

## Casino Jobs

The Governor's job projections in his casino gambling bill are exaggerated. While some jobs may be created with the advent of casinos, a great number of them will not be *new*, but simply transferred from local businesses.

- A large shift in spending from local businesses to the new casinos will mean layoffs in the businesses that suffer from this diversion.
- The established cannibalization of local businesses by casinos is why the Massachusetts Restaurant Association, the Convenience Store Association, and the Lottery Agents association are all opposed to the Governor's gambling proposal.
- The job growth predicted in the Governor's proposal is untenable due to market saturation.
- The full-time employment numbers are suspect.
- Many of the jobs that casinos have to offer are not given to local residents.
- The median wage of the vast majority of gaming service occupations is very low, comparatively speaking.

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We all know that newspapers throughout the state, experts in the field, and others have rebutted the number of construction jobs in the Governor's casino gambling proposal. There will not be a further analysis of this topic in this report, except to point out that the Administration was very clear on the filing of this bill that these were conservative estimates and that the numbers were balanced, to a great degree, on its projected job outcomes. The Governor said that we needed three, not two or four casinos, spread around the state to achieve his revenue and job projections. He stated that racinos were unacceptable and would upset the finances of his casino proposal, given the very real possibility that, with slot machines, they would lower revenue projections for potential casinos. Since that time, he has said that, "30,000, 20,000 or 5,000 jobs" are all better than zero. Hearing this raises two questions:

- What happened to the precarious balance that made this proposal economically feasible?
- If these numbers are this far off, how can we trust his other job numbers?

That said, if the Governor insists on using revenue figures that The Boston Globe, the Massachusetts Taxpayers Foundation, and our committee analysis regard as inflated, he is certainly within his rights to do so. However, it is the responsibility of elected officials to assure that numbers we use are accurate and represent a true benefit to the citizens of the Commonwealth. We need to look at several other factors if we are to consider job creation as a positive in his proposal.

1. The Administration has disputed the revenue conclusions that the committee sent to members earlier this week, including the argument that much of his revenue is not new, as he has stated, but is revenue already spent elsewhere in the economy that will be diverted to casinos. He insists it is all new revenue. Of course, this means that not one person who plays the lottery in Massachusetts would walk into a casino to gamble rather than continue to play the lottery. This is an astonishing claim that, intuitively, we should reject. The same is true with jobs created. Just as there is a substitution effect with gambling revenues, the same must be true in jobs created by casinos. For purposes of illustrating this point, let us assume that the Governor's full time equivalent job numbers are possible. If there is a large shift in spending from local businesses to the new casinos, then it stands to reason that this will mean layoffs in the businesses that suffer from this diversion.

The Governor disputes the contention that casinos have devastated local businesses. In fact there is ample evidence that this occurs. For example, a study of Missouri casinos (Leven and Phares, 1998) found that over a two year period, ten casinos in Missouri generated \$589 million in gross tax receipts from the casinos. The study also found that \$265 million of that total came from reduced spending on other goods and services in Missouri. They concluded that 45% of the "new revenue" was substituted from old revenues. It should also be noted that

the study found that \$49 million came from reduced personal savings. Therefore, 53% of the casinos revenue came from substitution or reduced savings. Since \$90 million of the gross tax receipts were spent out of Missouri in various forms including out of state federal taxes and profits paid to non-Missouri residents, the study found that almost two-thirds of all casino revenues in Missouri came from either substitution or depleted personal savings. This is not new revenue. Additionally, there is testimony and statistics from Connecticut, New Jersey, and other host communities that indicate that substitution leads to local business closings. It is fair to conclude that a significant number of jobs are lost in businesses in communities with new casinos.

