

Presentation of Evidence for Massachusetts Gaming Commission

Economic impacts of casino gambling

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Evidence Synthesis Purpose and Approach

Evidence on the economic impacts of casino gambling

- The Massachusetts Gaming Commission (MGC) requested an evidence summary on the economic impacts of casino gambling.
- The information will serve as source material for MGC's website, funding materials, presentations, and stakeholder communications.

Guiding questions

1. What are the economic impacts of casino gambling in Massachusetts?
2. What are the economic impacts of casino gambling in other jurisdictions?
3. How might community-based stakeholders harness the beneficial economic impacts and mitigate the negative economic impacts associated with casino gambling?

Search parameters

Greo identified, reviewed, and synthesized evidence that is:

- Emerging from Massachusetts as well as other appropriately comparable jurisdictions (e.g., US, Canada, UK, Australia);
- Found in academic and grey literature; and
- Recently published (in the past 5 years).

What are the economic impacts of casino gambling in Massachusetts?

Scope and focus

1.1 Employment

1.2 Real estate

1.3 Revenue

1.4 Expenditure

1.5 Small businesses

1.6 Other

1.1 Employment

Some research on the introduction of casinos shows an immediate increase in employment in host and surrounding communities. However, some evidence signals this increase may not be sustainable over time. Examples include:

- Plainridge Park Casino (PPC) created or supported 2,417 jobs in Massachusetts in its first year, with over two-thirds of them in the Metro Boston region, including Norfolk County and Plainville.¹
- MGM Springfield, in its first year of operation, employed over 3,000 at opening, later experiencing a 30% drop in employees during its first year. The majority were local to Pioneer Valley, with some from Northern Connecticut.²
- PPC's construction injected over \$150 million into the local economy, creating more than 1,200 new jobs and boosting personal income by \$104.4 million, mainly benefiting Bristol and Norfolk Counties.³

1.1 Employment

Despite an overall increase in employment, some community members call for more quality, full-time, and higher paying jobs.

- A new employee survey of Encore Boston Harbour (Encore) found that employees reported improved economic situations through increased income, access to benefits, and employment status, though there is still some unmet demand for full-time employment and higher pay.⁴
- A community engaged research study looking at community perspectives on the Encore casino found that participants who identified as Hispanic or Latino/a/e and those who had lived in the communities surrounding Encore for more than 10 years often had negative views of the casino's effects on jobs, including the quality of jobs.⁵

1.1 Employment

The COVID-19 pandemic led to job losses in the casino workforce and uncertainty for casino employees.

- The casino workforce was impacted by layoffs, with staffing levels below pre-pandemic levels as of June 2021. Workforce strategies varied among casinos, with differences in layoffs and rehiring.⁶
- Many participants of a community-engaged study noted that the COVID-19 pandemic led to job losses at Encore and uncertainty, which negatively affected the finances of its employees.⁵

1.2 Real estate

The introduction of casino gambling may have increased the cost of some residential real estate and rent in host communities, which may displace some community members.

- Home sales in Springfield increased after 2014, coinciding with MGM Springfield's license award, but this uptick was also seen regionally and statewide. Thus, the casino's sole impact is hard to discern from broader market trends.⁷
- Casino license announcement had minimal impact on single-family home and condo prices in Springfield, but multi-family home prices surged due to investor activity. Investor purchase of multi-family homes might be driving this rise.⁷
- Median gross rents rose in Springfield, paralleling trends in surrounding areas and the state. Vacant housing share in Springfield decreased, while surrounding communities saw an increase. Key informants were unsure if trends were due to larger market forces or other developments.⁷

1.2 Real estate

The introduction of casino gambling may have increased the cost of some residential real estate and rent in host communities, which may displace some community members. (*continued*)

- Investors' speculative buying of properties in Springfield, particularly multi-family buildings, raised rents and led to vacant properties, potentially causing displacement and increased evictions.⁷
- Some participants in a community-engaged qualitative study described increasing rent and home prices in the communities surrounding Encore. Some described seeing an increase in luxury apartments and condos in the area, but not of affordable housing, leading to displacement of immigrant and middle-class families.⁵

1.2 Real estate

The introduction of casino gambling may have increased the demand for and cost of some commercial real estate in host communities.

