STATEMENT OF:

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BEFORE THE

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I am pleased to have this opportunity to share my observations on Governor Deval Patrick's casino proposal, which if passed would set aside half of the anticipated net gaming tax revenues to fund infrastructure and transportation improvements in the Commonwealth of Massachusetts and half to fund property tax relief for individual homeowners. Today, I want to provide the Joint Committee on Economic Development and Emerging Technologies with some basic factual information about the casino industry and to dispel at least some of the "pseudofacts" and misinformation that have become part of the discussion in recent weeks.[1]

GAMING REVENUES, GAMING TAXES, AND GOOD JOBS

On October 11, 2007, Governor Deval Patrick filed legislation that would authorize up to three destination resort casinos in the Commonwealth of Massachusetts.[2] In his message to the State Senate and House of Representatives, Governor Patrick indicates that the primary goal of his proposed legislation is "to spur economic development and job growth throughout the Commonwealth." He stated that along with other initiatives in the life sciences, renewable energy, education reform, and additional investment in higher education research facilities, the casino legislation is considered "a key component" of his plan to create 100,000 new jobs in the Commonwealth.[3] Indeed, in the month prior to the governor's announcement, Massachusetts was one of only four states in the nation to still have fewer payroll jobs (-46,000) than at the end of the last recession (November 2001), which ranks it 48th lowest in the nation for net job growth in the current business cycle.[4]

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[1] Pseudofacts are false statements that become widely circulated and come to be accepted as true by many individuals. Even though experts and scholars may have documented that such statements are false, they continue to be repeated for political purposes and quoted in the media, where they continue to circulate among policymakers and the general public.

[2] *An Act Establishing and Regulating Resort Casinos in the Commonwealth*, see, http://www.mass.gov/Agov3/docs/Legislation/2007_10_11_resort_casino_bill.pdf

[3] Deval Patrick, "Letter to the Honorable Senate and House of Representatives," October 11, 2007; "Governor Patrick Files Resort Casino Legislation," Press Release, October 11, 2007.

[4] U.S. Bureau of Labor Statistics, "State and Area Employment, Hours, and Earnings," at http://data.bls.gov/PDQ/outside.jsp?survey=sm.

I will be brief in reiterating that the estimates by Governor Deval Patrick and his staff for $2 billion in gross gaming revenues, $400 million in gaming tax revenues, and 20,000 permanent jobs are accurate and have been recognized after a disinterested and objective review. Most recently, and to its credit, the Boston Chamber of Commerce agreed to fund an independent study by an internationally recognized accounting firm (UHY Advisors) with no prior ties to the gaming industry. This is exactly the type of independent report that Speaker of the House Salvatore DiMasi and Rep. Daniel Bosley had been demanding for months. The Boston Chamber of Commerce/UHY Advisors study concluded that the Governor's projections were essentially correct in their estimates of gross gaming revenues (GGR), permanent jobs, and state gaming tax revenues.

I have read the UHY Advisors report and found that it reviewed the relevant literature and did additional comparative research that placed the New England gaming market in a larger national and regional context. It is also generally based on publicly accessible data sources and is therefore verifiable by any outside party. Finally, its assumptions are reasonable and clearly articulated and its calculations are transparent and easy to follow. The Chamber/UHY study should put to rest the whole debate about the Governor's jobs and revenue projections.

I understand that some individuals with pre-conceived opinions have dismissed this excellent report as "flawed" and "recycled,"[5] but when other experts can independently examine a methodology and its research findings, consider arguments by its critics, test its reliability, consider additional information, and then replicate those findings -- that is *the essence of scientific validity and verification*. Any genuinely objective expert who reads the Chamber/UHY report with an open mind will find its analysis impressive and persuasive.

Consequently, instead of repeating well-established facts to the committee, I would like to spend my time dispelling some of the widespread misinformation and "pseudofacts" that have been injected into the casino discussion over the last few weeks.

THE COST OF REGULATING CASINOS

A great deal has been said in recent months about the costs of regulating casinos, which would include the licensing of three resort casinos, the licensing of approximately 20,000 casino employees, the development and enforcement of gaming authority regulations, and the enforcement of gaming laws. Under Governor Patrick's proposal, licensing and regulation would be performed by a Gaming Control Authority, while investigations and enforcement would be conducted by a new division of the Attorney General's Office. This is identical to the regulatory and enforcement structure employed by the State of New Jersey to oversee its 11 casinos.

