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# Gaming Commission Update Gambling and Economic Development 1-19-10

*"...to raise new ideas and improve policy debates through quality information and analysis on issues shaping New Hampshire's future."*



## Prudent Calculations: Cost-Benefit

- Positive →
  - + Revenue to State: License Fees
  - + Revenue to State: Tax on Gambling
  - + Revenue to State: BPT and BET
  - + Revenue to State: Increase in Meals and Rooms
  - + Revenue to Local: Property Tax
  - + Economic Development Local: Construction Jobs
  - + Economic Development: New Jobs/ Wealth
- Negatives →
  - Revenue to State: Decrease in Meals and Rooms (cannibalization)
  - Revenue to State: Gambling/ Lottery Substitution
  - State Expenditures: New Regulatory structures
  - State Expenditures: Competition for funds
  - Economic Development: Branding
  - Economic Development: Displacement
  - Gov Expenditures: Policing
  - Social Costs: New Crime
  - Social Costs: Pathological/ Problem Gaming
  - Political Concerns



# The Economic Development Issues Around Gaming



## Economic Development: What Other Analysis Suggests About Job Creation

- A casino benefit or harm to a local economy hinges on whether the casino is likely to attract tourists to the region. (NEPPC, 2006)
- Economic development from a new casino is weak, but does increase as population density decreases. (Wenz, 2007)
- Casino gambling adopted by economically struggling counties can be a successful development strategy. (Rephann, 1999).
- No causal relationship between real casino revenues and real per capita income at the state level (Walker, 2007)

# Net Impacts Research

## Summary Findings: County-Level Effects of Introducing Casinos

Statistically significant results are in bold (95% confidence interval).  
 Asterisk denotes higher levels of statistical significance (99% confidence).

	All casino-counties	Large -capacity casino counties	Populous casino counties	Average effect
Population growth (%)	<b>+5*</b>	<b>+8.6</b>	<b>8.1*</b>	<b>+7.2</b>
Total employment (%)	<b>+6.7*</b>	<b>+14.9*</b>	<b>5.7</b>	<b>+9.1</b>
Unemployment (%)	-0.3	<b>-1.2*</b>	<b>+0.5</b>	-0.3
House prices	<b>+\$5,869</b>	<b>+\$8,924</b>	+\$7,083	+\$7,292
Bankruptcy (rate per 10,000 people)	<b>+3*</b>	0	<b>+5*</b>	3
Crime (per 1,000 people)	<b>-3</b>	<b>-6</b>	-1	-3
Change in annual local government revenue (%)	-2.9	+1.4	+3.2	+0.6
Per-capital change in local government revenue (%)	<b>-7.7*</b>	<b>-6.6</b>	<b>-4.8</b>	<b>-6.4</b>



## Economic Development Modeling Impacts:

- Direct, Indirect and Induced Effects
- Short term (construction) and Long term (operating)
- Displacement (also called cannibalization)



# Economic Development Total Impacts:

- **Direct Employment / Impact:** Employment that can be directly attributed to a particular business, activity or industry.
- **Indirect Employment / Impact:** Employment in downstream industries that result from the presence of a particular business, activity or industry. Indirect impact is generally generated in industries that supply or provide services to the direct business, activity or industry. (spending by the casino)
- **Induced Employment:** Employment generated because of expenditures made by individuals employed directly or indirectly by the particular business, activity or industry. (spending by the casino employees).



