

**A Casino For San Pablo:**  
**A LOSING PROPOSITION**

**AN ANALYSIS OF REVENUES AND EXPENDITURES FOR  
A PROPOSED CASINO FOR SAN PABLO, CALIFORNIA**

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## Introduction

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The Lytton Band of Pomo Indians and Governor Arnold Schwarzenegger have agreed to a compact that would allow the Lytton to turn their existing card room in San Pablo into a casino. As the legislature considers whether or not to ratify the compact, it is important to consider the impact that the casino will have on the local and regional economy.

For the purposes of discussion, a local area will be defined as the East Bay counties of Contra Costa and Alameda and the regional area will include the remainder of the Bay Area counties: Napa, Sonoma, Solano, Marin, San Francisco, San Mateo, and Santa Clara. The report will analyze economic impact in two parts.

The first will look at economic flows, including revenues brought into the casino (player losses), as well as casino expenses such as employment, advertising, building support, supplies, and state and federal taxes. The flows also include distribution of profits.

The second analysis will consider the economic impact created by an increase in problem and compulsive gambling behavior due to the casino's opening.

### SUMMARY OF FINDINGS

The proposed casino with 2,500 slot machines and 100 table games would receive \$499,028,000 in gaming revenues annually. Of this, 81% will come from the slot machines and the remainder will come from table games.

These revenues will come from 4,980,319 visits from casino patrons who will lose on average \$100.20 per visit. The vast majority of these visitors will come from the Bay Area, specifically the East Bay. Visitors from Contra Costa and Alameda Counties will provide 55% of casino revenues. The remainder of the Bay Area counties will provide an additional 35% of visits and revenues. 10% of visits and revenues will come from outside the Bay Area.

Casino revenues are redistributed out of the casino as various expenses are met, including the 25% of revenue that will be shared with State and local governments. In total, casino expenses will be \$329,514,000. Of this total, just 47% will remain

in the East Bay and an additional 17% will remain in other parts of the Bay Area. 37% will leave the Bay Area.

After expenses, the casino will enjoy a net profit of \$169,514,000. Out of this amount, only 0.10% will remain in the East Bay. 60.4%, most of the tribal share in profits, will stay in other parts of the Bay Area. The remaining 39.5% will leave the Bay Area.

A comparison of the flows of money into and out of the casino finds a direct economic loss of \$138,220,365 to the Bay Area.

Additional economic losses will result from an increase in compulsive gambling behavior due to the casino's opening. We found that the proposed casino will create 10,341 new compulsive gamblers and 12,065 new problem gamblers.<sup>1</sup> Each compulsive gambler creates direct costs of \$10,053. Problem and compulsive gamblers inflict economic harm on a community due to their actions outside of a casino. We project that the economic harm caused by the new problem and compulsive gamblers created by the San Pablo casino will be \$54,899,128. These costs are only felt in the local area, defined here as the East Bay counties of Contra Costa and Alameda.

The total economic loss to the East Bay is projected to be - \$173,131,033 with an additional loss from the other Bay Area counties of - \$19,988,460. Total economic loss to the Bay Area is \$193,119,493, while a net total of \$138,220,365 will be sent out of the Bay Area.

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<sup>1</sup> These numbers represent the low estimate, using projections from the National Gambling Impact Study Commission. Using projections from the American Gaming Association would raise the numbers to 19,648 compulsive gamblers and 48,258 problem gamblers.

## TOTAL NET BENEFIT/LOSS FROM THE SAN PABLO CASINO - ANNUAL

figure 1

<b>EAST BAY</b>	
LOSSES FROM ECONOMIC FLOW	-\$118,231,905
LOSSES FROM COMPULSIVE GAMBLING ACTIVITY	-\$54,899,128
<b>TOTAL ECONOMIC LOSS</b>	<b>-\$173,131,033</b>

<b>OTHER BAY AREA COUNTIES</b>	
LOSSES FROM ECONOMIC FLOW	-\$19,988,460
LOSSES FROM COMPULSIVE GAMBLING ACTIVITY	NOT CALCULATED
<b>TOTAL ECONOMIC LOSS</b>	<b>-\$19,988,460</b>

**TOTAL ECONOMIC LOSS TO THE BAY AREA: -\$193,119,493**

## Economic Flows Into And Out Of The Casino

### **ASSUMPTIONS**

The exact size of the casino is not firmly established, yet an assessment of the economic flows does depend upon the size of the project. Therefore, the assessments reported here will be based upon a basic assumption that the casino will have 125,000 square feet of gambling space, and that space will be filled with 2,500 gambling machines and 100 gambling tables. For purposes of comparison, it can be noted that the Thunder Valley casino (east of Sacramento in Roseville, 85 miles from San Pablo), has 2,700 machines and 98 tables.