One member of this committee has been stated publicly that "It would take $80 million to $90 million a year just to run a gaming commission."[6] On another occasion, that same individual

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[5] Rep. Daniel Bosley Chair, Joint Committee on Economic Development & Emerging Technologies, quoted by State House News Service, March 7, 2008. Matt Viser, "Casino Study Backs Patrick: Chamber Supports Revenue Projections," *Boston Globe,* March 7, 2008; Scott Van Voorhis, "Chamber Looks at Casinos: Study Boosts Gov's. $, Job Claims," *Boston Herald*, March 7, 2008.

[6] Rep. Daniel Bosley (D-North Adams), Chair, Joint Committee on Economic Development & Emerging Technologies, quoted in Ken Hartnet, "Gambling critic isn't hedging his bets," *Sunday Standard-Times*, New Bedford, MA, February 11, 2007. See also, Dan Bosley, "Why I have opposed casinos in the Commonwealth," Blue Mass Group blog, posted by Daniel Bosley, May 25, 2007.

has claimed that under the governor's proposal "we have to fund a gaming commission at $75-$80 million (comparable to what other states spend)" and "have to fund increased law enforcement at around the same cost" for a total cost of $150 to 160 million for licensing, regulation, and enforcement. Another member of this committee has also stated that "It could cost the state $80 million to put in place new regulatory systems. This is an incredible bureaucracy that would have to be built."[7]

Where do these numbers originate? According to the individuals who made these estimates they are "comparable to what other states spend" on regulation and gaming enforcement. However, if one tests that claim against the actual public data regulatory and enforcement costs, one finds that this estimate is wildly exaggerated and inaccurate.

Based on data made public in the annual reports of the 11 states with commercial casinos, the *fact* is that nearly all states with commercial casinos spend the equivalent of from 0.3% to 1.4% of gross gaming revenues on casino licensing, regulation, and enforcement with New Jersey spending more than any other state, including Nevada, in absolute terms, at 1.4% of GGR (see Table 1). In 2006, New Jersey managed to license more than 42,000 casino employees and to license, regulate, investigate, and enforce gaming law for 11 casinos with $5 billion in GGR at a total cost of $68.3 million. New Jersey spends about $28 million to support the New Jersey Casino Control Commission and $40.3 million is provided to the Attorney General's Gaming Enforcement Division.

Table 1

COMMERCIAL CASINOS:
COST OF LICENSING, REGULATION, AND ENFORCEMENT, FY 2006

State		Licensing, Regulation, & Enforcement (millions)	Commision& Enforcement Employees*	Gross Gaming Revenues (millions)	No. Casinos	Lic, Reg, & Enforc Costs as % of GGR
Colorado	$	8.7	72	782	46	1.1%
Illinois	$	14.4	138	1,924	9	0.7%
Indiana	$	12.6	180	2,577	10	0.5%
Iowa	$	3.1		1,173	13	0.3%
Louisiana		-	-	-	-	-
Michigan	$	28.8	148	1,303	3	2.2%
Mississippi**	$	10.0		2,780	29	0.4%
Missouri	$	18.4	228	1,592	11	1.2%
Nevada	$	39.4		12,460	317	0.3%
New Jersey***	$	68.3	693	5,219	11	1.3%
South Dakota	$	1.1		90	36	1.2%

Notes: *Licensing, regulatory, and enforcement staff includes managers and supervisors, investigators, state police, auditors, accountants, clerical personnel, attorneys, financial analysts, technicians, information systems, and all other personnel.
** Mississippi is 2004 data pre-Katrina.
*** NJ = 324 NJCCC and 369 for AG Division of Gaming Enforcement.
Source: Annual Reports of state gaming regulatory commissions.

[7] Rep. Jeffrey Sanchez (D-Boston), Vice-Chair, Joint Committee on Economic Development & Emerging Technologies, quoted by State House News Service, March 12, 2007.

