

## More Frequently Asked Questions

### Economic & Fiscal Impact of Casinos in South Central Kansas

#### ***How was the baseline number of pathological and problem gamblers (PPG) determined?***

There have been several studies conducted estimating the number of baseline PPG prior to instituting casino style gaming. Despite being somewhat dated, the most frequently cited study is the 1976 U.S. Commission on Gambling report. That study indicates that the baseline of PPG begins at 0.77 percent for pathological gamblers. The magnitude of change in these estimates was reconfirmed by a 1999 study carried out for the National Gambling Impact Study Commission, which concluded that "access to a casino within 50 miles (versus 50 to 250 miles) was associated with approximately double the rate of pathological gambling (2.1% compared to 0.9%)."<sup>1</sup> The Iowa Department of Human Services 1989 and 1995 longitudinal studies data were used by CEDBR to calculate a 0.93 percent baseline for problem gamblers. Given that the demographics of the south-central zone closely mirror that of the U.S. overall, it is reasonable to assume that the U.S. average is similar to that of the south-central zone.

#### ***How did the estimated number of pathological and problem gamblers change after instituting casino style gaming?***

There have been numerous studies conducted on communities across the country estimating the increase in PPG after instituting casino style gaming. Most reports include two separate estimates. The first is an estimate of the lifetime prevalence of PPG. This estimate includes the number of people that will have a problem with gaming at any time during their life. The second is an estimate of the current prevalence of PPG. This estimate includes the number of people that have a gambling problem at any one point in time. In its analysis, CEDBR used a current prevalence rate estimate of 1.5 percent for its calculations of pathological gamblers and a current prevalence rate of 3.9 percent for its calculations of problem gamblers after instituting gaming.

#### ***Does the report include total social costs or marginal social costs?***

- The costs used in the benefit-cost ratio analysis include marginal social costs only (see pg. 7).
- The social costs included in the analysis include only those incurred by residents of Sedgwick and Sumner counties. Increased social costs that may occur in surrounding counties such as Butler or Cowley were not included in the analysis.
- Before gaming the current prevalence rate for pathological gamblers was estimated at .77 percent. After gaming the current prevalence rate was estimated at 1.5 percent. Therefore, the estimated increase in the current prevalence rate for pathological gamblers is .73 percent ( $1.5\% - 0.77\% = 0.73\%$ ). This increase represents approximately 5,228 new pathological gamblers within a 50-mile radius of the downtown Wichita location.
- Before gaming the current prevalence rate for problem gamblers was estimated at .93 percent. After gaming the current prevalence rate was

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<sup>1</sup> Volberg, Rachel A., *Fifteen years of problem gambling prevalence research: What do we know? Where do we go*, The Electronic Journal of Gambling Issues, February, 2004, pg. 4.

estimated at 3.9 percent. Therefore, the estimated increase in the current prevalence rate for problem gamblers is 2.97 percent ( $3.9\% - .93\% = 2.97\%$ ). This increase represents approximately 21,270 new problem gamblers within a 50-mile radius of the downtown Wichita location.

***Calculating Social Costs Used in CEDBR Analysis***

- Step 1. Determine the population in the south central zone and forecast population for 20-year study horizon.
- Step 2. Apply baseline PPG percentages to estimate number of PPG prior to instituting gaming.
- Step 3. Multiply number of baseline PPG times \$11,617 (pathological) and multiply number of baseline PPG times \$3,311 (problem). This number equals the baseline costs of PPG.
- Step 4. Determine the population in the south central zone and forecast population for 20-year study horizon
- Step 5. Apply the post gaming PPG percentages to estimate number of PPG after instituting gaming.
- Step 6. Multiply number of post gaming PPG times \$11,617 (pathological) and multiply number of post gaming PPG times \$3,311 (problem). This number equals the total costs of PPG after instituting casino style gaming.
- Step 7. Calculate marginal social costs of gaming by finding the difference between the sums calculated in steps 3 and 6.
- Step 8. Allocate resulting marginal costs calculated in step 7 to appropriate levels of government, businesses, and individuals.
- Step 9. Subtract social costs for surrounding counties within the 50-mile radius from figures calculated in step 7 to exclude costs not incurred by residents of Sedgwick and Sumner counties.

***If the CEDBR estimates about PPG before and after instituting casino style gaming are wrong what is the impact on the analysis?***

There are numerous estimates that have to be made in calculating social costs. The matrix below looks at some of the various estimates and the impact of changing the magnitude of those estimates.

	<b>CEDBR Analysis</b>
Baseline percentage of PPG (pathological)	0.77%
Baseline percentage of PPG (problem)	0.93%
Post gaming percentage of PPG (pathological)	1.50%
Post gaming percentage of PPG (problem)	3.90%
Annual cost of PPG (pathological)	\$11,617
Annual cost of PPG (problem)	\$3,311
<i>Impact on marginal increase in social costs: <b>changing baseline percentage of PPG</b></i>	
Increase baseline percentage	decrease social costs
Decrease baseline percentage	Increase social costs
<i>Impact on marginal increase in social costs: <b>changing post percentage of PPG</b></i>	
Increase post percentage of PPG	Increase social costs
Decrease post percentage of PPG	decrease social costs
<i>*Impact on marginal increase in social costs: <b>changing distribution of pathological and problem gamblers</b></i>	
Increase problem and decrease pathological	decrease social costs
Decrease problem and increase pathological	Increase social costs

\*assumes that the total number of PPG remains the same; only the distribution between pathological and problem gamblers changes.

***How do the estimates of the social costs of PPG before and after instituting casino style gaming compare across recently completed studies of the south-central Kansas gaming zone?***

- The CEDBR study estimated social costs for both pathological and problem gamblers. Pathological gamblers were estimated to have a current prevalence rate of 1.5% after casino gambling is instituted with an estimated annual cost of \$11,617 per pathological gambler. Problem gamblers were estimated to have a current prevalence rate of 3.9% after casino gambling is instituted with an estimated annual cost of \$3,311 per problem gambler.
- The GVA Marquette Advisors study estimated social costs for pathological gamblers only using a current prevalence rate range of 1 to 1.5% at an annual cost of \$13,586 per pathological gambler (pg. VII-9). The study presented total social costs only. It did not present before and after calculations of social costs.
- The Christiansen Capital Advisors LLC report did not present estimates of social costs for the south-central zone.