

LINDA LINGLE  
GOVERNOR  
JAMES R. AIONA, JR.  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
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HONOLULU, HAWAII 96809  
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www.hawaii.gov/dcca

LAWRENCE M. REIFURTH  
DIRECTOR  
RONALD BOYER  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH STATE LEGISLATURE  
REGULAR SESSION, 2010

Wednesday, February 24, 2010  
12:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 2251, HOUSE DRAFT 1  
RELATING TO GAMING.**

**WRITTEN TESTIMONY ONLY**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

The Department of Commerce and Consumer Affairs (Department) appreciates the opportunity to **oppose** House Bill No. 2251, H.D. 1, Relating to Gaming. My name is Lawrence M. Reifurth, and I am the Department's Director. House Bill No. 2251, H.D. 1 among other things, proposes to:

- (1) Establish a Gaming Commission (Commission) within the Department;  
and
- (2) Require the Commission to: (a) establish the qualifications for licensure to conduct casino gaming operations, (b) evaluate applicants for licensure and award one five-year license to a qualified applicant who submits the highest bid, (c) collect taxes and fees, (d) administer a problem gamblers program, and (e) regulate casino gaming operations.

The Governor has publicly stated her opposition to gaming, and on behalf of the Administration, the Department reiterates that opposition.

Additionally, as the bill proposes to regulate the casino gaming operations profession, which is currently unregulated, an Auditor's analysis is required to be performed on the proposal pursuant to section 26H-6, Hawaii Revised Statutes (HRS). A concurrent resolution requesting the Auditor to analyze the probable effects of the bill and whether the bill's enactment is consistent with the policies set forth in section 26H-2, HRS, needs to be adopted by the Legislature.

Also unclear is the intent of the provision that requires that the single license issued by the Commission be issued to the qualified applicant who "submits the highest bid". Are qualified applicants expected to bid for the single license?

For the reasons enumerated above, the Department urges the Committee to hold the bill.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-FIFTH LEGISLATURE, 2010**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2251, H.D. 1, RELATING TO GAMING.

**BEFORE THE:**

HOUSE COMMITTEE ON FINANCE

**DATE:** Wednesday, February 24, 2010 **TIME:** 12:30 p.m.

**LOCATION:** State Capitol, Room 308

**TESTIFIER(S):** Mark J. Bennett, Attorney General, or  
Deborah Day Emerson, Deputy Attorney General, or  
James C. Paige, Deputy Attorney General

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Chair Oshiro and Members of the Committee:

The Attorney General opposes this bill.

Gambling will not resolve Hawaii's current economic problems. Even if this bill were enacted this year, gambling revenues would not flow into the State treasury in the near future. And if gambling were allowed in Hawaii as a short-sighted economic fix, it would be extremely difficult to eliminate it when the economy recovers.

Gambling would divert limited tourist and resident dollars away from already-struggling local businesses. Instead of bringing new revenue to Hawaii, it is likely that the majority of casino customers would be Hawaii residents. It is improbable that Hawaii would experience a large influx of new tourists arriving for the purpose of gambling when more convenient and less costly gambling venues are available throughout the mainland and in numerous Asian and European gambling centers. To the contrary, gambling would tarnish Hawaii's image as a destination for visitors to enjoy the islands' scenery, climate, outdoor activities, and cultural heritage.

Moreover, any benefit the State may gain from gambling revenues would be outweighed by the serious and long-term

Testimony of the Department of the Attorney General  
Twenty-Fifth Legislature, 2010  
Page 2 of 3

detrimental effects of gambling. As in other jurisdictions where gambling is allowed, we can expect to see lives ruined and families destroyed by compulsive gambling, and a resulting burden on State and county social service agencies.

We also have serious concerns that the legalization of casino gambling will lead to increased crime. In addition to a rise in crimes by compulsive gamblers trying to support their addiction, we can expect an increase in organized crime, violence, and corruption related to the gambling industry. And an increase in crime will result in greater costs related to law enforcement, victim services, and the rest of the criminal justice and corrections system.

In 2006, a comprehensive study of the issue, entitled *Casinos, Crime, and Community Costs*, was completed by Earl Grinols of Baylor University and David Mustard of the University of Georgia. The study was published in the February 2006 issue of *The Review of Economics and Statistics*, a journal of applied economics, edited at Harvard University's Kennedy School of Government and published by the MIT Press. The study included the following conclusions at pages 43-44:

Our analysis of the relationship between casinos and crime is the most exhaustive ever undertaken in terms of the number of regions examined, the years covered, and the control variables used. Using data from every U.S. county from 1977 to 1996 and controlling for over 50 variables to examine the impact of casinos on the seven FBI Index I crimes (murder, rape, robbery, aggravated assault, burglary, larceny, and auto theft), we concluded that casinos increased all crimes except murder, the crime with the least obvious connection to casinos. Most offenses showed that the impact of casinos on crime increased over time, a pattern very consistent with the theories of how casinos affect crime . . . . According to the estimates, between 5.5% and 30% of the different crimes in casino counties can be attributed to

Testimony of the Department of the Attorney General  
Twenty-Fifth Legislature, 2010  
Page 3 of 3

casinos. This translates into a social crime cost associated with casinos of \$75 per adult in 1996. This figure does not include other social costs related to casinos, such as crime in neighboring counties, direct regulatory costs, costs related to employment and lost productivity, and social service and welfare costs. Overall, 8.6% of property crime and 12.6% of violent crime in counties with casinos was due to the presence of the casino.

The Attorney General respectfully requests that this bill be held.

DEPARTMENT OF THE PROSECUTING ATTORNEY  
CITY AND COUNTY OF HONOLULU

ALII PLACE  
1060 RICHARDS STREET, HONOLULU, HAWAII 96813  
AREA CODE 808 • 768-7400

PETER B. CARLISLE  
PROSECUTING ATTORNEY



DOUGLAS S. CHIN  
FIRST DEPUTY  
PROSECUTING ATTORNEY

**THE HONORABLE MARCUS OSHIRO, CHAIR**  
**HOUSE FINANCE COMMITTEE**  
Twenty-fifth State Legislature  
Regular Session of 2010  
State of Hawai'i

February 24, 2010

**RE: H.B. 2251, H.D. 1; RELATING TO GAMING.**

Chair Oshiro and members of the House Committee on Finance, the Department of the Prosecuting Attorney submits the following testimony in opposition to H.B. 2251, H.D. 1.

The purpose of this bill is to establish a gaming commission within the Department of Commerce and Consumer Affairs which will have the authority to regulate casino gaming operations. The bill also provides for a wagering tax that will pay for the administrative costs of the commission and fund a problem gamblers program with excess revenue going to the state's general fund. In addition, this bill restricts gaming in the casino to persons at least 21 years of age.

We understand the allure of gambling as an attractive solution to Hawaii's economic problems. However, we oppose the introduction of casino gambling to Hawaii because we believe any economic benefits provided by gambling are far outweighed by increased crime rates and social costs to families whose incomes may be substantially reduced by chronic gambling.

It has been shown that gambling acts as a regressive tax which falls most heavily on those who can least afford it. In addition, it has been estimated that the rate of problem or pathological gamblers in Hawaii's population will range from 1.4% to over 6% of the residents. These problem and pathological gamblers will first borrow from friends and family and when that is no longer possible, they will often turn to stealing from friends, family and employers. Even without the gambling opportunities in the state, we have seen cases involving a county treasurer and a county relocation officer who committed thefts in order to pay off large gambling debts. We believe that instances like these will become more frequent and severe if gambling is permitted and more easily accessible in Hawaii.

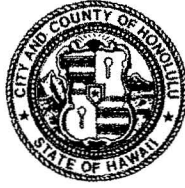
In addition, there is the problem of gambling and crime. In Hawaii, organized crime has already had its hand in the till of illegal gambling for several decades. With the promise of the economic windfall legalized gambling will bring, why would we suppose that organized crime will not find legalized gambling to be as tempting or lucrative? Given the attraction of organized crime to enterprises involving large amounts of money and profit, we question whether the crime problem in Hawaii will be exacerbated by the introduction of legalized gambling.

We hope that after serious consideration of these issues, you will hold this bill.

Thank you for this opportunity to testify.

POLICE DEPARTMENT  
**CITY AND COUNTY OF HONOLULU**

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813  
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MAYOR

LOUIS M. KEALOHA  
CHIEF

DELBERT T. TATSUYAMA  
RANDAL K. MACADANGDANG  
DEPUTY CHIEFS

OUR REFERENCE **SD-TA**

February 24, 2010

The Honorable Marcus R. Oshiro, Chair  
and Members  
Committee on Finance  
House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 2251, H.D. 1, Relating to Gaming

I am Susan Dowsett, Major of the Narcotics/Vice Division of the Honolulu Police Department, City and County of Honolulu.

The Honolulu Police Department opposes House Bill No. 2251, H.D. 1, Relating to Gaming.

The Honolulu Police Department recognizes that Hawaii and the nation are struggling with economic difficulties. We also recognize that in difficult times, people look for solutions in places that their good judgment would normally have them avoid.

This bill attempts to justify legalization of a casino for economic reasons. The fact is that opening a casino will have an overall negative effect on our economy and unique island lifestyle. There are no authoritative studies indicating that legalized gambling activities stop the illegal gambling market. Illegal gambling competes by providing a different game, better odds, better credit, and a heightened sensation factor. Legalized gambling will lead to increases in illegal gambling. Legalized gambling "relaxes" the stigma attached to illegal gambling.

An excellent long-term study conducted by Professors Earl Grinols and David Mustard, entitled "Measuring Industry Externalities: The Curious Case of Casinos and Crime," showed that having casinos increased crime after a lag of three to four years. Crime rates also increased in bordering counties under a "spill over" effect.

*Serving and Protecting With Aloha*



The Honorable Marcus R. Oshiro, Chair  
and Members  
Page 2  
February 24, 2010

This study indicated that 8 percent of property crime and 10 percent of violent crime in counties with casinos were due to the presence of a casino.

The Honolulu Police Department opposes House Bill No. 2251, H.D. 1, and would like to remind Hawaii's legislators that legalizing even one casino would simply open the floodgates for additional casinos and the multitude of criminal and social problems that accompany them.

Thank you for the opportunity to testify.

Sincerely,



SUSAN DOWSETT, Major  
Narcotics/Vice Division

APPROVED:

*DC Rel Myg*  
\_\_\_\_\_  
for LOUIS M. KEALOHA  
Chief of Police

# Hawai'i Coalition Against Legalized Gambling

1124 Fort Street Mall, Suite 209 Honolulu, HI 96813

COMMITTEE ON FINANCE

Wednesday, February 3, 2010

10:30 a.m., Conference Room 329

## Member Organizations

Advocates for Consumer Rights  
Animal Rights Hawaii  
Buddhist Peace Fellowship  
Christian Voice of Hawaii  
Church of Jesus Christ of Latter-day Saints  
Church of Perfect Liberty  
Common Cause Hawaii  
First Christian Church (Disciples of Christ)  
Hale Kipa  
Hawaii Assemblies of God  
Hawaii Association of International Buddhists  
Hawaii Christian Coalition  
Hawaii Conference of Seventh-day Adventists  
Hawaii Conference of the United Church of Christ (UCC)  
Hawaii District United Methodist Church  
Hawaii Family Forum  
Hawaii Pacific Baptist Convention  
Hawaii Rainbow Coalition  
Hawaii Religions for Peace  
Hawaii Youth Services Network  
Honolulu Friends Meeting (Quakers)  
Honolulu Police Department  
Institute for Religion and Social Change  
Interfaith Alliance Hawaii  
Kokua Council  
League of Women Voters of Hawaii  
Life of the Land (Hawaii)  
Dr. Martin Luther King, Jr. Coalition Hawaii  
Mestizo Association  
Muslim Association & Islamic Center of Hawaii  
Pacific Gateway Center  
Presbytery of the Pacific  
Saints Constantine & Helen Greek Orthodox Church  
Small Business Hawaii  
Soto Zen Mission of Hawaii  
Temple Emanu-El  
Windward Coalition of Churches  
The Woman's Board of Missions for the Pacific Islands (UCC)

## Cooperating Organizations

Chamber of Commerce of Hawaii  
Catholic Diocese of Honolulu  
Hawaii Bankers Association  
Hawaii Business Roundtable  
Hawaii State PTSA  
Hawaiian Humane Society

Chair Oshiro, Vice Chair Lee, and members of the Committee on Finance

Testimony for HB 2251, HD1, RELATING TO GAMING

My name is Dianne Kay and I am President of the Hawaii Coalition Against Legalized Gambling. Our coalition represents diverse organizations in the community but we are united on one issue—we all want to keep legalized gambling out of the state of Hawaii.

Those who believe that introducing gambling to Hawaii would resolve our economic crisis may be unaware that little if any money would be brought into the local economy. Gambling would merely re-circulate dollars that are already here. At this time fewer tourists are coming to Hawaii with less money to spend and they would be unlikely to gamble away their limited vacation dollars. Those who would be hurt the most by gambling would be Hawaii's residents who could afford it the least. Also, a large percentage of the gambling revenue would leave the islands. Gambling does not promote economic development.

Gambling is not based on economically sound principles. Some gamble for recreation or entertainment, but many more gamble to obtain money. A product is not offered by these gamblers, nor is a service provided, yet they expect to acquire money.

Gambling creates economic costs for society and taxpayers: costs related to the enforcement of rising crime; business and employers' costs such as lost productivity and lost work time, embezzlement, and bankruptcy; social service costs related to unemployment and homelessness; family costs, for example, divorce, domestic violence, child abuse, child neglect, suicide; medical costs for stress related illnesses including cardiovascular disorders, anxiety, depression, and addiction. Studies since 1994 throughout the country conservatively estimate costs for each addicted gambler to be \$10,100 per year (Earl Grinols).

The two pre-eminent economists who have conducted the most studies and published a vast amount of literature on the economics of gambling are John Warren Kindt of the University of Illinois and Earl L. Grinols of Baylor University. Their most conservative cost to benefits estimates are greater than \$3 to \$1.

Hawaii doesn't have the socio-economic problems of many other states. Let's not bring them here. A Gallup poll published Feb. 15, 2010, ranked Hawaii highest in well-being of all states in the nation and Utah was second. I don't think it is a coincidence that these are the only two states without legalized gambling.

We respectfully request that the Finance Committee hold HB 2251, HD1.



House FIN Committee  
Wed, Feb 24, 2010  
12:30 pm  
Room 308

National Association of Social Workers

Hawaii Chapter

February 24, 2010

TO: Representative Marcus Oshiro, Chair  
Members of the House Finance Committee  
FROM: Debbie Shimizu, LSW  
National Association of Social Workers, Hawaii Chapter  
RE: HB 2251 HD1 Relating to Gaming- **STRONGLY OPPOSE**

Chair Oshiro and members of the House Finance Committee, I am Debbie Shimizu, Executive Director of the National Association of Social Workers (NASW), Hawaii Chapter. NASW is the largest professional organization for social workers in Hawaii.

**NASW strongly opposes HB 2251 HD1 to establish a gaming commission to oversee casino gaming in Hawai'i.**

These are extraordinary times that call for extraordinary measures, however, there is a limit to how far we should go. I draw the line at gambling. Those of us in the health and human services sector know that allowing gambling into the state would be a big mistake. While it may look like an attractive solution to our budget problems, just look at all the states that currently allow gambling. Are their economies any better than ours? Gambling does not solve problems but only create additional social problems.

An article by Dr. David A. Korn, a health and addictions consultant and faculty member of the Department of Public Health Sciences, University of Toronto, Canada, reported in an article published in the Canadian Medical Association Journal, July 2000, on the public health perspective to gambling. In the 1990's, gambling increased dramatically in Canada because of government's need to increase revenue. Some of the findings presented in the article are:

- Government must also fund services for people with gambling problems. By 1997/98, almost every province in Canada except one was allocating monies for gambling problems, with expenditures totaling \$15 million.
- Social policy groups expressed concern about the government's role in encouraging gambling at the same time protecting public interest.
- In 1997, the Harvard Medical School Division on Addictions completed a landmark meta-analysis of 35 Canadian prevalence estimates over the previous 25 years. The study showed that the estimated prevalence of gambling problems in the general adult population was low and rising, while the rate for youth and people living in institutions was high and steady.
- People at greater risk of gambling-related problems were, males, youth and individuals with concurrent substance abuse or mental illness problems.
- In terms of actual expenditures on gambling, lower-income households spent proportionately more than higher-income households.
- There is a social cost to families in terms of dysfunctional relationships, violence and abuse, financial pressure and disruption of growth and development of children.

We cannot solve our state's budget problems by creating more problems for the low-income and disabled. I urge you to OPPOSE this bill.

Thank you for this opportunity to testify.



# PHOCUSED

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

February 24, 2010

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Ruthann Quitiquit  
Jerry Rauckhorst  
Sandra Yoro

**Executive Director**

Alex Santiago

TO: Representative Marcus Oshiro, Chair

FROM: Alex Santiago  
PHOCUSED (Protecting Hawai'i's Ohana, Children, UnderServed,  
Elderly and Disabled)

RE: HB 2251, Relating to gaming

Chair Oshiro and members of the House Committee on Finance. I am Alex Santiago, the Executive Director of PHOCUSED, a coalition of health, housing, human service agencies and individual advocates voicing the needs of the marginalized and underserved in Hawaii. PHOCUSED is opposed to this measure.

As advocates for the Health and Human Services sector we believe that gaming is not the solution to our budget problems. We are concerned about the long-term negative social impacts gaming will have on our state and the people for whom we advocate. While we recognize the need to raise revenues, we feel strongly that this is not the best way to go about doing that.

PHOCUSED respectfully requests that this measure be held in committee.

Mahalo for the opportunity to testify.

Mahalo for the opportunity to testify.



Hawaii's Voice for a Better Future

COMMITTEE ON FINANCE  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair

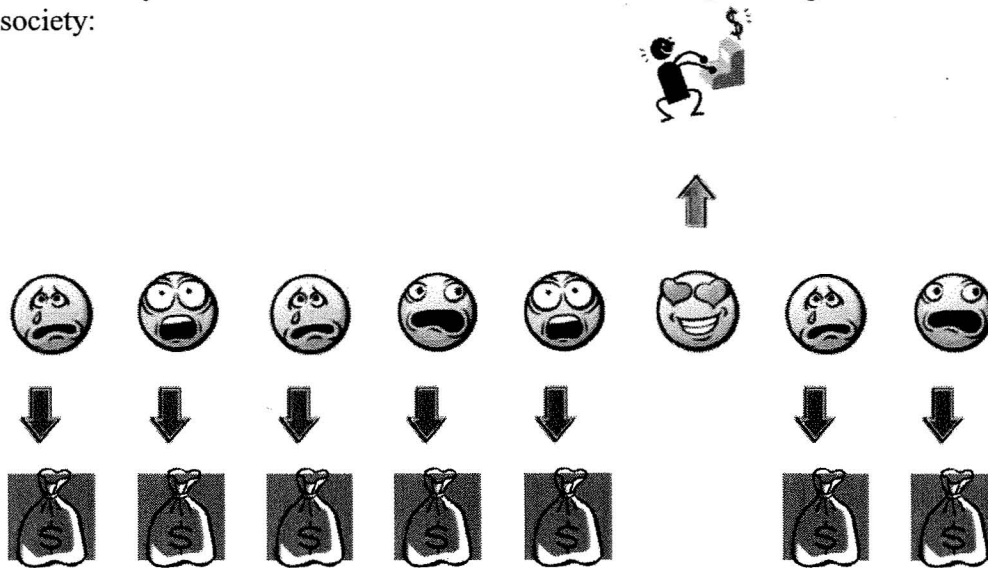
SB819  
WAM  
Wednesday, February 24, 2010  
10:10 a.m.  
Room 211

February 23, 2010

**Re: HB2251 — Relating to Gaming**

**In Opposition**

I think every member of the committee understands how gambling works and why it is detrimental to society:



Many seniors live on a fixed income and would not be able to make up losses. The gambling industry is very persuasive, and it would be a shame to see lives ruined in Hawaii.

We do many things right here: no billboards, good health care, etc. Let's not spoil it with gambling.

Kokua Council urges the Committee not to pass this bill.

Larry Geller  
President

*Larry Geller*  
Kokua Council

The **Kokua Council** is one of Hawaii's oldest advocacy groups. Kokua Council seeks to empower seniors and other concerned citizens to be effective advocates in shaping the future and well-being of our community, with particular attention to those needing help in advocating for themselves. "We embrace diversity and extend a special invitation to any senior or intergenerational minded individual interested in advocating for these important issues in Hawaii."



Web Testimony: [www.capitol.hawaii.gov/emailtestimony](http://www.capitol.hawaii.gov/emailtestimony)  
Hearing on: February 24, 2010 12:30 p.m.  
Conference Room 308

**DATE:** February 4, 2010

**TO:** House Committee on Finance  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair

**FROM:** Dennis Arakaki, Executive Director

**RE:** Opposition to HB 2251 HD 1 Relating to Gaming

Honorable Chairs and members of the House Committee on Finance, I am Dennis Arakaki, **representing both the Hawaii Family Forum and the Roman Catholic Church in the State of Hawaii.**

Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii, representing a network of over 250 Christian churches. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in Hawaii, which under the leadership of Bishop Larry Silva, represents over 220,000 Catholics in Hawaii. We strongly oppose this bill that would establish a gaming commission to oversee casino gaming and allow them to issue a 5-year license to a casino gaming operation in Honolulu.

Hawaii is among only three (3) states in the nation where all forms of gambling remain illegal. (Utah and Tennessee are the others). Proponents of legalized gambling in Hawaii boast of its promise of economic revitalization and prosperity. While there is an element of truth to their claims, greater scrutiny reveals a far different story.

The widespread proliferation of gambling on the mainland has produced very troubling consequences for the people and communities most closely associated with it. Those consequences include: increased violent crime, property crime, and drug-related crime; an increased influence of organized crime; increased addiction and family deterioration; a disproportionately adverse impact on youth and the poor; and, a net negative economic impact.

### **Crime**

An historical review of the experiences of several cities is illustrative.

- Casino operations began in the late 1970s in Atlantic City. Within three years, Atlantic City went from 50th to 1st in per-capita crime nationwide. (Goodman, Robert. (1995). *The Luck Business* (New York: Free Press).

- Five years after Deadwood, South Dakota, legalized limited-stakes casino gambling in 1989, its serious crimes had increased by 93 percent, causing its police force to double in size. (1995 Report of Maryland Attorney General, Joseph Curran)
- In 1990, voters in three Colorado mining towns approved a referendum allowing casinos. In just two years in Central City, assaults and thefts increased 400 percent while there were 8 times the number of arrests for drunken driving. The other towns' experiences were similar and all three were forced to increase their police forces.
- Voters in Florida rejected a November 1994 ballot initiative that would have introduced casinos statewide. The Florida Department of Law Enforcement had reported "Casinos will result in more Floridians and visitors being robbed, raped, assaulted, and otherwise injured. Casinos are not worth the gamble."
- In February 2009 the new HPD Chief, Louis Kealoha was quoted in the Advertiser, "Because of the lure of easy money . . . it [gambling] will attract organized crime and encourage public corruption. . . . We cannot support something that would strengthen the criminal element."
- The definitive academic study on new crime caused by increased gambling found that crime increased 8 to 10 percent after a gambling facility opened in a new county and continually increased thereafter. (Grinols and David B. Mustard, Casinos, Crime, and Community Costs. Review of Economics and Statistics, Harvard and Massachusetts Institute of Technology, 2006.)

### **Net Negative Economic Impact**

While it may be true that legalized casino gambling would bring new jobs for some, the potentially even greater negative economic impact must also be considered.