Using the New Jersey ratio, which is not only one of the highest regulatory ratios, but the model that mirrors the governor's proposal, it will cost no more than $28 million to regulate three casinos and enforce gaming laws in Massachusetts ($2,000,000,000 X 0.014 = $28 million), and it may well be much less than that figure if Massachusetts funds regulation at a level comparable to most states. Thus, not only are the casino skeptics' estimates off-base, their inaccuracy raises the question of how anyone could conclude that Massachusetts would need to spend nearly 50% more than the state of New Jersey to regulate ¼ the number of casinos (3 as opposed to 11) and less than ½ as many employees (20,000 as opposed to 42,000)? It doesn't make sense and the $80 to $90 million estimate for regulatory costs clearly is not "comparable" to what other states spend; it is far more than *any* state spends.

Moreover, the claim that these costs will reduce the net gaming tax revenue available to the state ignores the fact that in most states, as well as in Governor Deval Patrick's proposed legislation, these regulatory and public safety costs do not get subtracted from gaming tax revenues, but are defrayed by an additional special assessment on the casinos. I proposed a "positions tax" in *Maximum Bet* based on the system used in some other states. The governor's proposed legislation refers to a "special assessment," which is similar to the system used in Michigan and Missouri.

Furthermore, local public safety costs will be defrayed by the casinos through local property tax payments of $8 to $12 million per year and other payments as required in local development impact agreements, which must be negotiated with host communities as part of the bid process under the governor's legislation. Most local communities now negotiate for about $1% of GGR, which could provide another $20 million for the three host communities combined. The Governor's legislation also sets aside at least $50 million each year (2.5% of GGR) in a mitigation fund to defray any costs borne by "surrounding communities" (including public safety costs).

THE ATLANTIC CITY MYTH

Another piece of misinformation that has surfaced in recent weeks is what I call the "Atlantic City myth." Atlantic City is often cited to support the false assertion that casinos "cannibalize" or divert consumer spending from existing businesses. Casino skeptics and anti-casino activists frequently claim that Atlantic City's casinos destroyed its local food, beverage, and tavern businesses. For example, one member of this committee recently claimed that: "In Atlantic City, there were 311 bars, restaurants, and taverns in 1978 [when the first casinos opened]. Today, there are less than 50 left."[8] One well-known anti-casino publicist, who is currently working in Massachusetts, tells a different version of the same story; that "There were over 100 restaurants before slot machines [in Atlantic City], and when the casinos came that dropped to like 12."[9] Sometimes the number is 311 bars, taverns, and restaurants in Atlantic City, other times it is 225, and sometimes it is 100. Sometimes the start date is 1977 or 1978, or just "when casinos opened" and maybe there are now less than 50, or even only 12 restaurants,

[8] Rep. Daniel Bosley (D-North Adams), Chair, Joint Committee on Economic Development & Emerging Technologies, Memorandum to the House of Representatives, "The Governor's Casino Gambling Proposal: An Exaggeration of State Revenues," March 11, 2008.

[9] Dennis Bailey quoted in Aimee Dollof, "Slots linked to $20M in hospitality income," *Bangor Daily News*, July 31, 2007. Dennis Bailey was a publicist for Casinos No! in Maine and is currently working with his brother Doug Bailey for CasinoFreeMass.

bars, and taverns left in Atlantic City, because in the world of fictional pseudofacts, you can just pick a number from your imagination.[10]

While Atlantic City is a favorite whipping post for anti-casino critics, they go further to assert that such "examples of economic diversion are abundant."[11] But what are the facts? First, I will start with Atlantic City. According to the most recent U.S. Economic Census (2002), there are actually 145 food service and drinking places in Atlantic City (off-site from casinos) or nearly three times as many as claimed by skeptics (see Table 2). There were also 36 hotels and motels in a city of only 39,000 residents not counting the 12 casino hotels then in existence.[12] Moreover, if one widens the scope of the analysis to the Atlantic City Metropolitan Statistical Area, where more than 37,000 of the state's casino employees reside, one finds an even more robust local food and beverage sector.

Table 2

Atlantic City: Comparison to Similar Sized Cities & Towns in Massachusetts

Town/City	Pop.	722 - Food Svcs. & Drinking Places	721 - Accomodation (non-casino hotels & motels)
EVERETT	38,037	71	2
BILLERICA	38,981	68	3
FITCHBURG	39,102	85	1
HOLYOKE	39,838	80	7
BEVERLY	39,862	98	1
WESTFIELD	40,072	61	3
SALEM	40,407	123	6
ATLANTIC CITY	39,958	145	36

Source: Population - 2000 U.S. Census
Units: ES202 Annual 2006 & Economic Census, 2002.