# Economic Development Context of Gaming

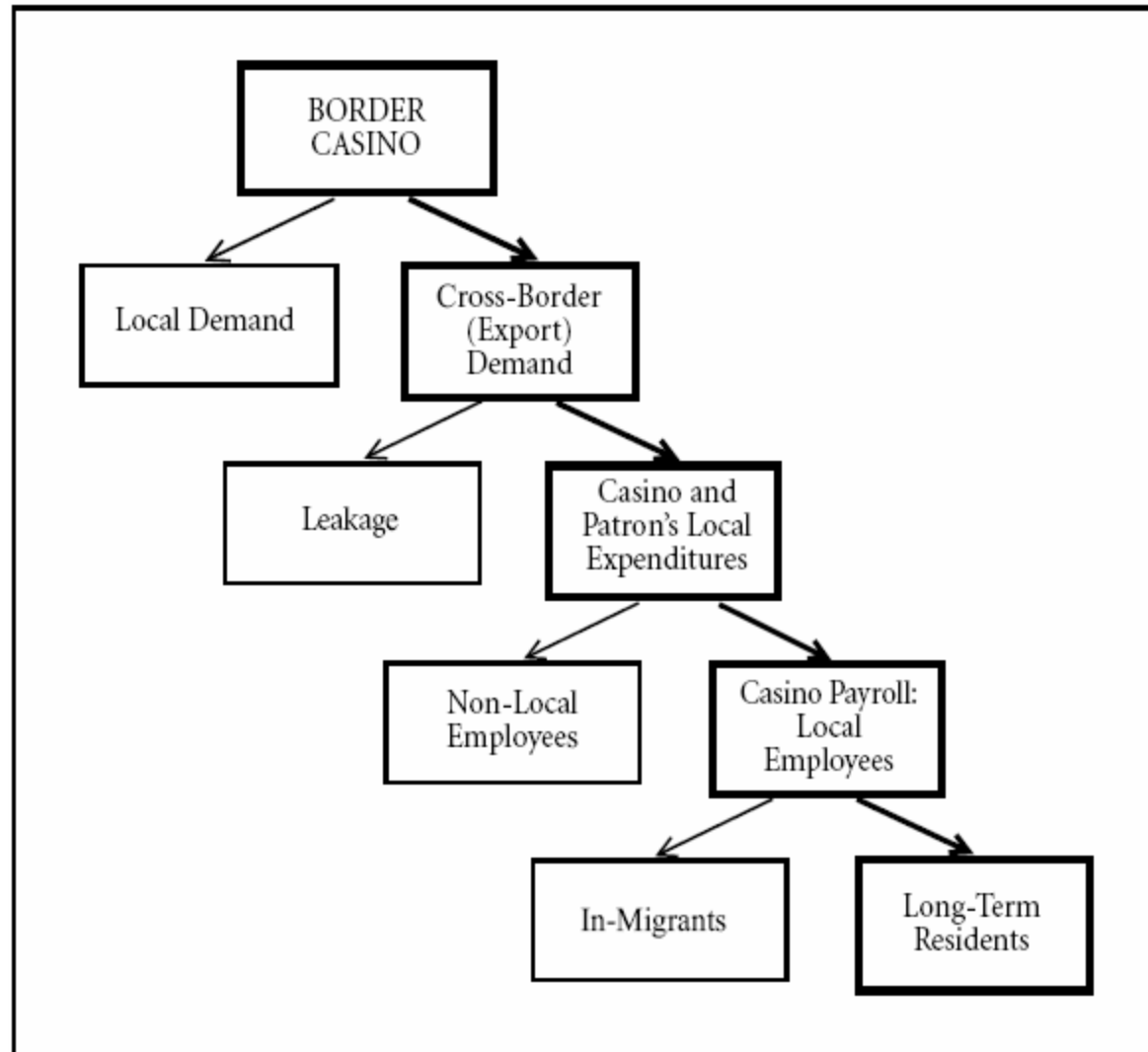
- Understand what kind of jobs might be created by different types of activities:
  - Short term → Construction
  - Long term → Casino/Racino Operation
- Understand whether this creates new economic activity



## Economic Development and Displacement:

- **Firm employment** represents non-export based employment and thus displaces existing employment in the respective industry sector, since it is assumed to compete with local businesses OR
- **Industry employment** represents export based employment and thus does not displace existing employment in the respective industry sector, since it is assumed not to compete with local businesses.
- **Displacement factors** used in other casino studies range from 50% to 60%.

## Example of displacement:



Source: "Tourism in Frontier Areas", Daniel Freeman, Chapter 6, 2002

# Simulation Approach

- We use the RIMS model to estimate short and long term, direct and indirect.
- For the purposes of illustration, we use the assumptions for the North Country proposal and Seabrook racetrack to demonstrate the economic development implications.
- **Commission will have to identify the gambling models and assumptions they wish to make in order for the Center to simulate economic implications of generic models.**



## Assumptions We Need to Make to Understand Economic Development Implications?

- **Generic Facilities Proposed in Interim Report:**
  - VLTs only at a race track
  - Full casino (incl table games) at a race track
  - VLTs at non-track location
  - “Destination resort casino” near state border.



