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GBC REPORT ON GAMING: EXECUTIVE SUMMARY

Background

During the last 18 months, the Greater Baltimore Committee has been examining the issues related to gaming. We began before there were any specific proposals before the Maryland General Assembly. We thought that it was important to have a factual basis for any position that we might take.

Toward that end, the GBC commissioned two separate studies to assist the work of the GBC's Policy Study Group that was charged with giving advice to our Board of Directors. One study, conducted by Hunter Associates, Inc., examined the economic impact of various gaming options that might be considered in Maryland. The second study, conducted by Dr. Peter Reuter of the University of Maryland, looked at the potential social costs associated with gaming.

When we began our review of gaming, the GBC did not intend to make a proposal for or against new forms of gaming in Maryland. Our intention, instead, was to be prepared to enter the debate, should there be a specific and serious effort to expand gaming. Our primary motivation in studying gaming was to be sure that, in any consideration, the best interests of the Baltimore region were taken into account.

There have been indications that legislation to authorize slots at racetracks will be introduced and seriously considered this year in the General Assembly. In light of this, and the substantial study that the GBC has given the gaming issue, we offer the results of our study and an alternative approach to gaming.

The Study Process

Baltimore City's revenue picture provides the background for the consideration of gaming in this area. Though they are unofficial, projections for the next five years estimate minimal increases in revenue flow to operate the city. Some "best case" scenarios project only a one percent increase in revenues.

The Hunter Study

In August, 1995, the GBC established a Policy Study Group on Gaming. With funding from The Abell Foundation, the GBC subsequently engaged a consultant, Hunter Interests, Inc., to conduct a study of the economic impact of casino gaming. Work on this study was completed in the summer of 1996. Specifically, Hunter was asked to:

- Provide a market analysis of gaming potentials in the Baltimore region;
- Analyze optional forms of gaming;
- Analyze the state and local fiscal, employment and economic impacts;
- Study the advantages and disadvantages of various geographical locations.

The Reuter Study

With funding from the Robert G. and Anne M. Merrick Foundation, the GBC engaged consultant Dr.

Peter Reuter to undertake a study of crime and other social costs of casino gaming and determine to what extent gaming in Baltimore and Maryland would impact those social costs.

The study is based on an analysis of data from other communities where gaming exists, with a concentration on data from approximately 20 communities that have established casino gaming within the past 10 years. Site visits were also made to St. Louis and the Mississippi Gulf Coast cities of Biloxi and Gulfport, where local officials and social service providers were interviewed.

Work on this study was completed in January, 1997.

Findings

- Maryland is well positioned for the gaming market. Should it choose to expand gaming activities, Maryland's geography, demographics and strength as a travel destination make it well positioned to capture a large share of the available market. Casino revenues would be generated from three sources of demand: the surrounding population base, tourists and convention visitors, and the premium player market. Baltimore casinos could be expected to capture a substantial share of gaming revenue in Maryland.
- "Aggressive" gaming option. Statewide, an "aggressive" effort to capture the gaming market would entail 567,000 square feet of gaming space in Maryland, including several large-scale, land-based casinos each with significant non-casino facilities. Under this scenario, the Baltimore area would include 300,000 square feet of gaming space, or two major and three medium-sized casinos.
- "Limited" gaming option. Statewide, a "limited" effort to capture the gaming market would entail 290,000 square feet of gaming space. The Baltimore area would include 171,000 square feet of gaming space, or three to five medium-sized casinos.
- Potential economic impact. Baltimore City could net between \$38.7 and \$67.4 million in new tax revenues, and between 2,983 and 5,903 new jobs. The following economic impacts are projected for the "aggressive" and "limited" scenarios:

	Aggressive	Limited
* Total revenue potential statewide:	\$1.7 billion	\$870 million
* Total revenue potential in Baltimore area:	\$905 million	\$524 million
* Tax revenues for State:	\$368 million	\$188 million
* Net tax revenues for Baltimore City:	\$67.4 million	\$38.7 million
* Net gain in new jobs in Maryland:	12,324	5,629
* Net gain in new jobs in Baltimore area:	5,903	2,983

- Sources of gaming revenue. Maryland and Baltimore can attract a high percentage of casino revenues from out-of-state sources. Between 50 and 61 percent of statewide casino revenues -- and from 47 to 59 percent of Baltimore casino revenues -- would be generated by customers who live outside of Maryland, according to estimates.
- Impact on convention and tourism markets. It is projected that Baltimore area casinos would attract between 273,000 and 750,000 additional convention and tourist visitors under the "limited" and "aggressive" options respectively.

- Potential impact on crime and social problems. Existing data from U.S. communities such as St. Louis, where gaming exists but where casinos are not the dominant industry, show that casinos are not likely to have a substantial impact on crime and other social problems in Baltimore.
- Potential impact on crime. Changes in crime rates for casino towns are mixed, but they are modest. In locales where casinos are not the dominant industry, none experienced a large increase in crime as a result of the introduction of casinos.
- Potential impact on other social problems. Available statistical and interview data show that casinos have produced negligible to modest effects on measured social problems in locales where they are not dominant.

Conclusions

1. Baltimore and Maryland are in a position to significantly strengthen economic development and expand tourism should the state adopt a comprehensive casino gaming strategy.
2. Gaming in Maryland has the potential to generate from \$870 million to \$1.7 billion in casino revenues and between \$188 million and \$368 million in new tax revenue for the state. Baltimore area casinos could generate revenues of between \$524 million and \$905 million, which would yield Baltimore City from \$38.7 million to \$67.4 million in new tax revenues. Gaming could create as many as 12,300 net new jobs in Maryland, including as many as 5,900 net new jobs in the Baltimore area.
3. Approximately half of casino revenues, both statewide and in Baltimore City, would be generated from out-of-state sources.
4. Research examining other gaming communities strongly suggests that casinos are not likely to have a substantial impact on crime or other social problems in Baltimore and Maryland.
5. While slots at tracks would generate economic benefits, significantly greater economic benefits to Maryland and Baltimore City, and many more new jobs, would be realized by authorizing a limited number of full-scale casinos rather than simply allowing slot machines at race tracks. Gaming at track sites would fit well into a more comprehensive, market-oriented gaming plan for Baltimore and Maryland.

GBC Recommendations

1. The GBC believes that gaming will have a positive impact on economic development for Maryland. Although we are not opposed to slots at racetracks, we do believe they should be part of an overall gaming policy.
2. Additional gaming in Maryland and Baltimore would be best authorized for the broader purpose of strengthening state and local economic development and expanding the tourism industry. If gaming is to be enacted, it should be instituted in a manner that captures, for Baltimore and Maryland, maximum economic benefit in terms of revenue, jobs and tourist attraction.

To obtain the executive summaries or the full reports of the Hunter and Reuter studies, contact Gene Bracken at 410-727-2820.