- Everett's commercial real estate inventory and average lease rates have risen since the casino was announced.⁸
- Demand for commercial real estate in Springfield has risen, and the casino may play a role in that.⁸
- No sustained rise or drop in office lease rates was seen in Springfield after the license was awarded. Springfield's lease rates are generally lower than the state average, with exceptions for non-office commercial properties.⁷

1.3 Revenue

Immediately following the introduction of casino gambling in Massachusetts, revenue and economic growth increased. However, revenue may have remained level in more recent years.

- The operation of PPC generated approximately \$176 - \$186 million annually, largely from Massachusetts residents who would have otherwise gambled out-of-state. Most of this revenue stayed in Massachusetts, resulting in 2,417 net new jobs, \$143.7 million in personal income, and \$362.4 million in economic activity, with a focus on the Metro Boston region.³
- For the first year of operation of MGM Springfield, revenue remained mostly level, as did the taxes collected by the state. The 25 percent tax levied on gross gaming revenue is distributed to a number of state funds, the largest one being local aid, which receives 20 percent of the taxes collected, or five percent of gross gaming revenue.²

1.3 Revenue

COVID-19 restrictions and closures reduced casino revenue and visitations. Revenue has recovered faster than visitation rates, suggesting higher average spend per casino patron.

- During the pandemic, casinos in Massachusetts faced closures from March to July 2020, resulting in no revenue. Even after reopening, visitation hadn't fully rebounded by June 2021.⁶
- Gross gaming revenues bounced back faster than visitation, reaching levels similar to January 2020 by July 2021, largely due to increased spending per casino patron.⁶
- Despite some payment delays due to the pandemic, the casinos have resumed making payments to their host and surrounding communities as gross gaming revenue recovered, benefiting the state in terms of tax revenue.⁶

1.4 Expenditure

The introduction of casino gambling boosted the Massachusetts economy by increasing employment rates, tax revenue, and spending at other local (non-casino) vendors.

- The majority of MGM Springfield's spending went to private vendors, with most (58.1%) within Massachusetts, but 31.2% in Pioneer Valley. Notably, patrons' spending at the casino didn't shift from other local businesses.²
- In 2019, visitors to MGM Springfield spent an estimated \$83.6 million in off-site spending in the Springfield area while visiting the casino.²
- Casino patrons' spending of \$365.2 million around MGM Springfield supported 2,538 jobs, \$85.2 million compensation, \$110.1 million in vendor transactions, and \$101.5 million in government payments. Spin-off effects created 3,740 additional jobs and contributed \$640.1 million in value added to the Massachusetts economy.²

1.4 Expenditure

For some industries, vendor spending is not equally distributed across the state, with increased vendor spending out of state.

- During PPC's first year of operation, the single largest recipient of vendor spending was the wholesale trade sector, with most of that spending occurring in Massachusetts. The second largest funds category, miscellaneous manufacturing, including the manufacturers of slot machines, was spent on out of state vendors. In total, PPC spent \$18.6 million on private sector vendors, with \$7.8 million of that going to vendors in Massachusetts.¹
- During PPC's first year of operation, private sector vendor spending within Massachusetts was largely clustered in the eastern part of the state (Boston, Plainville, and surrounding communities), as well as Plympton which is home of a major food distributor to PPC as well as veterinarian who cares for the horses at PPC's harness racing track.¹
- PPC's in-state spending on private vendors decreased in 2019, while out of state spending has seen a gradual increase. Wholesale Trade spending declined in-state but increased out-of-state, largely contributing to the shift.⁹

1.4 Expenditure

COVID-19 closures reduced casino spending on vendors. By the second quarter of 2021 it hadn't fully recovered.