## Assumptions We Need to Make to Understand Economic Development Implications?

- Construction phase:
  - Location (southern NH, North Country)
  - Construction cost
  - Number of jobs or square feet of facility
  - Build out period



## Assumptions We Need to Make to Understand Economic Development Implications?

- Operations phase:
  - Facility type (casino/hotel, racino, resort)
  - Number of jobs or square feet of facility
  - Displacement factor

## Assumptions We Need to Make to Understand Economic Development Implications?

- Example of a generic VLTs and hotel at a non-track location, in the North Country:
  - Construction phase:
    - 18 months construction
    - 200 construction jobs
    - \$75 million investment
  - Operations phase:
    - 150 gaming jobs
    - 200 hotel jobs (400 room hotel)
  - Displacement – 70%



## Short Term: Construction



## Economic Development Short Term Impacts:

- Construction → can be considered new jobs.
- Number of new jobs function of the size of the construction activities.
  - \$130 m → fewer jobs
  - \$250 m → more jobs, especially in low wage areas
- The critical questions:
  - Who gets hired to do this?
  - Where are they from?
  - How long do these jobs last?
  - Construction material and equipment being imported from out of state?

## Economic Development Construction Phase:

- Size of the project matters;
- Construction cost only a portion of investment
- Build out period could be more than 1 year;
- Average construction wage for the region is used, since a casino does not require specialty construction.
- Construction wages are higher than operating phase wages.

## Construction Phase North Country Project I:

- Coos construction annual wage is \$33,000
- \$7 million capital investment over two years creates:
  - 25 direct construction jobs per year
  - 20 induced and direct jobs per year
  - \$1.8 million in total annual earnings
  - \$3.2 million in annual GDP



## Construction Phase North Country Project II:

- Coos construction wage is \$33,000
- \$50 million capital investment over two years creates:
  - 200 direct construction jobs per year
  - 160 induced and direct jobs per year
  - \$13.7 million in total annual earnings
  - \$24.3 million in annual GDP

## Construction Phase Southern NH:

- Rockingham construction wage is \$46,000
- \$100 million capital investment over two years creates:
  - 380 direct construction jobs per year
  - 320 induced and direct jobs per year
  - \$27.4 million in total annual earnings
  - \$48.6 million in annual GDP



## Long Term



# Economic Development Long Term (Operating) Impacts:

- What kind of jobs does an operating casino create?
  - Casino (resort destination)
  - Casino (slots and table games)
  - Racino (slots only)
- What does the distribution of jobs look like by industry code?
  - What kind of wages exist in New Hampshire for those jobs?
  - Including/excluding tips
  - Where do people come from to fill those jobs?

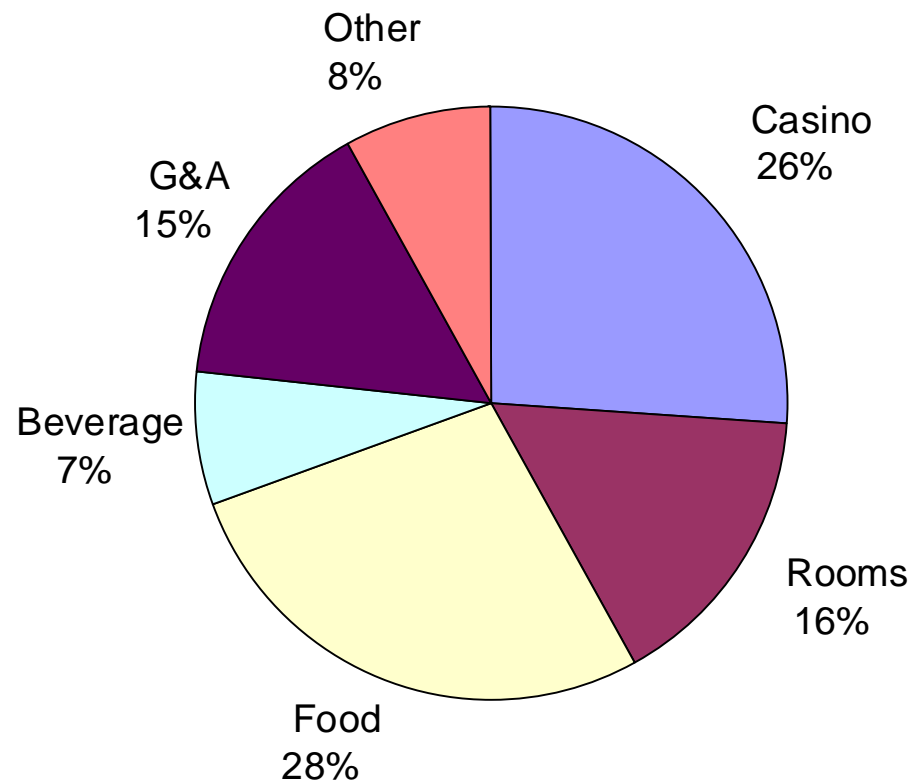
## Economic Development Long Term (Operating) Impacts:

- What kind of jobs does an operating casino create?
  - Casino (resort destination)
    - Food service, gaming, accommodation, retail.
  - Casino (slots and table games)
    - Food service, gaming.
  - Racino (slots only)
    - As above but fewer jobs per sq foot.



