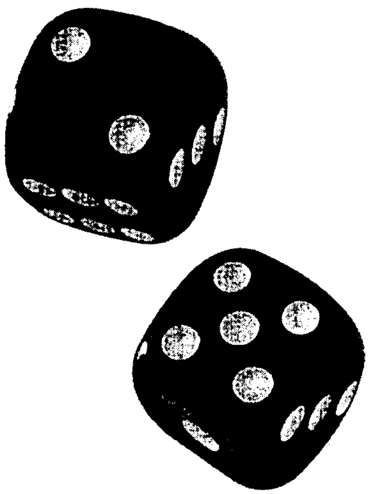
Gambling on the Future



Orange County Tackles Critical Economic Issue

William Pable

Long, long ago, a wise businessperson named Walt Disney traveled to a remote orange grove in the middle of Florida. Where the locals saw orange trees, Mr. Disney saw a castle. Where the locals saw empty space and palmetto scrub, Mr. Disney saw Space Mountain and tourists. It was a magical concept, and Mr. Disney's Magic Kingdom made central Florida the most popular destination on the planet. His vision gave birth to an economy fueled by tourism, film and television, sports, high technology, health care, and international business. Orange County, Florida, sits at the heart of this economic engine, and its future looks bright.

Would Gambling Fit In?

Local leaders were faced recently, however, with the question of whether legalized gambling should be added to central Florida's economic future. Specifically, a pro-casino initiative sought to amend the state's constitution to allow limited gambling. Orange County officials prepared for this possibility through a two-tiered approach.

First, the county staff completed an extensive study entitled *The Impact of Casino Gambling in Central Florida*, which sought to document the impacts of legalized gambling throughout the United States and to address how these impacts might be felt in Orange County.

Second, the Orange County Board of Commissioners adopted two ordinances: If a pro-gambling initiative ever is approved by state voters, the first ordinance will allow county voters the option to overrule the state vote, while the second ordinance bans casinos from the county's tourism district, home to most of the local tourist industry.

Would casinos make sense for Orange County? The question is not whether the gaming industry has brought economic benefits to some communities; it clearly has done so. The county's study found, for example, that casino gambling helped reduce the unemployment rate in Tunica, Mississippi, from 26 percent to less than 5 percent. Likewise, gaming generated more than $167 million in 1994 taxes in Illinois, where it funds a variety of public infrastructure needs. Throughout the nation, casinos paid $1.4 billion in state and local taxes in 1994.

Long-term success of the gambling industry in one community often depends on the proliferation of casinos in nearby communities.

Weighing the Pros and Cons

To understand clearly whether the gaming industry will be beneficial in a particular place, it is imperative to weigh all the costs encountered in each community. After careful consideration, Orange County concluded that it already held an economic royal flush that would only be weakened by adding gambling to its hand. The county's study outlined the four C's of this issue: cannibalization, crime, children, and competition.

Cannibalization. Land previously used for traditional commercial purposes is sometimes more profitable when used for gambling purposes. The county study found that three car dealerships and a grocery store had been converted into casinos in Deadwood, South Dakota, since that jurisdiction had approved gambling. Likewise, in Mississippi, the number of docks available to shrimpers had declined with the growth of dockside gambling. And several major office tenants in New Orleans either have moved offices to other markets or have considered doing so since plans were announced for a downtown casino.

There are significant differences between Orange County's special brand of tourism and the type of tourism attracted by legalized gambling, which can be patronized in numerous locations throughout the country. Because it is likely that gambling will not be a unique experience to most of the county's tourists, local residents may be the only major untapped market for an Orange County casino. As a result, legalized gambling in the county probably will cannibalize disposable income from local consumers who have supported local commercial businesses.

Crime. The county study documented what appeared to be a trend in the type of crime committed in some communities. New residents in Deadwood, South Dakota, came to pursue the promise of employment in the booming gambling economy. These new arrivals, however, also left their mark on Deadwood's social fabric, in the form of an assortment of problems ranging from alcohol to crack cocaine. Similarly, residents of Black Hawk, Colorado, have dealt with a variety of crimes since the inception of legalized gambling, ranging from criminal mischief to assault.

