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IN FOCUS

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Casino Gambling and Economic Development

In recent decades, some officials and policymakers at the federal, state, and local levels have argued that gambling—in particular, casino gambling, but also online and sports betting—can help facilitate economic development. Starting in the 1990s and continuing through the 2010s, a number of states legalized and expanded commercial (non-tribal) casino gambling, sometimes claiming that new venues would increase jobs and tax revenue.

Compared to state and local governments, Congress and the federal government have been relatively less involved in legislating on and regulating gambling. Even so, in recent years Congress has discussed certain issues related to gambling, including whether to take a more active role in regulating the activity and how to tax it.

This In Focus deals primarily with commercial, non-tribal casinos. It summarizes the recent history of gambling legalization and expansion, the debates over gambling's potential as an economic development strategy, and considerations for Congress.

State Legalization and Expansion

Up through the 1980s, no commercial casinos existed in the United States outside of Nevada and New Jersey. That began to change in the late 1980s and 1990s, when at least nine states (Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, and South Dakota) legalized commercial casinos. This trend continued in the 2000s and 2010s, with at least more eight states (Florida, Kansas, Maine, Maryland, Massachusetts, New York, Ohio, and Pennsylvania) legalizing commercial casinos in those years.

Another notable change in the gambling environment occurred in 2018, when the U.S. Supreme Court, in *Murphy vs. National Collegiate Athletic Association*, ruled that a federal law that prohibited states from authorizing sports gambling was unconstitutional. This allowed states to legalize sports betting, which had previously been allowed only in Nevada. Following the ruling, a number of states legalized sports betting, and allowed it to take place in commercial casinos and, in some cases, through online gambling platforms. According to the American Gaming Association (AGA), at the end of 2022, legal sports betting was available in 32 states and Washington, DC.

This trend of legalization has led to a surge in gambling venues and revenue. According to the AGA, 27 states had land-based commercial casinos at the end of 2022, and six states (Connecticut, Delaware, Michigan, New Jersey, Pennsylvania, and West Virginia) had online casinos. In total, the AGA counted 466 domestic commercial casinos. The AGA reported that 2022 was a record-breaking year for gambling revenue, with gross gaming revenue (the difference between the amount of money players wager and the amount that they win) totaling $60.4 billion, eclipsing the 2021 revenue record of $53.0 billion.

Potential Economic Development and Fiscal Benefits

Federal and state elected officials occasionally link gambling and economic development. For example, after New Jersey approved sports betting in casinos and at racetracks in 2018, Governor Phil Murphy said, "Our casinos in Atlantic City and our racetracks throughout our state can attract new businesses and new fans, boosting their own long-term financial prospects." A February 2023 press release from the co-chairs of the Congressional Gaming Caucus noted that one of the group's goals was to "help well-regulated gaming markets flourish and incentivize economic development."

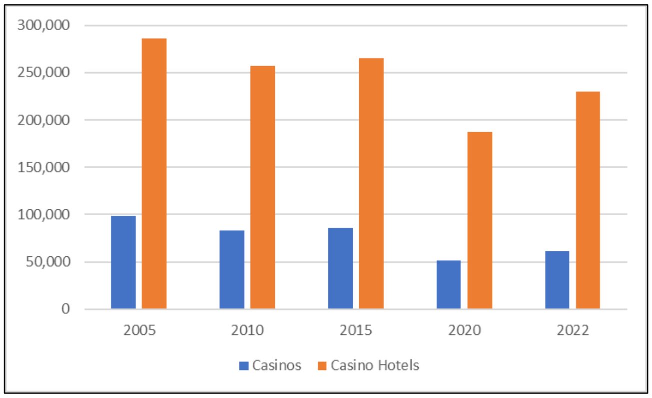
Some policymakers have also argued that gambling can have fiscal benefits for state and local governments. A 2022 report by the Federal Reserve Bank of Richmond (Richmond Fed) described the three major drivers of commercial casino legalization and expansion between 1985 and 2000 as attempts to:

- address fiscal stress;
- keep gambling revenues within a given state; and
- attract spending from tourists from states without legal casino gambling.

Empirical evidence on these strategies' effectiveness is mixed. The Richmond Fed found that job gains from new casinos were mostly limited to low-density regions without nearby casinos. A 2008 paper from researchers at the University of Wisconsin-Oshkosh did find that casino openings increased employment and earnings for surrounding communities, but noted that the gains were most pronounced in smaller counties. According to the Richmond Fed, evidence suggests that as more states legalize casino gambling and as more casinos open (and as other gambling options, such as online betting, have developed), gambling's ability to generate economic development has decreased.