# What types of jobs?

Employees by Major Group in Nevada Casinos 2008



Source: Nevada Gaming Commission Annual Report



# What types of jobs for a NH Resort/Casino?

## Employment at Sagamore Crossing

Source: Center for Policy Analysis, 2009

<u>Sector</u>	<u>Employees</u>	<u>Percent</u>	2008 <u>Median Wage</u>
Food & Beverage	1,388	34.3%	\$9.25
Gaming Operations	1,375	34.0%	\$11.58
Facilities	338	8.4%	\$15.34
Marketing & Administration	311	7.7%	\$25.95
Hotel	259	6.4%	\$10.78
Security	144	3.6%	\$12.38
Retail/Entertainment	127	3.1%	\$12.18
Accounting	99	2.4%	\$25.77
	4,041	100.0%	\$12.54

Note: Table above shows prevailing NH wage; Barrow estimates wages will be 20% to 30% higher than prevailing wage, and will include tip income.



# What types of jobs for a Racino?

## Medows Racetrack headcounts.

	<u>Sep-09</u>	<u>Source: 11/19/09 from</u>	<u>Occupational title</u>	<u>Median Wage</u>
Terrance Café	134	11.8%	Waiters and Waitresses	\$7.67
Slots	111	9.8%	Slot Key Persons	\$12.24
Security	111	9.8%	Security Guards	\$13.55
Beverage	89	7.9%	Dining Room and Cafeteria	\$7.70
Cage	85	7.5%	Gaming Cage Workers	\$11.97
EVS	77	6.8%	Gaming Supervisors	\$21.87
Food Court FOH	58	5.1%	Dining Room and Cafeteria	\$7.70
Valet	55	4.9%	Gaming Service Workers, /	\$11.58
Food Court BOH	50	4.4%	Dining Room and Cafeteria	\$7.70
Security Racing	42	3.7%	Security Guards	\$13.55
Players Club	29	2.6%	Gaming Change Persons a	\$10.57
Wagering	29	2.6%	Gaming Change Persons a	\$10.57
Customer Dev	27	2.4%	Gaming Managers	\$32.83
Surviellance	22	1.9%	Gaming Surveillance Office	\$13.87
Delvin's Snack Bar	21	1.9%	Dining Room and Cafeteria	\$7.70
Race	20	1.8%	Gaming Service Workers, /	\$11.58
Accounting	18	1.6%	Bookkeeping, Accounting, &	\$16.04
Countroom	15	1.3%	Bookkeeping, Accounting, &	\$16.04
	993			\$12.13

Source: Millennium Gaming 11/19/09, wages based NH/US median



# What types of jobs for a casino/restaurant?

National Staffing patterns for Establishment in NAICS 7132 Gambling industries			Hourly Median Wage 2008	
SOC code	Occupational Title	staff ratio	NH	US
39-3011	Gaming Dealers	17.5%	n/a	\$7.84
41-2012	Gaming Change Persons and Booth Cashiers	6.4%	n/a	\$10.57
35-3031	Waiters and Waitresses	6.3%	\$7.67	
33-9032	Security Guards	5.2%	\$13.55	
43-3041	Gaming Cage Workers	4.2%	n/a	\$11.97
39-1011	Gaming Supervisors	3.9%	n/a	\$21.87
39-3012	Gaming and Sports Book Writers and Runners	3.2%	n/a	\$9.46
35-3011	Bartenders	3.1%	\$8.53	
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	3.1%	\$11.60	
41-2011	Cashiers	2.8%	\$9.11	
35-2014	Cooks, Restaurant	2.6%	\$11.81	
37-2012	Maids and Housekeeping Cleaners	2.6%	\$10.35	
39-1012	Slot Key Persons	2.1%	n/a	\$12.24
35-9011	Dining Room and Cafeteria Attendants and Bartender Helpers	2.0%	\$7.70	
49-9091	Coin, Vending, and Amusement Machine Servicers and Repairers	1.9%	\$16.43	
33-9031	Gaming Surveillance Officers and Gaming Investigators	1.7%	n/a	\$13.87
43-3031	Bookkeeping, Accounting, and Auditing Clerks	1.7%	\$16.04	
39-3019	Gaming Service Workers, All Other	1.6%	n/a	\$11.58
35-9021	Dishwashers	1.2%	\$9.21	
39-3099	Entertainment Attendants and Related Workers, All Other	1.1%	n/a	\$9.39
11-9071	Gaming Managers	0.9%	n/a	\$32.83
	Above Occupations share of Total Industry	75.0%		

US median wage provided where NH comparable wage not available.

