

**THE NELSON A.
ROCKEFELLER
INSTITUTE
OF GOVERNMENT**

Trends/Issues in Gambling Revenue to the States

Presentation to the
Gaming Study Commission,
State of New Hampshire

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Overview

- ❖ **National trends in gambling revenue**
 - **Growth in gambling revenue compared to growth in tax revenue & expenditures**
- ❖ **Gambling revenue trends in New England**
- ❖ **Points for consideration by policymakers, focusing on fiscal issues**

For the first time, a smaller jackpot

- ❖ **State-local revenue from lotteries, casinos and other gambling operations declined 2.6% in 2009 (Rockefeller Institute data)**
 - **The first such decline in total gambling revenues in at least three decades**
 - **Lotteries were down an estimated 2.3%, casinos down 8.5%, racinos up 6.7%**
 - **That 2.6% compares to 8.2% decline in overall tax revenues from 2008 to 2009**

Lotteries still the big game, by far

States' revenue from selected sources, FY 2008 <i>rounded to billions of \$</i>	
Lotteries	\$18
Casinos	5
Racinos (incl. VLTs)	3
All gambling	\$24
Personal income tax	\$279
General sales tax	240
Corporate income tax	51
Motor vehicle fees	22

Notes on data

- ❖ **Comparable data on states' lottery revenues, from Census, go back to 1977**
- ❖ **Rockefeller Institute staff collected fiscal 2008 and 2009 data from states (40 of the 42 states with lotteries)**
- ❖ **No source of comparable data on revenue from Native American casinos, so we omit in our report; but I include CT figures here**

Comparing growth in revenues

- ❖ From 1998 to 2008, state revenue from lotteries, commercial casinos, racinos and parimutuel betting rose \$9 billion, or 60% (average annual growth just under 5%)
- ❖ New sources of gambling generated at least \$2.3 billion of the growth
 - Subtracting that brings ‘same-source’ growth down to around 43%
 - Tax revenue rose 65%, even after cuts

Comparing growth in revenues, II

- ❖ **Some growth in gambling revenue likely supplanted growth in sales and other taxes, with dollars redirected to gambling**
 - **No clear way to estimate how much, but this further reduces the growth estimate**
- ❖ **Meanwhile, states' expenditures rose 84%**
 - **Conclusion: Gambling revenue growth will likely lag well behind the growth from traditional taxes, and in spending**

