



1 sectors. We didn't use all of those but when we took our spending  
2 categories, we took multipliers applicable to different types of  
3 spending which can have rather widely different multipliers.

4           The multiplier question is an interesting one,  
5 because the range in multipliers is fairly substantial. You can  
6 go from zero, and some studies have even indicated negative  
7 multipliers, up to a full impact multiplier which would be on the  
8 order of something around two. We felt that the reality fell  
9 somewhere in between. Our study suggests that the true  
10 multiplier was about .94 for casino receipts and 97 of \$808  
11 million.

12           Some of the key aspects of the study. The data that  
13 we used for spending was not taken from pro forma reports. It  
14 was not taken from the Missouri Gaming Commission. It was taken  
15 from a survey that we sent to each of the venues asking for  
16 detailed information on what they spent their money on. So it  
17 was a little bit of unique input, not using data that was second  
18 or third hand. It was primary data.

19           We measured the so called displacement effect. That  
20 is, what kinds of spending does spending on gaming displace,  
21 which is an interesting issue and it's a key issue. We felt that  
22 it was pivotal not to simply go in and say spending times two and  
23 that's it. But rather it's spending adjusted for the  
24 displacement effect and then applying the appropriate multiplier.  
25 We actually found that for 1997 the displacement effect, direct  
26 and indirect, was almost \$700 million. So it was substantial.

27           The estimates for '97 lead to increases in output  
28 after adjusting for the displacement effect of about 760 million.  
29 This would be business spending. Increases in income of about

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1 508 million and almost 18,000 jobs. We factored into this, and  
2 one of the problems with this kind of analysis is how do you deal  
3 with the issue of capital construction that occurs over one or  
4 two years. What we did basically was used a methodology for  
5 annualizing that so we could add that onto the ongoing expenses  
6 to include the capital expenses as an ongoing. So we didn't lump  
7 the whole thing in one year but rather looked at over a life of  
8 20 years.

9 A little bit of profile on Missouri gaming, just to  
10 go through quickly. This is contained in the report that I  
11 believe you have in front of you. Largest single age 51 to 65,  
12 about 36 percent, mostly Caucasian, 84 percent. Slightly more  
13 females than males, 53 percent. 44 percent had some college, all  
14 the way through graduate degrees. 86 percent were high school  
15 graduates or above. 20 percent were professional/executive. 19  
16 percent was skilled labor; 32 percent were retired.

17 Annual income. 89 percent had incomes about 20,000  
18 and this surprised us a bit, 50 percent had incomes above 50,000.  
19 This is family income. The majority of the visits were one to  
20 five per year. We looked at it on an annual basis. 34 percent  
21 indicated that they visited one to five times. 44 percent  
22 gambled for two hours. The cruise in Missouri is two hours, so  
23 once you're on the boat, I guess you're technically classified as  
24 being there for two hours.

25 We also asked them what their gaming budget was used  
26 for. The most commonly played game was slots, 64 percent. Most  
27 common bet was the quarter slots, 45 percent. We asked them did  
28 they set a budget. 74 percent yes, they did set a budget before  
29 going. 67 percent indicated that that budget was \$50 or less.

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1 So if you take 67 percent of the 74 percent who set a budget, we  
2 have about 50 percent who indicated that they set a budget of \$50  
3 or less.

4 What would Missouri casino patrons have done more  
5 often without Missouri casinos? 40 percent would have gone to  
6 out of state casinos. So this income was brought into the state  
7 of Missouri that had previously been lost. 24 percent would have  
8 bought more lottery tickets. 15 percent would have gone to horse  
9 or dog tracks out of state. Eight percent would have spent more  
10 on bingo. And then theatre and concerts, ten percent; more  
11 vacation, eight percent; restaurant visits, six percent. It  
12 gives you sort of a profile of the Missouri gamer.

13 Turning from the direct impacts, the economics that  
14 I've talked about, let me make a few comments on some of the  
15 social impacts. Clearly it's come up before this session and  
16 it's obviously going to come up during this afternoon and clearly  
17 will come up tomorrow morning. They're very hard to measure.  
18 This I think becomes quite clear.

19 Missouri, when we did this study, was new and  
20 evolving. We have actually added several venues. So when we  
21 started in '95 the gaming industry in Missouri was clearly in a  
22 state of flux. They have since added a variety of venues. To  
23 date there has not been a study done on the social impacts that  
24 I'm aware of at least and I am surely up to date on most of the  
25 studies of gaming in Missouri, of the social cost of gaming in  
26 Missouri. It's very difficult to say that the findings in other  
27 states can apply to Missouri. I've seen indications from 1.7  
28 percent of the population to something approaching ten percent.  
29 I've seen indications of cost per gamer being something under

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1 5,000 to being something in excess of 60, 70,000. There's a huge  
2 range here that clearly needs to be addressed. I don't think we  
3 have the answer in general. We clearly did not have the answer  
4 in specific for Missouri.

