming would generate.

Section 3: Conclusions

Our analysis concludes that adding casino gaming to the mix of recreational opportunities available to Texas residents and visitors would add billions of dollars in new economic activity in the state as well as thousands of additional jobs. This is widely recognized simply because of the success of gaming facilities located on our doorstep in Oklahoma and Louisiana.

Specifically, we estimate that the total adjusted gaming revenue from six free standing casinos, three Native American casinos, and casinos at the state's 13 horse and dog tracks will reach $4.6 billion, in current year dollars, once all facilities are in operation. In addition, revenue from associated lodging, entertainment and related sales will add another $243 million in annual revenue. The total statewide economic impact from the 22 gaming venues will be $11.8 billion annually. This new business activity will support 74,000 new jobs and produce more than $3.4 billion in new labor income.

Importantly, the presence of legal gaming activities in Texas will generate much-needed revenues for the state and its local governments. Direct state gaming taxes paid to the state will be about $945 million per year when all facilities are in full operation. Direct revenues for state and local governments from hotel occupancy taxes and sales and use taxes will total $15 million and $7.6 million each year, respectively. The new gaming venues will also pay taxes on real and business personal property. Using a conservative average property tax rate, we estimate these facilities will contribute about $106 million annually in ad valorem taxes to cities, counties and school districts.

Though opponents of gaming claim that introducing casinos will increase criminal activity, victimize the poor, and create a cadre of compulsive gamblers, the evidence from the 48 states that now permit some form of legal gambling suggests otherwise. What's more, in almost every state programs exist to help the relatively few individuals with gambling addictions, and these programs are usually underwritten with taxes generated by the casinos themselves.

Texas prides itself on being one of the last bastions of free enterprise and entrepreneurship in the United States. We are also a state that believes strongly in self help and individual choice. No one is forced to patronize a casino or wager at racetracks, though the huge dollars Texans spend out-of-state on these pursuits indicates that many would be happy to spend that money at home. In the spirit of Texas values, voters should have the opportunity to indicate at the ballot box whether they're for, or against, casino gaming.

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He has taught at Rensselaer Polytechnic Institute, the State University of New York, the University of Texas at Dallas, and the University of North Texas. He has been a research associate with the Tax Foundation in Washington, D.C. and the Gray Institute in Beaumont, Texas. He has worked for several U.S. government agencies including the President's Commission on School Finance, the Internal Revenue Service and the Federal Trade Commission.

Dr. Weinstein has authored or co-authored numerous books, monographs and articles on the subjects of economic development, energy security, public policy and taxation, and his work has appeared in professional journals such as Land Economics, Challenge, Society, Policy Review, Economic Development Quarterly, Policy Studies Journal, and Annals of Regional Science. His op-eds have been published in The New York Times, The Wall Street Journal, The Washington Times, Investor's Business Daily, The Financial Times, The Los Angeles Times and a number of regional newspapers and magazines. He is also a regular contributor to the National Journal's Energy and Environment blog and The Hill.

Dr. Weinstein has been a consultant to many companies, non-profit organizations and government agencies, and he testifies frequently before legislative, regulatory and judicial bodies. His clients have included AT&T, Texas Instruments, Reliant, Entergy, Devon Energy, Energy Futures Holdings, the Nuclear Energy Institute, the American Petroleum Institute, the U.S. Conference of Mayors, the Western and Southern Governors Associations, the Cities of Dallas and San Antonio, and the Joint Economic Committee of the U.S. Congress.

Dr. Weinstein was director of federal affairs for the Southern Growth Policies Board from 1978 to 1980 and served as director of the Task Force on the Southern Economy of the 1980 Commission on the Future of the South. From 1984 to 1987 he was chairman of the Texas Economic Policy Advisory Council and from 1987 to 1988 served as visiting scholar with the Sunbelt Institute in Washington, D.C. He is currently a panelist with the Western Blue Chip Economic Forecast. Dr. Weinstein is a member of the Dallas-Fort Worth Association for Business Economics and serves on the boards of directors of Beal Bank Texas and Beal Bank USA. Since 2012 he has been an Associate of the John Goodwin Tower Center for Political Studies at SMU and a Fellow with the George W. Bush Institute.

Dr. Terry L. Clower, Director

Terry L. Clower is Director of the Center for Economic Development and Research at the University of North Texas. The Center provides economic and public policy consulting services to clients in the private, non-profit, and public sectors. Prior to joining UNT in January 1992, Dr. Clower was employed in private industry in logistics and site location management positions.

Dr. Clower has served as associate director, project manager, staff researcher, and statistical analyst on numerous projects reflecting experience in labor relations, economic and community development, public utility issues, transportation, and economic impact analyses. He serves as the Center's resident expert on telecommunications focusing on policy issues regarding infrastructure development. Drawing upon nearly a decade of experience in logistics management, Dr. Clower leads the Center's transportation research efforts.

In addition to his work with the Center for Economic Development and Research, Dr. Clower has performed consulting services to municipalities and companies in the electronics, telecommunications, and publishing industries. The focus of these activities has included rural development, labor relations, tax policies, and market performance issues.

Dr. Clower is an associate professor with the Institute of Applied Economics at the University of North Texas. He has taught formal courses in economic and community development, research methods, and the political economy of Texas. In addition, Dr. Clower works with several students each semester in one-on-one explorations of a variety of topics.

Dr. Clower received a BS in Marine Transportation from Texas A&M University in 1982, an MS in Applied Economics from the University of North Texas in 1992, and a PhD in Information Sciences from the University of North Texas in 1997 specializing in information policy issues and the use of information resources.

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