## PROJECTED REVENUES FROM PLAYER LOSSES

To accurately analyze the economic flows, we will determine what the revenue levels at the casino will be and where they will come from. To calculate gambling revenues, we have looked at per machine and per table revenues at other similar casinos. While no existing casino operates in an identical environment, some similarities permit an analysis with comparable revenues.

This analysis will use the Chicagoland-area casinos in Illinois as a basis. These casinos serve populations similar to, but marginally larger than the San Francisco Bay Area. The larger population, though, is served by a larger numbers of machines spread across ten casinos. The Bay Area would have just one large casino (at San Pablo), although there is a smaller Native American casino near Santa Rosa, and a major casino in Roseville about 85 miles from San Pablo.

## TABLES AND MACHINES

In Illinois, there are ten casinos with a total of 9,252 machines serving a population of 13 million adults. However, the casinos compete with other casinos on the State's borders. Machines exist one hour from the State's northern border, and just minutes from borders to the east and west. The greater Chicagoland area (which extends into Indiana) has 7.5 million adults and is served by just over 12,000 machines. For this reason, it is expected that a monopoly casino at San Pablo that has a limited number of machines (2,500) will find per unit revenues at least as great as those found in Illinois — and in actuality, probably much greater.

Per machine revenues in Illinois range as high as \$540, \$641, and even \$854 at specific casinos — the highest being the casino at Elgin. Statewide, the Illinois casinos win an average of \$442 per day for each machine. More is won from tables — an average of \$2622 for each table per day. We will use these averages in our projections.<sup>1</sup>

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<sup>1</sup> It should be noted that using numbers from Illinois is a conservative choice. For more discussion on per table and per machine winnings in other casinos, please see Appendix A.

Assuming that the San Pablo casino will have 2,500 machines and 100 tables. We predict total annual gambling revenues to be \$499,028,000.

### DAILY & ANNUAL CASINO WINNINGS

figure 2

	DAILY	ANNUAL
PER MACHINE	\$422	\$403,325,000
PER TABLE	\$2622	\$95,703,000
<b>TOTAL</b>	<b>\$3064</b>	<b>\$499,028,000</b>

### VISITATION AND PLAYER LOSSES

The next step in our analysis is determining where the gambling revenue will come from.

While there are no existing statistics to project the number of visits to casinos for Bay Area residents, the leading authority (Jason Ader) suggests that without this casino, the average California adult would make 3.2 visits and the Bay Area adult would make 3.0 visits to a casino each year, with losses of \$69 per visit.

It is expected that when a casino is placed into a community, residents within 50 miles will increase their number of casino visits. In Illinois, each adult within 50 miles of a casino makes an average of 3.5 visits per year to casinos, and loses just under \$95 per visit. For the purposes of this report, we will assume that East Bay residents will make 3.5 visits per year, as those who live close to the Illinois casinos do, and that persons living in the remainder of the Bay Area will make 3.2 visits per year.

In assessing visitation to a San Pablo casino we must also consider visitation from persons living beyond the local area. In this report, we will assume that 10% of casino visitors will come from outside the Bay Area. Similarly, we will assume

that 10% of casino visits from within the Bay Area represent gambling trips that otherwise would have gone to a casino outside the region.

### POPULATION

The East Bay area of Contra Costa and Alameda Counties has a population of 2,462,166 that equates to 1,723,516 adults (we will consistently use a 70% of full population factor for determining adult population).

The greater Bay Area consisting of Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties have 4,384,300 in full population and 3,069,010 adults.

As noted above, we project East Bay residents will make 3.5 visits, while there will be 3.2 visits from the rest of the Bay Area. We will assume that East Bay players will devote 50% of their annual casino visits to the San Pablo casino, while Bay Area players will make 20% of their annual visits to the San Pablo casino.

figure 3

CASINO VISITS	TOTAL
EAST BAY RESIDENTS	3,016,153
BAY AREA RESIDENTS	1,964,166

However, as indicated above, 10% of casino visits will be from outsiders and 10% of regional visitors will be substituting a visit to the San Pablo casino for a planned visit to a casino outside the region.