- Jobs within the gambling industry are often low-paying. In 1991, the New Jersey Casino Control Commission found that nearly two-thirds of casino employees made \$25,000 or less annually.
- Other, established local businesses, such as restaurants may suffer once gambling is legalized and business is pulled away. Within 10 years after the introduction of casinos in Atlantic City, 40 percent of the city's restaurants went out of business. (Hinds, Michael deCourcy. (1994). "Riverboat Casinos Seek a Home in Pennsylvania," New York Times, April 7.
- Finally, other gambling-related costs such as infrastructure expenditures, regulatory costs, criminal justice system expenses, and social-welfare costs, may result in more taxpayer dollars spent than are received from gambling revenue. Florida's Office of Planning and Budgeting concluded "Additional projected state tax revenues related to casinos are sufficient to address only 8 to 13 percent of annual projected costs related to casinos."



## High Social Costs

- Not unlike the social costs associated with other addictive behaviors, compulsive gambling wreaks havoc on individuals, families, and communities.
- Child and spousal abuse rates have risen dramatically in Deadwood, South Dakota, Biloxi, Mississippi, Central City Colorado after the introduction of legalized gambling.
- Drug and alcohol abuse, along with reported rates of suicide attempts are all alarmingly higher among those with severe gambling problems.
- A Harvard Medical School Professor has warned of gambling's impact on youth: "We're going to have major issues with youth gambling that will equal or eclipse the problems that we have with (youth) substance abuse . . ." The American Psychological Association recently indicated that 5% to 8% of young Americans and Canadians reported a "serious" gambling problem. (Philadelphia Inquirer 8/16/98)
- Repeated studies have shown that those most likely to gamble are those who are least able to afford it. A study of the 17 Native American casinos in Wisconsin concluded Wisconsin gamblers "are not the affluent people of Wisconsin. Their numbers are skewed toward the poorer-income categories and the elderly."

(Information excerpted from Focus on the Family 's You Bet Your Life, The Dangerous Repercussions of America's Gambling Addiction, 1996)

## Should Hawaii Be Like Las Vegas: Casino Gambling's Devastating Community Effects

OK. Let's begin with the obvious. Lots of people in Hawaii travel to Las Vegas for fun and recreation. Those visits are 100% irrelevant to the simple issue at hand - should Hawaii become more like Las Vegas by legalizing gambling? To answer the question, we really should examine the data about what it is like to live in a place like Vegas.

This data should serve as a clarion call for all of us - a reminder of the compelling reasons the people of Hawaii and our elected representatives have consistently and steadfastly resisted the siren song of the big money gambling interests. It reminds us why "the Las Vegas effect" upon our islands would wreak havoc on our ohana based community and our aloha spirit.

There are probably a few things you have never heard about Nevada. The point of the information is not to moralize against the perennial Vegas visit, but to remind people why we should resist any semblance of the Vegas scene here in our communities.

For the big money casino cartels, Vegas is #1. Number one alright - but did you know the following? According to the U.S. Bureau of the Census and other reputable sources, Nevada

boasts the following -- #1 in suicides; -- #1 in divorce; -- #1 in high school dropouts; -- and #1 in the number of women killed by men. Grim. But there is more.

Nevada is also number three in bankruptcies and abortions. Number four in rape, out of wedlock births and alcohol related death. Number five in crime, number six in prisoners locked up and number 50 in voter participation. This and other well-documented information is available through the Hawaii Coalition Against Legalized Gambling. In response to these data, the Coalition's response seems appropriate: "Not in my Backyard." Shouldn't that be our collective community response?

But what else do the data show generally about the corrosive effects of legalized gambling? In March of 1998, a St. Louis newspaper reported nearly 1 in 5 homeless people admit that gambling contributed to their poverty and 37% of those admit they continue to gamble. Did you know five to eight percent of adolescents are already addicted to gambling? How about that 75% of pathological gamblers in one study admitted to perpetrating a felony to support their addiction? That even casino owner Donald Trump admits when casinos come in "local business will suffer because they'll lose customer dollars to the casinos?" Do we really need any more suffering among our small business owners?

And that's just the beginning. According to Dr. John Kindt of the University of Illinois, legalized gambling in Hawaii would also surely bring the ABCs of gambling - increased addiction, increased bankruptcies, and increased crime and corruption. Would we really want to invite more of these things to our island paradise?

It's these and other concerns that convinced Congress in 1996 to form the National Gambling Impact Study Commission. And even though the commission is stacked with many gambling industry pals, it will nevertheless be recommending the following in its June 18 final report: a moratorium on new casinos and lotteries; an increase in the minimum betting age to 21; a ban on collegiate sports betting; stricter limits on the political influence of the gambling industry; and more resources to address the growing problem of gambling addiction.

It seems to me Hawaii is rather akamai for its continued rejection of legalized gambling. As we all know, Hawaii is special. This issue is no different - we are one of only three states in the nation that can boast of no legalized gambling. Let's work hard to keep it that way!

Mahalo for the opportunity to testify.

## Advisory Board

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WATANABE ING LLC

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February 22, 2010

TO: COMMITTEE ON FINANCE, Rep. Marcus R. Oshiro, Chair, Rep.  
Marilyn B. Lee, Vice Chair, and Committee members:  
RE: STRONG OPPOSITION to HB2251, Gaming  
HEARING: Feb. 24, 2010, 12:30 pm, room 308

Dear Representatives Oshiro, Lee, and members of the Committee:

I am Marya Grambs, Executive Director of the Mental Health America of Hawaii, and we are writing in strong opposition to HB2251.

I would like to call to your attention the mental disorder known as gambling addiction, also known as compulsive or pathological gambling. As defined by the American Psychiatric Association, pathological gambling is an impulse control disorder that is a chronic and progressive mental illness. Compulsive gamblers can't control the impulse to gamble, even when they know their gambling is hurting themselves or their loved ones. Gambling is all they can think about and all they want to do, no matter the consequences. Compulsive gamblers keep gambling whether they're up or down, broke or flush, happy or depressed. Even when they know the odds are against them, even when they can't afford to lose, people with a gambling addiction can't stay away from the game. Gambling addiction is just as deadly and dangerous as any other kind of addiction, and it is now being proposed for inclusion in the upcoming DSM-V, the diagnostic manual of the American Psychiatric Association.

Introducing gaming to Hawaii will result in thousands of cases of these disorders, with devastating consequences for these individuals, their families, and their finances. Hawaii has enough gambling addicts currently without adding the opportunities provided by HB251. The harm that gambling will cause to so many in Hawaii at large will not in any way be compensated by the short term financial gain, which, as data from other states show, is largely illusory.

Thank you for considering this testimony.

Sincerely yours,

Marya Grambs, Executive Director

# CHRISTIAN VOICE of HAWAII

*Standing for Righteousness in the Public Square*  
Post Office Box 23055 • Honolulu, Hawai'i • 96823

## HOUSE FINANCE COMMITTEE

### PUBLIC HEARING:

FEBRUARY 24, 2010, 12:30 PM,  
CONFERENCE ROOM 308

## TESTIMONY IN OPPOSITION TO HB 2251 HD1 – CASINO GAMING

CHAIR MARCUS OSHIRO and MEMBERS of the  
HOUSE FINANCE COMMITTEE:

Aloha. I offer this testimony today on behalf of Christian Voice of Hawaii, a network of more than 800 ministers from many denominations throughout Hawaii. The network involves pastors and leaders of numerous faith-based ministries that are active in providing support services in communities throughout the islands — from homeless shelters, to food distribution, family counseling, medical care, elderly and hospice care, social and spiritual counseling, assisting un-wed mothers, problem pregnancies, child services, education and so forth.

The members of the Christian Voice of Hawaii network hereby register our **OPPOSITION** to **2251 HD1 – CASINO GAMING**.

In the twenty-four years that Christian Voice has been active in Hawaii, we have maintained that legalizing gambling in any form would be extremely detrimental to the State of Hawaii and the people of Hawaii. Whatever income might be derived from gambling would be offset by other costs such as the deleterious effects of human suffering, and the enormous finances that would be required for increases in criminal activity and remedial programs. The net cost would be a tremendous financial and social net loss for the community.

Christian Voice maintains that it would be highly irresponsible for this legislature to justify gambling strictly as a means to generate cash flow and not take into account the broader picture of the human misery it will cause. Gambling is an addictive behavior. Think of it in terms of legalizing another form of addictive behavior like using 'ice' or 'crack' or alcohol. Addicts maintaining addictions take desperate risks leading to the impoverishment and breakdown of families; increase in crime and violence. That leads to further costly burdens upon the state's welfare and criminal/justice systems. It would be a disastrous trade-off.

Worse yet, in order to make money, the state would be in the business of pushing gambling, much like a drug dealer or pimp would push their wares. This is far different than pushing sunshine, sandy beaches and aloha.

The ubiquitous 'Native Hawaiian Government Reorganization Act' (a.k.a. the Akaka Bill) presently moving through Congress will generate a dilemma of legal entanglements for **HB 2251 HD1**. Should the Akaka Bill pass, **HB 2251 HD1** would run contrary to the anti-gambling stipulations embedded in the Akaka Bill. Furthermore, the Akaka bill stipulates that many State of Hawaii laws would not be applicable to the jurisdiction of the "Native Hawaiian Governing Entity." Thus, until it is determined what constitutes Native Hawaiian jurisdiction and what constitutes the jurisdiction of the State of Hawaii, it would be highly inappropriate to designate localities for gaming operations like casinos.

Again, because of the detrimental and dangerous effects it would have on Hawaii's families, our community, our economy and our society, the members of Christian Voice of Hawaii strongly oppose **HB 2251 HD1** and any other measure that seeks to legalize gambling of any form in Hawaii.

Respectfully submitted,



Leon Siu  
Director,  
*Christian Voice of Hawaii*

***Ua mau ke Eā i ka 'Āina i ka Pono.***  
*The Sovereignty of the Land is perpetuated in Righteousness.*



# Unity House, Inc.

*"Sewing Hawaii's Working People"*

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February 23, 2010

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

RE: HB2251, HD1 Relating to Gaming

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

This letter is written on behalf of our organization in support of HB 2251, HD1 which calls for a single, stand-alone casino in Waikiki and creation of a Hawaii Gaming Commission to oversee the operation of that casino.

Unity House currently owns multiple properties in Waikiki, including the recently purchased Lotus Hotel at Diamond Head (formerly know as the W Hotel). We are concerned about the future of tourism because of the increasing competition around the Pacific, and also the welfare of our more than 10,000 plus beneficiaries who are struggling to maintain their lifestyles in these hard times.

We are not in support of multiple gambling operations in Waikiki because we do not want Hawaii to be known as a Gambling Destination, nor do we want gambling to be a major economic pillar of our Visitor Industry. We also do not support a lottery, as a lottery will create only a few jobs and not bring outside money into Hawaii. However, we are OK with the proposed establishment of a single casino as an entertainment amenity in Waikiki, so long as the following criteria are followed:

- a. The legislation should ensure that only one casino is opened in Waikiki;
- b. The legislation should ensure that no less than 800 new jobs are created for local residents;
- c. Design of the casino should blend into the Waikiki district, and not stand out like a Las Vegas neon-light property;
- d. The legislation as written is good in that no single hotel, or hotel chain, will benefit from the casino because it will be stand alone. But this must remain a part of any bill that is approved. Moreover, the single casino should not be allowed more than one restaurant/bar operation and one convenience store, so that it will not compete with the various small businesses already in Waikiki;
- e. To minimize social problems, especially among those who are already financially strapped, we would encourage changing HB 2251 to include a provision that anyone attending the casino must first register for an overnight stay in a Waikiki hotel. This would effectively block the very poor, who should not be gambling, from going to the casino because they could not afford the hotel cost. More than that, it could raise the occupancy of all Waikiki hotels because those local people who can afford to gamble might stay overnight in Waikiki once in a while, as opposed to going to Las Vegas.
- f. To prove that they are registered in a Waikiki hotel, casino attendees should be required to purchase a one-day ticket at their hotel. This ticket, along with their hotel receipt, would allow the casino to

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# Unity House, Inc.

*"Serving Hawaii's Working People"*

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- verify that the attendee is really staying in a hotel. State gaming rules should be written to somehow ensure that the casino staff does not allow anyone into the casino that does not have a hotel ticket. Also, rules should be made that permanently ban anyone identified as an "addicted gambler" from entering the casino. This can be done in today's high-tech environment;
- g. Finally, the State must receive a fair market financial return in the nature of a gross revenue tax for allowing the single casino to operate.

In short, the single casino should be no more than an entertainment amenity that primarily targets or off-island visitors and secondarily targets local residents who can afford to gamble. This could help provide many new jobs, generate increased occupancy for the hotels and generate new revenue for our government. In this regard Honolulu would be similar to Sydney, Singapore, London or Manaco when it comes to legalized gambling, and not like Las Vegas or Macau, which we should not emulate.

In considering this legislation, our organization reviewed various studies done by both pro-gambling and anti-gambling advocates. Both sides quote statistics and numbers to prove their point. However, we found that both sides are biased in their approach when they begin their studies, so we would recommend that the Hawaii legislature only review the gambling study that was conducted by the U.S. Congress several years ago. This study included participants from both sides of the issue and reached reasonable conclusions. The single, stand-alone facility as proposed in this legislation matches the recommendations made by that Congressional study.

Finally, in reaching our conclusion, we looked at the experiences of other states with legalized gambling. Clearly there are social problems with any type of gambling. Those should be addressed in this legislation and enforced by the State Commission. However, we do not agree with comments such as one newspaper wrote in an editorial that "The experience of 48 other states clearly points to staggering social costs that outweigh the economic benefits." If that were true, then why don't the other 48 states repeal gambling? There are only two possible answers...either the economic benefits outweigh the social costs or the legislators and community leaders in all of those states are ignorant and/or corrupt. We just don't believe the second alternative to be the case.

Thank you for considering this legislation. Unfortunately, I have a medical appointment at the time of your hearing and will not be able to testify in person. However, if you wish to talk to me directly, I can be reached on my cell phone at 479-9013.

Sincerely,

A handwritten signature in cursive script that reads "James M. Boersema". The signature is written in black ink and is positioned above the printed name and title.

James M. Boersema  
Chairman of the Board

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**Testimony to the House Committee on Finance**

**Wednesday, February 24, 2010**

**12:30 P. M.**

**Conference Room 308**

**RE: Relating to Gaming – House Bill 2251 HD1**

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable strongly opposes House Bill 2251 HD1 allowing the legalization of Gambling in Hawaii. Other states have found that revenue generated by legalized gambling are more than offset by the increased costs of social services that legalized gambling typically creates. Gambling would also have a potential negative impact on Hawaii's pristine image of a place of safety and natural beauty. Degrading our image could have a profound impact on our tourism industry, as well as the social fabric of our community. The promise of large revenue streams in almost all states that introduced gambling has been illusory. Gambling is simply a highly regressive form of taxation on the public. The lure of promoters' estimates of significant state revenue gains that do not consider the longer term higher costs should not redirect the community's focus from the true challenge, which is to invest in



supporting real job growth and sustainable economic growth that benefits all members of our community.

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance

Subject: House Bill 2251, HD1 Relating to Gaming

As the Director of Public Affairs in Hawaii, I, John A. Hoag,, speak on behalf of the 75,000 members of the Church of Jesus Christ of Latter-day Saints in opposition to HB 2759 and any other measure that would introduce legalized gambling to Hawaii for the following reasons:

**HAWAII'S IMAGE** “. . . Gambling would be disastrous for Hawaii's image, and for its people. . . . Tourism's claim to a significant market niche, rests on the unique Hawaiian culture . . . carefully nurtured for well over half a century. . . . Hawaii is too small to ignore the adverse consequences of gambling.” (Dr. Leroy O. Laney, First Hawaiian Bank Economist and David McClain, Professor of Business Administration and former University of Hawaii President, *The Price of Paradise*, vol. II. Mutual Publishing, 1993.)

**MYTHICAL PROMISES** Gambling proponents will always talk in terms of mythical new revenues to a state and conveniently ignore the costs. The *negative* return to communities ranges from 3:1 to 6:1 when all the cost factors are factored, e.g. the developer's take, the cost of government oversight, additional need for police, cannibalization of existing retail businesses, and the high social welfare costs that communities experience. (Economics Professor Earl L. Grinols, *Gambling in America: Cost and Benefits*. Cambridge University Press, 2004.)

**NEVADA'S RECORD** It should be noted that the state of Nevada leads the nation in gambling addictions, divorce, women killed by men, and high school dropout rates. Further, Nevada is ranked first in bankruptcies and crime. The American Bankruptcy Institute reported in August 2009 that “Nevada was the state with the highest per capita filing rate in the country with 9.33 residents per thousand filing in all chapters.” An annual publication that compares the states in 500 crime related categories found that Nevada had maintained its first place standing in 2009 as having the highest crime rate in the nation. (*Crime State Rankings 2009*, CQ Press.)

Las Vegas Casinos were hit hard by the economic downturn and barely survived. In early 2009 MGM Mirage and Las Vegas Sands came close to insolvency. There were double digit declines in gambling revenue on the Las Vegas Strip for a year from late 2008 until

September 2009. Occupancy and room rates continued to decline in November 2009. (William Spain, *MarketWatch*, Nov. 16, 2009.)

**TAX REVENUES** “States which have little or no gambling have better consumer economies and tax revenues than states with multiple gambling mechanisms.” (Professor John W. Kindt, *Diminishing or Negating The Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling. Michigan State DCL Law Review*, 2003.)

**EMPLOYMENT** “By diverting consumer dollars into gambling, it has been responsible for the decline of jobs and revenues in other businesses.” (Robert Goodman, *U.S. Gambling Study: Legalized Gambling as a strategy for Economic Development*, 1994.) “For every one job created by state sponsored gambling, one job is lost from the pre-existing economy.” (National Gambling Impact Study Commission (NGISC), May 1998 Congressional hearings.) Aware of these consequences, all major business organizations in Hawaii— the Hawaii Business Roundtable, the Chamber of Commerce of Hawaii, Hawaii Banker’s Association, Small Business Hawaii, have standing positions opposed to legalized gambling.

**ILLUSORY PROFITS** “Gambling’s profits come disproportionately from the pockets of the poor. It is in effect a highly regressive form of taxation. Multimillion dollar gambling corporations reap the profit.” (NGISC Final Report, June 1999.)

**CRIME** In February 2009 the new HPD Chief, Louis Kealoha was quoted in the *Advertiser*, “Because of the lure of easy money . . . it [gambling] will attract organized crime and encourage public corruption. . . . We cannot support something that would strengthen the criminal element.”

The definitive academic study on new crime caused by increased gambling found that crime increased 8 to 10 percent after a gambling facility opened in a new county and continually increased thereafter. (Grinols and David B. Mustard, *Casinos, Crime, and Community Costs. Review of Economics and Statistics*, Harvard and Massachusetts Institute of Technology, 2006.)

**VALUES** “Commercial gambling’s advertising of instant and effortless wealth erodes the value of work, savings and personal responsibility.” (NGISC.)

**PUBLIC OFFICIALS** Corruption invariably creeps into parts of the government apparatus with the introduction of gambling. See attached 2002 *Advertiser* article, *Island Voices*, “If you think gambling would be good for Hawaii, check Louisiana’s promise.”

# If you think gambling would be good for Hawai'i, check Louisiana's promise

by Jack Hoag

The casino promoters' fairy-tale promises to save Hawai'i's economy would be most tempting if we had not already had a preview of reality played out in Louisiana a few years ago. The parallel between the New Orleans debacle and Hawai'i is frightening.

The main character in this tragedy is none other than flamboyant Chris Hemmeter, the former Hawai'i real estate developer. The New Orleans disaster is chronicled in Tyler Bridges' Pulitzer-prizewinning book, "Bad Bet on the Bayou."

Departing the Islands for greener pastures, in 1992 Hemmeter unveiled a grandiose \$1 billion, land-based casino and riverboat gambling operation to New Orleans officials.

That dollar figure is coincidentally identical to the number posed by Sun International Hotels, so it must be considered the "opening ante" to impress decision-makers.

Reminiscent of the current sales pitches in the Hawai'i Legislature, Hemmeter promised 7,800 new jobs, well over \$100 million

## ISLAND VOICES

JACK HOAG

*Jack Hoag is a member of the Coalition Against Gambling in Hawai'i*

to the city and state and a unique cultural experience for the visitor. The opulent plans for Ko Olina sound much like Hemmeter's \$400-million Grand Palais crown jewel envisioned for New Orleans. At one of his many meetings with city officials, Hemmeter ran into at least one council member, Peggy Wilson, who wasn't buying his sales pitch.

To his promise "to do something unique for New Orleans," she replied, "Mr. Hemmeter, New Orleans is already unique."

And yes, Hawai'i with its special culture, climate and ambience is already unique as well. We don't need the costs that come with the incursion of gambling to despoil our state.

So how did the gambling indus-

try's promises to the people of Louisiana work out?

Gambling's corrupt influence-peddling spread throughout the political system. Gov. Edwin Edwards was sentenced by a federal judge to 10 years in prison, and three other elected officials have been jailed.

And the casino? It went into bankruptcy, as did some of the riverboat operations.

Creditors lost heavily, bondholders were defaulted and the promised jobs were lost. Instead of reaping a tax windfall and a big up-front largesse, the government lost millions. Of the shattered expectations, there remains only a tarnished and wounded gambling infrastructure. Hemmeter declared bankruptcy in 1997.

Can the Hawai'i Legislature sort through the generous assurances that we hear from gambling proponents?

They should listen to the reassuring words of long-time Gov. Edwards in 1995. He said, "Some will look at it (gambling) as an abomination; I view it as economic development. I supported it because of the jobs it will create and the tourists it will bring."



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February 22, 2010

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance  
Hawaii State Capitol, Room 308  
Honolulu, HI 96813

**RE: HB2251 HD1 Relating to Gaming**

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is John Radcliffe and I may be one of the few people to come to this Committee and NOT advocate for either cutting taxes or raising them to support the programs many people desperately need and count on in our state. Instead I am advocating raising new revenue by allowing Hawaii to tap into a \$100 billion market. I am advocating allowing legalized, regulated, gaming entertainment in Hawaii.

We all know that Hawaii has a huge, illegal, unregulated, untaxed, gambling enterprise that easily runs into the hundreds of millions of dollars. And our gambling dollars have become one of our largest exports of somewhere between a billion dollars and half a billion after tax gaming dollars to legal gaming venues in other states. In 2000 we did a survey of Hawaii residents and more than 60% had been to a casino, even though there are no legal casinos within nearly 3,000 miles of our state.

Legalizing a single casino on Waikiki is not a decision of whether to allow the residents of Hawaii and our tourists to gamble. They already do. The decision of this legislature is where they gamble, and if the people of Hawaii will be able to benefit from it.

Making gaming legal in Hawaii is the most intelligent thing that this Legislature could do this year.

I want legalized gaming here for one reason only: it will enhance the quality of our lives by creating jobs and wealth and a better life which we can all share.

There are both historical and the immediate reasons why I favor permitting a casino on Oahu.

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
Committee on Finance  
February 23, 2010  
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### **First, Hawaii Government is becoming effectively bankrupt**

Most people and most legislators think that the social safety net that we have had in Hawaii and in America, is quite old. It is not. It is quite new. None of the extensive array of benefits that we now enjoy or have enjoyed existed much before World War II.

Here in Hawaii that safety net and all benefits are on the block. As policy makers you are cutting out whole swathes of state government. Whether it is the Department of Agriculture where we can no longer satisfactorily safeguard agricultural products, or the various other departments that monitor imports, foodstuffs, or whatever—we can no longer afford to adequately protect our citizens. Even the courts are closed on certain days. If a citizen is arrested on certain days of the week, he or she must automatically go to jail instead of making bond, because the protective agencies have too few people to do the job of handling bond release. Never mind the 8<sup>th</sup> Amendment to the United States Constitution. We are quickly gaining a reputation of not being able to afford a competent government, even as we enhance our existing reputation for being a "Tax Hell." We cannot cut enough government to manage the budget deficits, and we can't raise enough money through increasing taxes to do it either. And not paying the government's bills is also not a solution. Delaying payments to taxpayers and state vendors is a hoax.

