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### Casinos Would Not Help New York's Schools

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# *It's Elementary*

A Monthly Column by EFAP Director John Yinger  
September 2013

## **Casinos Would Not Help New York's Schools**

I wasn't planning to write a column about the proposed constitutional amendment to allow up to seven casinos in New York, because I didn't think it had much to do with education. Apparently I was wrong. According to the wording of the proposition that will appear on the November ballot, this amendment would be a miracle worker:

The proposed amendment to section 9 of article 1 of the Constitution would allow the Legislature to authorize up to seven casinos in New York State for the legislated purposes of promoting job growth, increasing aid to schools, and permitting local governments to lower property taxes through revenues generated. Shall the amendment be approved?

Job growth, more aid to schools, lower property taxes! Who could be against this proposition!? Actually, I am, because none of these claims is true.

Job growth? Not likely. Money spent in casinos is money not spent somewhere else. Job gains in casinos and their supporting businesses would be offset by unidentified but real job losses elsewhere in the economy, including jobs supported by money that would otherwise have been spent on lotteries and slot machines or on non-gambling forms of entertainment. Proponents claim that the casinos will bring gambling tourists into New York State, a change that might have a small, positive impact on employment in the short run. But surrounding states would then have an incentive to allow new casinos themselves to bring these tourists back home. Moreover, any gains from short-run increases in employment would be offset, perhaps substantially, by the social problems associated with increased gambling addiction.<sup>1</sup> This is a lose-lose proposition for the states involved.

Surely, the proponents say, property tax revenue would increase, and tax rates on residential property would decrease, because casino property would be taxable. This remains to be seen, however, because local governments may fall into a fierce tax-break competition to attract casinos. The only jurisdictions that win this competition may be the ones that exempt casinos from property taxes!

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<sup>1</sup> Some scholars have found that casinos have a relatively high association with gambling addiction compared to other forms of gambling. For example, Welte et al. ("Risk Factors for Pathological Gambling," *Addictive Behaviors*, Vol. 29, No. 2, February 2004, pp. 323-335) finds that "casino gambling is associated with a high risk of gambling pathology." Room, Turner, and Ialomiteanu ("Community Effects of the Opening of the Niagara Casino." *Addiction*, Vol. 94, No. 10, October 1999, pp. 1499-1466) examined the opening of the Niagara casino in Ontario, Canada, and found that "Reported gambling problems increased significantly in Niagara Falls..., while rates were generally stable or declining in the province."

Moreover, even without this competition, the extra costs that casinos impose on local police, fire, and highway departments would eat heavily into any increases in property tax revenue.

Finally, the claim of increased aid to schools is misleading at best and probably not true at all. The State could, of course, collect some tax revenue from casinos and it could, if it wanted, add this revenue to the state education aid budget. These are only possibilities, however, and are not included in the proposed amendment, which simply allows casinos to be opened. Moreover, any revenue collected from a casino would be offset to a large degree by the loss of revenue from the economic activities out of which people shifted their budgets so that they could go to a casino. In addition, any flow of revenue from casinos into the state education aid budget would not only be unpredictable, but also would almost certainly lead to reductions in the support for state aid from other revenue sources. Why, state elected officials would ask, should we increase income taxes to aid our public schools if we have all this new revenue from casinos?<sup>2</sup> Elected officials in New York are already backing away from the commitments they made to adequately fund public schools (see my column for September 2012). They do not need any more encouragement!

State sponsorship of casinos, like state sponsorship of other forms of gambling, also undermines a central message that the New York public education system is trying to instill in its students, namely, that working hard and getting a good education is the best foundation for a successful, productive life. For many years the lottery has contradicted this message with its declaration that “all you need is a dollar and a dream.” Do we really want to authorize private casinos, which are likely to use even more aggressive advertising? What would the casinos claim: “Visit a casino and walk away a winner”? This might be a winning strategy for them, but it is not a winning strategy for the young people of New York State.

If the New York State Constitution is amended to allow casinos, the people who own the casinos will get rich, the politicians who support casinos will get campaign contributions, and some people will enjoy a new form of entertainment. But will New York experience job growth, lower property tax rates, and more state aid to schools? Not so much.

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<sup>2</sup> Several scholars have found that lottery revenue does not increase spending on education. It seems reasonable to extend this conclusion to the case of casinos. In a study by Garrett (“Earmarked Lottery Revenues for Education: A New Test of Fungibility.” *Journal of Education Finance*, Vol. 26, No. 3, Winter 2001, pp. 219-238), for example, “lottery revenues earmarked for education are found to have no impact on education expenditure” (p. 237). Similar conclusions are reached by Erikson, Deshano, Platt, and Ziegert (“Fungibility of Lottery Revenues and Support of Public Education.” *Journal of Education Finance*, Vol. 28, No. 2, Fall 2002, pp. 301-311); Campbell (“Do Lottery Funds Increase Educational Expenditure? Evidence from Georgia's Lottery for Education,” *Journal of Education Finance*, Vol. 28, No. 3, Winter 2003, pp. 383-401); and Pantuosco, Seyfried, and Stonebraker (“The Impact of Lotteries on State Education Expenditures: Does Earmarking Matter? *The Review of Regional Studies*, Vol. 37, No. 2, 2007, pp. 169-185). Other studies (e.g. Navarro, “Earmarked Lottery Profits: A Good Bet for Education Finance?” *Journal of Education Finance*, Vol. 31, No. 1, Summer 2005, pp. 23-44) find that lottery revenue for education is partially offset by cuts in other revenue sources.