- Casino spending on private-sector vendors (e.g., food and beverage, professional and technical services) declined during the shutdown and hadn't fully recovered by the second quarter of 2021. The mix of goods and services purchased also shifted during this time.⁶

1.5 Small businesses

The introduction of casino gambling appears to have had mixed effects on small businesses. It boosted the clientele for some while it may have forced others to close.

- Some participants in a community-engaged qualitative study noted that small businesses in the surrounding community closed or lost employees and customers after Encore opened.⁵
- Some participants stated that the presence of Encore made Everett a “destination” that attracts people and boosted the local economy and clientele for surrounding small businesses.⁵

1.5 Small businesses

The introduction of casino gambling appears to have had mixed effects on small businesses. It boosted the clientele for some while it may have forced others to close. (*continued*)

- Downtown Springfield witnessed increased patronage, specifically foot traffic, due to MGM, benefiting businesses and restaurants but only those adjacent to the casino.⁷
- Research suggests that the construction and/or operation of PPC hasn't significantly impacted the number or types of businesses.³

1.6 Other

The introduction of casino gambling in urban areas can pose potential negative socio-economic consequences for host and surrounding communities.

- An extensive literature review found that urban casinos, often located in low socio-economic areas with existing gambling culture, promise economic upliftment but yield unsustainable benefits, potentially amplifying gambling-related issues.¹⁰
- Proximity-driven accessibility to urban casinos increases participation, posing potential negative socio-economic consequences for both host communities and nearby areas, such as the creation of undesirable businesses (such as pawnshops, payday loans, and check cashing stores).¹⁰

What are the economic impacts of casino gambling in other jurisdictions?

- Greo | ECONOMIC IMPACTS OF CASINO GAMBLING: Economic impacts in other jurisdictions
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Scope and focus

2.1 United Kingdom

2.2 Australia

2.1 United Kingdom

A recent report from Public Health England (2023) revealed that the economic burden of harmful gambling in England (based on 2010 data) stands at £1.05 to £1.77 billion (in 2021 to 2022 prices) for casino, online gambling, and lotteries, accounting for both direct government costs and societal health impacts.¹¹

- Financial harms (measured by statutory homelessness applications), cost £49 million.
- Mental and physical health costs reached £754.4 to £1,475 million, encompassing treatment for depression, alcohol dependence, and drug use, along with the societal toll of suicides.

2.1 United Kingdom

Public Health England employed a unique approach to quantify the financial harm associated with gambling by analyzing statutory homelessness applications in relation to male at-risk gambling rates.

Methodology

- Attribution Rates: Low-risk (6%), Moderate-risk (2%), Problem gamblers (9%)
- Total attributable applications: 21,930
- Unit cost: £3,091 (FY 2021-2022)

Calculation

- Attribution rates were applied to total statutory homeless applications to estimate those attributable to gambling.
- Unit cost was then multiplied for excess cost calculation.

2.1 United Kingdom

Public Health England (2023) report of economic burden of harmful gambling in England: (*continued*)¹¹

- Employment and education harms added up to £77 million, arising from nearly 23,000 unemployment benefit claims linked to gambling harm.
- Criminal activity stemming from gambling harm incurred costs of £167.3 million, involving around 3,744 incarcerated individuals with gambling-related offenses.

2.2 Australia

In a 2023 report on the economic, health, and behavioural consequences of expanded gambling availability in Australia, researchers found that:¹³

- People living in close proximity to gambling venues were more likely to gamble and experience financial harms, including increased likelihood of asking friends and family for financial help, going without meals, and being unable pay a mortgage, rent, and / or other bills on time.
- Young males with low-income jobs and who live close to an EGM venue were most vulnerable to financial harms.

How might community-based stakeholders harness the beneficial economic impacts and mitigate the negative economic impacts associated with casino gambling?