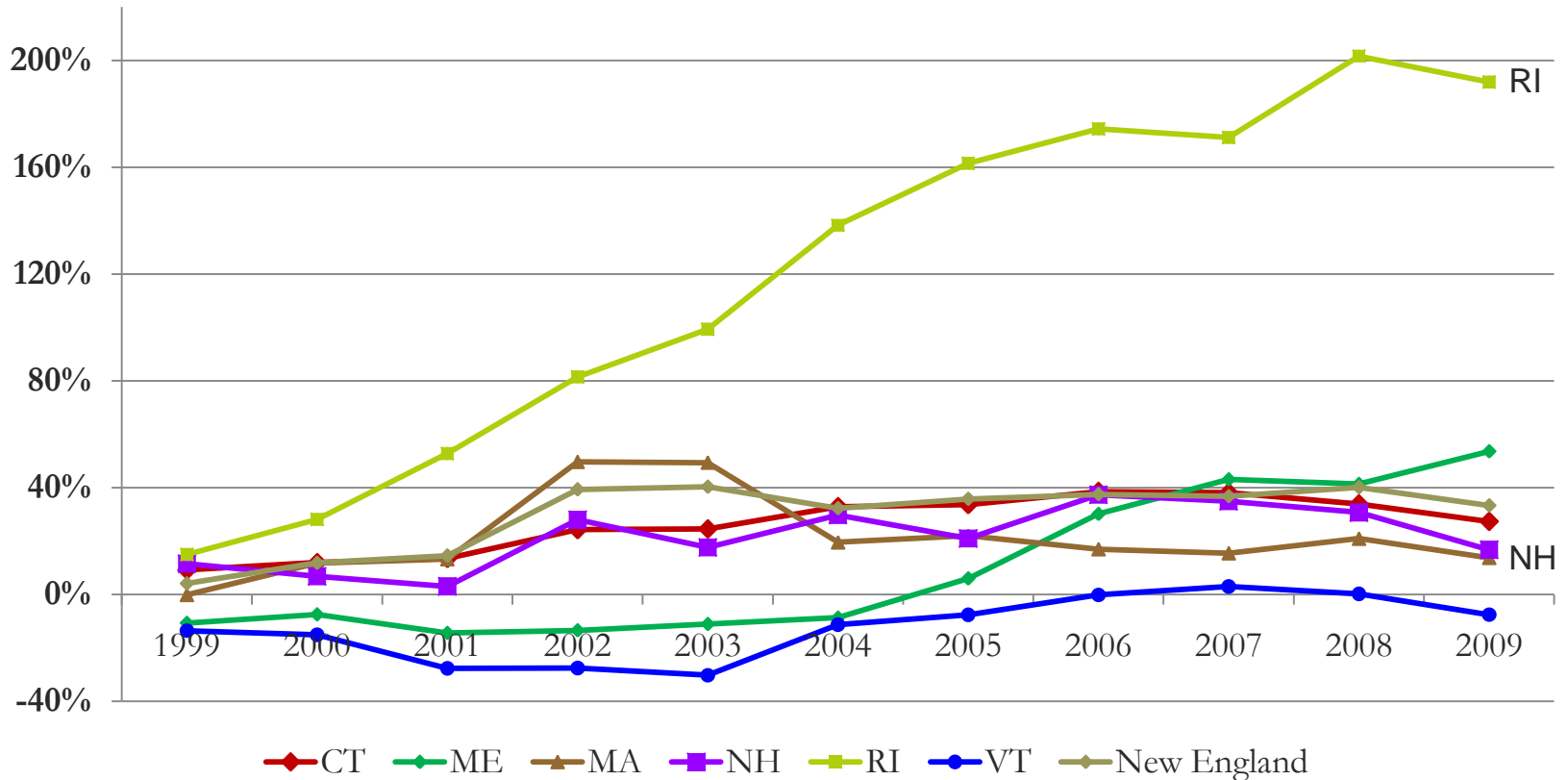
New England comparisons

State	Share of 50-state gambling revenue & rank		Gambling revenue share of own-source revenue & rank	
Rhode Island	1.5%	22	7.7%	3
Connecticut	2.9%	14	4.5%	9
Massachusetts	3.8%	11	3.0%	17
New Hampshire	0.3%	37	2.2%	22
Maine	0.3%	39	1.5%	30
Vermont	0.1%	42	0.7%	39
U.S. average	100%		2.3%	

New England comparisons, II

State	Gambling revenue per resident above 21, rank		Gambling revenue as % of personal income, rank	
Rhode Island	\$463	3	0.8%	3
Connecticut	\$273	5	0.4%	10
Massachusetts	\$191	11	0.3%	17
Maine	\$71	27	0.2%	25
New Hampshire	\$78	25	0.1%	29
Vermont	\$49	33	0.1%	33
U.S. average	\$112		0.2%	

Gambling revenue growth, 1999-2009



What drives revenue growth?

- ❖ **Growth in the economy drives some increase in lottery, casino and other gambling revenue. But any strength in the industry so far in 2009 ‘was due largely to the growth in new jurisdictions’**
-- Gaming & Resort Development Inc. report
- ❖ **Expansion in gambling opportunities also drives growth in state gambling revenue, until a saturation point is reached**

Points for policymakers

- ❖ **More gambling tends to increase revenue**
(no attempt to measure social costs here)
- ❖ **Some new revenue may represent a shift, rather than net growth**
- ❖ **Revenue will grow slowly, likely not keep pace with tax revenue, or with spending**
 - **If gambling revenue is intended to support a share of the overall budget, gaps may emerge in future years**



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