2. The Governor's rebuttal to this is that businesses have grown in casino areas. One of the differences between his and the gambling opponents figures is that the administration counts businesses located in the casinos as new, rather than as replacements, for locally run, family businesses. The committee's analysis does not dispute that new businesses open in the resorts or casinos. The important point is simply this: if a new business, such as a restaurant, opens in a casino, but a restaurant in the local community closes, that is substitution and cannot be counted as business growth. If a restaurant closes, but a new one opens up, workers apply at the new business, but these are not new jobs created, as the Governor suggests. Again, as with revenues, it is important to back out the substitution effect from the Governor's numbers. This cannibalization of local businesses is why the Massachusetts Restaurant Association, the Convenience Store Association, and the Lottery Agents association are all opposed to the Governor's gambling proposal.
3. As the committee's revenue analysis pointed out, we may be experiencing a saturation point concerning casinos. It is not clear whether any lucrative economic development or job growth market exists if we place three additional casinos in a region that has two already. The Governor disputes this with figures concerning Connecticut's apparent job growth; however, he ignores figures concerning job numbers declining in both New York and New Jersey. The state will not experience the job growth predicted in the Governor's proposal if indeed we have reached the point of market saturation.
4. The administration's numbers concerning jobs and revenues are predicated on equaling the success of both Connecticut casinos. It is important to again note that these two casinos are the most successful in the United States. Yet the Governor's figures would have us believe that three Massachusetts casinos would be as successful upon their opening as the two Connecticut casinos have grown to be over the past two decades. He also states that all jobs at the Connecticut casinos are full time employment. Mohegan Sun has indicated that 18% of their workforce is part time. A study done by the Gambling Impact and Behavior Study Group (GIBSG) in 1999 found that 60% of local residents in casino host communities said that casinos provide low-paying and/or part-time positions with no benefits. Clyde Barrows, upon whose studies the Governor has significantly

relied on, has written that full time employment may be as little as 70%. This calls in to question the numbers of full time equivalents that the Governor refers to in his proposal.

5. Several past studies as well as testimony before this committee from host communities in Connecticut lead to a conclusion that many of the jobs that casinos have to offer are not given to local residents. The Rappaport Institute Study conducted in 2005 found that even though there was a slight increase in employment in counties that housed casinos, unemployment rates were the same as in non-casino counties. This is supported by the GIBSG study that found 40% of local residents in host casino communities indicating that unemployment remained a problem, despite the addition of a casino. This supports testimony that we have received from the towns surrounding casinos in Connecticut. Individuals have testified that there was an increase in people coming to their communities from all over the world. These were people who had worked at other casinos. The influx of workers precluded local workers from some jobs and it lead to increased costs in the communities.

In Ledyard, for example, the town has experienced an overwhelming demand for rental property. According to testimony a few years ago from local officials, “hot bunking,” wherein casino workers double and triple up in apartments and rental units, is common practice. They also testified that they had to hire additional language staff for their public schools to meet the demand of having children speaking upwards of 21 different languages. This would indicate that casinos do not create jobs for local residents, as is being promised by the Governor in Massachusetts. While the Governor claims to emphasize local preference in qualifying casino license bids, this type of protectionism has not been successful in most casino communities throughout the United States. Since most casino employees have to undergo extensive background checks in order to be hired, casinos prefer to hire people with experience in the industry.

6. Finally, the committee has been receiving letters and emails from a wide variety of labor groups that want the new jobs that they were told would be created. The document that the Governor has circulated to members states that the casino proposal will create jobs with “good wages and benefits.” The handout is misleading in its wage figures. The document states that potential employees could “earn up to” the average industry wage. Given the broad spectrum of wages in the casino industry, it is disingenuous to use the average wage of casino employees as an indicator of what most employees actually make. The median wage in the industry paints a much better picture of reality. Average wages can be skewed by a few high end employees, while median wages show the midway point for all wages in that category. In other words, half of all wages are higher than the median and half are lower. According to the American Gaming Association and the Bureau of Labor Statistics, a look at the median wages of five of the most prevalent casino jobs shows this type of wage disparity:

Gaming Managers.....	\$62,820
Gaming Supervisors.....	\$41,160
Slot key persons.....	\$22,720
Gaming and sports book writers and runners.....	\$18,800
Gaming dealers.....	\$14,730

In addition, it's important to consider the percentage of casino employment that these categories represent out of total gaming services occupations:

Gaming Managers.....	2.3%
Gaming Supervisors.....	19.5%
Slot key persons.....	11.5%
Gaming and sports book writers and runners.....	10.3%
Gaming dealers.....	48.3%

While gaming dealers receive some level of gratuity, the median wage of the vast majority of gaming service occupations is very low.

Casino developments have a history of negatively impacting host community businesses and workers. The likelihood of this negative trend continuing in Massachusetts, were we to welcome casinos, is high. We agree with Secretary O'Connell's assertion that it is important for the Legislature to support initiatives that create new jobs.

As the Speaker stated in his letter yesterday, the Legislature has a long history of job creation initiatives, both past and present, that are paying significant dividends throughout the Commonwealth. It is equally important that we make sure that those jobs are really new and providing upward mobility with solid annual wages for workers of all educational attainment.