Professors George G. Fenich and Kathryn Hashimoto of the University of New Orleans tested the critics' claim about Atlantic City by examining data in the U.S. Census Bureau's *County Business Patterns*. Fenich and Hashimoto found that the number of eating and drinking establishments in Atlantic County was actually declining in the years prior to the opening of the first casinos. However, this trend reversed after the first casinos opened, when the number of non-casino eating and drinking places increased from 415 in 1978 to 569 in 1994 (+37%). The

[10] Rep. Bosley is quoted in the New Bedford *Standard-Times*, February 11, 2007, as saying that "Atlantic City had 311 bars, restaurants, and taverns in 1977. Today, he said, there are fewer than 50 outside the casino complexes." In this quote the date changed from 1978 to 1977, while in another quote the 311 bars became 225, see, Rep. Daniel Bosley, Blue Mass Group blog, posted by Daniel Bosley, May 25, 2007, where he states: "In 1977 there were over 225 bar, restaurants, and taverns in Atlantic City."

[11] Bosley, "The Governor's Casino Gambling Proposal."

[12] According to the New Jersey Casino Control Commission, there are currently 11 casinos in Atlantic City, because the Sands was demolished to make way for construction of a new resort hotel and casino. However, according to Rep. Daniel Bosley there are "14 casinos in New Jersey" (March 11, 2008 memo on Governor's Casino Proposal), while elsewhere he states that there are 17 casinos in New Jersey, May 25, 2007 Blue Mass Group blog.

number of employees in this sector increased from 4,439 in 1978 to 6,624 in 1994 (+50%).[13] Payroll rose by two and one-half times, which indicates that wages rose in this sector due to competition from the casinos; a fact that explains why state restaurant associations routinely oppose casino legislation. It is not because they will go out of business, but because they will have to pay their workers higher union level wages. Moreover, in the ten years since the Fenich and Hashimoto study, the number of non-casino eating and drinking places in Atlantic City has continued to increase to 625 (+56) in 2004 with 9,020 employees (+36%).[14]

Similarly, the New Jersey Department of Labor and Workforce Development reports that there are 11,800 people employed in the Atlantic City MSA's food service and drinking sector, which is up from 8,100 in 2004 (+46%)[15] and the vast majority of these employees (at least 8,000) work at off-site non-casino establishments.[16] Not only does one find no evidence of economic diversion, but the food, beverage, and lodging sectors have continued to grow with the casino industry in New Jersey.

Data collected by the New Jersey Casino Control Commission also documents that Atlantic City casinos make 61 percent of their annual non-payroll purchases -- $2.16 billion in 2006 -- from 2,331 different vendors within the state.[17]

A new variation on the Atlantic City myth has also begun to circulate with regard to the towns of Ledyard, Uncasville, and North Stonington, Connecticut, which host Foxwoods Resort and Mohegan Sun Casinos. It has recently been asserted in a memorandum circulated to members of the House of Representatives that these towns "have seen declines in overall business activity" following the opening of the casinos.[18] Even a brief drive in the area surrounding Foxwoods and Mohegan Sun will make it clear that this assertion is not true. In fact, it was recently reported in the *New London Day* that for a growing number of non-gaming businesses Montville is considered "the place to be," because of its robust local economy.[19] These new businesses include banks, pharmacies, office buildings, a hotel, a restaurant, cluster retail development, and other establishments.

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[13] George G. Fenich and Kathryn Hashimoto, "The Effect of Casinos on Local Restaurant Business," (1997), p. 13. Similarly, Kathryn Hashimoto and George G. Fenich, "Does Casino Development Destroy Local Food and Beverage Operations?: Development of Casinos in Mississippi," *Gaming Law Review*, Vol. 7, No. 2 (2003): 101-109. See also, Iver Peterson, "After 20 Years, Atlantic City Starts to Reap Casinos' Benefits," *New York Times*, December 26, 1995.