In other American states, children ride the bus to school, and must attend at least 1,137 hours of instruction per year, and go to school for 180 days. Here, more and more, they must walk to public school if they want to go at all, and they attend a shorter day, and have a much shorter year—about 815 hours as opposed to 1,137. We can no longer afford very much public education. Compared to other states, our kids go to school only about 60% of the time that they do elsewhere. Our kids are being shortchanged. It is terribly inequitable. A new study of internet usage in the United States is telling. Hawaii is in the top 10 states in having access to the Internet, but our people are in the bottom 16 in actual usage of the Internet. What this suggests is that as a work force we are tending away from "smart jobs" that require education—and literacy. This trend, I believe, is exacerbated by our continuing fiscal nightmare.

### **Second, raising taxes and cutting benefits and services cannot solve the problem**

When we refer to "revenue enhancement," in Hawaii, what is generally meant is raising taxes—not creating more wealth. Even if this legislature raises the GET this year by a full one percent, even if Governor Lingle lays off as many public employees as can be, and takes about \$4,000, on average from all of those public employees who remain, we will not be able to close the budget gap. Even if you reconfigure bonds and take away benefits from retiree, we cannot close the budget gap. If you raise every tax we now have, and dream up a lot more taxes, we still will not be able to close that budget gap.

We Democrats built the American dream and the American safety net and the safety net in Hawaii for our people during the last seventy years, and now, unless we get new revenue streams, it has become too large to sustain, and it must be cut back. Here at the State Legislature there is always a lot of talk about sustainability and about jobs in these halls. But surely everyone must realize that raising state taxes more, and depending on the federal government more, is just not sustainable, and does nothing to increase our economy in any long term, meaningful, way.

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
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***Political leadership in Hawaii is no longer defined by building better things for the people, but by taking things away from them.***

The point is that we here in Hawaii cannot depend on raising taxes and cutting services to achieve a just society. Nor can we depend on our tiny, but so far wildly successful, Congressional delegation to keep bringing in more and more federal dollars. Those days are over. That money is drying up.

We are on our own. We have to build our own destiny and to do it we need new enterprise, new industry—more. We need more and different.

**We Need Gaming and Here is Why**

We need casino gaming as an economic tool to bring in more and different tourists. Because a lot of people have been coming to Hawaii in recent years, too many in the tourist industry and others, think that they always will. But they aren't coming as much, and they won't, necessarily continue. We need to evolve our products, add to them, and build new things for people to see and do. According to the Hawaii Tourist Data records, between 2000 and 2008, the total number of visitors to Hawaii grew by only 2% from 61,721,150 to 63,130,133, and on Oahu, the number actually declined by 4%. And our international visitor count declined by 18%. In information that I provided the legislature ten years ago, in the period from 1994 to 1999, tourism from Japan had grown by an anemic 4%, while at the same time tourism from Japan to Nevada grew by a robust 116%. And now, since 2000, air arrivals from Japan have declined by 34%.

I am attaching to this testimony that same 75 page economic impact analysis paper that we had commissioned at the end of 2000 that called for doing double what we are asking for now. I am also attaching a new update to the study that shows the exact same problems in our tourist-based economy – only worse. It will also show the exact same promises casino gaming can bring to Hawaii – but we need it even more.

Let me give you some of the numbers:

One casino in Waikiki can generate \$522 million in income

- Of that \$178 million comes from existing tourists
- \$160 million will be captured from local residents currently spending more than \$1 billion per year in Nevada and California
- more than \$125 million is from new visitors to Waikiki attracted by the addition of gaming entertainment

But that is where it just begins. The new study shows that this one casino, without a hotel, and with limited food service can be an economic engine that fills up existing motel rooms and restaurants, and creates new jobs like no other industry can do.

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
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Our new study shows that the one casino in Waikiki can create \$311 million in new spending **outside** of the casino at hotels, restaurants, car rentals and other entertainment venues. And it will **all** come from tourists visiting the Islands.

And that doesn't include the more than \$75 million a year that the casino will spend with local vendors from everything from lei to light bulbs.

As I mentioned, nothing creates jobs like casinos do. They are labor intensive like most entertainment venues. Our study estimates 3,600 new employees at the casino **starting on day one**, with an average salary and benefits of more than \$41,000 per year – a total payroll of more than \$150 million per year.

On top of that, our study estimates 5,700 new jobs being created at businesses outside of the casino. And another 4,600 hundred jobs being supported by the ripple effect of the new money entering the economy. All total, an economic impact of more than 14,000 new jobs and \$530 million a year in new wages and benefits.

All this new economic activity will result in added tax revenue of an estimated \$86 million to the state every year.

And there's more.

The investment of \$300 million to build a new casino will also create more than 1,500 construction jobs.

One casino means:

- \$300 + million investment in Hawaii
- New tourists from Asia and the mainland
- \$300 million in additional spending outside the casino
- 14,000 new jobs
- Half a billion dollars in new wages
- \$86 million in new tax revenue
- and 1,500 construction jobs.

When I last appeared before the Legislature on this issue a decade ago, there were about 500 casinos in the United States and today there are well over a thousand, and the number is growing. Forty eight states employ some form of gaming, mostly casinos, in order to gain more economic power and keep their governments and social services healthy. Here is the tally of legal casinos, racinos, card rooms, and similar gaming entities such as racinos, by state:



Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
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Alabama 7, Alaska 7, Arizona 41, Arkansas 4, California 186, Colorado 41, Connecticut 4, Delaware 4, Florida 148, Georgia 2, Idaho 17, Illinois 17, Indiana 13, Iowa 19, Kansas 8, Louisiana 43, Maine 13, Maryland 6, Massachusetts 4, Michigan 27, Minnesota 37, Mississippi 32, Missouri 13, Montana 140, Nebraska 11, Nevada 362, New Hampshire 4, New Jersey 15, New Mexico 28, New York 21, North Carolina 2, North Dakota 34, Ohio 8, Oklahoma 110, Oregon 15, Pennsylvania 9, Rhode Island 2, South Carolina 3, South Dakota 55, Texas 9, Virginia 1, Washington 140, West Virginia 5, Wisconsin 28, Wyoming 5. **A total of 1,700.**

Last year, According to Casino Watch, an anti-casino gaming publication, Americans spent \$92.27 billion in American casinos—none of it here. Seventeen hundred casinos are not abnormal. Governments regulating and obtaining taxes from them is not abnormal. Allowing people to have honest work and good jobs is, and ought to be, the norm. It is Hawaii's resistance to being part of a nearly \$100 billion a year American industry that is odd.

Canada has 98 casinos, Mexico has only recently gone into this business...and is reputedly building 35 along the US Mexican border....There are 85 casinos in Western Europe....18, in Australia, more than 70 in Asia....The list goes on....

There are still none in Utah and none in Hawaii. By the way, the top rated tourist attraction in Utah is Temple Square in Salt Lake City, the home of the Mormon Church.

I'm asking you to keep an open mind. A single casino will not change our culture. It will not change the family friendly tourist attraction that we have always been. All we are talking about is capturing some the gaming dollars that are leaving the islands, giving our current tourists another entertainment option, and adding a venue that will attract new tourists to stay in our hotels and eat in our restaurants and yes – stop by our casino.

Let's consider trying this for 10 years to see what it brings. It is certainly better than the alternatives.

Thank you for the opportunity to submit written testimony.

Respectfully Submitted,

John H. Radcliffe  
Vice President

**OAHU CASINO**  
**SUMMARY ANALYSIS**

**FEBRUARY, 2010**

**PREPARED FOR**  
**MARKETING RESOURCES GROUP**

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# **SINGLE CASINO—ISLAND OF OAHU—2010 SUMMARY ANALYSIS**

## **SITUATION**

Legislation is being considered in the Hawaiian legislature that would allow one casino to be built on the Island of Oahu. The purpose of this document is to summarize the findings of an analysis of the revenues the facility will likely realize as well as on-site and off-site patron spending, jobs, and other economic impacts that the facility will likely create. Prudent estimates and assumptions are used throughout. The summary figures represent hundreds of individual calculations based upon state data, and gaming markets and impacts elsewhere in North America and Asia.

The author, Jacob Miklojcik, has analyzed casino markets and operations at over 60 sites involving the gaming markets of over one-half of the states, plus Canada and the Caribbean. He also possesses unique insight as a member of the management board of Greektown Casino in Detroit. This urban facility possesses many of the same sizing and market characteristics as the proposed Oahu facility. During his one year tenure on the Greektown Board, revenues and markets have increased substantially and market value increased over 50%.

Mr. Miklojcik authored a study of gaming in Hawaii a decade ago---the key points regarding emerging competition and the difficulties in attracting Japanese tourists have emerged as accurate.

For all figures developed and factors use, additional detail and citations can be provided. The methodology utilizes has numerous facets, but follows similar steps that have been proven to be thorough an accurate in many other gaming and non-gaming market and impact studies:

1. Review the core market factors (including special circumstances of Hawaii):
  - 1.1. In-state demographics.
  - 1.2. Existing tourisms and trends, with particular emphasis on Japanese visitor statistics and surveys.
  - 1.3. Hawaiians traveling to Las Vegas and other venues for gaming related vacations.

2. Review gaming competition; existing and developing.
3. Develop patron and gaming revenues projections for an assumed site.
4. Compare projections to total market; refine.
5. Develop on-site non-gaming revenue estimates (no hotel).
6. Develop estimates of added off-site spending created/captured.
7. Differentiate new and retained spending from any shifted spending.
8. Review labor situation in Hawaii and typical staffing levels at casinos in other venues.
9. Develop from preceding calculations estimates for employment and wages.
10. Develop initial state revenue estimates.

As noted, the methodology and the results involve a variety of complexities. Yet it is very clear that a substantial market exists, one that will capture within the state dollars now flowing out of Hawaii or now bypassing the state. Benefits will most directly be derived in Oahu, but will stream throughout the state.

#### **NOTES ON ECONOMIC TRENDS, GAMING COMPETITION, AND IMPACT CONSIDERATIONS**

It is not necessary in this document to review the myriad of economic data that are troublesome to citizens and to the financial foundation of state government. Yet, several key bullet points are worthy of identification to provide context to the study. In addition, a series of additional aspects are identified because of their particular importance in appreciating the economic impacts.

##### Economy

- Rising unemployment creates a the double edge sword that state governments throughout the nation are facing---declining revenues occur at the same time that citizens needs are increasing.
- For Hawaii, the threats reach beyond the present recession, and may last far longer than in many other states due to competitive challenges to the main industry---tourism.
- A crucial element in the recreation and leisure sector of the economy, and for worldwide tourists, is gaming. Not only is gaming an enormous business factor in Nevada, but new resorts have emerged or are emerging in Asia and Mexico that aspire to attract tourists who once favored Hawaii.

- Fitch Ratings recently assigned a lower bond rating to State of Hawaii General Obligations bonds; beyond the extra borrowing costs this likely creates, the Fitch analysis included a very troublesome summation of the economic trends and challenges facing the state.
- Downward trends in tourism days continued in 2009.

Competition for tourists, particularly international

- A significant decline in international visitor days has been experienced (17.8% decline on Oahu; 17.6% decline statewide from 2000 to 2008).
- Air arrivals from Japan on Oahu declined over 34% from 2000 to 2008.
- Japanese visitor spending, even without adjusting for inflation; declined by 6.9% from 2001 to 2008 (inflation adjustments would put the actual decline at over 30%).
- Hawaii will forever be a location of incomparable natural beauty and wonderful waters. Yet, the reality is that other “sun and sand” options have emerged for world tourists and most have gaming options.
- There is a trend for tourists to prefer shorter, more entertainment intense vacations rather than the lengthy rest and relaxation vacations Hawaii has been renowned for.
- Examples of gaming expansion in competitive areas
  - California now has 58 casinos, by some reports more gaming dollars than the Las Vegas strip.
  - Mexico is formally legalizing casinos (in addition to the gray area facilities have operated for years).
  - Macao is enormous (although focuses on Chinese visitors).
  - Singapore recently opened a massive casino; another on the way.
  - Even expansions in distant states such as Ohio, Pennsylvania and Maryland may lure some disposable income that in previous decades would have flowed to Hawaii.
- This gaming expansion in new venues also means that Las Vegas will market even harder to Hawaiians and to the Japanese in order to recoup declines from other markets.

Leakage

- Hawaiians continue to visit Nevada thousands of times each year with hundreds of millions of dollars leaving the state economy; a casino on Oahu will not stop all the visits but will help retain a portion of this spending on the Island, meaning jobs and tax revenues.
- Residents *already* have many in-state wagering options—including Internet betting, private bets, and illegal gaming parlors and bookies.

Opportunity

- An Oahu casino will attract new tourist spending through higher visitor expenditures and longer stays, new visitors attracted by the gaming option, and capture dollars leaving the state.
- A robust majority of the spending is either “new” to Hawaii or “retained” dollars that would otherwise have left the state---thereby the jobs and other economic impacts are additive to the economy.
- Increased employment and wages has been shown to create many social benefits.
- Without the casino, not only will the opportunity be lost to gain benefits, but also the downward trends in winning a fair share of international tourism may continue---there is a cost in doing nothing.

**KEY FINDINGS AND TABLES**

**Market capture**

Prudent factors were utilized to derive a gaming revenue base for the Oahu facility. It is important to note that the casino does not intend to nor could it capture all gaming dollars. The factors used incorporate the reality that existing and new tourists will also select other gaming options in other states and countries, that a significant number of trips will continue to be taken by local residents to Las Vegas and other venues for the primary purpose of casino visitation, and that a certain level of illegal gaming will continue within the state. Even with those considerations, the figures do not represent only a modest estimate for the potential of the facility.

Each cell in the table below and in the following tables is the product of numerous calculations and other tables. A variety of additional tables and charts can be provided that further delineate the many calculations.

<b>TABLE A</b>		
<b>GAMING REVENUE AND PATRON VISIT PROJECTIONS</b>		
<b>(First full year of full operation)</b>		
<b>Primary Market Category</b>	<b>Patrons visits</b>	<b>Gaming Revenues</b>
“Existing visitor” base	2,108,210	\$178,810,718
Residents (census definition)	2,832,895	\$162,262,421
Occupants of recreational/occasional units	304,488	\$24,359,020
New visitors added by casino availability	623,250	\$103,854,627
	<b>5,868,843</b>	<b>\$469,286,787</b>

Points and notes:

- “Existing visitor base” represents the present level of tourist days plus in some instances extended stays.
- Tourists are divided by domestic and international, by Oahu visitors including multiple island visitors, and a small number who do not visit Oahu now but will extend their visits to Oahu due to the casino.
- Resident visitation and spending is derived using casino utilization factors from numerous other venues adjusted for the income and unique travel time characteristics of Hawaii.
- The vast majority of the spending will be either “new” to Hawaii or “captured” from dollars now flowing out to gaming destination elsewhere.
- There is simply no reason to believe that one casino will adversely impact the enjoyment tourists will find at the more traditional Hawaiian attractions; one casino will use only a tiny portion of Oahu’s land area.

**TOTAL ON-SITE ADJUSTED GROSS REVENUES**

Numerous factors were utilized for the various sub-categories of patrons to derive a non-gaming revenue figure. Non-gaming is first calculated for full retail value in order to later produce job and wage projections and cost projections needed to provide the goods and services. It is then necessary to adjust for goods and services provided via casino patron complimentaries and prizes, as well as any "free play" provided in promotions.

<b>TABLE B TOTAL ON-SITE REVENUES (Adjusted for player complimentaries/promotions)</b>	
Revenue Category	Total
Gaming	\$469,286,787
Non-gaming (retail value)	\$81,600,089
Adjustment for complimentaries/promotions to avoid double-counting	(\$28,157,207)
	<b>\$522,729,668</b>

Points and notes:

- Substantial figures, although various facilities in North America and now Asia realize larger revenues.
- Figures provide direction for facility sizing.
- Majority of non-gaming spending is from tourists.
- No hotel is planned for the facility.

**OFF-SITE SPENDING**

This is a central category for Hawaii. For simplicity, no dollars are included for off-site expenditures during trips to the casino by State residents. Yet, by deferring some gaming trips to Las Vegas this allows the possibility of non-gaming expenditures to occur in Hawaii.



Regardless, the key off-site spending considerations involve tourists, particularly international tourists. Each patron category of tourist was analyzed for likely off-site spending brought about by the casino. A major spike will occur when tourists extend their stays by a day or more due to the presence of a casino, and even more dramatically when tourists are attracted to Hawaii who otherwise would go elsewhere if Oahu did not offer a gaming options.

<b>TABLE C</b>	
<b>OFF-SITE SPENDING ON GOODS AND SERVICES</b>	
<b>By Casino Patron Category</b>	<b>Total</b>
From existing domestic USA tourist base	\$25,428,959
From existing international tourist base	\$98,620,401
From new visits due to casino availability	\$186,975,045
	<b>\$311,024,405</b>

Points and notes:

- Includes extended stays from existing tourist base.
- Has the potential to be much greater as marketing extends and “new” visitors return again in future.
- No extra large retail expenditures (such as boats) are included in the estimates.
- As noted, no non-gaming spending by residents is included, although by capturing some gaming trips that otherwise would leave the state may mean additional non-gaming local spending.
- A year 2000 study discussed the possibility of a casino attracting more conventions; this is not specifically included in the analysis here although could emerge as a major economic benefit.
- There will also be extensive contracts from the casino to local vendors and service providers; this equates to an additional \$71.6 million in local spending.

**INITIAL ESTIMATE OF JOBS AND WAGES**

Various factors from other gaming and non-gaming venues are utilized to develop an initial estimate of jobs and wages, based upon the revenues projected above and trends in state employment. The figures are based upon a wide variety of public data and experience and are viewed as noncontroversial given the revenues involved.

The individuals employed in the on-site jobs and the indirect off-site jobs make expenditures and pay taxes within the state thereby creating additional jobs, which in turn captures additional spending. These sequential rounds of spending are often referred to as the ripple effect of economic impacts. A very conservative factor of 0.5 is used here, representing one net ripple effect job created for each two direct and/or indirect jobs created. A much higher factor could have been chosen, thereby further expanding the job estimate.

<b>TABLE D</b>		
<b>JOBS AND WAGES IMPACTS--DIRECT, INDIRECT, AND RIPPLE EFFECT</b>		
<b>By Employment Location Category</b>	<b>Jobs</b>	<b>Wages &amp; benefits</b>
On site	3,660	\$152,899,014
Off site first level local vendors/contractors	573	\$23,489,816
Off site from added visitor spending from existing tourist base	3,274	\$121,135,821
Off-site from new visits due to casino gaming	1,870	\$71,050,517
<b>subtotal</b>	<b>9,377</b>	<b>\$368,575,168</b>
Ripple effect jobs/wages	4,688	\$164,093,600
<b>Gross Job &amp; Wage/Benefits Impacts</b>	<b>14,065</b>	<b>\$532,668,768</b>

Points and notes:

- Jobs are "Full Time Equated" positions (or FTEs); one person full-year at 40 hours per week (use of over time and part-time workers will impact the actual number of individuals employed during the year.
- Totals do not include any additional job creation from resident spending that is retained rather than flowing to other gaming venues.
- Factors used are prudent, higher levels are certainly possible.
- Wages levels are simply placeholders and not representative of any negotiations.
- The vast majority of the jobs will not require a college degree and will involve relatively limited special training.

**INITIAL CONSIDERATIONS FOR PUBLIC REVENUES GAINED**

The legislation was reviewed for the direct gaming tax rates being considered plus state income, sales, and excise tax rates were considered to develop initial estimates of additional tax revenues. The figures are conservative, and do not include state cost savings from reduced income maintenance and Medicaid pressures. Further analysis is needed to increase specificity, but the figures are viewed as very representative of the likely public revenue impacts.

<b>TABLE E</b>	
<b>INITIAL SCENARIO--VARIOUS PUBLIC REVENUES ADDED ANNUALLY</b>	
<b>Category</b>	<b>Full year amount</b>
From casino gaming fee	\$31.7 million
Income taxes from employee wages (direct, indirect, and ripple jobs)	\$29.5 million
Sales taxes from patron on-site and off-site spending	\$18.7 million
Sales taxes from added local income	\$6.4 million
<b>Base total</b>	<b>\$86.2 million</b>

Points and notes:

- Increases in gaming revenues and non-gaming spending increase the public revenues proportionately.
- Consistent with the methodology, the vast majority of the public revenues are derived from new or retained spending.
- There are other public revenues premature to enumerate, for example investment by businesses serving the casino and home enhancements by employees will translate into higher property tax revenues.

**SIZING AND CONSTRUCTION NOTES**

Refined sizing and design cannot occur until there is further specificity regarding the site and the ultimate legislative language. Below various initial points are provided for elaboration purposes, based upon the revenue figures above:

- Investment---\$300 million plus.
- Electronic games of chance (slots) ---3,343.
- Table games---101 (including poker).
- Casino construction jobs (person years of employment) ---1,667.
- There will be many other positive non-recurring impacts from the planning and construction; many beginning almost immediately upon enactment.

**CONCLUDING COMMENTS**

As noted, the estimates are viewed as prudent, more likely to be exceeded than unmet. This has proven the case in other venues. Readers may disagree with a certain factor or individual estimate, but there is little question that the revenues projected for the facility and the jobs fall within an evenhanded range by any standard given the market size and data from other gaming and tourism venues.

The facility is certainly not a panacea for all economic challenges facing Hawaii, and, indeed, for many will not even be noticed. The reality is that tourism is dependent on meeting the desires of the tourists---as perceived and determined by the tourists---not from wishful thinking. Millions of tourists enjoy having a casino option, which is why competing venues have added gaming. It is the reason why Hawaii should consider the reality and the option.



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## CONSULTING RESUME-Jacob Miklojcik

### EDUCATION:

- Carnegie Mellon University-Pittsburgh, PA  
-Bachelor of Science.
- University of Michigan-Ann Arbor, MI  
-Master of Public policy (full scholarship).

### EXPERIENCE:

- President, Michigan Consultants.
- Senior Consultant, Moylan Engineering Associates.
- Deputy Director, Michigan Energy Administration.
- Deputy Director, Michigan Office of Aging.
- Various other positions in state government.
- Appointed to Management Board of Greektown casino in Detroit to direct entity out of bankruptcy (required highest level regulatory license approval).

### EXAMPLES OF WORK AREAS AS A CONSULTANT:

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• <b>Types of Projects/Assignments:</b><ul style="list-style-type: none"><li>-Economic development planning.</li><li>-Public policy analysis/forecasting.</li><li>-Economic impact analysis.</li><li>-Business plan preparation.</li><li>-Market and financial analysis.</li><li>-Public representation.</li></ul></li></ul> | <ul style="list-style-type: none"><li>• <b>Major Topic Areas:</b><ul style="list-style-type: none"><li>- Business feasibility &amp; diversification.</li><li>- Transportation and housing.</li><li>- Industrial facility attraction.</li><li>- Casino development.</li><li>- Human services and health care.</li><li>- Energy, recycling, &amp; natural resources.</li></ul></li></ul> |
|--|--|

### ORGANIZATIONS:

- MENSA.
- Healing the Children & Partners of the Americas.
- Michigan Economic Developers Association.
- American-Polish Century Club.
- Various civic and church related.

### OTHER:

- **Teaching Assignments**
  - Lansing Community College, Michigan State Univ. and the Univ. of Michigan.
- **Publications & Presentations**
  - Various articles on issues ranging from energy to casinos to transportation.
  - Presentations at conferences throughout the United States.
  - Numerous media interviews, including National Public Radio, the CBC and the BBC.

**DECEMBER, 2000**

**MARKET AND ECONOMIC IMPACT ANALYSIS  
TWO CASINOS ON THE ISLAND OF OAHU**

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**EXECUTIVE SUMMARY**  
**MARKET AND ECONOMIC IMPACT ANALYSIS**  
**TWO CASINOS ON THE ISLAND OF OAHU**

**PURPOSE AND SETTING**

The report analyzes the market and the economic impacts derived from the construction and operation of two landbased casinos on the Island of Oahu. Care is taken to distinguish dollars that are new or retained in Hawaii from spending that is simply an intra-state shift. The document includes information on the importance of tourism to the Hawaiian economy and identifies the downward trends during the past decade. The increasing competition from new and emerging casino venues is emphasized. The report also discusses various other community impacts, and contrasts landbased casinos with shipboard gaming.

