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ILLINOIS CASINO GAMBLERS PREFER SMOKE FREE CASINOS

Decline in state's gross gaming revenues attributable to other factors such as recession and declining competitiveness in region's gaming market according to poll conducted by university gaming experts

The conventional wisdom among casino industry executives nationwide is that banning smoking at casinos results in fewer casino visitations, less gambling, and, hence, lower gaming tax revenues, but a survey of Illinois' casino gamblers by the Center for Policy Analysis (CFPA) at the University of Massachusetts Dartmouth finds that a large majority of this state's casino gamblers either prefer casinos where smoking is prohibited on the gaming floor or it does not matter to them.

The CFPA's random sample poll, conducted from April 27 to May 9, 2011, found that 45% of respondents who had visited a casino in the last twelve months say they are more likely to visit a casino where smoking is prohibited on the gaming floor, while 31% state that it does not matter, and only 24% say they are less likely to visit a casino where smoking is prohibited on the gaming floor.

Interviewees were screened by asking: "Have you gambled at a casino in the past 12 months?" The survey generated a total of 401 respondents, who had gambled at a casino at least once during the last twelve months, for a margin of error of +/-4.9% at the 95% confidence interval. The poll, which was sponsored by the American Lung Association, asked respondents:

"All things being equal in terms of size, gaming options, and distance from your home, if smoking was prohibited on the gaming floor, would you be more likely or less likely to visit a casino where smoking is prohibited, or does it not matter?"

Dr. Clyde W. Barrow, director of the Center for Policy Analysis, and a nationally recognized gaming policy expert who supervised the poll, stated: "The survey results indicate that the Illinois legislature was on the right track when it extended the state's public smoking ban to casinos in January 2008."

Illinois has one of the highest prevalence rates for smoking in the United States with 21.3% of the adult population (aged 18+) reporting that they are current cigarette smokers

(2007-2008). Illinois ranks 39th among the 50 states in smoking prevalence (with 1 being the lowest percentage of smokers).¹

Proponents of smoking ban exemptions for casinos claim that if 21% of a casino's potential customer base is unhappy with smoking prohibitions that is sufficient to account for the documented decline in the state's gross gaming revenues. However, the CFPA's Illinois survey actually found that more than one-third (36%) of casino gamblers who smoke report that they too either prefer a smoking prohibition on the gaming floor (13%) or that it does not matter to them (23%). The survey also found that smokers do not constitute a disproportionate percentage of casino gamblers in comparison to the state's general adult population -- 20% of adults aged 21+ who gamble at casinos were self-identified smokers as compared to 21% of the general adult population aged 18+.

Recent debates about gaming in Illinois have sometimes turned on the claim that Illinois is losing much of its casino business to adjoining states that exempt casinos from smoking bans as smokers cross state lines to find more smoker friendly gambling venues. However, Barrow stated that "claims about the relationship between smoking prohibitions and gross gaming revenues that use Illinois, Colorado, or New Jersey as evidence of the negative fiscal impacts of casino smoking bans ignore the obvious correlation between the timing of recent smoking bans, the onset of the Great Recession, and the general decline in gross gaming revenues in most U.S. casino jurisdictions, regardless of the existence or absence of casino smoking prohibitions."

The CFPA survey sought to determine whether or not these macro-economic factors played any role in Illinois casino patrons' decisions to gamble less frequently at the state's riverboat casinos. Respondents were asked:

"In the last twelve months, have you reduced the number of trips to a casino due to any of the following? How about: 1) cost of gasoline, 2) loss of income, 3) reduced slot payouts, 4) you are falling behind on your bills, 5) you lost your job, 6) declining value of your home, 7) increased cost of living, 8) any other (please describe)?[Respondents could give more than one answer].

As one might expect of an industry fueled by discretionary consumer spending, the two reasons most frequently cited by Illinois's casino gamblers for reducing the number of visits to casinos is the increased cost of gasoline (40%) and the increased cost of living (35%) (e.g., food price inflation).² Another significant cluster of reasons cited by Illinois's casino gamblers for reducing the number of visits to casinos is loss of income (16%), falling behind on bills (15%), job loss (12%), and declining home values (11%). Indeed, following the onset of the Great Recession, Illinois's unemployment rate

¹ See,

http://www.cdc.gov/tobacco/data_statistics/state_data/state_highlights/2010/pdfs/highlights2010.pdf.