Considering this 10% factor, for the purposes of our economic analysis, we will assume that total casino visits would be:

*“Each player will lose an average of \$100.20 per casino visit.”*

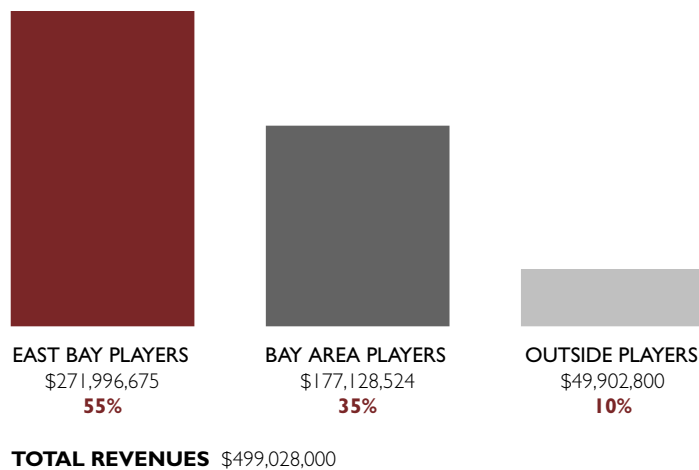
figure 4

CASINO VISITS	TOTAL
EAST BAY RESIDENTS	2,714,538
BAY AREA RESIDENTS	1,767,750
OUTSIDE BAY AREA	498,032
<b>TOTAL VISITS</b>	<b>4,980,319</b>

Given expected casino revenues of \$499,028,000, we can expect each player to lose an average of \$100.20, just over five dollars more than actual losses in Illinois (\$94).

### REVENUES

figure 5



## Expenses And Place Of Distribution

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There are a variety of expenses that will be incurred by the casino as it collects gambling losses from players.

The compact signed by Governor Schwarzenegger and the Lytton Band calls for a cap of 25% of gaming revenues to be shared between San Pablo, Contra Costa County, CalTrans, and the State of California in a formula yet to be determined. San Pablo officials have publicly stated that they would like to continue receiving 5.4% of gaming revenues. We will utilize this figure for the purposes of this report. Additionally, we will assume that Contra Costa County will receive an equal amount. The remaining 14.2% will be allocated to the State with the understanding that, in reality, some will in fact go directly to CalTrans. The economic effects should not differ though.

### **STATE REVENUE SHARING (14.2%)**

It is assumed here that the State of California will take 14.2% of the gambling revenues. This is inclusive of the CalTrans share. All of the money will go out of the region to Sacramento. However, it is realized that the State returns services to local areas. While the Sacramento bureaucracy will absorb a significant portion of the State tax money, we will simply assume that money is returned to the local areas in proportion to their population (vis-à-vis the State population). As the East Bay (Contra Costa County and Alameda County) has 6.9% of the State's population we see a return of 0.98% of revenues returned to the East Bay; the rest of the Bay Area has 12.5% of the population, and therefore gets 1.78% of the full revenue returned in State services. Hence 11.45% of the casino gambling revenues are lost out of the region via State taxation.

### **SAN PABLO REVENUE SHARING (5.4%)**

The exact amount of gaming revenues that San Pablo will receive will be spelled out in a municipal service agreement to be negotiated after a compact is signed. San Pablo city officials have stated publicly that they expect to receive at least 5.4% of gaming revenues.

### **CONTRA COSTA COUNTY REVENUE SHARING (5.4%)**

The exact amount of gaming revenues that Contra Costa County will receive is to be negotiated as part of a municipal service agreement to be negotiated after a compact is signed. For the purposes of this report, we will assume they Contra Costa County will also receive 5.4%.

### **LABOR (16%)**

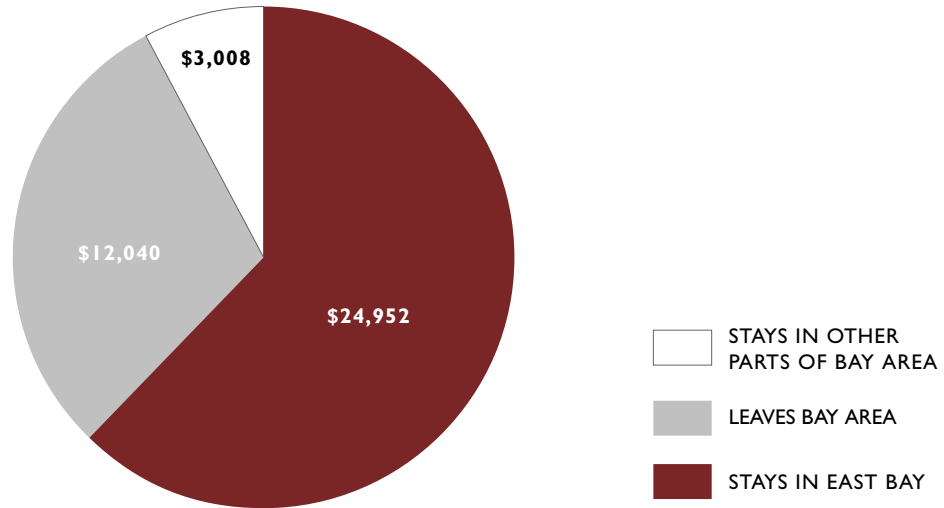
We will assume that a 2,500 machine casino will have 2,000 employees. The per-employee cost will be \$40,000 per year, or \$80,000,000 total.