Scope and focus

3.1 Community engagement

3.2 Housing initiatives

3.3 Revenue allocation

3.4 Economic diversification

3.1 Community engagement

- **Localized job fairs:** Prioritize local hiring through job fairs in the communities surrounding casinos. This approach may address the ambivalence seen in community perspectives, particularly among Hispanic or Latino/a/e populations, about the quality of jobs created by casinos.⁵
- **Community impact assessment:** Engage in continuous, participatory research to evaluate the economic and social impacts of casinos. This can help in understanding nuanced effects such as those seen in different regions of Massachusetts due to PPC.¹

3.1 Community engagement

- Consider opportunities to **foster ongoing dialogues between community stakeholders**, including residents, local businesses, and casino operators. The intent is to ensure that voices of all community members, particularly those at higher risk for harms from casino gambling, are included in decision-making processes.*
- **Communities that are economically disadvantaged and in closer proximity to gambling venues** (particularly slot machines) should be prioritized for harm reduction initiatives. Research shows that in areas where gambling is embedded within the community, exposure to casinos may exacerbate gambling-related problems among these communities.¹⁰

3.1 Community engagement

- Findings from **studies that meaningfully measure and consider factors related to the gambling environment, like accessibility, availability, and acceptability**, can be used to inform strategies for harm reduction, such as implementing zoning regulations or limiting gambling venue operating hours.¹⁰
- Consider establishing **Community Benefit Agreements (CBAs)** between casino operators and local communities. These agreements could specify commitments from the casino, such as job creation, affordable housing initiatives, and funding for community programs.*
- Consider implementing **systems for continuous monitoring and evaluation of casino impacts**. This approach should involve community members in data collection and analysis to ensure that mitigation strategies can be adjusted as needed and remain contextually relevant.*

3.1 Community engagement

- Consider **enhancing data collection** to gain deeper insights into the economic and societal impacts of gambling by:¹¹
 - Exploring additional data sources, including population-level surveys and anonymized customer data from gambling operators; and
 - Collaborating with experts in relevant fields, such as homelessness, to improve data collection methods and address specific vulnerabilities related to gambling harms.
- Collecting **high-quality data** on participation in casino gambling, including data on multiple identity categories, might yield important insights for tailored harm reduction supports.¹¹

3.2 Housing initiatives

- **Continuously evaluate the effect of casinos on local property values and rental costs** to anticipate and mitigate negative outcomes. Existing evidence suggests impact is limited but warrants ongoing analysis.³
- **Consider implementing affordable housing programs** to ensure that any increase in property value from casinos does not lead to community displacement.*
- Consider collaborating with casino operators to invest in **affordable housing projects** within the community. This can help mitigate rising rents and housing displacement resulting from increased property demand.*
- **Consider implementing regulations to curb speculative buying of properties by investors**, especially multi-family buildings. This can help maintain affordable rental options for residents.*

3.3 Revenue allocation

- **State aid and services:** Allocate portions of the tax revenue for state aid to mitigate strain on local infrastructure and services, as experienced in Plainville due to PPC.³
- **Job security fund:** Establish a fund aimed at job security and workforce strategies, such as skills retraining programs and income stabilization funds, to address vulnerabilities exposed by the COVID-19 pandemic.⁶
- Research shows that it is unclear how revenues from casino gambling trickle back into local communities.¹⁰ **Critical assessments of how effectively tax revenues from casinos are being reinvested in local communities** are needed to measure the level of impact and effectiveness of investments.

3.4 Economic diversification

- **Invest in local industries:** Use a portion of tax revenue to invest in other local industries, particularly those negatively impacted by the introduction of casinos. Given that most new employment was created in the entertainment/hospitality sector, there may be an imbalance that needs addressing.¹²
- **Sustainable development plans:** Create long-term sustainable development plans that account for potential employee drop-off rates, as experienced by MGM Springfield.²
- Consider investing resources and casino revenue into **educational and vocational training programs.** These programs could equip community members with skills for diverse employment opportunities beyond the casino sector.*

For more information



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