

Frequently Asked Questions

Economic & Fiscal Impact of Casinos in South Central Kansas

How do I obtain a copy of the full report?

- A PDF copy of the full report is available on the Center's homepage at <http://wichita.edu/cedbr> in the Special Reports text box. The PDF document can be downloaded and distributed and/or copied freely.

What organization funded the study?

- The Center did not receive any outside funding to conduct this analysis.

Why did you conduct the study?

- First and foremost it is part of our mission. The stated mission of the Center for Economic Development and Business Research (CEDBR) is to be an "essential partner in the region's economic development process by conducting high-quality, objective research on issues related to the community's current and future economic well-being."
- Second, the Center has received numerous informal requests from a variety of public, private and nonprofit organizations to provide an analysis of the potential economic and fiscal impacts of a south central Kansas casino. Two pro-casino groups requested formal proposals to commission a study (one from Sedgwick Co. and the other from Sumner Co.). Given the inherent conflict of interest between the two parties requesting the study, we felt it would be inappropriate to accept money from either group.
- Finally, while the Kansas Lottery-funded analysis of the fiscal and economic impact of gaming conducted by Christiansen Capital Advisors, LLC addressed potential casino gaming revenues for a Wichita location, the analysis did not address the fiscal and economic impacts on the government entities within the south-central zone. As we stated in our report, part of the purpose of our analysis was to extend and build upon previous studies about this issue.

Who has expressed an interest in the study results?

- "As director, I have communicated with numerous individuals about the report. Some folks liked it. Some folks did not. Most people simply wanted me to address questions about the methodology so they could better understand the results." - Janet Harrah, director
- Several professional and civic groups have requested that the Center's staff make presentations to their organizations to explain the study's results in greater depth. [Time and schedules permitting the Center staff would be pleased to speak to your organization or business. The Center does not charge any fee for this service.]

Does Janet Harrah have any financial interest in the Harrah casinos?

- "No one in my family has a financial interest in Harrah's or any other casino unless it would happen to be a part of my 401K mutual fund portfolio."
-Janet Harrah, director

Why did CEDBR include the social costs? Does the Center usually look at social costs?

- The overriding reason we included an analysis of social costs was because the state of Kansas explicitly acknowledges the social costs of gaming by setting

aside 2% of gaming revenues to be directed toward "the problem gambling and addictions grant fund established by K.S.A. 2006 Supp. 79-4805" as outlined in SB66.

- Additionally, from an accounting perspective, if the analysis includes the revenue benefits to address social costs then the analysis also needs to include estimates of the social costs that the revenues are designed to offset.
- As the report states on page 14: "*Fiscal impact analyses calculated by CEDBR typically only consider the basic fiscal analysis (BFA) and substitution effects (SE). However, casino development discussions tend to include analysis on additional fiscal costs (FC) and social costs (SC) that result in conjunction with casino operations.*"
- We very often acknowledge the existence of social impacts (both benefits and costs) in our reports. However, in most cases sufficient data do not exist to quantify those social costs/benefits. In the case of casinos, a large body of research exists which enables the estimation of these social costs.

Is this analysis comparable to a typical economic development analysis conducted by CEDBR such as the analyses conducted for the Greater Wichita Economic Development Coalition?

- Yes, a standard CEDBR fiscal analysis would be analogous to the substitution effect scenario (SE) shown in the report.
- As shown in Tables 16 – 19, using the typical fiscal analysis methodology, a casino would have very positive benefit-cost ratios regardless of the location within the south central zone (the Substitution Effect scenario).
- We looked at these four scenarios because they help explain the "dueling" studies. Often the differences can be explained by which costs are or are not included in the analysis.
- As shown in Tables 16-19, under scenarios Basic Fiscal Analysis (BFA) and Substitution Effect (SE) all relevant ratios meet or exceed the breakeven point, as well as the 1.3 economic development guideline used by Wichita/Sedgwick Co. On the other hand, most of the ratios for the Fiscal Costs (FC) and Social Costs (SC) scenarios do not meet the breakeven threshold.

Does the report look at total social costs or marginal social costs?

- The costs used in the benefit-cost ratio analysis include marginal social costs only (see pg. 7).

Does the report estimate social benefits of casino gaming?

- The report examines the fiscal/financial benefits to government and employees of the casino.
- On page 22 the report notes: "*Potential social benefits of a casino hotel are difficult to value and were therefore not estimated. These benefits could include an increase of entertainment options for the community or an increase in the number of conventions due to the attraction from a casino hotel.*"

Can you explain the substitution effect concept more fully?

- The substitution percentage can range in value from 0% to 100%. A 0% substitution percentage would imply that all dollars spent at the casino are currently NOT spent in other establishments in the south-central gaming zone. In other words, all casino revenues are new to the community. A 100% substitution percentage would imply that all dollars spent at the casino

ARE currently being spent at establishments in the south-central gaming zone. In other words, there are no new dollars being spent at the casino – existing community expenditures are simply being spread across an additional business. Neither of these two extremes is a likely outcome.

Do you usually include a substitution percentage in a CEDBR fiscal analysis?

- Yes, every fiscal analysis conducted by CEDBR includes a substitution percentage ranging in value from 0% to 100%.

Why would spending my money at the casino impact the economy any more or less than spending my money at the grocery store?