[14] U.S. Census Bureau, *County Business Patterns: New Jersey, 2004* (Washington, D.C.: U.S. Department of Commerce, Economics and Statistics Division, 2006), pp. 387-390.

[15] New Jersey Department of Labor and Workforce Development, Labor Market and Demographic Research, Current Employment Statistics, February 2008.

[16] The coding system used to collect data on industry employment has a code (722) for food services and drinking places and a separate code for casino hotels (721120). Employment in food services and drink activities at hotels and motels are included in the 722 subsector "only if these services are provided by a separate establishment primarily engaged in providing food and beverage services," see, Executive Office of the President, *North American Industry Classification System, United States, 2002* (Lanham, MD: Office of Management and Budget, 2003), p. 858. Otherwise, the employees are classified as casino hotel employees (721120).

[17] New Jersey Casino Control Commission, *Economic Impact Report: Atlantic City Gaming Industry, Fourth Quarter 2006 Report (Year End)*, p. 8.

[18] Bosley, "The Governor's Casino Gambling Proposal."

[19] Amy Renczkowski, "For Many Businesses, 'Place to Be' is Montville," *New London Day*, Feb. 9, 2008.

But let's not just take a newspaper's word for it. Let's look at the facts. According to the U.S. Bureau of Labor Statistics, average annual employment in the Norwich-New London Labor Market Area, which includes Ledyard, Montville, and North Stonington, increased from 123,700 in 1997 (a year after Mohegan Sun opened) to 136,300 in 2007 (+10.2%) (ES-202 data) (see Table 3).

Table 3

Ledyard and Montville: Employment and Unemployment, 1997and 2007		
Ledyard	**1997**	**2007**
Employed	7,719	8,569
Unemployment Rate	4.5%	3.5%
Montville		
Employed	9,329	10,423
Unemployment Rate	5.9%	4.1%
Massachusetts		
Employed	3,158,858	3,255,617
Unemployment Rate	3.8%	4.3%

Source: Connecticut Department of Labor, Local Area Unemployment Statistics (LAUS); MA Division of Unemployment Assistance.

Similarly, the Connecticut Department of Labor's Local Area Unemployment Statistics (LAUS data) for the town of Ledyard show that average annual employment increased from 7,719 in Ledyard in 1997 to 8,569 in 2007 (+11%), while the town's unemployment rate fell from 4.5% to 3.5%, which is lower than the state average for Massachusetts. The town of Montville, where Mohegan Sun is located, saw its average annual employment increase from 9,329 in 1997 to 10,423 in 2007 (+12%), while the town's unemployment rate fell from 5.9% to 4.1%, which is also lower than the state average for Massachusetts.

Thus, employment growth in the local and regional vicinity surrounding Connecticut's two casinos suggests a very healthy business climate and strong business growth even after the two casinos were in full operation and despite a significant decline in the shipbuilding industry at the same time. This is in contrast to Massachusetts, where despite the hard work of this committee, the commonwealth posted the 48th lowest percentage job growth of the 50 states since 2001 – ahead of only Ohio and Michigan. Massachusetts is one of only three states with fewer jobs today than at the end of the last recession.[20]

I could multiply examples from Mississippi, Minnesota, Colorado, and elsewhere, but the larger point is that the Atlantic City myth is a myth not supported by empirical evidence. On this point, I will merely summarize the research of Professors George G. Fenich and Kathryn Hashimoto of the Kabacoff School of Hotel, Restaurant, and Tourism Administration at the University of New Orleans. These independent scholars have conducted the most comprehensive empirical studies on the subject of casinos and "cannibalization" in the United

[20] U.S. Bureau of Labor Statistics, "State and Area Employment, Hours, and Earnings," at http://data.bls.gov/PDQ/outside.jsp?survey=sm.

