



# The Research Bureau

## A Bad Bet?

### A Casino for Worcester: Gambling with the City's Future?

Worcester voters are being asked on November's ballot whether they favor the siting of gambling casino within the City. Additional revenue to finance such needs as repaving streets and sidewalks, along with property tax relief, would be more than welcome. But at what cost?

After an extensive survey of the literature on the impact of casinos on the communities and regions in which they are located, as well as discussions with public officials experienced with the issue, The Research Bureau concludes that siting a casino in Worcester or its environs would generate social and economic costs that far outweigh the promised benefits. Those costs have been shown to adversely affect not only the city in which a casino is located but other communities within a 50-mile radius.

To begin with, it is important not to exaggerate the tax revenues that a casino can be expected to generate. Given the existence of two major casinos in Connecticut and the possible establishment of new ones in Middleboro and other Massachusetts communities, the "market" is likely to approach saturation. (Even in Tunica, Mississippi, originally one of the most successful of the wave of casinos established outside Las Vegas, revenues have been stagnant for the past six years. And a recent *New York Times* survey of the 42 states that have lotteries found that as interest has flagged, states have introduced lottery games with higher payouts that are also more addictive. Nor should we expect most of whatever increase in tax revenue occurs to be used towards property tax relief: one recent study found nationwide, "77 percent of lottery net proceeds are used for above-normal spending increases," not for tax relief. Should we expect casino gambling receipts to be spent any differently?

More important than these reasons for questioning the extent of tax-revenue gains and the likelihood of resultant tax relief, however, are the negative social and economic effects that a casino will be likely to generate:

- ❖ Casinos divert consumer spending from other, more productive enterprises. In Natchez, Mississippi, for instance, over 70 percent of local businesses reported at least a 10 percent decline in sales one year after the city opened its first riverboat casino. In Illinois, over a five-year period beginning in 1989, each additional \$1,000 in casino revenue led to a combined revenue loss of \$367 in local merchandise sales by establishments within ten miles of the casino.
- ❖ Much of the money generated by casino revenues, unlike that generated by more conventional business activity, goes to regions outside the local community, rather than being recycled within it. One study found that 65 percent of vendor

- contracts for the state's casinos were placed out-of-state. Many of the jobs in Atlantic City casinos have been filled by persons coming from outside that community. And the proceeds reaped by casino investors are not likely to be used to finance new productive enterprises in the area.
- ❖ Casinos, like other forms of gambling, disproportionately attract lower-income individuals, thus depriving the neediest families of assets that would enable them to maintain their financial independence and advance their life prospects. A 1990 study by the Massachusetts Lottery found that per capita spending on gambling in well-to-do Weston was \$365 a year, while residents of lower-income Chelsea spent \$455 per capita. Another study found that lower-income people spent 2.5 times more on gambling as a percentage of their income than people with higher incomes. It is doubtful that any supposed gains to the poor from increased spending on education and social services derived from casino tax revenues will outweigh these costs to them.
  - ❖ Casinos lead to an increase in the number of pathological gamblers. The National Impact Gambling Study Commission (1999) found that the rates of pathological gambling addictions doubled among populations that live within 50 miles of a casino. Compulsive gamblers cost the state of Wisconsin between \$318 and \$493 million per year due to increased welfare payments, lost worker productivity, and embezzlement and other criminal offenses.
  - ❖ The proximity of casinos is also correlated with an increase in personal bankruptcies. One study found that counties with gambling sites had 18 percent more bankruptcies than those that did not. Another found that Iowa counties with legalized gambling had 21 percent more bankruptcies than counties without it.
  - ❖ Both crime and suicide rates increase with the introduction of casinos. In Gulfport, Mississippi, suicides increased by 213 percent (from 24 to 75) in the first two years after casinos arrived. After their introduction in Atlantic City, the crime rate increased by 300 percent and much of that town remains depressed and crime-ridden. One study found that people who engage in crime to support compulsive gambling behavior generally have no prior record of criminal behavior, thus suggesting that encouraging gambling has a particularly corruptive effect.

A casino situated in a densely populated area like Worcester is likely to have much more severe social and economic effects than those located in rural Connecticut or desert-bound Las Vegas (which had no commercial or industrial activity to speak of before casinos were introduced there). Both the increase in compulsive gambling among the local population that will result from making casinos far more accessible than Foxwoods, and the likely increase in crime and other attendant social harms, suggest that casino gambling is a bad bet for Worcester and the region.

To read more about The Research Bureau's report on Casino Gambling, go to [www.wrrb.org](http://www.wrrb.org)

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