The analyses of the impacts coupled with the review of tourism trends form a strong argument for the creation of the two casinos. A central theme develops that *it is entirely logical that a person who withheld support for past gaming proposals during other economic times would now decide to support the dual Oahu casino approach given the financial soundness of the proposal and the competitive and economic realities facing Hawaii.*

**MARKET CAPTURE ESTIMATES**

A comprehensive methodology, detailed in the full report, arrived at substantial estimates for the market capture by the two casinos:

<b>Total casino visits</b> .....	<b>6.8 million annually</b>
<b>Total gaming hold</b> .....	<b>\$431 million annually</b>
<b>Total hold as % of existing US markets</b> .....	<b>less than 1.4%</b>
<b>Total non-shifted gaming hold</b> .....	<b>\$309 million annually</b>
<b>% Of total hold that is non-shifted</b> .....	<b>72%</b>

**CAPTURE OF NON-SHIFTED GAMING AND NON-GAMING SPENDING**

Crucial to determining the economic impacts is the identification of the source of spending and whether any of the dollars are shifted from existing in-state spending. The methodology uses a series of calculations within four major spending categories. In all cases conservative factors/assumptions are chosen. The analysis considers both gaming and non-gaming spending (such as restaurants, lodging, retail, etc.). The Table below displays the results.

<b>NON-SHIFTED GAMING AND NON-GAMING SPENDING CAPTURE</b>			
Category	Gaming	Non-Gaming	Total \$ Annually
"Existing" Visitors	147,862,365	95,834,726	243,697,091
New Visitors Due To New/Expanded Convention Center Events	9,178,200	133,440,000	142,618,200
New Visitors Due to Gaming Option	93,600,000	156,000,000	249,600,000
Residents	58,590,649	17,366,591	75,957,240
<b>TOTAL</b>	<b>\$309,231,214</b>	<b>\$402,641,317</b>	<b>\$711,872,531</b>

The totals represent only small fractions of the tourist spending now generated by casinos in the United States. Anyone with confidence in Hawaii can agree that the proportions are obtainable given the other attributes of the state.

The report offers a sizing scenario for descriptive purposes, although the ultimate decisions will rely on a variety of local design and site factors. The total on-site investment would likely be at least \$375 million.

## EMPLOYMENT AND PUBLIC REVENUES

The capture of the additional spending generates new jobs. The employment is located not only on-site (at the casinos), but also off-site due to the non-gaming spending. The casinos will also be major purchasers of goods and services from local firms, spawning additional jobs. This direct and indirect employment creates sequential rounds of spending within the economy, thereby creating further employment opportunities. The full-time job estimates displayed below in all cases are derived from "non-shifted" spending only.

### On-going Employment from Non-Shifted Spending

From Non-Shifted Gaming Spending .....	3,436
From Non-Shifted Non-gaming Spending .....	4,973
At In-state Casino Subcontractors.....	1,139
<b>Non-Shifted Direct and Indirect Employment Subtotal .....</b>	<b>9,549</b>
Potentially Created By Multiplier Effect .....	10,026
<b>Total Net Jobs .....</b>	<b>19,575</b>

A capital investment of \$375 million would also directly generate approximately 3,000 employee years in the construction industry, along with additional jobs from sequential rounds of spending. There is also likely to be additional spin-off investment on the part of area hotels, restaurants, and retail establishments.

The report estimates the major categories of incremental public revenues:

<b>Gaming Tax from Non-Shifted Spending (@ 10%) .....</b>	<b>\$37.0 million</b>
<b>Incremental Income and Excise Taxes (Non-Shifted) .....</b>	<b>\$34.7 million</b>
<b>Total Incremental Tax Revenues (from items estimated) .....</b>	<b>\$71.7 million</b>

Various other impacts were identified that will likely lead to additional public revenues, but formal numerical estimates would be premature. These include such items as parking revenues, taxes paid by casino contractors, taxi and rental car fees, building permits, airline fees, increased property tax revenues, etc.

## GAMING COMPETITION AND THE HAWAIIAN ECONOMY

The Hawaiian economy is dependent upon Travel and Tourism. Yet, *in the casino gaming field, a crucial segment of its most important economic sector, the State does not compete.* A few aspects are particularly notable:

- Visitor levels stagnated during the 1990s at the same time that the mainland economy was flourishing. There has been an increase in visitors from the mainland in recent months, but the gains typically are no greater than or below the spikes in tourism at competing venues---a loss of market share has clearly occurred.



**MARKET AND ECONOMIC IMPACT ANALYSIS  
TWO CASINOS ON THE ISLAND OF OAHU  
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## CHAPTER ONE INTRODUCTION AND SETTING

### PURPOSE

This document analyzes the market and the community impacts derived from the construction and operation of two landbased casinos on the Island of Oahu. Care is taken throughout to distinguish dollars that are new or retained in the state economy from spending that simply represents an intra-state shift. The report places special emphasis on the analysis of tourism competition, particularly venues that provide casino alternatives for the Japanese tourist. Understanding the changing market in the tourism field is fundamental to the market analysis and to properly appreciating the economic benefits to the state.

### SITUATION

There is a full awareness that approving casino gaming represents a very significant step for the State. Hawaii and Utah are the only two states without some form of legalized gaming. Some citizens believe that this existing status is somehow beneficial; previous proposals and studies calling for various forms of legalized gaming have failed to gain sufficient support.

The economic and competitive realities of the present situation are given paramount importance in developing the analysis. The findings favoring the project are based upon the tourism and economic situations that exist in Hawaii in the year 2001, the recent experience with casinos in other states and nations, and the financial soundness of the dual casino proposal. It is essential to appreciate that the findings do not suggest that the lack of support for past proposals was somehow "wrong." **It is entirely logical that a person who withheld support for past gaming proposals during other economic times would now decide to endorse the Oahu dual casino proposal given the financial soundness of the project and economic realities facing the State of Hawaii.**

### BACKGROUND RESOURCES AND APPROACH

The report benefits from a solid foundation of previous studies that are relevant to the proposed project. State government and various other entities publish extensive data pertaining to tourism. The factors used for gaming amounts and incidences involving such items as casino visitation, on-site spending, off-site spending, and job creation stem from real world results in other states and are cross-checked with previous studies that have been conducted within Hawaii.

The narrative cites a wide variety of published reports. The types of data compilations and studies considered include:

- Tourism and population data for Hawaii, particularly Oahu.
- Economic trend and sector data for Hawaii.
- Gaming results, trends, and impacts at other United States venues.
- Gaming results, trends, and studies in other countries.
- Previous tourism and gaming studies of Hawaii.

There is (not surprisingly) a lack of published data on the level of illegal gaming now occurring within the State.

In performing an economic impact study of this nature, the consulting team deliberately chose conservative factors and methodologies for projecting the magnitude of the market, jobs, and public revenues created. This assures that benefits are much more likely to be exceeded than unmet.

#### **ASSUMPTIONS REGARDING THE PROPOSED PROJECT**

The estimates assume the following characteristics for the project:

- Two casinos would be developed, one within the Ko Olina area, the second in the vicinity of the existing convention center in Honolulu.
- These would be the only authorized gaming venues for the foreseeable future, particularly on Oahu.
- The casinos would be high quality facilities, offering the gaming options and services commonly found in major casinos. The architecture, however, would probably differ from a "Las Vegas style" structure.
- The facilities would not include hotels (although agreements would likely be entered into with existing hotels close to the sites).
- The national economy remains reasonably healthy, although normal downturns would not significantly change the analysis (indeed, a national economic downturn may increase the importance of the casinos).
- The Japanese economy does not falter further.
- All figures are in year 2001 dollars.
- The calculations represent a stabilized year of full operation (perhaps the second or third year).
- Gaming tax rates would be established at levels that do not place the facilities at a competitive disadvantage.
- Overall on-site capital investment is in the vicinity of \$400,000,000.

## ORGANIZATION OF REPORT

The report is organized in the following manner:

<b>Chapter</b> .....	<b>Title or Primary Subject</b>
One .....	Introduction and setting.
Two .....	Review of tourist trends and the competitive environment.
Three .....	Gaming market capture scenario.
Four .....	Non-gaming spending during casino trips.
Five .....	Spending totals and a further look at dollar retention.
Six.....	Employment and public revenue impacts.
Seven.....	Comments on "non-economic" impacts.
Eight.....	Comparisons with other types of casino options.

## CHAPTER TWO GAMING COMPETITION AND THE HAWAIIAN ECONOMY

### INTRODUCTION---THE REALITIES OF THE SITUATION

Central to evaluating the benefits of allowing a casino are the realities of the international gaming industry and the Hawaiian economy. Gaming is a major factor in leisure time spending---arguably the fastest growing segment. By not offering a gaming option to potential visitors, Hawaii is placed at a competitive disadvantage.

In past decades, it may have been unnecessary to offer a casino option because only Las Vegas possessed a viable alternative. During the 1990s, however, the entire competitive scene changed. Many states have casinos. California is now undergoing an enormous expansion in Native American casinos. Australia, New Zealand, and Korea offer casino options. Mexico allows several forms of wagering and is considering casinos. Furthermore, Mexico and other nations have also developed numerous high quality "sun and sand" resorts during the past decade, many that require shorter air travel time from major markets than Hawaii.

The availability of gaming at other tourist venues challenges Hawaii as a destination for both Asian and Mainland tourists and conventions. It also means that state residents themselves may be more prone to spend leisure time dollars outside of Hawaii.

The drawback of not competing in the gaming area is such a crucial challenge for Hawaii because tourism is so pivotal to the health of the State economy. The aging of Hawaii's tourist attractions and the growing tendency of modern tourists to opt for shorter duration vacations increase the urgency. **Essentially, in one of the most important and fastest growing segments (casino gaming) of its most important economic sector (tourism), Hawaii is not competing.**

The changed realities are paramount to understanding the importance of the casino/convention center proposal. **In earlier decades it may have not been necessary to support a casino gaming proposal because the international competition situation was very different and the local economy was expanding. In the year 2001, however, the evidence strongly supports the need for the State to allow this controlled and directed step to be taken.**

## CHAPTER FORMAT

After this introduction, the Chapter provides an overview of the role of tourism in the state economy, competition for tourists from venues that have casino gaming, and spending by Hawaii citizens during trips to venues with casinos.

## OVERVIEW OF TOURISM IN HAWAII

Most readers of this report are very familiar with the statistics of Hawaiian tourism. There is no need to repeat all the information here. Yet, it is essential to assure that the casino proposal is viewed in the light of the overall trends in tourism and the economy. To this end, particularly for those readers less familiar with the statistics of tourism, the section notes key information from various published reports on the subject of tourism and the Hawaiian economy.

It is reasonable to suggest that few other states (indeed, few countries) depend as much on tourism as Hawaii. Yet, during an era that found the United States economy booming, the Hawaiian economy showed signs of stagnation or even decline. As stated in the introductory letter of the report *"World Travel and Tourism Report, 1999---How Travel & Tourism Affects Hawaii's Economy"*:

*The Hawaii economy continues to stagnate and the number of Visitor Arrivals and Visitor Days has declined. Nevertheless, the Travel & Tourism Economy remains the largest segment of Hawaii's overall economy, directly accounting for approximately one-third of jobs, 26 percent of the Gross State Product, 64 percent of the state exports and 27 percent of total taxes.*

The report estimates that Travel & Tourism (T&T) represents 4.4% of the worldwide Gross Domestic Product (GDP), 5.5% of the U.S. GDP, and 18.2% of the Hawaiian GDP. In Hawaii, T&T was calculated by the report to represent 180,700 jobs in 1999, or 32.1% of total employment. WTT emphasizes that the T&T Industry (accommodation, catering, entertainment, recreation, transportation & other travel related services) *"is only the tip of an economic iceberg that includes the entire T&T economy which further includes economic segments that are impacted by the rise and fall of local travel and tourism."* The report includes numerous data points delineating the importance of travel and tourism to the State.

The Hawaii Department of Business, Economic Development & Tourism published a report *"Hawaii's Economy: July 1999"* that included a detailed analysis of tourism, entitled *"Tourism Looks to the Future."* The narrative begins with the statement:

*The decade of the 1990s has been a difficult one for Hawaii tourism. The visitor count peaked just below 7 million near the beginning of the decade and, for a variety of reasons, has been unable to move beyond that level.*

WTT offers recommendations regarding developing various niche markets. T&T segments such as cultural tourism, eco-tourism, and conventions are discussed. **The recommendations often involve some form of public subsidy or tax break.**

The Department of Business, Economic Development & Tourism (DBEDT) published a report entitled "*Repositioning Hawaii's Visitor Industry Products*" in November of 1998 in conjunction with the Center of Tourism Policy Studies at the University of Hawaii at Manoa. The analysis reviewed a wealth of tourism data and offered a variety of recommendations and findings. Parts of the document were referenced in the studies noted above. The report emphasized the **changing markets** and termed **the repositioning challenge as two fold--marketing and product development**. The authors describe Hawaii as a **mature destination**. The *Executive Summary* of the report declares:

*Visitors interested in the generic Hawaii emphasizing the "sun and surf" beach attractions are likely to be outnumbered by visitors from new niche markets, and Hawaii will need to develop an appropriate product mix to maintain its growth in this complex marketplace.*

Casino gaming has become a vital part of the tourism product mix.

## **KEY HAWAIIAN TOURISM STATISTICS**

It is useful to look beneath the tourism dollars and impact totals to further understand trends. Figures change from month to month, and the past year has shown some increases, yet the overall trends during the past decade are clear. It is particularly distressing that the stagnation in visitor figures for Hawaii during the past decade coincided with a booming national economy and major spikes in visitor figures at other tourism destinations. **Moreover, beyond the stagnation in the number of visitors, has been the very significant decline in total visitor spending when adjusted for inflation.** This is primarily due to the reduction in Japanese visitors and the lower spending habits of those who do visit Hawaii. **Furthermore, the tourism results for Oahu have lagged behind the remainder of the state.**

### **Total visitor days--statewide**

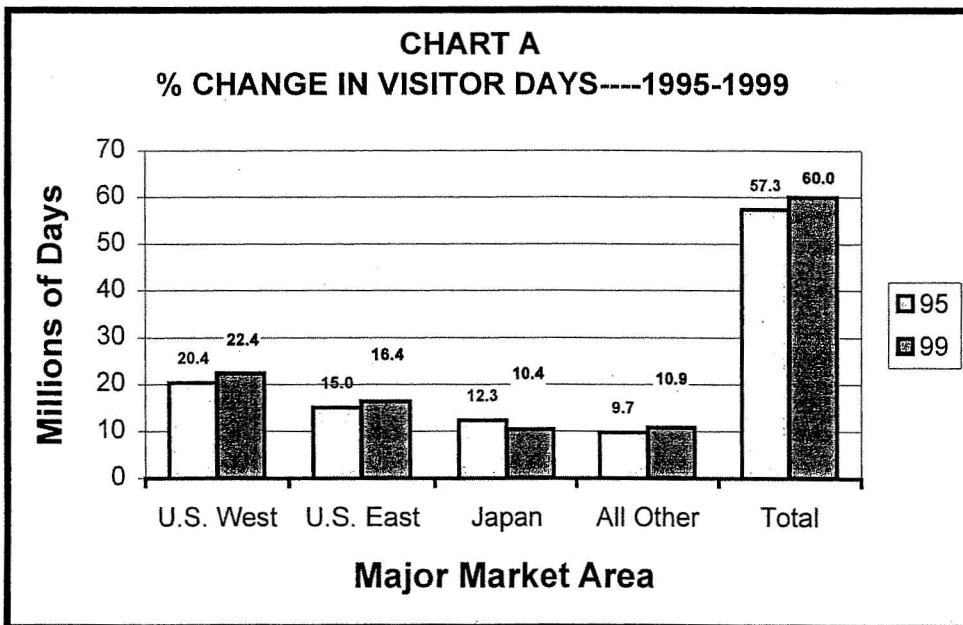
**Table 2-1** provides the total visitor days figures published by the DBEDT for the years 1990 through 1999. "Major Market Area" or MMA further segments the data.



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<b>TABLE 2-1 VISITOR DAYS BY MAJOR MARKET AREA</b>					
	<b>U.S. West</b>	<b>U.S. East</b>	<b>Japan</b>	<b>All other</b>	<b>Total</b>
1990	20,739,823	18,197,294	8,814,120	8,647,262	56,398,499
1991	20,375,212	17,402,432	8,444,859	7,550,336	53,772,839
1992	20,181,206	15,842,156	9,783,868	9,915,783	55,723,013
1993	19,065,801	13,801,979	10,331,021	10,637,810	53,836,611
1994	20,501,813	15,061,773	11,112,300	10,493,939	57,169,825
1995	20,306,340	15,004,050	12,329,961	9,700,560	57,340,911
1996	20,383,074	15,395,461	12,356,192	9,801,896	57,936,622
1997	20,154,198	14,780,446	12,220,884	10,217,965	57,373,493
1998	20,663,240	15,495,022	11,374,984	9,913,668	57,446,913
1999	22,412,943	16,378,571	10,377,326	10,851,396	60,020,236
% Change 91-99	8.1%	-10.0%	17.7%	25.5%	6.4%
% Change 95-99	10.4%	9.2%	-15.8%	11.9%	4.7%

Chart A exhibits the 95-99 changes graphically.



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The rise during 1999 did assure an overall increase for the decade, but at a very slow rate (approximately one-half of one percent compounded annually). Total visitor days from the Mainland markets (East and West) actually were somewhat less in 1999 than in 1990.

Cruiseship visitors were included in the DBEDT analysis, representing several hundred thousand visitor days. These individuals would not be expected to use hotels and would likely contribute less per day in terms of average daily spending. This key figure is discussed later in the Chapter.

The 1990 through 1999 figures show an increase for the Japan market, but this market has actually declined significantly during the past six years.

There has been some upward trend during the year 2000, but the overall average rate remains troublesome when compared to previous standards and growth rates elsewhere, **with the visitors for Oahu remaining a particular concern.**

### Visitor Days by Island

Oahu experienced a decrease in total visitor days between 1990 and 1999. The Big Island showed the biggest increase in total visitor days.

TABLE 2-2 VISITOR DAYS BY ISLAND: 1990-1999						
Island	1990	1993	1996	1999	% Change 90-99	% Change 96-99
Oahu	30,215,944	28,509,549	29,584,826	29,016,511	-4.0%	-1.9%
Maui	13,249,503	14,503,188	14,347,767	15,299,907	15.5%	6.6%
Molokai	399,388	510,032	554,409	346,827	-13.2%	-37.4%
Lanai	95,940	365,048	692,177	410,271	327.6%	-40.7%
Kauai	6,342,867	3,023,183	5,699,296	6,647,963	4.8%	16.6%
Big Island	6,094,858	6,925,611	7,058,147	8,298,758	36.2%	17.6%
State	56,398,499	53,836,611	57,936,622	60,020,237	6.4%	3.6%

The Oahu decline, during a period of a booming national economy and a rise in worldwide tourism, simply must be considered unacceptable.

**Total visitors-Eastbound and Westbound Trends**

**Table 2-3** exhibits the Eastbound and Westbound visitor trends during the 1990s. The information is derived from the State of Hawaii Data Book. There was a change in reporting definitions for the 1999 report, with "Westbound" and "Eastbound" being replaced by the "Major Market Areas". To provide a consistent analysis of trends, statistics using both definitions are used in our report.

The 1990 through 1998 growth rate was negative, as was the overall Westbound tourist trend. Eastbound tourists did increase during the nine-year period, but were lower in 1998 than in 1992. Both Westbound (primarily from the Mainland USA) and Eastbound (primarily from Japan) experienced their peak years during the first half of the decade. The 1999 figures and preliminary 2000 totals show a modest increase in visitors, although the overall rate remains stagnate, and total tourism spending is still below figures of a decade ago when adjusted for inflation.

<b>TABLE 2-3 STATE OF HAWAII VISITOR FIGURES (using Westbound and Eastbound definitions)</b>			
<b>Year</b>	<b>Total</b>	<b>Westbound</b>	<b>Eastbound</b>
1990	6,971,180	4,719,730	2,251,450
1991	6,873,890	4,584,460	2,289,430
1992	6,513,880	3,980,120	2,533,760
1993	6,124,230	3,764,520	2,359,710
1994	6,430,300	3,997,820	2,432,480
1995	6,629,180	3,933,110	2,696,070
1996	6,829,800	4,004,450	2,825,350
1997	6,876,140	4,077,950	2,789,190
1998	6,738,220	4,245,270	2,492,950

Even a casual reviewer cannot escape the conclusion that at a time when the Mainland United States economy was booming the economy in Hawaii was troubled. The leadership of a private company certainly would not witness such a significant loss of market share without taking steps to change its product mix.

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**Countries of origination**

Based upon number of Eastbound and Westbound visitors

The country of citizenship of "Overnight and Longer" visitors to Hawaii is summarized in **Table 2-4** for 1997, using the "Eastbound" and "Westbound" groupings. This information is supplemental to the data in **Table 2.1**.

The United States Mainland is the largest single component, representing 53% of all visitors. Japan also represents a very significant source, comprising over 30% of the visitors during 1997, while Asia as a whole represented over 35%. These figures become very important when the new casino competition from Australia, New Zealand, and Korea is considered, and the higher average spending per day that Asian visitors tend to display.

<b>TABLE 2-4 1997 COUNTRY OF CITIZENSHIP OF OVERNIGHT VISITORS (using Westbound and Eastbound definitions)</b>				
Region Or Country	Total Visitors	Westbound	Eastbound	
<b>All Visitors</b>	<b>6,876,140</b>	<b>4,077,950</b>	<b>2,798,190</b>	
United States (Exc. Hawaii)	3,726,540	3,387,180	339,360	
Canada	327,200	250,710	76,490	
Asia	Japan	2,092,480	65,200	2,027,280
	Taiwan	60,880	7,390	53,490
	Korea	116,740	15,330	101,410
	Hong Kong	19,430	5,550	13,880
	China	31,320	18,830	12,490
	Philippines	13,570	6,320	7,250
	Singapore	12,960	1,510	11,450
	Indonesia	20,410	10,010	10,400
	Other Asia	29,680	13,930	15,750
Oceania	Australia	74,740	29,760	44,980
	New Zealand	36,950	14,910	22,040
	Other Oceania	17,550	3,090	14,460
Europe	U. Kingdom	82,180	60,930	21,250
	Germany	76,090	69,580	6,510
	Other Europe	102,890	87,130	15,760
Other foreign Countries	34,530	30,590	3,940	

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Surveys that year also found that approximately 9.3% of overnight and longer visitors had a destination beyond Hawaii. For Westbound travelers the figure is 4.9%, for Eastbound the figure is 15.7%. The statistics include only travelers who spent at least one night; individuals simply in transit at the airport are not included. Casinos are an excellent alternative for attracting individuals travelling through the state to other destinations to increase their stay a day or more. In addition to the jobs created at the casinos, this also means that additional jobs will be created through the non-gaming spending of these individuals.

Based upon 1999 Major Market Areas number of days

As noted, the state now uses a slightly different reporting structure for visitors, without the "Westbound" and "Eastbound" terminologies. **Table 2-5** reemphasizes some of the information from **Table 2.1**, and adds proportions of total visitors.