5 To the extent that social costs do exist, they do  
6 have an impact. But I think that impact must be based on sound  
7 and empirical fact and methodology and not on guesses or some  
8 kind of an ideological stance. So I argue very strongly that to  
9 the extent that this Commission can encourage hard studies to be  
10 done using data, surveys and so forth, this clearly would lend a  
11 lot of credence to the debate that is taking place.

12 We did look at some of the social aspects of gaming  
13 in Missouri. Criminal activity, as was mentioned earlier. In  
14 none of the communities in which the gaming venues were located  
15 did we find any indication that there was any change in criminal  
16 activity, so to the extent that we did talk with every community  
17 and public officials in every venue.

18 Infrastructure needs for the support of venues is  
19 entirely done by the venue. That is, the venue commits to making  
20 the appropriate infrastructure and putting it in place before  
21 they come in. That's part of their package. It's not part of  
22 the package for the home dock city. Induced demand for more  
23 public services, particularly police and fire, I should note that  
24 in Missouri the full enforcement costs are borne by the venues;  
25 that is, they pay something upwards of about \$10 million a year  
26 for the cost of the highway patrol to be on the venues and  
27 provide the enforcement that is necessary for the venues  
28 themselves.

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1           Is there some additional cost for the home dock  
2 cities in terms of additional fire and additional police? Yes.  
3 Did we find that it was substantial? No, we did not. Public  
4 subsidies would be another aspect of the social cost. Do these  
5 boats, through these venues, get subsidized by public funds that  
6 could go to other purposes? In Missouri, the venues do not  
7 receive any public subsidies, for example, TIFs. TIFs are now a  
8 major point of controversy in Missouri and in the St. Louis area.  
9 Everybody wants a TIF for virtually everything. Statutorily, and  
10 I have some of the statutes with me, gaming venues are not  
11 permitted to take advantage of many of the kinds of subsidies  
12 that many other businesses coming into the state of Missouri  
13 would be able to take advantage of.

14           Problem gamers, obviously an issue which is worth  
15 consideration. Let me just mention a couple of points. One, as I  
16 said earlier, we don't really have a handle on that in Missouri.  
17 Is it something that needs to be done? Yes. We did not do it in  
18 part because the industry was in a state of flux. The first  
19 point I would raise is, if you have 1.7 percent of your  
20 population that's a problem gamer, what's the problem? Is it  
21 riverboat? Is it lotteries? Church bingo? Is it sports or is  
22 it someone who will bet on anything no matter what the situation?  
23 I think you need to differentiate between different types of  
24 problem gamers and what their problem is.

25           The second point I'd like to make is Missouri does  
26 have in place programs that deal with the problem gaming issue.  
27 They have an 888 number. I guess they've run out of 800 numbers.  
28 888-BETS OFF, where you can call and get counseling. This  
29 started in January of '95. You get up to 20 hours of counseling

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1 by a trained counselor in gaming addiction, as long as your  
2 insurance does not cover this, it's free, no charge. If you need  
3 more than 20, you can come back and get more than 20 hours. To  
4 date, out of 22 million admissions, 150 people have taken  
5 advantage of this program. They also have a Missouri program  
6 whereby people can put themselves on a list that excludes them  
7 from being permitted on the venue. There are 300 people on the  
8 list in the various venues in the state of Missouri as of  
9 present.

10 Let me in closing indicate how the gaming venue funds  
11 in terms of taxes are used in Missouri. All state funds from  
12 gaming, this is not only riverboat gaming but constitutionally  
13 riverboat, lottery and bingo, all funds in Missouri are earmarked  
14 for education, K through 12 and higher education. They're  
15 constitutionally earmarked for gaming, they are statutorily  
16 appropriated on a year by year basis. So whether it goes to K  
17 through 12 or higher is determined by the legislature, but it  
18 must go into either K through 12 or higher education.

19 The 18 percent tax that the state receives from  
20 gaming at present accounts for about ten percent of the school  
21 foundation formula, and in the most recent year it accounted for  
22 almost 50 percent of the new money that went into the school  
23 foundation fund. The one dollar admission fee is used to support  
24 the Missouri Gaming Commission. That's about 30 percent. The  
25 other 70 percent goes into the so called veterans capital  
26 improvement fund which is a fund earmarked for improvement of  
27 facilities for veterans.

28 Local funds, they receive two percent, total tax is  
29 20, 18 percent state, two percent local that goes to the home

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1 dock city and then the one dollar admission fee, \$2 is split, one  
2 dollar state, one dollar local. It's pretty much used at the  
3 discretion of the locality. In surveying the various localities  
4 what we found is that virtually none of them had built this into  
5 the operating budget, but rather they were using this money on  
6 capital expenditures, one time expenditures to improve roads or  
7 to improve other things that were necessary in that particular  
8 community.

9 Thank you.

10 CHAIRMAN JAMES: Thank you.

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