States by analyzing the local and regional impact of land-based, floating riverboat, and dockside casinos (both commercial and Indian) on local food and beverage and retail establishments in twenty jurisdictions, such as Colorado, Connecticut, Illinois, Indiana, Iowa, Louisiana, Mississippi, Missouri, New Jersey, and South Dakota. Their research findings are well-known to genuine gaming experts, because they are publicly available and have been published in well-respected scholarly journals. However, to quote a summary of their overall findings in a paper authored by them, these scholars have found that:

> "...across the U.S., from mountains to beachfront to the industrial northeast, from small rural towns to large urban areas, the legalization and subsequent development of casino gaming did not drive all the restaurateurs out of business. Casinos did not cause the predicted drop in the number of businesses, nor the drop in people employed, nor the drop in payroll. In fact, they have just the opposite effect. When casinos are developed, all aspects of local food and beverage business increase: the number of establishments increases, the number of people employed increases, and payroll increases at a greater rate than the first two."[21]

Whatever zero sum economic theory one wants to advance in support of the cannibalization argument, its claims are just not supported by the available facts or by independent scholarly research.

THE CASINO CULTURE

Finally, I want to address the argument that is now being advanced about the perils of a so-called "casino culture."[22] The individuals who have floated this red herring have never been challenged to define exactly what constitutes a casino culture, which is somewhat interesting considering that 32 states already have some type of Class III gaming. There are 646 Class III gaming facilities – commercial casinos, Indian casinos, and racinos – located outside Nevada and Americans made 371 million trips to casinos in 2006.[23] Nevertheless, California with its 57 casinos and 94 card rooms is still called the Golden State, while Minnesota with its 35 Indian casinos is still known as The Land of 10,000 Lakes. It would appear that references to a casino culture are just rhetoric.[24]

It appears that the real intent of the casino culture straw man is to create the false impression that incorporating casinos into the state's long-term economic development strategy is somehow incompatible with the state's high tech high wage economic development strategy. Indeed, there are some who have stated that casinos are not "real" economic development, but this is clearly a false dichotomy when one looks at the facts.

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[21] Fenich and Hashimoto, "The Effect of Casinos on Local Restaurant Business," (1997), p. 13.

[22] In Matt Viser, "Competition Heightens for Potential Casino Developers," *Boston Globe*, October 12, 2007, Speaker of the House Salvatore F. DiMasi (D-Boston) is quoted as raising questions "about introducing a 'casino culture' to the state." Similarly, in Andrea Estes, "Hearing to Focus on Ills of Gambling; Some Question House's Timing," *Boston Globe*, October 31, 2007, David Guarino, spokesman for DiMasi, states "The governor has proposed opening the door to a casino culture in the Commonwealth."

[23] Alan Meister, *Indian Gaming Industry Report, 2007-2008* (Newton, MA: Casino City Press, 2007), p. 12; American Gaming Association, *State of the States, 2006*, p. 4. There are also 545 legal card rooms in the United States.

[24] Steven LeBlanc, "DiMasi Dismisses Patrick Casino Claims as 'Just Rhetoric'," *The Standard-Times*, March 14, 2008, p. A12.

First, a key element of any high tech economy is its ability to attract venture capital investment. In 2007, venture capitalists invested $29.4 billion in 3,813 investment deals throughout the United States. The top areas of venture capital investment were software, biotechnology, medical devices, energy, media and entertainment, semiconductors, IT services, networking and equipment, electronic instrumentation, computers and peripherals, and health care.[25] These areas are certainly critical to the future development of the Massachusetts economy and the commonwealth ranked second in the nation in the amount of venture capital attracted to the state last year (see Table 3).

However, when one asks whether casinos are in competition with a high tech economic development strategy, one can answer it empirically, or as skeptics prefer, pretend that it is an open and unanswered question. In fact, when measured by their ability to attract venture capital investment, 8 of the top 10 high tech states already have casinos (see Table 4). In 2007, California, with its 57 Indian casinos and 94 card rooms, attracted nearly four times as much venture capital investment as Massachusetts when measured in dollars and closed over 1,100 more venture capital deals than Massachusetts. The State of Washington – the home to Microsoft and a major competitor with Massachusetts in the marine science and technology industry – attracted more than $1.3 billion in venture capital investment. Statements that pit casino legislation against high tech economic development have no credibility when subjected to the test of empirical data and the experience of other states.

Table 4

Casinos vs. Venture Capital?: 2007

State	No. of Deals	Venture Capital Invested (millions)	Casinos in State*
California	1,564	$13,803	57
Massachusetts	430	$3,489	0
Texas	166	$1,416	2
Washington	170	$1,315	29
New York	191	$1,195	11
Pennsylvania	150	$835	6
Maryland	99	$635	0
New Jersey	91	$625	11
Florida	63	$608	9
North Carolina	69	$577	2

Source: National Venture Capital Association; American Gaming Association; Indian Gaming Industry Report, 2007-2008.