Recent hearings before the United States House of Representatives have focused on the gambling industry's impact on two closely related topics: crime and compulsive gambling. As one example, the American Insurance Institute estimates that 40 percent of white-collar crime is committed by compulsive gamblers.

Children. The compatibility of casinos and children is particularly relevant to the question of whether casino gambling will be viable in the Orange County market. According to the study, roughly 25 percent of the county's visitors are under age 18, while only about 8 percent of Las Vegas's visitors are under age 21. Las Vegas, for example, did not actively seek the family market until 1992, when only 7 percent of its visitors were under age 21. And the number of children visiting Las Vegas has only increased by about 1 percent between 1992 and the present.

The small increase in Las Vegas's share of the family market came at a time when the city sought to reinvent itself as a family destination. Las Vegas casinos added a variety of family attractions but were not successful with families. The lessons of Las Vegas are made even more clear by recent surveys that suggest that gamblers with children wager up to 40 percent less money than gamblers without children. In short, legalized gambling is not compatible with Orange County's family-oriented tourism industry.

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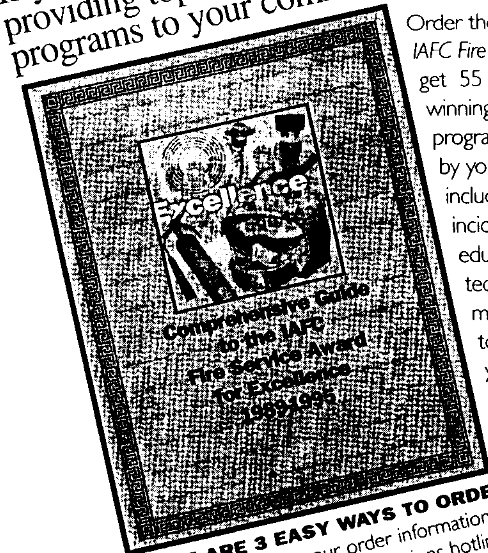

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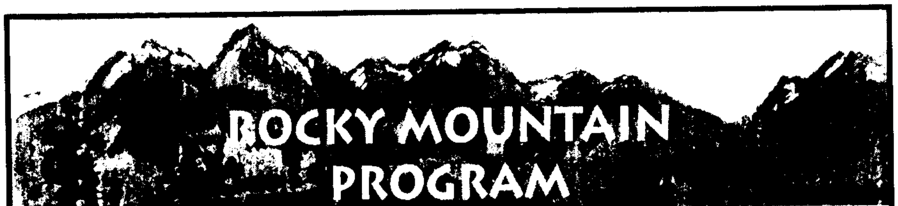

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Competition. The county's study found that the long-term success of the gambling industry in one community often depends on the proliferation of casinos in nearby communities. Competition is the reality check that may pull the rug out from under dozens of state and local governments across the country that have leapt into the pursuit of gambling revenues.

The numbers offer the most telling story of market saturation in this industry. According to county study results, at the end of 1994, more than 40 casinos had failed in Colorado; two-thirds of the 80 casinos in Deadwood, South Dakota, have either gone bankrupt or are in financial trouble; and several gambling boats on the Mississippi River previously anchored in Iowa have relocated to Mississippi in search of more lucrative markets.

In what may well become the most unusual twist in the story of gambling's future, the Internet threatens to redefine how, when, and where gambling occurs. With millions of Internet users in North America alone, on-line gambling may revolutionize the gaming industry by bringing a virtual casino into the living room of anyone with a personal computer.

Orange County's Decision

Any promises that the gambling industry fulfilled in the deserts of Las Vegas or elsewhere will likely prove to be mirages for Orange County. Whether casino gambling should be legalized is a question that communities must measure in terms of whether the local benefits will exceed the local costs. In the case of Orange County, officials found ample grounds to conclude that legalized gambling was a bad bet for the county's future. PM

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