The base salary on average will be \$32,000, with fringes of 25% or \$8,000 (which include Social Security and Medicare — 7.2% from the casino — \$2,304). The employee will have to pay 4% (\$1,280) in State income taxes, 20% (\$6,400) in federal income taxes, and 7.2% (\$2,304) in Social Security and Medicare. The employee retains \$22,016. The extra fringes are worth \$5,696.

It is assumed that all employees live in the East Bay. Hence the East Bay retains \$22,016 per employee. The East Bay keeps 6.9% of State taxes, or \$88 per employee, while the rest of the Bay Area keeps \$160 of this amount, and \$1,032 leaves the Bay Area for Sacramento and the rest of the State. The East Bay and the greater Bay Area lose the \$6,400 in federal taxes, and the \$4,608 in Social Security and Medicare. Fringes are divided with half — \$2,848 staying in the East Bay area, and half going to other parts of the Bay Area.

## DISTRIBUTION OF AVERAGE SALARY

figure 6



## DISTRIBUTION OF AVERAGE SALARY OF \$40,000

### ADVERTISING, COMPLIMENTARY SERVICES, AND ENTERTAINMENT IN CASINO. 7%

While complimentary services are a major cost in Nevada casino (about 13% of revenue), in Nevada many of the costs are tied to bringing in outside high-rollers, and furnishing them with not only transportation, but also rooms and high priced entertainment. The casino at San Pablo will cater to only drive-in customers. Costs here will include meals and drinks for the most part, but also some limousine services. We suggest a 4% factor for San Pablo is appropriate. Another 2.5% will go for advertising, and .5% for entertainment inside the casino. This combined 7% will be spent mostly within the Bay Area. We assign 3% of the expense to the East Bay, 3% to the greater Bay Area, and 1% to sources (media, bands, etc.) outside the Bay Area.

### **BUILDINGS AND UTILITIES (4%)**

The large Nevada casinos have large, sometimes massive, hotels representing major real estate investments. About 8% is spent on buildings, mortgages and utilities. We assume that without massive hotel investments and space requirements, investments at San Pablo for buildings and utilities should be about 4% per year. As all construction and financial services are not likely to be made locally, we will assume that one half the expense will remain in the East Bay and the other half will go to the greater Bay Area.

### **GAMING SUPPLIES (4%)**

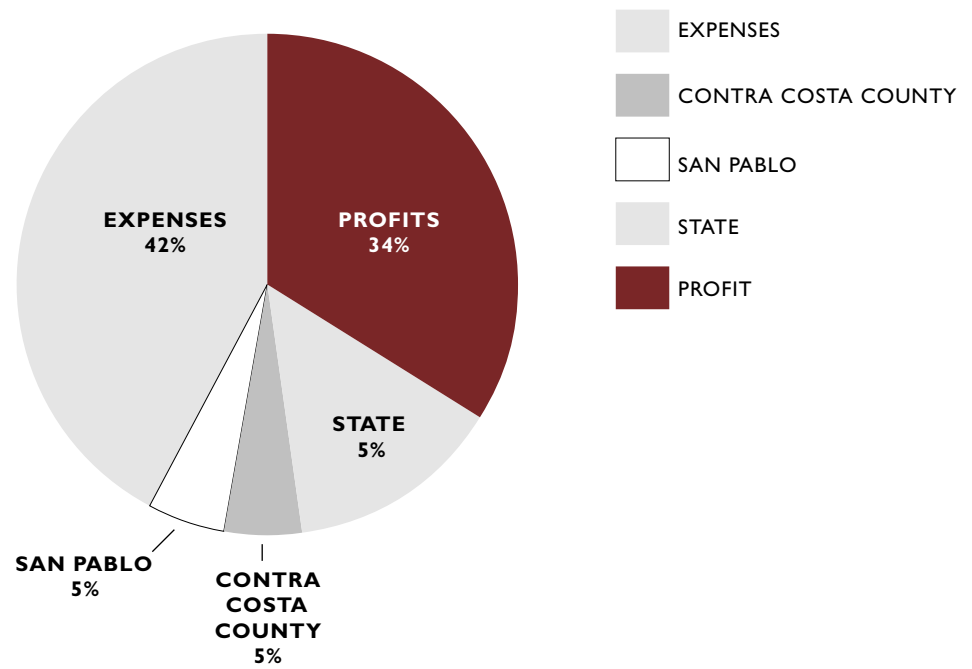
All this money will leave the Bay Area. Machines cost \$14,000 each, with a three-year life — or a cost of \$4,667 per year. For a 2,500 machine casino, this means \$11,667,500 per year being sent to manufacturers — all of whom are outside California (mostly in Nevada). Other gaming supplies are also made outside the State. Gaming supplies will consumer, on average, 4% of gaming revenues.

