

Gambling Establishments and the Montana Economy

The Data

In the past, gambling establishments' revenue and employment information has been included in the statistics of a variety of business categories, such as gas stations, amusement parks, and restaurants and lounges. However, as a result of conducting this survey, new data on the gambling industry are now available. Some information duplication and overlap will occur when the survey data is compared to information for trade and service industries, because gambling establishment statistics cannot be identified and eliminated from the other sources.

State Gambling Establishments Analysis

Montana's 16,300 gambling establishment workers make gambling one of the largest industry categories in the state. In 1997, about 8,000 Montanans were employed in the wood and paper products industry; 5,300 in mining; 32,400 in health services; 6,200 in banking; and 35,000 workers in agriculture, including people who are self-employed (Montana Department of Labor and Industry).

Gambling establishments make sizable purchases from other sectors of the economy. Based on the survey findings, gambling establishments in 1997 spent:

- \$23 million on utilities;
- \$21 million for advertising;
- \$14 million in rent (not including VGMs);
- \$10 million for insurance;
- \$3 million on professional services; and
- \$2 million in repairs.

In addition, Montana gambling establishments reported paying about \$22 million in interest payments. Approximately 54 percent of the establishments had real estate or other debt. About 98 percent of the listed real estate debt holders had a Montana zip code; none of the other debt holders were from out of state. Most Montana banks, which were frequently reported as debt holders, are part of national corporations.

Taxes paid by gambling establishments could not be reliably estimated because the survey estimate could not be reconciled with published totals. The questionnaire was designed before the interlocking ownership of VGM vendors and gambling establishments was identified. As a result, the Gambling Machine Tax may have been assigned to the vendor business, rather than the gambling establishment. In addition to the Gambling Machine Tax, these businesses must also pay state, local property, and other taxes.

Establishments and Economic Growth

Changes in gambling establishments' revenue or employment will not affect the Montana economy in the same way as changes in agriculture, mining, wood and

paper products, nonresident travel, or other basic industries. Specifically, revenue and employment changes in gambling establishments—except those associated with nonresident spending—will not make the Montana economy larger or smaller or cause it to grow faster or slower. Basic industries are those that primarily sell their products outside the state and are responsible for injecting new funds in to the local economy, which create additional jobs and incomes (via the “multiplier”) as they are spent and respent. Basic industries are the major cause of growth (or the lack of growth) in the Montana economy.

Only those gambling expenditures made by nonresidents are a net injection into the states' economy, and will create additional impacts via the multiplier. These nonresident gambling expenditures are equivalent to tourists' spending, and have been included in published totals for the nonresident travel industry, as estimated by The University of Montana's Institute for Travel and Tourism Research.

As was reported earlier, gambling expenditures by nonresidents were only \$10 million in 1997, out of total gambling expenditures of approximately \$239 million. These expenditures of \$10 million translate into about \$1.7 million in labor income. Labor income, rather than sales or employment, is commonly used to measure and compare basic industries because it is readily available and takes into account the different industry wage levels.

In comparison, 1996 labor income in other basic industries was (Polzin 1998):

- \$246 million for agriculture (1996 was a poor year);
- \$332 million for wood and paper products; and
- \$290 million for mining.

Therefore, nonresident gambling is very small compared to these other basic industries (less than one percent), and has a minor impact on the Montana economy (even considering the usual multiplier of 1.0 to 2.0).

Gambling may be an important contributor to economic growth in other states. This is especially true for areas with destination casinos drawing many nonresidents. If Montana develops destination casinos or otherwise attracts more nonresident gamblers, gambling may become a larger component of the state's economic base.

Changes in Montana gambling establishments' revenue or employment will affect their linked industries, such as suppliers of advertising and insurance. However, except for changes due to nonresidents, there will be no overall impact on the state economy, because decreases in one industry will be approximately counterbalanced by increases in other industries.

Similarly, the fluctuations in indirect taxes—income and property taxes—associated with changes in revenue and employment of gambling establishments and their

linked industries will theoretically be counterbalanced by opposite changes elsewhere. Only fluctuations in direct gambling taxes, such as the Video Gambling Machine Tax, will have net effects.

Gambling products manufacturers are a different story. They appear to sell most of their products outside the state, and to the extent this is true, these manufacturing jobs and labor income are one of Montana's basic industries. These firms are included in published figures for Montana basic industries in the "other manufacturing" category (Polzin 1998).

Community Analysis of Gambling

VGM gambling in Montana was disproportionately concentrated in Cascade (Great Falls), Lewis and Clark (Helena) and Butte-Silver Bow counties. Rural areas, as measured by the 49 smallest counties, had relatively less VGM gambling. In general, gambling establishments derive most of their revenue from non-gambling sources, and their location may depend on many factors.

Video gambling machine taxes—which are directly related to VGM activity—that were distributed to governments in Cascade County totaled about 11.3 percent of the statewide total, as reported in Table 1. In contrast, the county's population was approximately 9.0 percent of the state total, and wage and salary employment—one measure of overall economic activity—accounted for 8.9 percent. Gambling establishment employment was 21.5 percent of the state total, closer to the percentages for population and employment.

Similar to Cascade County, VGM tax percentages in Yellowstone and Butte-Silver Bow counties were higher than the corresponding population and wage and salary employment figures. The lowest concentrations of VGM activity were in Gallatin (Bozeman) and Yellowstone (Billings) counties, where the percentage of statewide VGM tax distributions were well below the corresponding figures for population and total wage and salary employment. Flathead County (Kalispell) had a very small percentage of gambling establishment employment.

Governments in Montana's 49 smallest counties received about 32.4 percent of the distributed VGM taxes. The population of the counties was approximately 41.5 percent of the state total, and the corresponding figure for employment was 33.8 percent. Gambling establishment employment in these counties was 35.5 percent of the statewide figure.

References

Montana Department of Labor and Industry, 1998. Internet site <http://jsd.dli.mt.gov/lmi/lmi.html> (accessed 8/20/98).

Montana Gambling Control Division.

Paul E. Polzin. 1998. "Montana Growth Stabilizes," *Montana Business Quarterly*, 36 (1).

**Table 1
Gambling Employment, VGM Taxes, Total Employment and Population
Selected Montana Counties, 1997**

County	Gambling establishment employment		Countywide* employment		VGM taxes		Population	
	Number	Percent	Number	Percent	Amount [in thousands]	Percent	Number [in thousands]	Percent
Yellowstone	2,000	12.3	59,492	16.7	\$4,209	18.7	126	14.3
Cascade	3,500	21.5	31,608	8.9	2,553	11.3	79	9.0
Lewis and Clark	1,100	6.8	27,226	7.7	1,435	6.4	53	6.0
Butte-Silver Bow	700	4.3	14,688	4.1	1,423	6.3	34	3.9
Gallatin	1,000	6.1	29,635	8.4	1,096	4.8	61	7.0
Missoula	1,700	10.4	43,716	12.3	2,470	11.0	89	10.1
Flathead	500	3.1	28,801	8.1	2,061	9.1	72	8.2
All other counties	5,800	35.5	119,278	33.8	7,274	32.4	365	41.5
Total Montana	16,300	100.0	354,444	100.0	\$22,511	100.0	879	100.0

*Wage and salary employees only.

Sources: Bureau of Business and Economic Research, The University of Montana-Missoula; Montana Report of Labor and Industry; Montana Gambling Control Division; U.S. Bureau of the Census.