<b>TABLE 2-5 VISITOR DAY PROPORTIONS AND TRENDS</b>							
Major Market Area	1990	1995	1999	95 Proportion	99 Proportion	% Change 90-99	% Change 95-99
<b>Total</b>	56,398,499	57,340,911	60,020,237	35.4%	100%	6.4%	4.7%
U.S. West	20,739,823	20,306,340	22,412,943	35.4%	37.3%	8.1%	10.4%
U.S. East	18,197,294	15,004,050	16,378,571	26.2%	27.3%	-10.0%	9.2%
Japan	8,814,120	12,329,961	10,377,326	21.5%	17.3%	17.7%	-15.8%
Canada	3,009,560	2,818,595	3,351,926	4.9%	5.6%	11.4%	18.9%
Europe	1,349,890	2,361,554	2,189,957	4.9%	3.6%	62.2%	-7.3%
Oceania	2,229,388	1,143,577	941,145	2.0%	1.6%	-57.8%	-17.7%
Other Asia	785,636	1,649,036	905,320	2.9%	1.5%	15.2%	-45.1%
Latin Amer.	NA	NA	NA				
Other	1,272,787	1,727,797	3,463,047	3.0%	5.8%	172.1%	100.4%
<b>Domestic</b>	41,269,155	38,561,739	43,069,177	67.2%	71.8%	4.4%	11.7%
<b>Inter-national</b>	15,129,344	18,779,172	16,951,060	32.8%	28.2%	12.0%	-9.7%

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This Table is particularly useful in demonstrating that in terms of visitor days the U.S. Mainland visitor now represents a larger proportion than five years ago. This was not accomplished through substantial increases in Mainland visitors, but rather through the decline in visitor days from Japan and Other Asia. This results in a significant decline in total visitor spending, even without adjusting for inflation.

**Feeder States**

The Pacific Coast region as a whole was responsible for 49.5% of the Mainland visitors during 1999. The proportion for the Pacific Coast region did not change substantially from 1994, when the figure was 49.9%. Visitors from more distant regions do tend to stay longer, thus meaning more visitors days and most likely more total spending within Hawaii.

<b>TABLE 2-6 DOMESTIC U.S. VISITORS BY STATE: 1999 &amp; 94</b>		
<b>Region Or State</b>	<b>1999</b>	<b>1994</b>
Pacific Coast	1,844,511	1,656,930
Alaska	41,737	34,960
California	1,355,754	1,282,600
Oregon	147,220	98,950
Washington	299,802	240,420
Mountain	363,898	277,700
W.N. Central	191,856	167,440
W.S. Central	217,433	175,400
E.N. Central	374,582	339,040
E.S. Central	76,409	68,470
New England	97,204	91,540
Mid Atlantic	241,256	220,960
S. Atlantic	318,863	264,150
<b>Total</b>	<b>3,726,012</b>	<b>3,261,630</b>

The primary feeder state to Hawaii is California, which represents over 36% of travelers from the United States. It is again noted California has recently begun a massive increase in their Native American gaming facilities. The California tourist dollar is also a major focus of tourism venues in Mexico and Nevada, as well as cruiseships. **Any decline in tourists from California would directly impact the economy of Hawaii.**

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**Travel characteristics of the average trip to Hawaii**

Table 2-7 exhibits various average travel characteristics. The figures are utilized in the market capture and economic impact analyses in the following Chapters.

<b>TABLE 2-7 1999 VISITOR CHARACTERISTICS</b>			
<b>Visitors</b>	<b>Total</b>	<b>Domestic</b>	<b>International</b>
<b>Total Visitor Days</b>	<b>60,020,237</b>	<b>43,069,177</b>	<b>16,951,060</b>
<b>Total Visitors</b>	<b>6,741,037</b>	<b>4,255,621</b>	<b>2,485,416</b>
<b>PARTY SIZE</b>			
One	1,237,647	900,349	337,298
Two	2,951,430	2,032,272	919,158
Three or more	2,551,959	1,323,000	1,228,959
Average Party Size	2.10	1.94	2.46
<b>VISIT STATUS</b>			
First-Time	2,769,507	1,522,276	1,247,231
Repeat	3,971,530	2,733,345	1,238,185
Average # Trips	4.09	4.70	3.04
<b>TRAVEL METHOD</b>			
Group Tour	1,521,707	387,342	1,134,365
Package	3,209,746	1,520,407	1,689,339
Group Tour & Pkg.	1,318,506	309,916	1,008,590
True Independent	3,327,741	2,657,788	669,953
<b>ISLANDS VISITED</b>			
Oahu	4,560,142	2,347,040	2,213,101
Maui County	2,347,002	1,866,531	480,471
Kauai	1,089,289	929,657	159,632
Big Island	1,307,720	942,359	365,361
One Island Only	4,800,628	2,930,443	1,870,185
Oahu Only	2,917,116	1,294,883	1,622,233
Maui Only	1,032,424	904,063	128,361
Molokai Only	10,119	9,252	867
Lanai Only	13,675	11,050	2,625
Kauai Only	375,082	345,639	29,443
Big Island Only	452,212	365,556	86,656
Neighbor Is. Only	2,180,896	1,908,581	272,315
<b>LENGTH OF STAY</b>			
Oahu (days)	6.36	7.12	5.57
Maui (days)	6.71	7.20	4.84
Molokai (days)	4.98	5.07	4.42
Lanai (days)	4.34	4.12	5.56
Kauai (days)	6.10	6.51	3.74
Big Island (days)	6.35	7.04	4.56
Statewide (days)	8.90	10.12	6.82

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<b>TABLE 2-7 (Continued)</b>			
<b>1999 SUMMARY OF VISITOR STATISTICS</b>			
	<b>Total</b>	<b>Domestic</b>	<b>International</b>
<b>ACCOMMODATIONS</b>			
Hotel	4,612,702	2,581,579	2,031,123
.....Hotel Only	4,286,278	2,321,714	1,964,564
Condo	1,326,734	1,046,359	280,375
.....Condo Only	1,115,262	884,467	230,795
Apartment	80,654	64,650	16,004
Bed & Breakfast	96,388	61,709	34,679
Cruise Ship	89,971	82,575	7,396
Friends or Relatives	551,572	476,356	75,216
<b>PURPOSE OF TRIP</b>			
Pleasure (Net)	5,464,560	3,275,236	2,189,324
.....Honeymoon	661,767	266,304	395,463
MC&I (Net)	484,751	384,171	100,580
.....Convention/Conf.	300,241	247,556	52,685
.....Corp. Meetings	98,653	79,792	18,861
.....Incentive	91,511	61,412	30,099
Other Business	215,634	183,546	32,088
Visit Friends/Relatives	406,468	350,874	55,594
Government/Military	94,137	62,511	31,626
Attend School	21,099	12,067	9,032
<b>EXPENDITURES</b>			
Total Expenditures (\$ mil.)	10,279.7	NA	NA
Per Person Per Day (\$)	171.30	NA	NA
Per Person Per Trip (\$)	1,524.90	NA	NA

### Expenditures per visitor

A critical concern is the long-term trend of lower spending per visitor day. This is primarily due to Japanese and other Asian tourists representing a smaller proportion of all tourists. Furthermore, even within the group of Japanese tourists that still travel to Hawaii daily spending is down significantly.

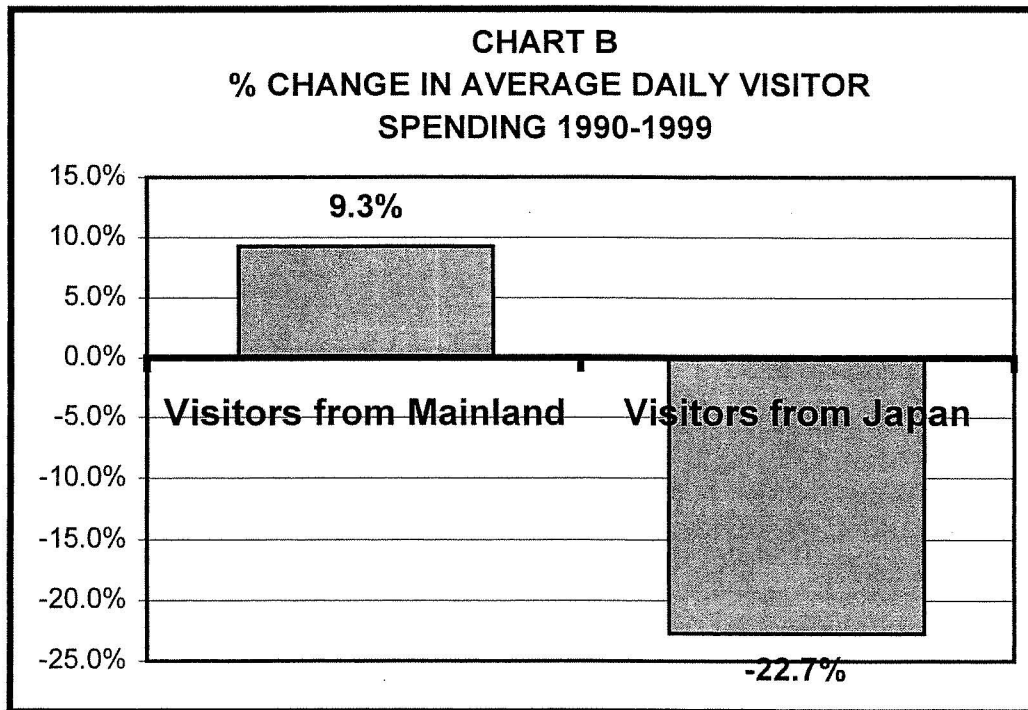
**Table 2-8** exhibits the trends, as reported in the State of Hawaii Data Book for 1999. The average visitor from the Mainland spent \$148.92 per day in 1999, while the average visitor from Japan spent \$227.30. The 1999 figure for visitors from Japan was actually below the 1991 figure of \$344.29 by over one-third--in nominal (non-inflation adjusted) terms.



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<b>TABLE 2-8 AVERAGE EXPENDITURES PER VISITOR DAY 1990-1999</b>		
<b>Year</b>	<b>Mainlanders</b>	<b>Japanese</b>
1990	\$136.30	\$294.04
1991	149.54	344.29
1992	117.14	344.68
1993	116.15	396.54
1994	133.79	340.88
1995	132.73	340.88
1996	137.04	286.89
1997	157.07	279.58
1998	147.37	257.80
1999	\$148.92	\$227.30

The change, in nominal terms not adjusted for inflation, is portrayed in **Chart B** for the period between 1990 and 1999. This strongly argues that the loss in actual expenditures was very significant, even more than suggested by the visitor day totals.



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**Table 2-9** offers a further breakdown of spending (in this case, 1997) patterns. The division of expenditures is used in the impact projections in Chapter Three.

<b>TABLE 2-9</b>		
<b>EXPENDITURES PER VISITOR DAY--1997</b>		
Source: Hawaii Visitors & Convention Bureau		
	Mainland	Japan
<b>All Items</b>	<b>\$157.07</b>	<b>\$279.58</b>
Food and beverage	31.85	40.09
Entertainment	12.54	15.41
Transportation	23.96	16.52
Clothing	8.38	29.19
Other fashion *	6.23	66.98
Agriculture	1.79	5.13
Communication	0.64	0.76
Personal service	1.43	2.39
Lodging	59.78	79.6
Souvenirs	5.04	13.6
All other	3.81	7.30
Adjustment**	1.62	2.61

\*Jewelry, cosmetics, leather, etc.

\*\* Excluded from listed categories and unaccounted expenditures.

As noted previously, the average spending by Japanese tourists in 1999 was calculated by the State to be \$227.30 and \$148.92 for visitors from the Mainland.

### Inflation adjusted visitor spending

Very importantly, the **State of Hawaii Data Book** reveals that in constant 1982-84 dollars, the average per day expenditure per Mainland visitor during 1999 was actually below the 1977 level, and was significantly below the levels of the early 1960's. This is influenced by the fact that only higher income visitors could travel to the state decades ago, but is also a sign of a lack of new attractions. Again, this does not even consider the major reduction during the past five years in the daily spending by Japanese visitors. The calculations for the last decade from the Data Book are summarized in **Table 2-10**.

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<b>TABLE 2-10 AVERAGE EXPENDITURES PER MAINLAND VISITOR DAY IN CONSTANT DOLLARS 1990-1999</b>		
Year	U.S. CPI (1982-84=100)	Average expenditure per visitor day in constant 82-84 dollars
1990	130.7	104
1991	136.2	103
1992	140.3	83
1993	144.5	80
1994	148.2	90
1995	152.4	87
1996	156.9	87
1997	160.5	98
1998	163.0	90
1999	166.6	89

**Total visitor expenditures**

A paramount statistical measure in terms of success of attracting tourism spending is the calculation of total visitor expenditures. **Table 2-11** provides the figures published by the DBEDT for the decade of the 1990s.

<b>TABLE 2-11 TOTAL VISITOR EXPENDITURES (not inflation adjusted, as estimated by the DBEDT)</b>	
Year	\$ (in millions)
1990	9,082.1
1991	9,817.7
1992	9,310.9
1993	8,472.7
1994	10,253.9
1995	11,107.2
1996	10,166.8
1997	10,491.0
1998	10,309.2
1999	10,279.7

Total expenditures between 1995 and 1999 declined in nominal terms by 7.5%.

Part of the decline can be attributed to the problems in the Asian economies, but it was also during a time of significant economic expansion on the Mainland. Following sections will demonstrate that various competing tourist areas realized more desirable trends during the same period. **Adjusting for inflation during the 1990s would reduce the 1999 total to approximately \$8 billion in 1990 dollars, or one billion below the level achieved in 1990. If only Oahu trends were considered, the decline in real dollars would be even more pronounced.**

### **NOTES REGARDING RECENT FIGURES**

Monthly data suggests that the tourism industry did experience improvement during 2000, at least in terms of total visitors. Certainly there are many hard working and talented individuals striving to make the industry a success, and some desirable increased has occurred. Yet, the figures continue to suggest that the State has lost market share to other venues. The gross visitor totals tend to hide the decline in total spending in inflation adjusted dollars. As noted, this is particularly disturbing when the (previously) booming national economy is considered.

An example is the DBEDT News Release in December of 2000 that discussed year to date visitor figures. The 11-month figures for total visitors were a record for Hawaii. In November, however, there was actually a small decline in visitors from the previous year, which was offset by an increase in the average length of stay. This increase in the average is likely attributable to a change in the mix of visitors, with Asians representing a smaller portion. The net outcome was an increase in November of 2000 compared to the previous year of 0.4% (or less than one-half of one-percent).

Total visitor days for the 11-month period were up 3.1% over the previous year. This likely leaves total visitor expenditure still well below 1995 levels, even without adjusting for inflation.

Oahu experienced an increase in total arrivals during the first 11 months of 2000 compared to 1999. The improvement will approximately take the total arrival level to that of 1990. Again, the final results will likely show that actual visitor expenditures continue to be significantly lower in real terms than achieved a decade earlier.

### **LAS VEGAS AND NEVADA TOURISM**

Las Vegas is a unique destination, and certainly no other venue would attempt to replicate what has occurred in a former small town in the Mojave Desert. A variety of areas on the Mainland are experiencing rapid growth due to the commencement of casino gaming.

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It is useful to briefly note a series of Las Vegas statistics in order to help support the market figures generated for the dual Oahu casinos in the next Chapter.

**Las Vegas Visitor Profile--1998**

Visitor Volume--.....	30,605,128
Increase from 1990 .....	46%
Visitor \$ Contribution .....	\$19.2 billion
Convention delegates.....	2,684,171
En/Deplaned Airline Pass.....	26,850,486
First time vs. repeat visitors.....	25% first time
Purpose of visit	
Vacation/pleasure/gambling .....	71%
Business/convention.....	14%
Other .....	15%
Transportation	
Air.....	46%
Automobile .....	41%
Other .....	12%
Room Occupants	
One .....	14%
Two .....	70%
More .....	16%
Expenditures per visitor (trip)	
Food & drink.....	\$140.80
Transportation .....	\$48.04
Shopping .....	\$79.88
Shows .....	\$28.02
Sightseeing.....	\$5.34
Lodging (per night) .....	\$65.51
% Who gamble while there.....	87%
Gambling budget.....	\$469.29

Las Vegas is feeling competition from the growth of gaming in the United States. Mississippi has joined Atlantic City as a major gaming destination. Michigan has established 3 public casinos in Detroit. Several states (such as Illinois and Indiana) have riverboat gaming. There are several hundred casinos on Native American land in a variety of states. Some, such as Foxwoods casino in Connecticut and the Soaring Eagle in Michigan, exceed the size of the typical Las Vegas facility.

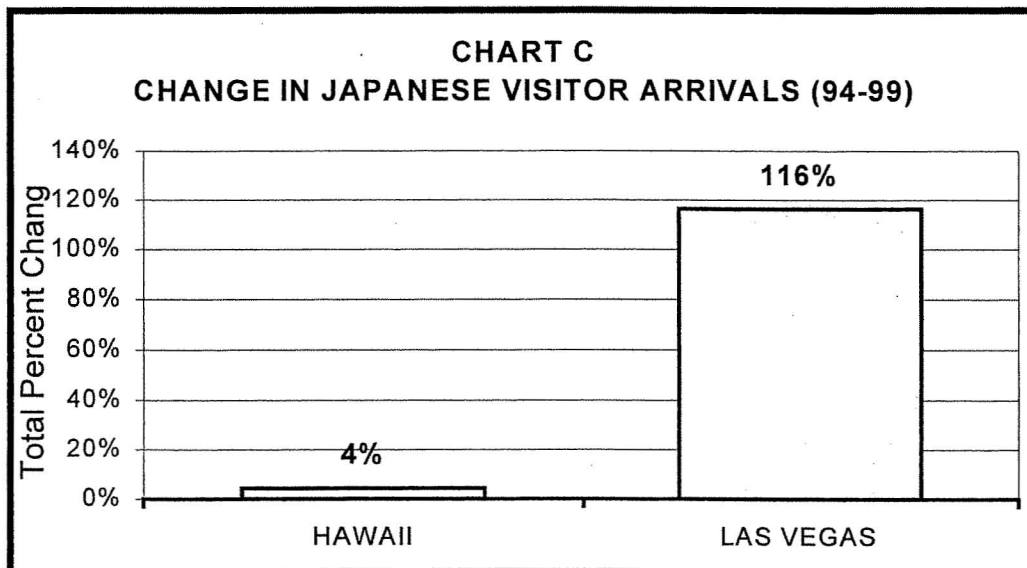
Las Vegas will definitely react to the increased competition that will occur from the massive expansion of Native American gaming in California. Approximately 32% of Las Vegas visitors are from California. The response will likely involve increased marketing to residents of other states.

### Japanese visitors to Las Vegas

The Las Vegas Convention & Visitors Authority reports the following figures for Japanese visitors to Las Vegas for the years 1994 to 1999.

TABLE 2-12 JAPANESE VISITORS TO LAS VEGAS Source: Las Vegas Visitors and Convention Authority	
Year	Visitors
1994	221,000
1995	235,000
1996	311,000
1997	403,000
1998	342,000
1999	478,000
% Change, 94-99	+116%

Japanese visitors to Las Vegas increased by a very impressive 116% between 1994 and 1999 (and 103% between 1995 and 1999). For the period between 1994 and 1998, incorporating the Asian monetary drop, Las Vegas still experienced a 55% increase in Japanese visitors. **Chart C** contrasts the difference in Japanese visitors to Las Vegas and Hawaii between the years 1994 and 1999.



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Surveys by the Las Vegas Convention and Visitors Authority collect a variety of information pertaining to Japanese and other visitors. Some of the most pertinent data points for our study are as follows.

<b>Las Vegas 1999 Japanese Visitor Characteristics</b>	
Total Visitors from Japan	478,000
Used a prepaid package	60%
Purpose of trip	
Vacation/Holiday	61%
Visiting Friends/Relatives	8%
Business/convention	11%
Other	2%
Length of stay	
In U.S.	8.4
States visited	2.1
Main U.S. Destination is Las Vegas	85%
Top Leisure Activities	
Casinos/Gambling	80%
Shopping	93%
Sightseeing in City	55%
Dining in restaurants	83%
Visiting national parks	45%
U. S. Expenditures per day	
Transportation within U.S.	\$15.07
Lodging (excluded prepaid package prices)	\$23.81
Food/beverage	\$26.19
Shopping	\$48.45
Entertainment (including gaming)	\$28.21
Other spending	\$7.98
Average daily U.S. expenditures	\$150.71
Gender--Males	60%
Age	39
Annual household income (in U.S. \$)	\$79,300

The data is particularly relevant in demonstrating that the visitors are involved in a variety of activities, and spending, in addition to gambling. The same would be expected of visitors to Hawaii that are influenced to come to the state by casinos, but would also be attracted to and utilize the other leisure time pursuits available.

**GROWING CASINO COMPETITION IN THE PACIFIC (particularly directed at the Japanese/Asian Tourist)**

Various countries in the Pacific are actively promoting gaming as one of the entertainment options in their "basket" of vacation attractions.

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The decline in Japanese visitor days (and spending) in Hawaii can be attributed, in part, to the monetary crisis in Southeast Asia. Yet, the Hawaii tourist industry should not use the internal economic problems of other countries as the entire excuse for the downtrend. Several competing venues have legalized and/or expanded casinos and are actively promoting gaming to Japanese tourists. Various reports strongly suggest that these venues have not experienced the reduction in visitor spending that has occurred in Hawaii.

### Australia

There are presently 14 casinos in Australia, with the larger facilities in Melbourne and Sydney constructed and opened during the past decade. Australian visitor levels experienced an excellent growth rate during the 1990's, as evidenced by **Table 2-13**.

<b>TABLE 2-13</b>	
<b>SHORT-TERM OVERSEAS VISITORS TO AUSTRALIA</b>	
Source: Australian Tourist Commission	
Year	Visitors
1990	2,214,913
1991	2,370,371
1992	2,603,268
1993	2,996,334
1994	3,361,721
1995	3,725,825
1996	4,164,825
1997	4,317,870
1998	4,167,206
1999	4,459,503
1990-1999 % Increase	101%

In 1998 Australia hosted 751,107 visitors from Japan, an increase of over 56% from 1990. In 1998 the Japanese visitor figure declined from previous year figures but by "a figure that was not as severe as the Australian Tourist Commission originally predicted" (source: Australian Tourist Commission). **A 66% increase in the number of Japanese visitors to Australia between 1990 and 1997 compares to an increase of 23% in the number of "eastbound" visitors to Hawaii during the same period.** The average Japanese visitor to Australia during 1998-1999 stayed 14 days.



The final totals for the year 2000 will no doubt show a massive increase in both total visitors and visitors from Japan due to the Olympics.

In a 1997 survey of visitors, **19% said that during their trip to Australia they visited a casino at least once.**

The Bureau of Tourism "Tourism Research Report", Autumn 1999, included a study of inbound visitors to casinos in Australia. The analysis reads in part:

*The increase in visitor numbers was particularly remarkable in 1996 following the opening of casinos in Melbourne and Sydney. It is suggested therefore, that casinos add to the basket of attractions available in Australia that are appealing to Inbound visitors.*

The study found that casino visitors tended to be younger than the average tourist. Furthermore, the analysis reported that, **"On average casino visitors spent more than other visitors to Australia."** Casino visitors spent 37% more (or approximately \$350 US) during their overall stay than other visitors. This strongly suggests that casinos, rather than taking money from other businesses, add to the number of tourists and significantly add to the total tourist spending.

### **New Zealand**

The first legal casino opened in Christchurch in 1994, followed by a second in the Auckland in 1996. The revenues at these casinos approximately doubled between 1996 and 1998. There are also 81 thoroughbred, 54 harness, and 13 greyhound racing clubs, with 580 off-track betting outlets spread throughout the country.

Overall visitor arrivals to New Zealand grew between 1998 and 1999.

### **Korea**

Under present law, 13 casinos have been allowed to open, with several more planned. They are designed to specifically attract tourists, with locals initially precluded from entering by law. Much of the marketing appears to be focused upon attracting Japanese. A cruise line service between South Korea and Japan with casino gaming on board began operations in 2000.

In 1998 the country implemented a change in the gaming laws to allow Koreans to enter certain casinos.