### **OTHER SUPPLIES AND GENERAL ADMINISTRATIVE EXPENSES (10%)**

As the managers of the facility will be out-of-State firms, much of these expenses will end up in out of State hands. We will assume that 4% stays locally, 3% stays within the Bay Area, and 3% leaves to the outside.

## DISTRIBUTION OF REVENUE

figure 7



## Profits

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Profits will be distributed to the tribal community and to the casino managers.

- The Managers' share will be 30% of the net profits (Revenues minus all expenses). This money will be sent outside the Bay Area.
- The tribal share will be 70% of net profits. Of this amount, 60% (42% of net profits) will go to tribal government support. This money stays in the Bay Area as the tribal community is north of Santa Rosa in Windsor, California.

Tribal members will take 40% of the tribal share (28% of net profits) in per capita distributions. This amount will be reduced by 30% (8.4% of net profits) that will leave the region to the federal government in income taxes, and 5% that goes to State taxes (80.6% of this — or 1.12% of net profits remains outside of Bay Area, .18% of net profits goes to region, and .10% of net profits stays in local area). The retained per capita distribution equaling 19.4% of the net profits stay in the Bay Area.

Of net profits flowing through the tribe, .10% goes to the East Bay, 60.38% to the greater Bay Area, and 39.52% leaves the Bay Area.

## GAMING REVENUE DISTRIBUTION

figure 8

<b>TOTAL REVENUE</b>	<b>100%</b>	<b>\$499,028,00</b>
STATE	14.2%	\$70,861,976
SAN PABLO	5.4%	\$26,947,512
CONTRA COSTA COUNTY	5.4%	\$26,947,512
LABOR	16%	\$80,000,000
ADVERTISING, ENTERTAINMENT, AND COMPS	7%	\$34,931,960
BUILDING AND UTILITIES	4%	\$19,961,120
GAME SUPPLIES	4%	\$19,961,120
OTHER SUPPLIES AND GENERAL ADMINISTRATION	10%	\$49,902,800
<b>TOTAL EXPENSES</b>		<b>\$329,514,000</b>
<b>NET PROFIT</b>		<b>\$169,514,000</b>

**THE ANALYSIS: INPUTS — OUTPUTS — NET RESULTS**

figure 9

<b>EXPENSES</b>	<b>EAST BAY</b>	<b>BAY AREA</b>	<b>OUTSIDE</b>	<b>TOTAL</b>
STATE	\$4,889,476	\$8,857,747	\$57,114,753	\$70,861,976
SAN PABLO	\$26,947,512			\$26,947,512
CONTRA COSTA COUNTY	\$26,947,512			\$26,947,512
LABOR	\$49,904,000	\$6,016,000	\$24,080,000	\$80,000,000
ADVERTISING, ENTERTAIN-MENT, COMPS	\$14,970,840	\$14,970,840	\$4,990,280	\$34,931,960
BUILDING AND UTILITIES	\$9,980,560	\$9,980,560		\$19,961,120
GAMING SUPPLIES			\$19,961,120	\$19,961,120
OTHER SUPPLIES AND GENERAL ADMINISTRATION	\$19,961,120	\$14,970,840	\$14,970,840	\$49,902,800
<b>TOTAL EXPENSES</b>	<b>\$153,601,020</b>	<b>\$54,795,987</b>	<b>\$21,116,993</b>	<b>\$329,514,000</b>
<b>PROFITS</b>	<b>\$163,751</b>	<b>\$102,344,078</b>	<b>\$67,006,172</b>	<b>\$169,514,000</b>
<b>TOTAL MONEY COMING INTO THE CASINO</b>	<b>\$271,996,675</b>	<b>\$177,128,525</b>	<b>\$49,902,800</b>	<b>\$499,028,000</b>
<b>TOTAL MONEY LEAVING THE CASINO (EXPENSES + PROFITS)</b>	<b>\$153,764,771</b>	<b>\$157,140,065</b>	<b>\$188,123,165</b>	<b>\$499,028,000</b>
<b>BALANCE</b>	<b>\$(118,231,905)</b>	<b>\$(19,988,460)</b>	<b>\$138,220,365</b>	

*“The Bay Area will feel a direct regional economic loss of \$138 million per year.”*

The direct economic losses that will result from the presence of a major Las Vegas style casino in San Pablo with slot machines and house banked table games will result in over \$118 million a year leaving the Contra Costa and Alameda County areas each year. An additional \$20 million will leave the surrounding regional counties, for a total direct regional economic loss of \$138 million a year. But these are only the direct losses from flows of money into and out of the casino. Additional indirect losses will flow outward because of the multiplier factor, and more losses will come from externalities, namely compulsive gamblers' behaviors, as will be explored in the next section.

