

## The gambling industry's sloppy and self-interested study

*The Kentucky Chamber of Commerce report, conducted and funded by the gambling industry, employs questionable math and exaggerated assumptions.*

On Monday, the Kentucky Chamber of Commerce released a study of the prospective benefits of casino gambling. The study was paid for by a consortium of horse track interests, including Churchill Downs and Keeneland, and conducted by the Spectrum Gaming Group of New Jersey, a pro-casino research business.

**SUMMARY:** The numbers produced by the gambling industry study concerning state revenue and jobs are severely overstated, and the report does not even attempt to include other information that policymakers need in order to make informed decisions about expanded gambling in Kentucky, such as the costs associated with expanded gambling.

**There is no cost-benefit analysis in the study.** Costs, in fact, are never even considered. The analysis does not even address the question of the migration of jobs from other businesses to the casinos, and there is no mention of the costs to society of the migration of money from the consumer economy to casinos.

**The report makes assumptions about the level of gambling by Kentuckians that is not only unsupported, but unsupportable.** The study predicates that revenues will be \$1.14 billion. It also assumes that a new track will be built in London or Corbin to tap out Knoxville, TN. Since the "hold" for casinos is usually about 10%, that means that Kentuckians will have to gamble approximately \$10 billion to generate \$1.14 billion in revenue. Even with re-spending of money won (called thrashing), that figure is simply unrealistic.

**The report uses statistical tricks to overstate tax revenue.** The study assumes a tax rate of 40.65% which would, it asserts, generate \$465 million for the state. But the tracks will receive back \$164.6 million for purses and the breeders' fund. This places the effective tax rate at 26.35%, not 40.65%, and lowers the amount kept by the state to just a little over \$300 million (a figure that still assumes the unreasonable assumption of the level of gambling mentioned above). This trick also reduces the costs for the tracks and increases their profits dramatically.

**The report's grossly exaggerated revenue figure would result in the ludicrous conclusion that Kentucky would make more money than most states now engaged in casino gambling.** The study's claim of \$1.14 billion in revenues would exceed the revenues of all the large casino states except those that have more than nine casinos (the number being discussed in Kentucky), have larger populations, and many of which are much wealthier. This projection is totally unrealistic.

**The report exaggerates the number of new jobs that would result.** The nine casinos will supposedly employ 11,000 people. But this would exceed the same

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figure in all but Indiana, Louisiana, Mississippi, Nevada, New Jersey and Pennsylvania. The number and wages paid are both inflated.

The multiplier effect that is supposed to produce a positive economic impact of \$1.7 billion is based on unverifiable assumptions. But since every other figure in the report is inflated, it would be hard to place a great deal of confidence in that either.

Finally, the report's analysis is completely static: it does not address where all this money comes from. The negative economic effects of casinos are completely ignored.