Some labor economists anticipate strong growth in the number of gambling jobs in coming years. The U.S. Bureau of Labor Statistics (BLS) forecasted 17% growth in gambling services workers from 2021 to 2031. Although the BLS noted that some of this projected growth may be due to the recovery from the COVID-19 pandemic, its forecast for employment growth in all occupations over the same period is 5%. The BLS further forecast that online gambling may limit overall gambling employment, as online gambling does not require the same employment levels or job types as in-person casino gambling. **Figure 1** presents data on jobs in casinos and casino hotels.

Figure 1. Jobs in Casinos and Casino Hotels, 2005-2022



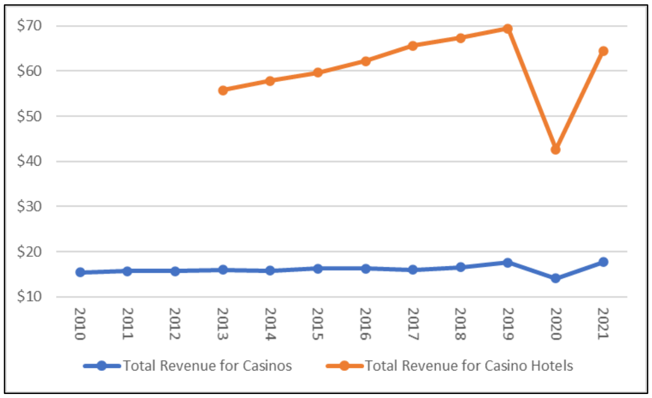
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Notes: Casino hotels are not included in the data for casinos.

Studies on the effect of casino gambling on state tax revenue are also inconclusive. **Figure 2** shows total business (not tax) revenue for casinos and casino hotels between 2010 and 2021. Prior to the COVID-19 pandemic, revenue for casino hotels grew steadily (casino revenues were more stable). After a steep drop in 2020, revenue recovered strongly for both casinos and casinos hotels in 2021. However, gambling tax revenue among individual states did not necessarily increase, or did not increase at the same rates. In 2019, the Pew Charitable Trusts found that, as more casinos opened throughout the country in the 2000s and 2010s, state casino tax revenue growth tended to slow. Pew attributed this trend partly to its analysis that, as new casinos opened, they poached gambling activity from existing casinos, both within a state and from nearby states.

Figure 2. Total Revenue for Casinos and Casino Hotels, 2010-2021

Dollars in billions



Source: U.S. Census Bureau, Service Annual Survey.

Notes: Casino hotels are not included in the data for casinos. Data for casino hotels available only for 2013-2021. Data for casino hotels includes revenue from non-casino activity.

Policy Considerations

While gambling is regulated primarily at the nonfederal level, Congress may consider the federal role in regulating gambling. To date, Congress has not authorized a federal gambling regulatory entity.

Congress could analyze the costs and benefits of expanding federal licensing and regulation of gambling and any potential effects on state and local economic development outcomes. Congress has previously considered aspects of this issue. In the 111th Congress, the Internet Gambling Regulation, Consumer Protection, and Enforcement Act (H.R. 2267) would have authorized the Department of the Treasury to license and regulate internet gambling. According to a Congressional Budget Office and Joint Committee on Taxation (JCT) cost estimate, licensing fees from H.R. 2267 would have resulted in a net federal revenue increase of $283 million over 10 years. During the 112th Congress, the JCT forecasted an additional $42 billion in federal revenue over 10 years under H.R. 2230, the Internet Gambling Regulation and Tax Enforcement Act of 2011, which would have imposed a license fee equal to 2% of all funds deposited by customers into special accounts that could be used for online wagering.

Even if greater federal regulation of gambling leads to increased revenue at the federal level, new gambling policies may have the potential to cause tax revenue and employment declines in certain locations, for example by affecting business decisions. These impacts may depend upon the details of specific legislation and the specific actions taken by individual states in response. Congress may seek to further study any potential such repercussions.

In considering potential gambling policies, Congress may distinguish between online and in-person casino gambling. Online gambling may involve cybersecurity considerations that are not relevant to in-person gambling, which may affect how Congress might choose to implement any potential oversight and regulation. From an economic development perspective, while the BLS forecasts strong growth in gambling employment overall over the next decade, it cautions that online gambling does not require the same types of jobs as in-person casino gambling. Online gambling may require more relatively higher-paying jobs in information technology, while casino gambling may require more relatively lower-paying jobs like cashiers and card dealers.

Congress could assess if it wants to alter the federal excise tax on gambling. Currently, any wager authorized under state law is subject to a federal tax equal to 0.25% of the amount wagered; unauthorized wagers are subject to a 2% tax (26 U.S.C. §4401). Additionally, any individual receiving wagers is subject to an annual occupational tax of either $50 or $500, depending on whether the wager accepted was state-authorized or not (26 U.S.C. §4411). In the 118th Congress, the Discriminatory Gaming Tax Repeal Act of 2023 (H.R. 1661) would repeal the taxes. To date, the bill has not advanced out of committee.

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