## Economic Costs Associated With Negative Gambling Behaviors

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Stories of compulsive gamblers are not just anecdotes and conversation matters that we all can lament. The stories are about a complex set of behaviors that also inflict economic damage upon communities. When a new casino is placed into a community, the number of problem and compulsive gamblers in that community increases drastically- as does the economic harm that they bring. These costs must be considered along with the economic flow of actual dollars into and out of the casino. In this report, we will consider the economic impact brought on by the increase of problem gamblers in the East Bay (Contra Costa and Alameda Counties).

Compulsive gambling is a progressive behavior disorder in which a person has a uncontrollable preoccupation and urge to gamble. A person is diagnosed as a compulsive gambler if they meet five or more criteria set forth the American Psychological Association. There are ten criteria altogether, ranging from preoccupation to loss of control. Problem gamblers, while not meeting the criteria of compulsive gamblers, gamble to an extent that it has negative consequences on their life, their family, place of employment, or community.

To determine the costs of problem and compulsive gamblers, we have taken advantage of existing research identifying the cost per problem and per compulsive gambler. In addition, we have taken advantage of research findings from the National Gambling Impact Study Commission. The NGISC found that the number of compulsive and problem gamblers DOUBLE when a casino is placed in their community (specifically within 50 miles of their home). Here we exclude some in this category- for instance in San Mateo — but recognize also that a small portion of the core population may be within 50 miles of the casino near Santa Rosa, albeit a much smaller casino than the one proposed for San Pablo.

### **SOCIAL AND ECONOMIC COSTS**

This analyst has made many surveys to determine the social costs of compulsive and problem gambling. The methodologies used in the most recent survey in Nevada have also been used in a 1996 study in Wisconsin and by other studies in Connecticut, South Carolina, and Nevada. Others have applied the methodology

*“The number of compulsive and problem gamblers doubles when a casino is placed in their community.”*

in Illinois and Louisiana. The National Gambling Impact Study Commission utilized the methodology in its study of costs of compulsive gambling, though they did not use all the categories, nor did they make a cumulative cost finding.

The Nevada study was based upon questionnaire responses from 99 members of local Gamblers Anonymous groups.

The survey identified and quantified the costs associated with compulsive and problem gamblers. Some of the costs identified are merely imposed upon others (social costs); whereas, matters such as missed work and government expenditures represent economic losses for a community. The costs are broken out as follows:

**COSTS BY CATEGORY: Economic (E), Government (G), and Social (S)**

figure 10

CATEGORY	COST	E	G	S
Cost of Missed Work	\$2364	•		•
Cost of Quitting Jobs	\$1092	•		
Cost of Fired Jobs	\$1581	•		
Cost Unemploy Comp	\$87		•	•
Debt/Bankruptcy	\$9493			•
Costs of Thefts	\$3379			•
Cost Civil Suits	\$777	•	•	•
Costs of Arrests	\$95	•	•	•
Costs of Trials	\$85	•	•	•
Costs of Jail Time	\$80	•	•	•
Costs of Probation	\$170	•	•	•
Costs of Food Stamps	\$50		•	•
Costs of Welfare	\$84		•	•
Costs of Treatment	\$372	•		•
<b>TOTAL COST</b>	<b>\$19711</b>			
<b>ECONOMIC COST</b>	<b>\$6616 (33.6%)</b>			
<b>GOVERNMENT COST</b>	<b>\$1428 ( 7.2%)</b>			
<b>SOCIAL COST</b>	<b>\$17036 (86.4%)</b>			

Westphal’s research demonstrated that the costs of a pathological gambler in treatment are higher than those for one not in treatment. He indicates that the “on the street” gambler’s costs are 51% of the average compulsive gambler in treatment. Therefore, we will only consider 51% of the costs outlined above, or \$10,053. Also, research sponsored by the National Gambling Impact Study Commission found that problem gambler costs were 49% of the costs of pathological (compulsive) gamblers; hence we consider the costs to be \$4,926.

### HOW MANY GAMBLERS ARE IMPOSING COSTS

There are 1,723,516 adults in the East Bay.