## **Philippines**

The Philippine Amusement and Gaming Corporation presently operates 11 casinos. Additional licenses have now been approved for private companies. The first "slot only" arcade opened in Manila in 1999. A article in "*International Gaming & Wagering Business*" by F. Guskin, as referenced in the report "*Asia Pacific Rim Casino Industry Outlook in the 21<sup>st</sup> Century*" by Soo-Kyoung Kang and Cathy Hsu found that **"The casino industry in the Philippines is thriving, and the Philippines has become one of the most desirable casino destinations in Asia."** The study noted that while other tourism areas with a large proportion of Asian visitors experienced major reductions in 1998 due to the monetary crash, Philippine casino revenues for the first quarter were down only 0.3%.

## **Other nations of note**

The rigid Muslim government of Malaysia has permitted a very successful legal casino to operate in Kuala Lumpur.

Cambodia has 13 operating casinos. Viet Nam opened its first legal casino in 1994.

Mainland China does not have legal casinos, but a report in *Casino Journal* magazine estimated that 40-50 facilities freely operate. Nine casinos were operating in Macau, and four others permitted, although changes are expected with the return of Macau to China.

Hong Kong has five cruiseships with casino facilities.

Mexico has opened a series of sun and sand resorts on the Pacific Ocean during the past decade, with California tourists being a prime target. The country presently does not allow casino gaming, but does allow sports and other forms of betting. Legislation is introduced each year in the national assembly to allow various numbers of legal casinos. Passage during this decade is very possible.

## **Notes on gambling within Japan**

Even though there are no "legal" casinos presently operating in Japan, *Casino Journal* reports that at least five medium to large casinos presently operate in the larger cities, plus an active cruiseship industry. The article in the magazine also projects that casinos will be legalized in Japan around 2005. Other reviews of the Japan situation have also predicted that casinos will be legalized in coming years.

### **Additional notes on Japanese tourists and casinos**

Even though the monetary crisis did impact overall Japanese tourism spending, the "loss" was not felt evenly in all venues, and some recovered much more quickly than others. Previously quoted were figures from Las Vegas and the Philippines. Interestingly, overall trips out of their country by Japanese residents declined by only 6% between 1997 and 1998.

An insightful tourist exit study was conducted by the Guam Visitors Bureau in 1994. Visitors were asked, "*What new attractions would you like to see offered in Guam?*" The number one potential attraction was "*Casino Gambling*", with 40% of the respondents expressing an interest.

### **GAMING BY HAWAIIAN RESIDENTS**

Even though Hawaii has not legalized any form of organized gaming, this does not mean that Hawaiian residents never wager. There is a variety of data showing a large number of trips annually to Nevada. There are now over 800 sites on the Internet that take sports wagers, involve lotteries, or take bets at virtual casinos. It could also be assumed that illegal betting does occur within the state, although a specific figure would be impossible to determine. Nationwide, illegal sports betting alone has been estimated to be at least a \$360 billion industry. Hawaii, no doubt, has its representative share.

Approval of the two casinos would not eliminate all trips to Mainland gaming venues, or shift all illegal gaming to a regulated and taxed casino, but they can be expected to retain a portion of the dollars now leaving the state or lost to the underground economy.

### **Travel by state residents to Nevada--Two sets of figures**

Hawaii and Nevada sources were reviewed for travel statistics regarding trips by residents of Hawaii to Nevada--the totals differ substantially. This may stem from differences in definitions or, perhaps, the inclusion of charter trips.

#### Data from Hawaii publication

*The State of Hawaii Data Book 1997* lists the following information regarding trips to Nevada. They quoted as a source the U.S. Bureau of Transportation Statistics, 1995 American Travel Survey, and Summary Travel Characteristics.

TABLE 2-14 ESTIMATE APPEARING IN 1997 STATE DATA BOOK PERSON TRIPS BY RESIDENTS FROM HAWAII--1995 (trips of 100 miles or more, excluding trips within Hawaii)		
Destination	Number	% Of Total
Total person trips	764,000	100%
California	210,000	27.5%
Nevada	218,000	28.5%

The number of residents travelling to Nevada is quite compelling. It is the top destination for Hawaii residents over all other states. The figures may be artificially low, however. **The figures published by the Las Vegas Convention and Visitors Authority, based upon their survey of charter planes as well as the U. S. Department of Transportation, Origin and Destination Survey of Scheduled Airline Passengers, are consistently much higher.** It is possible that the data sources utilized in the State Data book did not include charter, or that the figures above do not include residents who stop in other states on their way to Nevada.

Even if the "lower" figures in the Hawaii Data Book are used, it is still striking that while the Nevada population is similar in size to that of Hawaii's, the same report estimated that trips by Nevada citizens to Hawaii during the same period totaled 35,000---less than one-sixth of trips by Hawaiian citizens to Nevada. Therefore, the vast majority of dollars flowing from Hawaii to Nevada do not come back.

#### Statistics from Nevada source

Nevada is similar to Hawaii in depending upon tourism as its largest economic sector. Various state and local agencies and associations publish a variety of data pertaining to visitors to Nevada.

The Las Vegas Convention and Visitors Authority is a prime source of useful tourism data. The LVCVA publishes annual data on visitors to McCarran airport. The data is derived from a survey of charter providers as well as *U.S. DOT Origin and Destination* information. The Las Vegas figures published for passengers from Hawaii is summarized in **Table 2-15**.

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<b>TABLE 2-15</b> <b>HAWAIIAN PASSENGERS TO LAS VEGAS</b> SOURCE: Las Vegas Convention & Visitors Authority (based upon LVC&VA survey of Charter services and the U.S. DOT Origin & Destination Survey of Scheduled Airline Passengers)				
Year	State Rank	Scheduled	Chartered	Total
1994	16 <sup>th</sup>	239,310	138,366	377,676
1995	16 <sup>th</sup>	257,560	163,566	421,126
1996	16 <sup>th</sup>	257,240	187,566	444,806
1997	14 <sup>th</sup>	282,450	211,398	493,848
1998	16 <sup>th</sup>	260,190	209,334	469,524
1999	17 <sup>th</sup>	281,630	193,486	475,116

As noted, the figures are substantially higher than those published by the Hawaiian State Data book in 1997.

**Dollar outflow from the state economy**

Highly detailed survey information on gaming habits of the citizenry would be needed to generate a formal estimate of the outflow of dollars from the state economy to gaming in Nevada. The available data does allow some broad estimates to be employed to gain some insight into the magnitude.

It is reasonable to assume that the average traveler from Hawaii to Nevada spends approximately \$1,200 (or more) on gaming, non-gaming (lodging, entertainment, etc), and air transportation during the trip. Some may spend less, some far more. If we use the previously quoted State of Hawaii figure of 218,000 trips (in 1995), a total spending of over \$261 million is generated. If we use the LVCVA figure of 469,524 for 1998, the figure derived exceeds \$548 million.

In **Table 2-16** the Las Vegas Convention & Visitors Authority figures for visitors to Las Vegas are coupled with average spending factors to offer a scenario for the potential leverage gained from keeping a portion of the gaming trips within the state of Hawaii.

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<b>TABLE 2-16 SCENARIOS FOR AMOUNT NOW FLOWING OUT OF STATE DUE TO GAMING BY RESIDENTS</b>			
	Trips in 1999	Assumed \$ Amount per trip (including airfare)	\$ Flowing Out of Hawaii
Hawaii to Las Vegas (from LVC&VA Report)	475,000	\$1,100	\$522,500,000
Hawaii to other gaming venues (at 5% of Las Vegas)	23,750	\$1,100	26,125,000
TOTALS			\$548,625,000
If one-third was retained in state			\$182,875,000
If one-quarter was retained in state			\$137,256,000

The trend of visits to Las Vegas has clearly been increasing, thus a scenario based upon 1999 data may actually underestimate the potential future outflow from Hawaii. Moreover, the gigantic growth that is underway in Native American casinos in California will be another inducement to attract the spending of Hawaiian residents.

It is further noted that the figures in the table does not include any shift from illegal gambling to regulated and taxed casinos within the State. At least some shift is likely to occur, but specific estimates cannot be offered.

**Anecdotal note on the importance to one Las Vegas operation**

An interesting anecdote regarding the importance of Hawaiian visitors to Las Vegas for one major gaming firm can be found in a Securities and Exchange Commission filing by Boyd Gaming. One small section of the lengthy document reads as follows:

*The California, Fremont and Main Street Station derive a substantial portion of their customers from the Hawaiian market. During the year ended December 31, 1999, patrons from Hawaii comprised approximately 70% of the room nights at the California, 56% at the Fremont, and 47% at Main Street Station.*

## **ILLEGAL GAMING AND INTERNET GAMING**

The report does not attempt to quantify the amount of illegal gaming with the State. Discussions with a variety of individuals all point to the belief that such gaming is significant, almost to the point of being common. Other than the dollars that might flow to organized crime members outside of the State, the dollars bet illegally primarily remain within Hawaii. Yet, these dollars are untaxed and unregulated. Any impact legal casinos might have in capturing a small portion of these dollars would favorably effect tax revenues and generally reduce organized crime.

There is no clear method for assessing the amount of internet gaming being undertaken by Hawaii residents. The overall present market in North America has been roughly estimated to be in the vicinity of \$1.5 billion annually, and growing rapidly, but no one truly knows. It is certain that there are now over 1,400 sites on the Internet now to place bets. Again, any transfer casinos might have in capturing some of the dollars that would otherwise have been bet on the internet do serve the purpose of increasing tax revenues and creating local jobs.

## **CONCLUDING CHAPTER COMMENTS**

The Chapter covered several key issues and presented a variety of data on tourism and casinos. Many of the points and figures are likely already well understood by readers, yet appreciating the trends is essential to understanding the economic benefits that can be derived by approving the casino/convention center project.

- Tourism is the largest sector of the Hawaiian economy.
- Visitor levels have stagnated at the same time that the Mainland economy is flourishing, suggesting a significant loss of market share.
- The decline/stagnation of visitor levels to Oahu is particularly noticeable and relevant to the dual casino proposal.
- 1999 and 2000 exhibited some reversal of the downward trends in visitor days, but total spending is still below levels of a decade ago, even without adjusting for inflation.
- When adjusted for inflation, total spending is significantly below levels of a decade ago.
- Various published reports have determined that Hawaii needs new attractions, in most cases such attractions would need public subsidies.

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- Mainland residents represent approximately 53% of overnight visitors to Hawaii, citizens of Japan represent approximately 30%.
- In 1999 average Mainland visitor spent \$148.92 each day in Hawaii and the average visitor from Japan spent \$227.30 each day. The per day spending by Japanese visitors has significantly fallen from previous levels (even without adjusting for inflation).
- Australia, New Zealand, Korea, and the Philippines all have begun casino gaming operations.
- A 1997 study in Australia determined that 19% of all tourists visited casinos. Australia has also found that tourists to the country that visit casinos spend more within Australia during the average trip than those whom do not visit casinos.
- Nevada is the state most frequently visited by Hawaiian residents. The number has steadily increased. Total spending on trips to Las Vegas may now exceed one-half billion dollars annually.
- During the 1990s, Las Vegas exhibited a far higher percentage increase in the number of Japanese tourists than Hawaii.
- The casino proposal does not involve the request for public funding (indeed, substantial taxes will be paid) which is in contrast to most other tourist attraction proposals.

Gaming has become one of the most important and most competitive segments in the Travel and Tourism sector of the national and international economy. The Hawaiian economy is dependent upon Travel and Tourism. Yet, at present, in this key segment of its most important economic sector, the State does not compete.



## CHAPTER THREE MARKET CAPTURE SCENARIO

### OBJECTIVE, KEY CONSIDERATIONS AND METHODOLOGY

This Chapter analyzes the basic market feasibility of the project and develops a market capture (gross gaming income). These figures serve as the foundation for estimating economic impacts.

There are many considerations in developing the market analysis, of which four are particularly prominent:

- For Hawaii the analysis must focus on the millions of tourists as well as the normal consideration of the demographics of residents.
- A wide variety of published data exists not only for the traditional gaming venues of Las Vegas and Atlantic City, but also newer venues such as Mississippi, Native American casinos, and Ontario casinos (including Niagara Falls).
- Providing extra detail at this level facilitates analysis of "where the money is coming from" in later sections of the report.
- The analysis includes consideration of the amount of spending "shifted" within the economy versus new (or retained) dollars to the economy.

The methodology divided the market into four distinct groupings:

- Existing tourist base (# of annual visitors to Hawaii).
- New visitors to the state drawn by new/expanded events at the convention center due to the availability of the casino gaming option.
- New visitors coming expressly to wager at casinos.
- Current residents.

The analysis further segments the population by differentiating Oahu tourists and residents from visitors and residents of other islands. Within each of the groupings, various factors are utilized and extrapolations developed:

- Number of individuals and days on the Island and in the State.
- Incidence of tourists visiting a casino at least once.
- Of those who visit at least once, the number of total casino visits.
- The average casino win or hold (or customer loss) during an average visit.

For the purposes of this report, a "visit" is defined as one person entering a casino one or more times during a single day; multiple entrances during the same day count only as one visit. Clarifying this definition is important when considering data from other venues.

## "EXISTING" TOURIST BASE

### Key considerations

The first market segment analyzed involves the number of tourists already coming to the Island. A substantial market already exists due to the large number of tourists already visiting the state. In the calculations that follow, care is taken to differentiate additional dollars spent in the state due to the casinos, from tourist dollars that are shifts from existing forms of spending on the Island.

The "existing visitor" calculations use recent tourist levels as a static (unchanging) base. In actuality, the present base has been eroding, and may continue to do so without the addition of casinos. Thus, "preserving of the base" is a critical benefit to be derived from the casinos. The tourist reports discussed in Chapter Two commonly mention a lack of new attractions within the state, and an erosion of the present visitor base. The static base technique for this category does not alter the overall totals derived. Conceptually, the prevention of the erosion could also be included in the "new" visitor category.

### Calculations

The factors used and calculations are presented in **Table 3-1**. The DBEDT publishes on an ongoing basis a wealth of data pertaining to the existing tourist base. For the year 1997 it was reported that there was a total of 6,876,140 tourists visiting the state. Of those, 3,251,920 visited only Oahu, 1,766,020 visited Oahu and at least one other Island, and 1,858,200 visited Hawaii but did not come to Oahu.

The calculations assume that 35% of present visitors to Oahu will visit the casino (a modest figure), with a slightly lower incidence for the other visitor segments. This is consistent with Atlantic City region data and statistics from Australia. In Las Vegas, which is obviously a different situation, 87% of visitors to the City wager at least once. The Table also includes the factor that some current visitors to Hawaii, who do not presently come to Oahu, would also visit the Island due to the addition of the casinos. These calculations generate a figure of 1,946,708 visits.

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<b>TABLE 3-1 GAMING HOLD FROM "EXISTING" TOURIST BASE</b>							
<b>Islands Now Visited</b>	<b>Tourists</b>	<b>% Will Visit Casino</b>	<b>Persons</b>	<b>Ave. # Visits</b>	<b>Total Visits</b>	<b>Ave. \$ Hold/Visit</b>	<b>\$ Hold By Category</b>
Oahu only	3,251,920	35%	1,138,172	2	2,276,344	60	\$136,580,640
Oahu & other	1,766,020	30%	529,806	1.5	794,709	65	51,656,085
Non-Oahu	1,858,200	15%	278,730	1.1	306,603	75	22,995,225
<b>Totals</b>	<b>6,876,140</b>		<b>1,946,708</b>		<b>3,377,656</b>		<b>\$211,231,950</b>

Existing Oahu visitors are expected to average two visits to the casinos. Obviously, some may come several times during a multi-day stay on the Island; others may come only once. Lower total visit average factors are used for the "Oahu & other" and "Non-Oahu" tourist bases.

The factors for average hold per visit are slightly higher for those visitors drawn to Oahu specifically due to the gambling option. The hold factors are developed primarily from averages reported at casinos in Atlantic City, Niagara Falls and Michigan, with some consideration given also to Las Vegas figures.

**MARKET CAPTURE FROM NEW VISITORS ATTENDING NEW OR EXPANDED EVENTS AT THE CONVENTION CENTER**

**Key considerations**

The presence of the casinos holds clear potential to attract additional events to the convention center. Given the lead times involved with the scheduling of major events, the full impact probably will require several years to be realized. Las Vegas and Atlantic City are established as communities that attract a multitude of events. Gaming is only one reason, but is keenly important. Las Vegas hosted over 26,850,486 million convention delegates in 1998. Evidence from cities that have added casinos strongly suggests that the gaming option helps attract events. This includes areas such as the Gulf Coast of Mississippi and eastern Connecticut. Even Detroit, where casinos have only recently opened, has found an increased interest in event bookings.

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Hawaii already possesses the other needed attributes, such as a viable convention center good airport, ample hotel rooms, weather, and other attractions.

Not everyone attending an event will want to wager at the casino---this does detract from the importance of having a casino. Convention and exhibition sponsors want to maximize attendance. A casino needs only to attract an increment in order for the Hawaii convention center to be chosen over a competing venue that does not have casino gaming nearby. In terms of economic benefits, the presence of the added event brings tourist money to Hawaii whether or not the event attendees and exhibitors enter the casino or not.

In developing figures for the incremental gains, the attendance and spending of Hawaiian residents at convention center events are not included in the estimates.

**Calculations**

In **Table 3-2** the gaming hold from the new visitors to the state spawned by new or expanded events at the convention center is estimated. Modest factors are used for the number of added/expanded events and attendees. The figures do not include visits from individuals who would attend events at the convention center even if casino gaming did not exist.

<b>TABLE 3-2 GAMING HOLD FROM NEW VISITORS TO ADDED/EXPANDED EVENTS AT THE CONVENTION CENTER</b>							
<b>New Attendees (Non-Residents)</b>	<b># Of Events</b>	<b>Persons</b>	<b>% Visit Casino</b>	<b># Of Visits/ Person</b>	<b>Total Visits</b>	<b>Ave. \$ Hold/ Visit</b>	<b>Hold By Category</b>
400	12	4,800	60%	1	2,880	75	216,000
1,200	10	12,000	70%	1.5	12,600	75	945,000
7,500	8	60,000	75%	2	90,000	75	6,750,000
Companions		38,400	50%	1.1	21,120	60	1,267,200
<b>Totals</b>		<b>115,200</b>			<b>126,600</b>		<b>\$9,178,200</b>

The methodology divides the added/expanded events into three groupings based upon the size of the event. The larger events will run longer in length, and thus generate additional casino visits. The average hold of \$75 per visit is higher than that used in existing visitor charts in order to reflect the higher spending patterns of convention attendees. The calculations include the casino visits of companions. These are individuals (typically spouses) who come to Hawaii with those attending the event.

The Hawaii Visitors & Convention Bureau has published results and projections for the convention center. This material is discussed in a later section, but it is noted here that the HV&CB estimated that the American Dental Association event alone would attract 30,000 people, the first maximum use of the \$350 million center. The HV&CB also estimated that the one event would generate over \$118 million in direct spending---approximately \$3,900 per person. In the following Chapter on non-gaming spending it can be noticed that this casino report uses more modest factors.

## **NEW TOURISTS DUE TO THE ADDITION OF THE GAMING OPTION**

### **Key considerations**

As beautiful and attractive as Hawaii is, there are some individuals who would otherwise choose alternative vacation sites unless there is a casino option. Millions of individuals flock to the Mojave Desert, the Mississippi Delta, a small town in eastern Connecticut, a farming community in central Michigan, and numerous other venues of modest natural beauty expressly due to the gaming option. These areas have added other attractions and services to continue to attract visitors, but it is obvious that gaming is the primary reason why the local tourist industry is thriving.

Las Vegas attracts over 30 million visitors per year, with the overwhelming majority being from out-of-state. Atlantic City attracts over 36 million visitors per year, with a large percentage being from out-of-state. The Foxwoods Casino in Connecticut draws heavily upon Massachusetts and New York residents. Casinos on the U.S. Mainland attracted over \$31 billion in revenues during this past year.

### **Calculation**

It cannot be expected that two Hawaii casinos will attract tens of millions of new visitors to the State. Travel expense and time do not offer the convenience of the other gaming venues. Yet, it can be expected that a very significant number of casino players will come to the state expressly due to the gaming option. Casino customers enjoy variety, and will very likely be open to trying a new venue, particularly one with the additional attractions of Hawaii.

In **Table 3-3** the report postulates that approximately 260,000 new visitors annually will come to Hawaii due to the addition of the casino gaming option, or an average of 5,000 visitors a week. This is viewed as a very conservative figure, and certainly could easily be surpassed. Using an average of 3 casino visits per person and an average casino hold of \$120 creates a total hold of \$93,600,000. Considering that the Las Vegas Convention and Visitors Authority has determined from surveys that the average gaming budget for a Las Vegas visitor is over \$511 per trip, the factors we use in this study are viewed as conservative.

<b>TABLE 3-3 GAMING HOLD FROM NEW VISITORS EXPRESSLY DUE TO CASINOS</b>				
<b>New Visitors to State</b>	<b>Visits To Casino per Person</b>	<b>Total Casino Visits</b>	<b>Hold Per Visit</b>	<b>Total Hold</b>
260,000	3	780,000	\$120	\$93,600,000

**A \$93,600,000 capture represents three-tenths of one percent of existing casino spending within the United States. Given the numerous other attributes of Hawaii, and the proximity to the Asian market, this is viewed as a very modest target figure**—one that can be surpassed if all aspects of the project move forward efficiently.

New casinos that have opened in tourism based cities (such as Niagara Falls, Ontario, and during the past year, New Orleans) are proving successful. Detailed visitors surveys have not yet been published to ascertain the specific percentage of casino visitors who come to those communities primarily due to the gaming option. Preliminary evidence suggests the number is significant.

## **GAMING HOLD FROM RESIDENTS**

### **Considerations**

Much in the same way as Las Vegas and Atlantic City, local residents are not expected to form the most important segment of the market, but a portion can be expected to visit the casinos. In Chapter Two various figures were introduced elucidating the gaming expenditures Hawaiian residents now spend on trips to casino venues in Las Vegas.

### Calculations

This report assumes that residents will show somewhat similar gaming tendencies to those in the Atlantic City, New Jersey region. Given the greater difficulty in inter-county travel in Hawaii as compared to the convenient (even if overcrowded) highways of New Jersey, attendance by locals would be expected to be somewhat less than those reported in New Jersey.

**Table 3-4** displays the factors and the calculations used to arrive at the total game hold from residents. The population figures are quoted from the State of Hawaii Data Book. Due to distance, it can be expected that Honolulu County residents would visit more often than the residents of other counties, although the average hold per visit is likely to be somewhat greater for visitors from greater distances.

<b>TABLE 3-4 GAMING HOLD FROM RESIDENTS</b>							
COUNTY	POP. 21+	% THAT VISIT	PERSONS	AVE. # VISITS/YR.	TOTAL VISITS	AVE. \$ HOLD/VISIT	\$ HOLD BY CATEGORY
Honolulu C.	621,517	40%	248,607	9	2,237,461	\$45	100,685,754
Hawaii C.	96,958	30%	29,087	4	116,350	\$60	6,980,976
Kalawao C.	63	25%	16	3	47	\$50	2,363
Kauai C.	38,739	25%	9,685	3	29,054	\$50	1,452,713
Maui C.	83,735	35%	29,307	5	146,536	\$55	8,059,494
Totals			<b>316,702</b>		<b>2,529,449</b>		<b>\$117,181,299</b>

Of the "resident" category, the calculations generate figures that show that Hawaiian residents who live on Oahu will form a relatively small portion of the resident submarket. The totals for all casino visitors that are provided in the following segment will further display that Hawaii residents as a whole represent less than one-third of the total expected market capture.

### HOLD TOTALS AND PROPORTIONS

The totals generated for each of the four primary market segments are summed in **Table 3-5**. It is notable that residents are projected to represent less than one-third of the total casino hold.

