



The Commonwealth of Massachusetts

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Dear Colleagues,

The Greater Boston Chamber of Commerce has released an independent report that, at face value, affirms much of the Governor's revenue and permanent job creation figures. I believe this is an independent evaluation done by consultants with no ties to the gambling industry.

However, this is also their first attempt to look at the casino issue. As such, they used studies that have been called into question in the past. I am not surprised that their numbers are close to the Governor's own figures because they used the same underlying numbers used by the Governor's staff from such resources as the Center For Policy Analysis at UMass Dartmouth.

If we were to use these same studies as the basis for our deliberations, we would reach the same conclusions. However, I, and others have called these figures into question in the past and continue to question their validity. Of the handful of studies cited in the chamber's report, the majority of them either come directly from casino interests themselves, or, like the UMass Dartmouth study, are based on faulty research techniques, inaccurate numbers, and questionable conclusions. So while I believe that this is an honest attempt to reach an answer on revenue figures, I believe it is flawed and contradicts other studies available.

Second, while I question their conclusions, there has never been a question over the creation of a revenue stream from casinos. If you build them, people will spend money. However, there is a vast difference between revenue and economic development and the administration fails to realize this. Concerning revenues, we must ask two questions:

Where does this revenue come from?

How much does it cost to get it?

On the first question, the chamber study uses their questionable data to look at recapture rates from outside of Massachusetts. These figures are not supported by studies done in other states. There is a University of Rhode Island study that indicates they are wrong on this recapture rate. Also, a Federal Reserve Bank study that indicates that much of the money (perhaps as much as 75%) spent at a casino is already spent in our economy – and is transferred from local restaurants, bars, entertainment venues and the Lottery. This economic redirection cannot be counted as “new” revenue as the administration has stated time and again.

On the second question, our Committee has looked at cost centers to the state in order to bring casinos into Massachusetts. These cost centers are, to name a few, costs of a gaming commission, of increased public safety, of socio-economic impact from the growth of compulsive gambling, of loss to the bottom line of the lottery, and the loss of jobs through economic shift. The chamber study does not attempt any in depth analysis of these costs to the Commonwealth. We will examine these more over the next few weeks.

This chamber study is also silent on the loss of jobs elsewhere in our economy as money is shifted towards casinos. We have information and testimony from numerous cities and states that indicate that this shift is dramatic, given the vacuum effect that casinos have on local consumer spending. Consider that in Cripple Creek, Colorado, there were 60 retail and restaurant establishments prior to the advent of casinos in the area. That number is now less than five. The administration not only ignores this, but has stated on several occasions that casinos will grow other businesses. Sadly, this is not the case. Not only are jobs lost, we get less economic activity from our spending.

The chamber study expressed frustration at the lack of information concerning the social costs of gambling. We agree. However, we do note that regardless of the lack of studies, this number is big and we need to factor this into any deliberations on the subject.

The chamber study falls into the same trap as the administration of looking to substitute casino profits for lottery losses. The problem here is that we make more from every dollar played on lottery products than we would from casino profits. That means that far more dollars need to be played in a casino simply to run in place with losses from the lottery. This factor alone calls into question the revenue figures from casinos.

Finally, the chamber study is a static analysis of the revenue impact should we enact casino legislation. We have to look at other factors. If we go from two to five casinos in New England, what is the saturation point? If Connecticut decides to expand or increase competition in order to keep market share, which they are already planning to do, what does that do to casino success in Massachusetts? These are just a few issues, there are far more.

Casino legislation is very complex. One of my frustrations is that each time we question the assumptions of the administration’s bill, we get the same sales pitch repackaged instead of solid backup data. Some people think that if you say something enough times, it becomes the truth. We are here to be the arbiters of what is sound public policy. We

need to take that seriously and we need to do so with information with which to back up our conclusions. Sadly, the Patrick Administration has not done this. We cannot ignore these questions in an eagerness to rush towards increased revenues that may not exist.

Sincerely,

Daniel E. Bosley

Chairman

Joint Committee on Economic Development and Emerging Technologies