Rates of Compulsive and Problem gambling have been presented in the work of the NGISC as well as by the casino industry (American Gaming Association). The AGA found in its sponsored research that 1.14% of adults were compulsive gamblers, and 2.80% were problem gamblers.

The NGISC found .6% were pathological-compulsives, while .7% were problem gamblers.

We will use both sets of numbers, assuming the veracity of the NGISC study that the rates will DOUBLE with the San Pablo Casino. Hence, an extra number of people will become compulsives and problem gamblers. We will therefore have a range of costs for the local society.

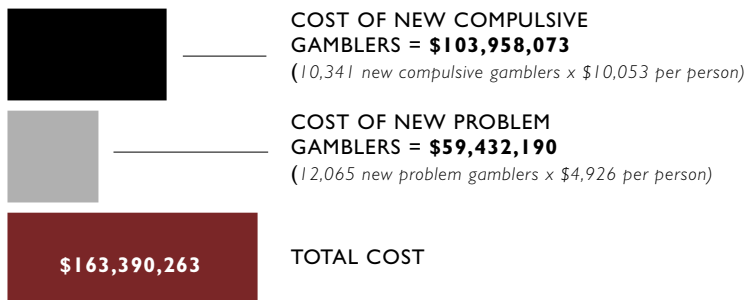
figure 11

	LOW RANGE (NGIC)	HIGH RANGE (AGA)
NUMBER OF NEW COMPULSIVE GAMBLERS	10,341	19,648
NUMBER OF NEW PROBLEM GAMBLERS	12,065	48,258

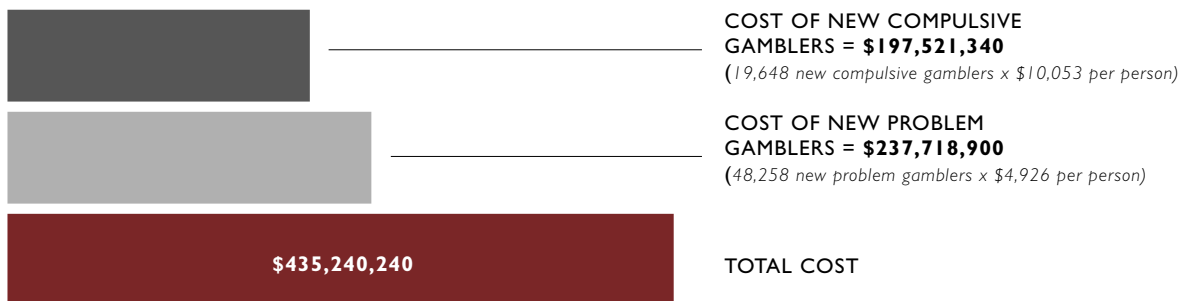
## ESTIMATED COST OF NEW GAMBLERS

figure 12

### LOW RANGE NGISC



### HIGH RANGE AMERICAN GAMING ASSOCIATION



## RANGE OF ECONOMIC COSTS — LOSSES

figure 13

	LOW	HIGH
RANGE OF ECONOMIC COSTS: 33.6%	\$ 54,899,128	\$146,240,721
RANGE OF GOVERNMENTAL COSTS: 7.2%	\$11,764,099	\$31,337,297
RANGE OF SOCIAL COSTS: 86.4%	\$141,169,187	\$376,047,567

## Summary of Economic Analysis

To determine the full economic impact of the proposed San Pablo casino, we should look at both the economic flow model and the economic costs associated with problem and compulsive gamblers.

### TOTAL NET BENEFIT/ LOSS FROM THE SAN PABLO CASINO

figure 14

<b>EAST BAY</b>	
LOSSES FROM ECONOMIC FLOW	-\$118,231,905
LOSSES FROM COMPULSIVE GAMBLING ACTIVITY	-\$54,899,128
<b>TOTAL ECONOMIC LOSS</b>	<b>-\$173,131,033</b>

<b>OTHER BAY AREA COUNTIES</b>	
LOSSES FROM ECONOMIC FLOW	-\$19,988,460
LOSSES FROM COMPULSIVE GAMBLING ACTIVITY	NOT CALCULATED
<b>TOTAL ECONOMIC LOSS</b>	<b>-\$19,988,460</b>

**TOTAL ECONOMIC LOSS TO THE BAY AREA: -\$193,119,493**

Money that is lost to the local economy is money that otherwise would have been spent on other goods and services within that economy. There is a ripple effect associated with losing money that otherwise would have circulated through an economy. This effect is commonly referred to as a multiplier effect. To further consider the impact of the proposed casino to the local and regional economies, we will use a simple, conservative multiplier of two.