## Economic Development Long Term (Operating) Impacts:

- What kind of jobs does an operating casino create?
  - The weighted average 2008 median hourly wage for the occupations in the preceding table was \$9.60. (**Tips not included**)
  - NH 2008 median hourly wage for all occupations is \$16.01. Other occupations:
    - Healthcare support: \$13.42
    - Food preparation: \$9.25
    - Sales and related: \$12.18
    - Community and Social Service: \$17.59



# Economic Development Long Term (Operating) Impacts:

- Displacement:
  - Displacement factors ranging from 20% (Chicago) to 50% (Massachusetts) have been assumed.
  - Chicago study also assumed 30-40% cannibalization of existing riverboat casino revenue, in addition to the assumption that 20% of casino annual gaming revenue would be diverted from current local spending. (Total: 50 to 60% displacement)

## Economic Development Long Term (Operating) Impacts:

- Displacement in southern NH:
  - About 2/3 of visitors would come from out of state; 30% is reasonable.
  - In other words the net economic impact would be 30% less than expected, because of local casino competition with existing local NH industry.
  - 30% of visitors would be in-state visitors who now have less money to spend on comparable amusement opportunities.

## Economic Development Southern NH:

- 2,000 slot casino in Rockingham county
- Rockingham tourism wage is \$13,000
- Economic impacts (using RIMS model) in the county assuming 30% displacement:
  - 400 direct jobs created, 30% displace other job
  - 280 direct, plus 86 indirect and induced jobs
  - County earnings increase by \$7 million
  - GDP for county increases by \$18 million on a total GDP for Rockingham of \$17 billion.



## Economic Development Long Term (Operating) Impacts:

- Displacement in northern NH:
  - Could be as high as 70% because casino in North Country would rely on locals and tourists already in the area.
  - Since there is little expectation that out of state visitors would go to Berlin only to gamble, we can also assume that the skiers who lost money in a gaming visit would have less money to ski or spend at other New Hampshire attractions.

## Economic Development North Country Project II:

- Coos tourism wage is \$12,500
- Impacts in the county assuming a 70% displacement:
  - 150 direct jobs created, 70% displace other job
  - 50 direct, plus 15 indirect and induced jobs
  - Earnings increase by \$1 million
  - GDP for county increases by \$3 million in an economy with a GDP of \$1.4 billion.

# Summary

- While models suggest varying net positive wealth creation, displacement will occur.
- Economic development implications depend critically on assumptions about
  - Size of investment/facility,
  - Type of facility (and jobs)
  - Displacement
- Comparable economic development activities (and wealth creation)
  - Verizon Center
  - Speedway (Nascar)



# Branding



## Research from INHS -The Balsams

- Guest survey in year 2000 on the likely impact of introducing video gambling at the resort;
- A minority (15%) of respondents desires that The BALSAMS offer video gambling;
- A substantial majority (85%) does not.
- Nearly two-fifths (39%) of respondents indicated they would stop making future visits to The BALSAMS if video gambling is introduced at the resort.



## Research from INHS -The Balsams

- Additionally, another very small proportion (3%) of respondents indicated that introduction of gambling elsewhere in New Hampshire would cause them to stop visiting The BALSAMS.
- Finally, 5 percent of respondents indicated that introduction of gambling elsewhere in New Hampshire would cause them to stop visiting the state of New Hampshire.



## Research from INHS -The Balsams

- The indication from these findings is that The BALSAMS' would suffer approximately a 20 percent decrease in visitation if video gambling is introduced at the resort.
- At least for those individuals visiting the Balsams – 5% would stop coming to NH at all.

## NH's Brand

- More information needed.
- Some people stop coming; a new set of visitors would come?
- What about the indirect effects (e.g. what effect would an increase in crime have on the quality of life in NH?)
  - Move us from #1 to #2? Or from #1 to #10?