Note: *Includes Commercial Casinos, Indian Casinos, and Racetrack Casinos.

[25] National Venture Capital Association, *Money Tree Report, Q4/Full Year 2007*, pp. 2-3, see, http://www.pwcmoneytree.com/MTPublic/ns/moneytree/filesource/exhibits/National_MoneyTree_full_year_Q4_2007_Final.pdf

WHAT IS "REAL" ECONOMIC DEVELOPMENT?

However, this leads me to examine one last question. What is meant by "real" economic development? Most real experts on economic development would agree that the first thing it means is to provide jobs for people who do not have jobs. It means converting part-time jobs into full-time jobs. It means converting low-paying jobs into better paying jobs. It means converting jobs without benefits into jobs with benefits. In fact, resort casinos do all of those things as documented by numerous economic and employee impact studies commissioned by state regulatory agencies or conducted by independent university scholars.

In 2006, commercial casinos employed 366,196 persons with a total payroll of $13.3 billion and average annual wages of $36,276, which is comparatively high for the leisure and hospitality sector. By comparison, there are 296,713 persons employed in the commonwealth's leisure and hospitality industry (NAICS Sectors 71 and 72) with average annual wages of $20,176 (2006 ES-202). Casinos provide a significant wage premium (+80%) over comparable jobs in the same industry sector. These comparatively high wage rates are partly explained by union density in the commercial casino industry and also by the fact that 70 to 95 percent of casino jobs are full-time benefited positions.[26] For an individual working in this sector of the economy that is real economic development.

CONCLUSION

There is no question that Massachusetts residents now regularly gamble at the casinos in Connecticut and the racinos in Rhode Island. Moreover, a recent poll by the Center for Policy Analysis indicates that the Governor's proposal enjoys strong popular support across the state and among most demographic groups, whether defined by age, income, sex, or educational attainment.[27] Governor Patrick's estimates of employment, wages, job diversity, and gross gaming revenues are consistent with national and regional averages for the casino gaming industry and, despite widespread misperceptions, it is also consistent with the state's high wage economic development strategy, insofar as commercial casinos offer average wages that are significantly higher (+80%) than for the state's existing leisure and hospitality sector.

Yet, in one important respect, Governor Patrick's casino proposal is an important new departure in the state's economic development strategy, because it seeks to also provide a diverse array of comparatively well-paying full-time jobs to those who work in "low- and "mid-range" occupations of the service sector. According to the New Jersey Casino Control Commission, approximately three-quarters of that state's casino workforce have a high school diploma (40.4%), trade license or certification (10.5%), or an associate's degree (22.0%).[28]

As the evidence documents, casino gaming does not need to come at the expense of other economic development initiatives, such as those in the life sciences, education reform, or

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[26] For example, 82 percent of Mohegan's Sun 10,400 employees are full-time benefited positions with health care and pension coverage, see Mohegan Tribal Gaming Authority, *Annual Report (Form 10-K) for the Fiscal Year Ended September 20, 2006* (Washington, D.C.: Securities & Exchange Commission, 2006), p. 35.

[27] Scott Van Voorhis, "Mass: Bring on Casinos; poll says majority of residents in favor of gov's plan," *Boston Herald*, October 5, 2007, pp. 19-20.

[28] New Jersey Casino Control Commission, *Limitation in the Workplace: A Survey & Study of Atlantic City Casinos: Final Report to the New Jersey Casino Control Commission* (New Brunswick, NJ: Bureau of Economic Research, Rutgers University, 1998), pp. 19-27.

university research and development. As parallel strategies, they should complement, rather than compete with each other, in promoting job growth in the commonwealth. Policymakers should recognize that even though Massachusetts has one of the most highly educated populations in the nation – 33.2 percent with a bachelor's degree or higher -- it is also true that 66.8 percent of the state's residents do not have a bachelor's degree (U.S. Census 2000) and these individuals also deserve good paying full-time jobs with benefits. A comprehensive statewide economic development strategy should include industries that provide tangible opportunities for higher incomes and career advancement improvement for individuals working in this segment of the labor market.