### DIRECT AND INDIRECT LOSSES

figure 15

<b>DIRECT AND INDIRECT LOSSES</b>	(USING MULTIPLIER OF 2)
CONTRA COSTA AND ALAMEDA COUNTIES	-\$346,262,065
BAY AREA REGION	-\$386,238,985

## Effect on Local Employment

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Economic losses of the magnitude described above will have a pronounced “trickledown effect,” resulting in significant job loss to the region. Money pulled out of the community correlates to less money local businesses will receive to employ workers. It is important to recognize that the San Pablo Casino will not operate as a destination casino along the lines of those on the Las Vegas Strip or in more remote areas of California. Money spent by casino patrons – overwhelmingly comprised of local area residents – displaces money that would otherwise be spent on alternative activities, goods and services.

If one assumes that each dollar lost to the local economy will eventually be one less dollar towards local payrolls, we can get a sense of the job less potential. Using the more conservative figure previously cited for projected economic losses of roughly \$193 million and a salary baseline of \$37,000, a net job loss of 5,219 is projected. Net loss means that if 2,000 new jobs are created at the casino, 7,219 jobs will be lost elsewhere in the economy creating a net loss for the region of 5,219.

## Conclusion

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Placing a 2,500 slot machine casino in San Pablo will have drastic impacts on the economies of the East Bay and the greater Bay Area. The casino will act as a vacuum, taking money from the local community and distributing it elsewhere. The total economic loss to the Bay Area would be at least \$193,119,493 annually, which would more than erase any positive impacts created by new casino jobs and related economic activity.

Placing a casino in a dense urban environment will create large numbers of new problem and compulsive gamblers. In addition to the economic losses brought on by these persons, there are immense personal costs associated with compulsive gambling that cannot be calculated. Studies have shown that compulsive gamblers are involved in higher rates of domestic abuse, divorce, and suicide.

In short, the proposed casino threatens the economic and social vitality of an entire region. The negative impacts of sizeable net job losses — combined with other immense economic and social costs — will be substantial and will ripple throughout the Bay Area.

## Appendix A

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### FURTHER DISCUSSION ON PER MACHINE REVENUES

It should be noted that by offering Illinois revenues as comparables, this analysis is being conservative. The numbers suggested may be considered reasonable but certainly at the lower range of expectations. In contrast the casino near Roseville is producing per machine wins of \$570 per day. Such a casino would win \$520,125,000 from 2,500 machines which with the table revenues projected from Illinois data (\$95,703,000) would yield total gambling revenues of \$615,828,000. This amount is 23.4% higher than the figure (\$499,028,000) being used for economic flows here.

Other jurisdictions do not offer attributes near to the San Pablo model of one casino in an intense urbanized area. Therefore we reject using machine revenues of places such as Missouri, Louisiana, or Colorado, where larger numbers of machines serve smaller populations. Las Vegas and Nevada are not examples that will be duplicated in San Pablo, as these are tourist intense areas with grossly oversupplied numbers of machines. The same can be said to a degree for New Jersey.

For the record machine revenues in different jurisdictions on a daily basis (year 2002-3) are:

#### DAILY MACHINE REVENUE, 2002-3 (A)

*figure 16*

<b>ROSEVILLE, CA</b>	<b>\$570</b>
<b>ILLINOIS</b>	<b>\$442</b>
<b>MICHIGAN</b>	<b>\$293</b>
<b>INDIANA</b>	<b>\$248</b>
<b>LOUISIANA</b>	<b>\$234</b>
<b>IOWA</b>	<b>\$190</b>
<b>MISSOURI</b>	<b>\$176</b>
<b>MISSISSIPPI</b>	<b>\$155</b>
<b>COLORADO</b>	<b>\$124</b>
<b>SOUTH DAKOTA</b>	<b>\$47</b>

The commercial casino gambling states find a wide range of revenues for table games. The seven states considered here report revenues (2002-3) as followed per table:

**ANNUAL REVENUES (B)**

figure 17

<b>ILLINOIS</b>	\$2622
<b>MICHIGAN</b>	\$1750
<b>INDIANA</b>	\$1418
<b>LOUISIANA</b>	\$1484
<b>MISSISSIPPI</b>	\$1120
<b>MISSOURI</b>	\$943
<b>IOWA</b>	\$790
<b>COLORADO</b>	\$376*
<b>SOUTH DAKOTA</b>	\$300*

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<sup>A</sup> Source: North American Gaming Almanac 2003, Bear Sterns, Jason Ader, Editor

<sup>B</sup> Source: Other states information from North American Gaming Almanac 2003, Bear Sterns, Jason Ader, Editor

\* ESTIMATED