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<b>TABLE 3-5 TOTAL CASINOS VISITORS COUNT AND \$ HOLD</b>		
<b>Source</b>	<b>Total visits</b>	<b>Total \$ hold</b>
<b>Existing Tourist Base</b>	<b>3,377,656</b>	<b>211,231,950</b>
<b>New Due To New/Expanded Events at Convention Center</b>	<b>126,600</b>	<b>9,178,200</b>
<b>New Due to Gaming Option</b>	<b>780,000</b>	<b>93,600,000</b>
<b>State Residents</b>	<b>2,529,449</b>	<b>117,181,299</b>
<b>TOTALS</b>	<b>6,813,705</b>	<b>\$431,191,449</b>
<b>Resident Proportion Of Total Hold</b>	<b>27.2%</b>	

It is reiterated that conservative assumptions were used throughout. The "New Due to New/Expanded Events at the Convention Center" and "New Due to Gaming Option" categories hold enormous potential. It is certainly possible that when completing final development and market plans the private investors will decide to aspire to achieve higher goals, which would further extend the benefits to the State.

The total is also quite modest given the results elsewhere. The Niagara Falls casino, which is still not yet fully completed in a permanent form, will by itself exceed \$400 million in gaming revenues in the year 2000. The Soaring Eagle Casino in Mt. Pleasant, Michigan will have revenues that exceed \$400 million in 2000. The total casino gaming market in North America is in the vicinity of \$31 billion annually.

**A \$431 million total capture extrapolated for the two facilities in Hawaii represents less than 1.4% of the total existing market, and an even lower proportion of the expanded future market. Moreover, a significant portion of the Oahu casino revenues would stem from Japanese tourists.** There is no guarantee that the figures will be achieved, but the targets are unquestionably modest and feasible.



## SIZING SCENARIO

Specific sizing and investment cost analyses and recommendations are beyond the scope of this study. The developers will need to consider numerous location specific and long-term planning factors when determining the size and designs of the facilities. It is useful, however, to derive a broad sizing scenario to help visualize the casinos.

The analysis generated an estimate of gross gaming revenues of \$431.2 million annually. Based upon the experience in other states and the high proportion that tourists will comprise of the visitors days, it is reasonable to assume that electronic gaming (slot machines, video poker, etc.) will represent approximately 67% of the gross revenues, with table games (blackjack, craps, baccarat, etc.) 33%. For this scenario, we also assume that the average machine will represent \$150/day in gross hold (before expenses), or \$54,750 a year. Table games are placed at an average of \$2,000 a day in gross hold or \$730,000 per year. Again, these are not predictions, but simply convenient and common industry factors that suffice for our purposes.

Use of these factors generates a base scenario of 5,277 machines and 195 table games. These would be proportioned between the two sites. The figures represent *gaming areas* of a size similar to the casinos found in Las Vegas.

Simply for illustrative purposes, it is postulated that facilities of these sizes together will spawn gross on-site investment of approximately \$375,000,000. This includes gaming areas, administrative office, and a modicum of on-site food, beverage, and entertainment areas, but does not include new hotel construction or additional recreational/entertainment attractions. It also does not include any off-site investment encouraged by the casino developments and the visitors attracted. This secondary investment could prove to be very substantial.

The actual on-site investment may be far greater. For example, the reported total investment costs for the three "Interim Casinos" that have opened this past year in Detroit have averaged over \$225 million each.

## GAMING HOLD SHIFTED AND NOT-SHIFTED FROM OTHER SPENDING

Of particular interest to policy makers is the issue of gaming dollars being "new" to the State versus shifts within the economy. **Table 3-6** offers estimates.

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<b>TABLE 3-6 GAMING HOLD NOT SHIFTED FROM OTHER SPENDING ON THE ISLAND</b>			
<b>Source</b>	<b>Total Hold</b>	<b>% Not An Intra-State Shift</b>	<b>Incremental \$ Captured</b>
Existing Tourist Base	211,231,950	70%	<b>147,862,365</b>
New Due To New/Expanded Events at Center	9,178,200	100%	<b>9,178,200</b>
New Due to Gaming Option	93,600,000	100%	<b>93,600,000</b>
State Residents	117,181,299	50%	<b>58,590,649</b>
<b>TOTALS</b>	<b>\$431,191,449</b>	<b>71.7%*</b>	<b>\$309,231,214</b>

- Total "% Not An Intrastate Shift" derived from dividing total increment by total hold.

The categories involving "new" visitors by definition represent non-shifted dollars.

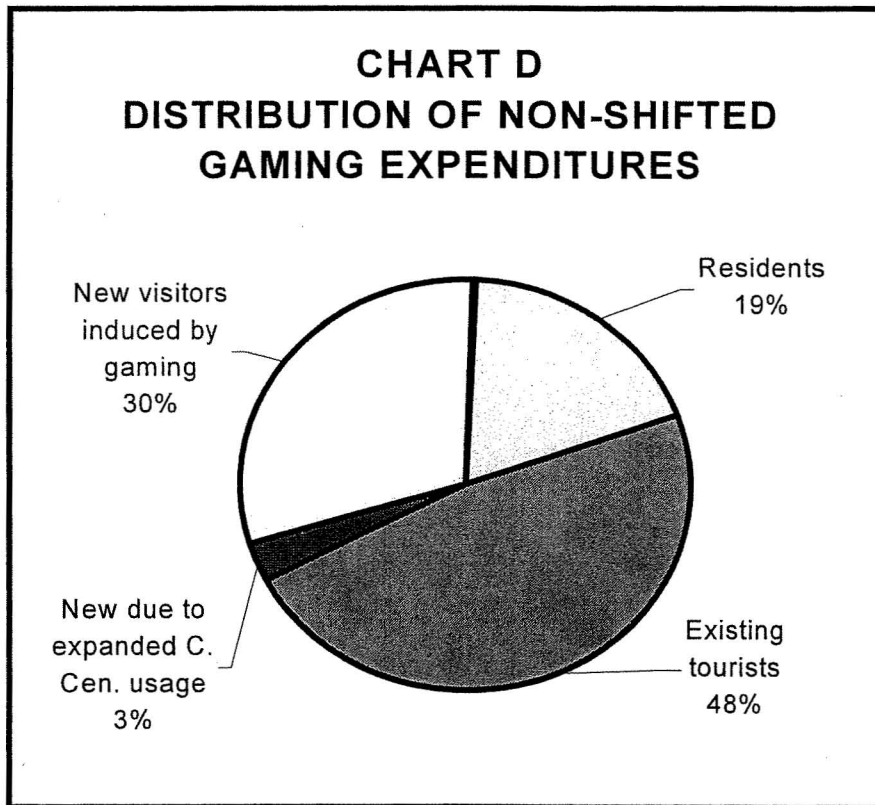
For the existing tourist base a 70% factor is utilized for the non-shifted amount, and 50% for the resident non-shifted amount. The DBEDT's *"Study of Economic Impacts of Shipboard Casinos and Pari-Mutual Racing in Hawaii"* used a 30% figure for shipboard casinos for both residents and tourists. The landbased casinos can be expected to capture a much higher incremental spending figure than a much smaller shipboard gaming area.

It is also reasonable to expect that much of the gaming spending by tourists will not be substituted from other local spending. There is no evidence that such a "substitution" problem exists at other venues. In Las Vegas non-gaming spending is at substantial levels on a per tourist basis, even with the hotel price competition. Indeed, the "high-end" hotels are the growth area on the strip, with non-gaming revenues approaching or exceeding gaming dollars.

It is also believed that the landbased casinos will be able to cut into the out-of-state casino spending by Hawaiians. Certainly, state residents will not eliminate all visits to Nevada and other gaming venues. Yet, given the travel costs involved, a target of shifting 30% to Hawaiian casinos is not unreasonable. The specific target is not the segment of residents that travel to Las Vegas once a year, but those that go to gaming venues many times annually.

One consideration is that even with the 50% factor, the total "non-shifted" hold figure for residents remains less than \$60 million annually. In Chapter Two this report discussed that actual spending by Hawaiian residents on trips to Nevada may be over \$540 million annually (including non-gaming spending). Therefore, if the two casinos can retain just one-ninth of the dollars currently leaving the state, the \$58 million used in **Table 3-6** can be met or exceeded.

**Chart D** further emphasizes the proportional contribution of each of the groupings. As the next Chapter discusses, for the non-gaming spending, the proportions are quite different.



**KEY CHAPTER ESTIMATES**

Total casino visits .....	6.8 million annually
Total gaming hold.....	\$431 million annually
% Of total gaming \$ derived from residents.....	27.2%
Total hold as % of existing US market.....	less than 1.4%
Total non-shifted gaming hold .....	\$309 million annually
% of total hold that is non-shifted .....	72%

## CHAPTER FOUR INCREMENTAL NON-GAMING SPENDING

### OBJECTIVE OF CHAPTER

Chapter Four estimates the non-gaming spending created during trips to the casino. Care is taken to focus on incremental spending---dollars that tourists would not have spent in Hawaii anyway.

The methodology differentiates non-gaming expenditures "on-site" at one of the two facilities from non-gaming expenditures that occur off-site, such as at nearby restaurants, hotels, and tourist attractions.

### KEY CONSIDERATIONS AND METHODOLOGY

There were several key considerations in developing the estimates:

- Care was taken to differentiate and determine total spending, incremental spending, and non-shifted versus new spending.
- A wealth of information was available concerning tourist spending in Hawaii, including the different spending patterns of Mainland and Japanese visitors.
- A wealth of information was also available concerning non-gaming spending by visitors to Las Vegas and Atlantic City.

The methodology used the following key steps:

- Utilize "total person" and "total visits" figures from market analysis.
- Adjust incremental spending by type of visitor (tourist or resident, Island location, etc.)
- Segment visitors by length of stay added due to casinos.

### NON-GAMING SPENDING BY EXISTING VISITORS

In **Table 4-1** the various factors and calculations are displayed. **The spending figures represent only "added" spending---shifted dollars are excluded.** The methodology again uses only conservative factors. The table exhibits that special effort was made to differentiate the various subcategories of visitors and spending.

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The existing tourist figures are divided among those presently visiting only Oahu, those visiting Oahu and other islands, and those visiting Hawaii but not Oahu. Within each grouping, the tourists are divided between those who will exhibit minor additional non-gaming spending due to the casino visit, those spending higher levels but not staying an extra night in Hawaii, and those spending one or two extra nights.

<b>TABLE 4-1 NON-SHIFTED OFF-SITE SPENDING FROM EXISTING TOURIST BASE</b>					
<b>ADDED SPENDING PER PERSON FROM "OAHU ONLY" TOURIST BASE</b>					
Marginal Spending Cohort	Minor Spending	Higher spending, no extra night	Extra Night	2 or More Extra Nights	Total
Proportion	50%	40%	9%	1%	100%
Persons	569,086	455,269	102,435	11,382	1,138,172
Added Spending Factor	\$5	\$25	\$160	\$340	
Added Dollars	2,845,430	11,381,720	16,389,677	3,869,785	<b>\$34,486,612</b>
<b>ADDED SPENDING PER PERSON FROM "OAHU &amp; OTHER ISLAND" TOURIST BASE</b>					
Marginal Spending Cohort	Minor Spending	Higher spending, no extra night	Extra Night	2 or More Extra Nights	Total
Proportion	40%	40%	16%	4%	100%
Persons	211,922	211,922	84,769	21,192	529,806
Added Spending Factor	\$10	\$40	\$170	\$370	
Added Dollars	2,119,224	8,476,896	14,410,723	7,841,129	<b>\$32,847,972</b>
<b>ADDED SPENDING PER PERSON FROM EXISTING "NON-OAHU" TOURIST BASE</b>					
Marginal Spending Cohort	Minor Spending	Higher spending, no extra nights	Extra Night	2 or More Extra nights	Total
Proportion	35%	35%	20%	10%	100%
Persons	97,556	97,556	55,746	27,873	278,730
Added Spending Factor	\$15	\$60	\$180	\$400	
Added Dollars	1,463,333	5,853,330	10,034,280	11,149,200	<b>\$28,500,143</b>
<b>TOTAL NON-GAMING SPENDING</b>					<b>\$95,834,726</b>

Not surprisingly, the highest economic benefits stem from individuals who stay one or more extra nights.

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An intriguing phenomenon not incorporated into the figures but of interest is the tendency of "winners" to spend their gains locally on goods and services. This may prove particularly dynamic for the Hawaii situation. A visitor to Atlantic City, for example, is probably more likely to take their winnings home than a visitor to Hawaii.

The calculations arrive at a figure of over \$95 million in additional spending within the State. Again, this is a conservative figure that may easily be exceeded. The table also displays that for the existing tourist base the key dynamic from the casinos will be the potential they possess to encourage visitors to stay one or more extra days in Hawaii.

As referenced in the description of the gaming hold methodology, the analysis assumes a static "existing" base. In actuality, the base may further erode if casinos are not added to the list of attractions offered within the state to tourists. Any prevention of erosion achieved by casinos and properly attributed to them will result in adding significantly to the economic benefits calculations.

**NON-GAMING SPENDING BY NEW VISITORS TO EVENTS AT THE CONVENTION CENTER**

The methodology first differentiates the spending at/on the event itself from the non-gaming spending individuals involved with the event make elsewhere in the Hawaiian economy. In **Table 4-2** the event spending by sponsors, exhibitors, and attendees is calculated. These dollars primarily are funneled into the economy by the subsequent spending of the employees of the center and the sponsoring organization, and also on local subcontractors (such as printing companies). The factors are derived from survey figures published by the International Association of Convention and Visitors Bureaus.

<b>TABLE 4-2 NEW/EXPANDED CONVENTION/CONFERENCE/MEETING PRODUCTION EXPENDITURES AND ADMISSIONS</b>			
	Number	Average Expenditure	\$ Total
Sponsor Expenditures	20	\$7,000	140,000
Exhibitors	1,750	\$1,000	1,750,000
Attendees	76,800	\$200	15,360,000
<b>Total</b>			<b>\$17,250,000</b>

In **Table 4-3** the non-gaming expenditures of the people attending the events are considered. A division is made between individuals staying two-to-three days in the State and those staying four or more. The average spending factors are developed from Hawaiian tourist spending data. Convention attendees (including the staff of exhibitors and sponsors) will likely have higher than average spending than other tourists due to higher annual incomes, expense accounts, and a higher likelihood that it is their first time in Hawaii.

<b>TABLE 4-3 NON-MEETING SPENDING BY NEW VISITORS TO CONV. CENTER</b>		
<b>Length of stay in Hawaii</b>	<b>2-3 Day</b>	<b>4+ Day</b>
% of new convention visitors & companions	25%	75%
People in cohort (includes companions)	28,800	86,400
Average Spending	\$500	\$1,200
Category Spending Subtotals	14,400,000	103,680,000
<b>Total Incremental Spending in Hawaii</b>	<b>\$118,080,000</b>	

Summing the figures in **Tables 4-2** and **4-3** provides a total of **\$133,440,000** for the non-gaming spending attracted from new visitors to Hawaii induced by new or expanded events at the convention center due to the casinos.

**Note on local products purchased at some events**

Studies performed at exposition centers such as Denver and Novi, Michigan have found that one of the largest local economic benefits is the spending on local goods and crafts that occurred at "consumer" shows at these centers. Even though not as glitzy as a major national convention, and likely not creating as many hotel stays, the consumer show has the ability to attract spending on the goods displayed. For example, a tourist attending a craft show at the convention center may spend significant dollars on items displayed by local craftsmen and merchants. Such expenditures can easily total in the tens of millions annually.

It is beyond the scope of this report to attempt to develop even a broad estimate for the new consumer product spending at consumer shows due to the casinos. Not only would a total figure need to be generated, but also figures for “new” versus “shifted” spending and “new” versus “existing” visitors. It is valid to at least recognize this source of inflow of dollars into the state as one possible additional benefit from the presence of a casino in the vicinity of the expo/convention center.

**NON-GAMING SPENDING BY NEW VISITORS DUE TO ADDITION OF CASINO OPTION**

The “purest” economic benefit is the spending by new visitors attracted to the Island specifically because of the presence of gaming. The individuals in this category will no doubt also enjoy the other attributes of Hawaii, but would have otherwise gone to a different tourist destination but for the new gaming option the casinos provide.

In **Table 4-4** the 260,000 person figure introduced in the market analysis is utilized, with an average spending during the stay of \$600. The spending factor is significantly less than the factor used for new visitors to convention events to reflect the higher likelihood of short-term and economy charter trip visits.

<b>TABLE 4-4 NON-GAMING SPENDING BY VISITORS DUE TO GAMING OPTION</b>		
Persons	Average Total Spending	Total
260,000	\$600	\$156,000,000

All spending in this category is by definition “new” to the state economy.

An added potential benefit is the increased likelihood that these individuals will return to the state in future years, and also recommend the state to friends and relatives.

**NON-GAMING SPENDING BY RESIDENTS**

Added spending captured from residents (\$ that would otherwise have left the Island) is also a consideration, although not highly significant to the overall impact estimates generated by this study. Residents visiting the casino will also be making non-gaming expenditures, but is essential to identify spending that would have taken place within the State even if the casino visit had not occurred.



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As part of the calculation function, it is necessary to separate "trip induced" spending from "incidental" daily spending. Examples would be a dinner at a restaurant near the casino as part of the casino trip (whether those dollars are shifted or not from other in-state spending), versus purchasing a newspaper at a casino that the person normally purchases anyway.

The methodology separates Oahu residents from other residents of the state, and offer factors for the average non-gaming spending that occurs due to the casino trip. The total spending induced is calculated to be close to \$58 million annually.

<b>TABLE 4-5 NON-SHIFTED SPENDING BY RESIDENTS AS PART OF CASINO VISIT (factors exclude normal daily expenditures)</b>					
<b>Residents</b>	<b>Casino Visits</b>	<b>Per Visit Average Non-Gaming Spending</b>			<b>Total</b>
		<b>Food &amp; Bev.</b>	<b>Retail, Trans., Other</b>	<b>\$ Visit</b>	
Honolulu County	2,237,461	10	10	20	44,749,220
Non-Honolulu County	291,987	25	20	45	13,139,415
Totals	2,529,448				<b>\$57,888,635</b>
PROPORTION NOT SHIFTED				30%	\$17,366,591

As introduced, however, a significant portion of this spending would have occurred in Hawaii at some other time. For the proportion not shifted, a figure of 30% is chosen.

**The proportion not shifted could be much greater if the casino trips that would be made to Oahu casinos by state residents are to any degree a substitute for visits made to casinos in other states.**

**TOTAL NEW NON-GAMING NON-SHIFTED SPENDING**

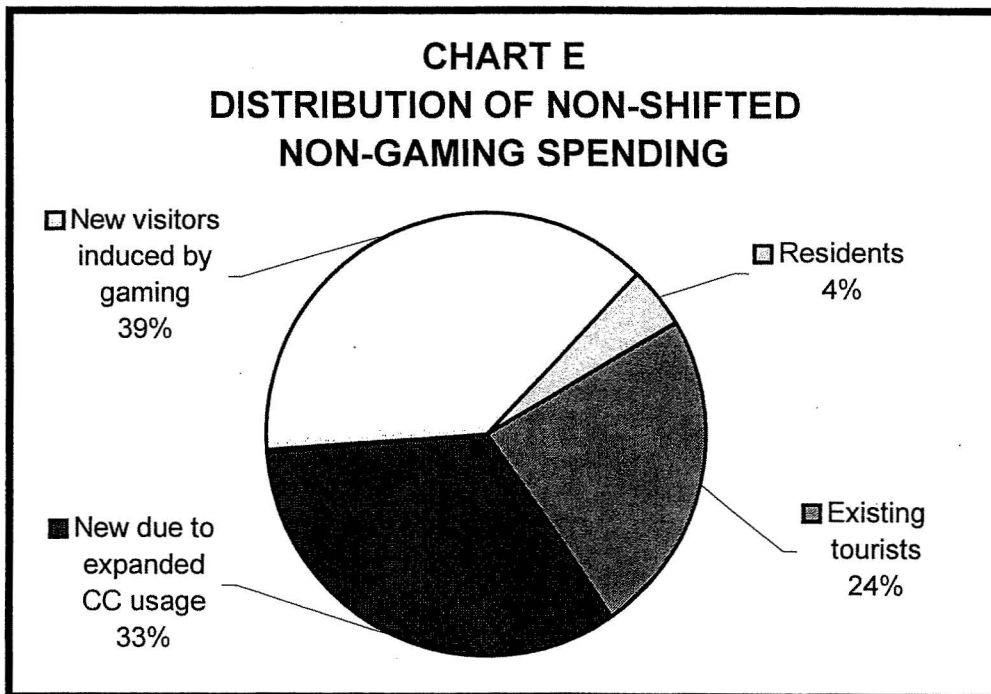
The four categories are totaled in **Table 4-6**.

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<b>TABLE 4-6 TOTALS FOR NON-SHIFTED NON-GAMING SPENDING</b>	
<b>Category</b>	<b>\$ Amount</b>
"Existing" visitors	95,834,726
New visitors due to new/expanded events at the convention center	133,440,000
New visitors due to gaming option	156,600,000
Residents	17,366,591
<b>TOTAL</b>	<b>\$402,641,317</b>

The narrative for the market hold analysis identified a number of possible additional visits that may occur but for various reasons were not included in the analysis. Inclusion of such visitors would also increase the non-gaming capture estimates.

**Chart E** further emphasizes the proportions. Of particular note is that the new convention center visitors, while representing only a small portion of the gaming dollars, become a very significant contributor to the non-gaming total because of all the spending these visitors bring to the State.



One intriguing spending aspect that is not included in the analysis but is worth noting is the tendency for casino visitors who "come out ahead" at a casino to likely spend those dollars on the near term in the host community. This phenomena would swell the impacts, but is not formally estimated.

#### **KEY CHAPTER FIGURES/FINDINGS**

- **Total Non-Shifted, Non-Gaming Spending: \$402.6 million annually.**
- **The vast majority of this spending occurs "off-site"---not on the casino property itself.**
- **The largest source of non-shifted spending is the group of new tourists attracted to Hawaii by the addition of the gaming option.**
- **The ability of casinos to attract more and larger events to the convention center has the potential to result in a very significant influx of additional tourism spending.**

## CHAPTER FIVE CAPTURED SPENDING TOTALS AND SENSITIVITY DISCUSSION

### OBJECTIVE OF CHAPTER

This Chapter totals the gaming and non-gaming amounts to arrive at the foundation figures for total new or retained dollars for the Hawaiian economy. Further comments are also offered that place the figures within the overall context of casino gaming and the sensitivity of the analysis to changes in assumptions.

### TOTAL NEW SPENDING

The gaming and non-gaming totals for the four categories of casino visitors are totaled in **Table 5-1**. Each of the component figures was introduced in Chapter Three or Four. The total is over \$711 million annually.