² In the week ending May 7, 2011, Illinois had the second highest average gasoline price among the 50 states after Hawaii.

skyrocketed from 6% to 12.4% (well above the national average), while average gasoline prices rose by more than one dollar per gallon during this time.

Thus, according to Barrow, “casino gamblers with jobs and stable incomes have been shifting their spending patterns more toward consumer staples – for example, gasoline and food -- and away from spending on discretionary purchases, such as gambling, in a perfectly rational manner, while those without jobs or strained incomes are also making the rational decision to not gamble or to gamble less frequently.”

Barrow went on to say that “rational economic behavior, not the state’s smoking ban, is what accounts for declining gaming revenues in Illinois. In fact, when given the opportunity, not a single person interviewed in our survey volunteered the smoking ban as a reason for gambling less frequently in Illinois.”

Barrow also observed that Illinois’s riverboat casinos are not destination resorts with the full array of resort amenities, such as a luxury hotel, retail shopping, golf course, spa, comedy and dance clubs, concert and entertainment arenas, or conference and meeting facilities, and Illinois’s effective tax rate – the highest in the nation for commercial casinos – is high enough to discourage significant investment in new or improved gaming facilities. Consequently, as gambling policy in adjacent states, such as Iowa, Missouri, and Indiana is gradually moving away from the Mississippi River model of floating river boats to an industry anchored by land-based and fixed “dockside” casinos, subject to lower effective tax rates, Illinois’s riverboats are becoming less competitive at a time when the region’s gaming market is becoming more competitive in three ways.

First, whether true or not, the CFPA survey found that 19% of Illinois’s casino gamblers report that they now gamble less frequently at Illinois’s riverboat casinos because of “lower slot payouts.” The perception among many of the state’s casino gamblers is that the odds now favor the house too heavily and they are not inclined to gamble as frequently as they did in the past. Second, many of the casino gamblers interviewed for the survey volunteered that many casinos in Indiana, Missouri, and Iowa are more attractive and offer a higher quality entertainment experience than riverboat casinos in Illinois. Barrow said that “While the casinos in Indiana, Iowa, and Missouri may not qualify as ‘destination resorts’, similar to Connecticut, Nevada, or New Jersey, they still appear to have a stronger ‘gravity effect’ for many Illinois residents based on their superior amenities, which often include gourmet dining, hotels, upscale lounges, and greater physical attractiveness.”

Finally, a new entrant onto the Illinois gambling landscape has been the introduction of video poker into local clubs and bars. Respondents to the Illinois survey were asked:

“In the past 12 months, have you at any time played video poker or slot machines at a local club or bar rather than going to a casino?”

Among Illinois’s casino gamblers, 14% said they had played video poker or slot machines at a local club or bar *instead of* going to a casino and these occurrences have

likely cannibalized slot machine revenues at the state's riverboat casinos, particularly for gamblers who are seeking a more convenient location to gamble, for slot machine players seeking to reduce gasoline consumption by gambling closer to home, or for those who perceive that local clubs and bars offer a higher payout.

"The results," Barrow observed, "suggest that some of Illinois's riverboat casinos are being squeezed from both ends of the market. Convenience gamblers are shifting some of their slot pay to local bars and clubs for perceived higher payouts and to save on travel, while more affluent gamblers are crossing state lines for what they perceive to be a superior entertainment experience. The smoking ban is not the problem."

For a copy of the poll results and survey instrument go to:

<http://www.umassd.edu/seppce/centers/cfpa/> See, What's News! on right side of page.

The Center for Policy Analysis was established in 1985 as a multidisciplinary research unit of the University of Massachusetts Dartmouth that specializes in applied policy research. The Center for Policy Analysis provides research services, information support, and technical assistance to state and local government agencies, private business associations, non-profit organizations, and school departments. In 2004, the Center for Policy Analysis established the New England Gaming Research Project, which is funded by the UMass Dartmouth School of Education, Public Policy, and Civic Engagement, to provide policymakers, the general public, and the media with independent and objective research on the economic, fiscal, and social impacts of gaming in the United States.