- The impact is not on the overall economy. The impact is to government revenues. If all else is equal, as residents of Sedgwick County substitute retail spending, which is taxed at 7.3 percent, for gaming spending, which is taxed at 27 percent, total government tax collections rise. In other words, a greater proportion of the resident’s discretionary spending dollar is consumed by taxes. An example best illustrates this point. Assume the average household making \$40,000 per year spends \$20,000 on goods and services subject to the retail sales tax. That would generate \$1,460 in retail sales tax collections. Assume the same household diverted \$1,000 a year to casino spending that would generate \$1,657 in total tax collections (\$1,387 in sales tax collections and \$270 in gaming revenue tax collections), a net gain in collections of \$197 or 13.5 percent.
 - $\$20,000 * 0.073 = \$1,460$
 - $(\$19,000 * .0073) + (\$1,000 * .27) = \$1,657$
 - $\$1,657 - \$1,460 = \$197$

What is the estimated impact of a casino on state and local government budgets?

- Using the fiscal cost analysis scenario, which includes costs typically paid for by government entities, for a downtown Wichita location (see pg. 15, Table 16):

Downtown Wichita Casino		
Impact on Government Budgets in Year 1		
Fiscal Cost (FC)		
City of Wichita		
Wichita budget 2006	\$201 million	
FC gap (scenario 3)	-\$6 million	-3%
Sedgwick County		
Co. budget 2006	\$172 million	
FC gap (scenario 3)	-\$5.8 million	-3.4%
State of Kansas		
Kansas budget 2006	\$4.518 billion	
FC gap (scenario 3)	\$20 million	+0.4%

How significant is the gap between benefits and costs in relation to the overall economy?

- Using the social costs analysis scenario, which includes costs typically born by government and those costs typically born by individuals and businesses (see pg. 15, Table 16):

Downtown Wichita Casino		
Impact on Overall Economy in Year 1		
Social Cost (SC)		
City of Wichita		
Total personal income	N/A	
SC gap (scenario 4)	-\$36.5 million	N/A
Sedgwick County		
Total personal income	\$16.2 billion	
SC gap (scenario 4)	-\$36.3 million	-0.2%
State of Kansas		
Total personal income	\$90.3 billion	
SC gap (scenario 4)	\$11.1 million	+0.1%

What is the estimated impact of a casino on Sedgwick County retail sales?

Downtown Wichita Casino		
Impact on Sedgwick County Retail Sales in Year 1		
<i>Source of total casino revenues (gaming, hotel, retail sales etc.)</i>		
Reshuffling existing market dollars	\$176,019,353	73%
Retained gaming dollars	\$50,635,704	21%
New gaming dollars	\$14,467,344	6%
Total casino revenues from all sources	\$241,122,402	100%
Total Sedgwick County taxable retail sales 2006	\$6,952,860,962	
Estimated change in taxable sales for existing Sedgwick County businesses	(\$176,019,353)	
Change as a percent of total retail sales	-2.5%	

The first portion of this table is a break down of casino revenues by source:

- Reshuffling of existing market retail dollars (substitution): these are retail dollars that would have been spent at other existing retailers in Sedgwick County, but would be spent at the casino instead.
- Retained gaming dollars: these are dollars that would be spent at a Sedgwick County casino instead of at casinos outside the market.
- New gaming dollars

The second portion of this table estimates the change in total retail sales to existing business in Sedgwick County at \$176 million.

Does the report account for retained gaming dollars?

- Yes, see the data table above.

Does the report address the impact of casinos on tourism?

- The report addresses tourism in several areas. First, the study estimates the number of casino visitors from out of town (see estimates below). Second, in estimating the benefits of the casino hotel, the impact of room revenue and the resulting retail sales and transient guest taxes are included in the analysis. Third, the report addresses the possible impact on the attraction of additional convention business, but the analysis does not include any estimates of these potential additional revenues.
- Percentage of visitor trips from beyond 50 miles
 - Wichita location 27%
 - Wellington location 33%
 - Unincorporated Sedgwick Co. location 31%
 - Unincorporated Sumner Co. location 34%

Does the study look at the impact of casinos on lottery revenues?

- No the study does not estimate changes in current lottery revenues to the state that may be affected by the substitution effect of casino gaming.

Does the study look at the impact of slot machines at Wichita's Greyhound Park? If not, why not?

- The study does not include the potential impact of slots at the race track (referred to as racinos in SB66). There were two reasons for this. First, the analysis was designed to look at the impact of various casino location options within the south-central zone. The racino, if approved by the voters, has only one current location option, Wichita's Greyhound Park. Therefore, both the racino and lottery analyses were excluded in order to maintain the focus of the analysis on the differences among the various location options.
- However, for those interested in the potential impact of the racino, a report conducted by GVA Marquette Advisors estimated that if a racino were to open it would reduce the casino gaming win by approximately \$22 million annually (see pg III-10). A report conducted by Christiansen Capitol Advisors LLC, assuming a facility with 800 slot machines and varying levels of competition, estimates that Wichita Greyhound Park could generate between \$69.9 million and \$68.3 million in gross gaming revenue from slot machines (see pgs. 62 and 84). Furthermore, the study notes "From a fiscal perspective racinos are a wash. CCA project that three destination resorts and five racinos could generate up to \$898 million in gaming revenue. Three destination resorts alone would recapture much of the racino revenues and generate approximately \$887 million in gaming revenue" (see pg. 104).

How does the CEDBR study compare to the GVA Marquette Advisors study of a downtown Wichita casino?

- To view a PDF document comparing these two studies click [here](#). Like the Center's full casino report, this comparison document is available for download via the Center's homepage.