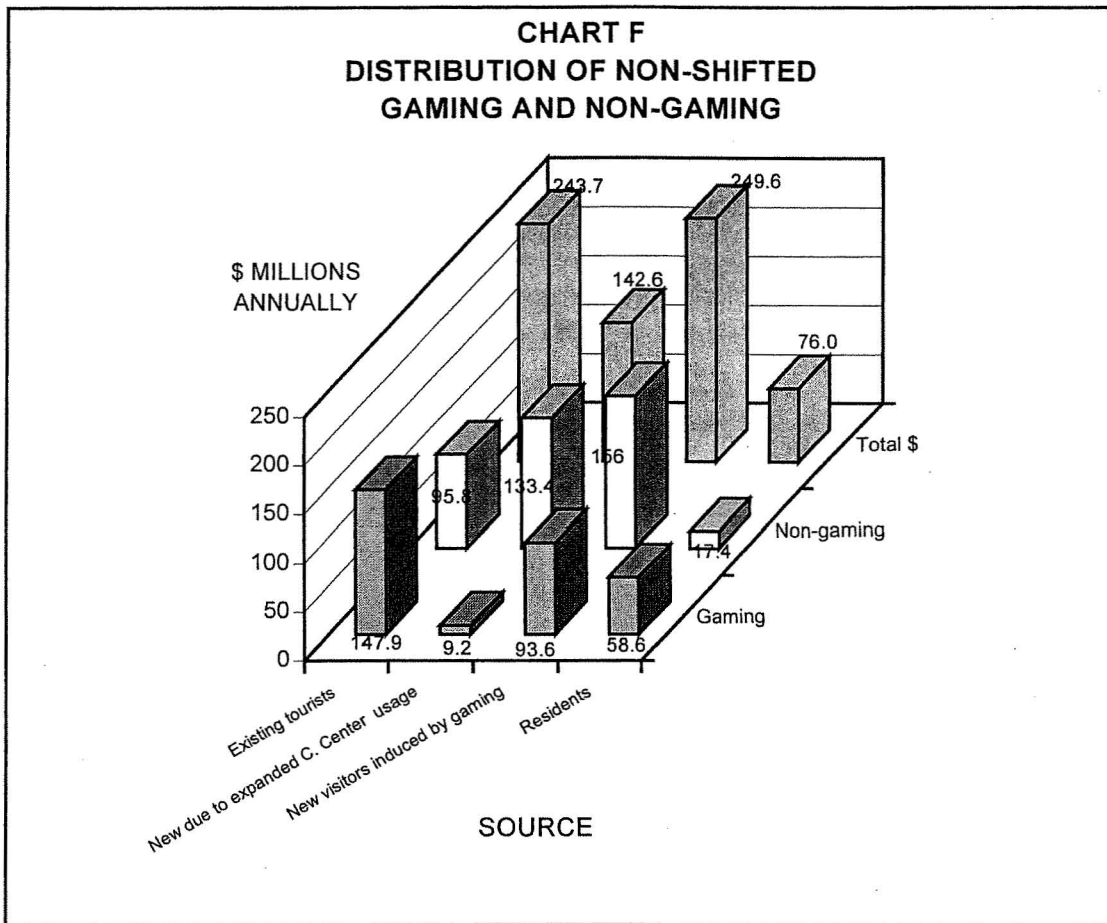
<b>TABLE 5-1 ANNUAL NON-SHIFTED SPENDING TOTALS</b>			
<b>Category</b>	<b>Gaming</b>	<b>Non-Gaming</b>	<b>Total \$</b>
"Existing" Visitors	147,862,365	95,834,726	243,697,091
New Due To New/Expanded Convention Center Events	9,178,200	133,440,000	142,618,200
New Visitors Due to Gaming Option	93,600,000	156,000,000	249,600,000
Residents	58,590,649	17,366,591	75,957,240
<b>TOTAL</b>	<b>\$309,231,214</b>	<b>\$402,641,317</b>	<b>\$711,872,531</b>

A few points regarding the figures merit reiteration. The total represents only non-shifted spending. Care was taken throughout to identify and exclude spending that would likely have occurred anyway in the Hawaiian economy. The gross economic activity attributable to the casinos will be higher than the net total calculated above.

The totals do not include any ripple effects or multipliers from successive rounds of spending as the additional dollars move through the state economy. This phenomenon is discussed further in the employment analysis. It has the impact of more than doubling the net economic activity.

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Chart F is used to display the various proportions of gaming and non-gaming spending within one chart.



The narrative identified several other forms of potential incremental spending that were not incorporated into the numerical estimates due to lack of sufficient statistical evidence. These hold potential to further increase the actual economic benefits to be realized. For example, the analysis does not include any shifting of dollars from illegal gaming within the State, although the level of illegal gaming may be substantial and the amount of dollars shifted potentially meaningful.

Another example is that the analysis also did not include any economic benefits reaped from preventing the continued erosion of the existing tourist base.

A final example is that the standard factors for off-site spending could be increased in recognition of the likely phenomena that occurs when "winners" at the casinos spend their "extra" dollars in Hawaii on additional goods and services.

### **SENSITIVITY OF ESTIMATES AND CONTEXT WITHIN GAMING INDUSTRY**

Any report such as this relies on a variety of factors and assumptions drawn from the experience in other venues. Obviously, individuals with a rigid "anti-gaming" view may choose to challenge the assumptions. Even those with more of an open mind might select differing factors for their own estimates. This is understood before this type of project is undertaken and before the results published. Review is welcomed. Even though Hawaii does not presently have any form of legalized gaming, there is confidence in the factors chosen and the figures generated:

- There is a wealth of casino experience in a variety of venues. Two decades ago only Nevada and Atlantic City results could be reviewed, but now the data from many types of venues is available.
- There is a wide array of tourism data for Hawaii, as well as Las Vegas and other tourism and casino venues that provide a solid base for existing tourism rates and spending habits.
- An increasing amount of information is becoming available regarding casino developments in Australia, New Zealand, and South Korea. Data is also available concerning the tourism trends of Japanese citizens.
- The estimates generated for the two casinos represent only small fractions of the total existing casino market. Anyone with confidence in Hawaii would likely agree that the proportions are obtainable given other state attributes.
- The estimates and assumptions are consistent in magnitude with other tourism studies performed for projects in Hawaii.

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- Even with the "new" tourists attracted, the total of all tourists coming to Hawaii would not be inconsistent with totals achieved a decade ago. The overall infrastructure can handle the demand generated and the interest of people in coming to Hawaii is within previous achievements. The addition of the casino simply serves to prevent further erosion and to bring back some of the market that has been lost.
- In all cases factors were chosen that are viewed as conservative--more likely to be exceeded (in terms of economic impact) than unmet. Therefore, while any one factor could prove to be overly optimistic, the confluence of all the conservative factors creates overall captured spending totals that are clearly obtainable, more likely to be exceeded than unmet.
- The most worrisome future factor for any market projection is the overall economy. This is particularly important for the Hawaii casino projections because tourism figures will be impacted by any recessions in the Mainland or Japanese economy. Interestingly though, if there is a major economic downturn the importance of the casinos to the state probably increases, even if the gross totals achieved are slightly lower. This is because the overall state economy is so highly dependent on tourism spending in general.

## CHAPTER SIX EMPLOYMENT AND PUBLIC REVENUE IMPACTS

### OBJECTIVES OF CHAPTER

The previous chapters discussed and enumerated economic activity figures and new spending. These terms and calculations, while fundamental to the analysis, do not themselves describe how the people of Hawaii will benefit from the addition of the two casinos. In Chapter Six the report uses the figures previously generated as a foundation to develop estimates and insight into the jobs and public revenues that will be generated---the primary reasons why the casinos will benefit the state.

In addition to the direct employment gained, the Chapter introduces "induced" or ripple effect employment created by successive rounds of spending generated by the purchases of direct and indirect employees. It also discusses how the casinos themselves will become major subcontractors of goods and services.

The primary analysis is based upon an itemized calculation of the impacts. An alternative analysis, simply using gross DBDET factors for new tourism spending, is also offered. This alternative method results in similar totals.

The final section reviews the impacts that will occur during the construction stage.

### EMPLOYMENT (base method)

#### Considerations and methodology

Various factors are utilized to transform the dollars captured for the economy figures into estimates of net added employment. The term "Full-time Equated" (FTE) position is used to calculate one full-year job (two half time or half-year jobs would equal one FTE). In that the mission is to calculate jobs from "non-shifted" spending the actual employment at the casinos would be greater than the figures exhibited in the tables.

Employment created by a casino can be grouped in the following manner:

- On-site involved with gaming operations.
- On-site involved in non-gaming operations (e.g. food and beverage).
- Off-site involved with casino customer spending (hotels, restaurants, etc.).
- Off-site with casino subcontractors.
- Induced employment from the successive rounds of spending created by the employees in the above groups.



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**Calculations of direct and indirect employment impact**

The customer spending figures derived in the previous chapter form the base for estimating the number of jobs created. The "one job per gross revenue" factors are clearly identified, and stem from industry averages. The key base figures, factors, and calculations are exhibited in **Table 6-1**.

The gaming jobs are a direct calculation from the non-shifted casino hold, using a job creation factor of one full-time position for each \$90,000 in revenues. This represents approximately 11 jobs per million in revenues. The pay level (excluding benefits) for the average position would probably be in the vicinity of \$30,000. It is reiterated that the calculations are based upon only the incremental spending. The actual number of permanent jobs at the casinos will likely exceed 4,000.

<b>TABLE 6-1 FULL-TIME EQUATED POSITIONS ADDED--ONGOING OPERATIONS (from incremental spending only)</b>			
	\$ FIGURE	\$/JOB FACTOR	JOBS
Gaming (Includes Admin.)	309,231,214	90,000	3,436
Non-Gaming			
At Casinos	80,528,263	85,000	947
Off Casino Site	322,113,053	85,000	4,026
Casino Subcontractors	108,230,925	95,000	1,139
<b>ADDED FTEs FROM DIRECT AND INDIRECT SPENDING</b>			<b>9,549</b>
Induced Employment (Ripple Effect)	2.05 total	1.05 increment	10,026
<b>NET ADDED JOBS INCLUDING INDUCED</b>			<b>19,575</b>

The total "on-site" employment figure generated is 4,383 (3,436 gaming related and 947 non-gaming). A figure of 4,000 or more jobs is not uncommon for a major casino on the Mainland, let alone two separated (though modest in size) facilities.

Slightly lower factors are used for the non-gaming jobs in order to reflect somewhat lower average pay levels. We assume that of the non-gaming jobs, one-fifth will be created on-site and four-fifths at nearby restaurants, hotels, retail outlets, etc.

The "off-site" total of 4,026 is somewhat higher than would likely be generated for equivalently successful casinos on the Mainland. This is because of the higher total capture per visitor that Hawaii can be expected to obtain due to longer stays within the state by out-of-state visitors.

Casinos are major purchasers of goods and services. Subcontracts can easily represent 35% of gaming revenues. A long list of goods and services are purchased from casinos. A few examples include printing, facility renovation, uniforms, advertising, and food and beverage distributors.

### **Ripple effect**

The ripple effect of additional jobs being created from the successive rounds of spending within the economy is a commonly accepted principle in economics. It is also a calculation that sometimes is exaggerated by zealous proponents of new projects. In this document, we take a conservative approach to the ripple effect, but the figures remain very substantial. **To assure a defensible figure, the methodology eliminated non-shifted revenues from the base of the calculation.**

In order to estimate the amount of induced employment, the federal RIMS-2 multiplier is utilized, although a modest 2.05 rate is chosen rather than a 2.2+ factor that can be appropriately used for entertainment & leisure industry related jobs. This methodology yields results similar to the job multiplier developed by the State of Hawaii for tourism.

**Even without consideration of the ripple effect, the number of direct and indirect jobs is still very substantial, and offers strong reasons why the projects should be approved.**

### **Non-enumerated employment categories**

Several additional categories exist involving on-going employment that may be favorably impacted but cannot be formally included in the estimates. These include:

- Additional spending from "winners" on local goods and services.
- Existing positions saved at companies with tenuous economic foundations that are strengthened because of added income from casino subcontracts.
- Airline industry positions.

- Favorable impact on all industry due to reduced tax burden because of public revenues generated by casinos.
- Retention of the existing jobs within the tourist industry.

These items are not formally enumerated due to insufficient statistical foundation, but are very real considerations and should prove to further extend the total job impact of the two casinos.

### **Summary comment**

The two casinos will create thousands of new jobs directly on-site, and thousands off-site at other places of business. They will also be major purchasers of goods and services and thus will create a significant number of jobs with subcontractors. The total direct and indirect employment estimate equates to 9,549. This figure is limited to those jobs stemming from non-shifted spending. **Use of a modest 2.05 multiplier calculates the overall employment impact at 19,575.**

## **INCREMENTAL PUBLIC REVENUES (base method)**

### **Considerations and methodology**

The casinos will directly generate significant tax revenues, and indirectly generate millions more through taxes on employees, subcontractors, and the spending on goods and services by customers. This section addresses various public revenue considerations and offers estimates of the incremental tax gain. A gaming tax scenario is offered for descriptive purposes only. The actual tax rates involved will be a separate public policy matter.

### **Gaming tax**

It is assumed that the casinos will pay some form of gaming tax based upon total gaming revenues. Such taxes are common at other gaming venues, although the rates differ and each state has its own idiosyncrasies. Moreover, the gaming tax itself needs to be placed within a context of the other business and excise taxes invoked by the state or local jurisdiction.

For descriptive purposes, we assume a 10% gaming tax on total gaming revenues (hold). This is higher than Nevada and Mississippi, roughly equivalent to Atlantic City, higher than most Native American payment agreements, but lower than riverboat states. In any event, the actual level is a separate policy and competitive balance issue among all the parties involved.

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In **Table 6-2** the total tax payments are calculated at 10% of total hold.

TABLE 6-2 SCENARIO FOR GAMING TAX PAYMENTS (Assumed Gaming Tax Rate: 10%)	
Source	Annual Revenues
Total Annual Gaming Tax Payments	\$43,119,145
Payments representing "new" or non-shifted tax revenues	\$37,021,133

A portion of this figure would be from shifted revenues. In the methodology used to estimate total hold the analysis arrived at a figure of 28.2% for the proportion of total hold that represented a shift from other spending within the state. This shifted spending would also have been subject to taxation, but almost definitely at a lower rate. If we assume the rate captured by the state was half of the ten-percent level achieved by the gaming tax, an estimate can be generated that approximately \$6 million of the \$43 million might otherwise have been captured by the state.

**Therefore, the "new" revenues from the gaming tax alone are estimated to be approximately \$37 million annually.** The casino may also be subject to certain property and corporation taxes

**State income and sales/excise taxes**

Various state income taxes and sales/excise taxes will be generated. Income taxes were calculated from direct and indirect employment at a rate of 3.8% and an average *adjusted taxable income* of \$25,000 for all jobs created. **This generates an income tax estimate of \$18,596,214 annually (not including any shifted spending).**

An average sales/excise tax figure of 4% is placed on non-shifted non-gaming spending (without any additional multiplier). Given the types of expenditures involves (food, beverage, lodging, etc) the proportion is likely conservative. **This methodology generates an estimate of \$16,105,653 for annual sales/excise revenues received by state or local government, and does not include any shifted spending.**

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<b>TABLE 6-3 BASE SCENARIO FOR STATE INCOME AND SALES/EXCISE TAXES</b>	
Source	Yearly \$ Amount
From employee income taxes (Direct, indirect, & induced employment)	18,596,638
From sales/excise taxes on direct non-gaming spending	16,105,653
<b>Total Annual Revenues*</b>	<b>\$34,702,251</b>

\* Does not include any shifted spending, sales/excise taxes on expenditures by employees or by firms contracting with the casinos.

**Total of gaming, income, and excise taxes**

Summing the figures from the above charts generates a total for the gaming, income, and sales/excise taxes of \$71.7 million derived from new spending. This is viewed as a conservative estimate, and does not include any taxes generated from shifted spending.

<b>TABLE 6-4 BASE SCENARIO FOR TOTAL NON-SHIFTED GAMING, INCOME, AND SALES/EXCISE TAXES GENERATED ANNUALLY</b>	
Source	Yearly \$ Amount
Gaming Taxes (from Table 6-2)	37,021,133
Income, Sales, and Excise taxes (from Table 6-3)	34,702,251
<b>Total Annual Revenues</b>	<b>\$71,723,384</b>

**Other public revenue considerations**

A variety of other sources of public revenue exist that will stem from the project, although enumeration is not attempted at this juncture. Such sources include:

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- Miscellaneous permit and use fees.
- Property taxes.
- Taxes paid by firms contracting with the casinos.
- Parking revenues, particularly near the convention center.
- Rental car taxes; taxi and limousine licenses, and bus fares.
- Gasoline taxes.
- Hotel/motel room taxes.
- Airline/airport fees generated from incremental travelers/flights.
- Other recreational fees paid by new tourists.
- Spending by airlines and airline staff.

State spending allowed by the increased revenues creates additional economic activity and thus further tax revenues.

The new employment also has the potential to reduce state income maintenance and Medicare costs.

In addition, by enhancing the use of the convention center the casinos serve to allow the dollars now supporting the center to potentially be directed to other purposes.

There will also be significant tax revenues generated from the construction stage of the project. This includes the personal income taxes of construction employees, the corporate fees paid by the construction companies, and miscellaneous permits.

#### REFERENCE PARAMETER---TAX IMPACTS USING GROSS DBEDT FACTORS

The impacts of the tourism spending created by casinos differ from other forms of spending; for example, the revenue tax paid by a casino is unique in the tourism industry. When comparing methods used for other tourism impact studies, there is also a difficulty in assuring that similar definitions (for example, for direct, indirect, and induced impacts) are utilized. Even with these qualifiers, it is useful to note an alternative approach to impact calculations as a reference point for the detailed calculations made in this report.

The DBEDT publishes a table estimating economic activity generated by "tourism spending." Specifically, the information was presented in the 1999 *State of Hawaii Data Book* in **Table 7.25--Economic Activity Generated by Visitor-Related Expenditures: 1985 to 1998**. It is interesting to utilize the factors generated by the DBEDT and to apply them to the non-shifted spending created by the two casinos.

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The DBEDT table estimates that \$11,231 million in tourism spending (including direct expenditures by visitors, airline and ship crews, and overseas airlines) in 1997 generated \$7,020 million in Gross State Product, \$4,573 million in Household Income, and \$903 million in State and County Tax Revenues. In the previous chapters in this study a total figure of \$711 million was generated for non-shifted direct and indirect spending; with a figure of \$636 million if all spending by residents was excluded.

If the same DBEDT percentages are applied to the \$635 million figure, estimates are generated of \$397 million annually in increased gross state product, \$259 million in increased household income, and \$32 million in increased state and county tax revenues. Adding the special revenue tax of 10% brings the estimates very close to the figures generated in the previous tables. Moreover, if other tax implication factors are added (such as any dollars from retained spending in Hawaii by residents or induced employment spending as well as direct and indirect), the grand total from this alternative calculation would climb above our base estimates.

Again, this alternative approach is offered only as a reference point. It does support the position that the methodology and impact figures provided in the base analysis are prudent.

### **NO REQUEST FOR PUBLIC SUBSIDY--ENTIRELY PRIVATE SECTOR RISK**

It is again noted that other projects possessing the objective of increasing the amount of tourism and tourist spending typically involve direct public investment in capital costs, and in some instances an operating subsidy. **The casino proposal does not require any direct public funding, furthermore, the entire investment risk will be private.**

### **CONSTRUCTION IMPACTS**

The report has focused on annual, repeating revenues, and thus permanent jobs and public revenues. It merits identification that the construction represents large-scale investments that will generate significant employment and tax revenues.

In an earlier discussion of sizing the report chose \$375,000,000 as a reasonable scenario for a gross new investment figure for the two facilities combined. A conservative factor can be used that \$125,000 of total construction expenditure produces one person year of construction employment. This yields an estimate of **3,000 employee years** of construction employment at the casino construction site.

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The total investment and construction employment figures do not include any hotel investment (either new structures or improvements to existing lodging) or other off-site improvements spawned by the economic activity. These "other" investments could potentially be of the same magnitude as the casinos themselves.

The multiplier effect (successive rounds of spending by the employees and subcontractors involved) would serve to more than double the jobs estimates.

**SUMMARY OF KEY CHAPTER CALCULATIONS**

**On-going Employment (FTEs):**

From Non-Shifted Gaming Spending.....	3,436
From Non-Shifted Non-gaming Spending .....	4,973
At In-state Casino Subcontractors.....	1,139
Non-Shifted Direct and Indirect Employment Subtotal .....	9,549

Potentially Created By Multiplier Effect.....	10,026
Total Net Jobs Including Multiplier Effect .....	19,575

Construction Employment (Direct Only) ..... 3,000 Employee Years

**Annual Public Revenues (for items calculated):**

Gross from Gaming Tax (at 10% rate) .....\$43.1 million

**Incremental Tax Gained From Selected Sources**

Gaming Tax (increment only) .....	\$37.0 million
Income and Excise Taxes (non-shifted only) .....	\$34.7 million
Total Increment (from these sources).....	\$71.7 million

If all possible direct, indirect, and induced revenue sources were incorporated into the analysis, total governmental revenues generated by the two casinos could exceed \$100 million annually.



## CHAPTER SEVEN SHIPBOARD GAMING COMPARISON

### INTRODUCTION

The primary mission of this study has been the economic impacts of the dual land-based casinos on Oahu. The findings have demonstrated that a compelling case exists that the benefits of approving quality casino gaming can prove to be extremely significant for Hawaii.

The State has been approached before regarding other gaming options. Pari-mutuel horseracing and shipboard casinos have been the subjects of a gaming study performed by the DBEDT (referenced previously).

This Chapter contrasts various characteristics of landbased casinos and shipboard gaming. An attempt is not made to duplicate for shipboard gaming the detail of analysis given to the two Oahu casinos. Various comparisons, however, can be made from available data and results in other states.

### GENERAL CATEGORIES OF SHIPBOARD GAMING

The category "shipboard gaming" actually includes a range of subcategories. In the interests of clarity, four subcategories are suggested:

#### International cruise ships

- Large vessels travelling international waters, offering a casino area.
- Little or even negative state and local economic impact from gaming.
- Little or no state regulation of casino area.

#### Small excursion boats

- Small vessels, gaming only allowed in international waters.
- May operate with only the tacit approval of the state.
- Examples exist in Florida, Texas, and New York.

#### Traditional riverboats

- Patterned after classic paddleboats of the late 1800s.
- Actually cruise meaningful distances on rivers or lakes.
- Vessels typically possess gaming areas from 15,000 to 25,000 sq. ft.
- Iowa was original example, although larger vessels are now common.

"Modern" (little if any movement) docked gaming "ships"

- May not move at all, or at most a few hundred yards, although usually still must meet basic maritime safety standards.
- "Cruise times" for entrance and exit may be enforced, even when moored.
- Essentially a gimmick to expand upon traditional riverboat concept.
- Gaming areas typically in range from 20,000 to 35,000 sq. ft.
- Examples include Missouri, Mississippi.
- May be united with dockside hotel.

In all cases, it is reasonable to assume that the vessels proposed for use for shipboard gaming in Hawaii would be constructed in another state or country. This is a very important consideration when comparing both the amount and speed of the economic development generated by landbased versus shipboard casinos. The landbased would generate a large number of construction jobs in Hawaii. The jobs commence even before the facility opens. The capital spending also benefits local construction firms and suppliers. Gaming vessels built in other states, or nations, generate little in terms of construction benefits for Hawaii (perhaps some minimal dock improvements).

In the comparisons in this Chapter, it is generally assumed that the shipboard gaming proposed for Hawaii would involve vessels that cruise only short distances from their docks.

### **SUMMARY REVENUE AND SIZE DATA FROM OTHER STATES**

It may be self evident that landbased casinos have intrinsic size and economic impact benefits compared to cruiseboats. Yet, it is still useful to offer summary data pertinent to the comparison. Without providing a lengthy analysis of all possible aspects, the report introduces below various key figures that exhibit the difference in scale between the riverboats and landbased casinos.

#### **The top gaming states have landbased casinos**

In 1997 there were 10 states with active, non-Native American casinos. The opening of 2 casinos in Detroit in 1999 has moved this number to 11.

The largest casino gaming states in terms of revenues and visitors, Nevada and New Jersey, both have casinos that are entirely landbased. These two states accounted for over half all non-Native American casino gaming revenues in 1998. For 1999, Nevada casinos reported gross gaming revenues of over \$9 billion, and Atlantic City casinos realized over \$4.1 billion.

### **Gaming area sizes and revenues**

In Illinois, the riverboats have "casino square footage" ranging in size from 8,100 sq. ft. to 37,160 sq. ft. Iowa riverboats range from 10,577 sq. ft. to 38,437 sq. ft. (source: *Casino Journal*, April 2000). This compares with a typical Las Vegas strip casino that will have 100,000 or more sq. ft. of gaming space. The Soaring Eagle Native American casino in Mt. Pleasant, Michigan has well over 200,000 sq. ft. of gaming space.

The riverboat with the largest gross revenue figure in December of 1999 was the Grand Victoria in Illinois, with \$29.7 million. The average for Illinois, Indiana, and Missouri riverboats in December of 1999 was approximately \$7.9 million. In Atlantic City, the casino with the largest reported gross revenue was the Taj Mahal, at over \$45.3 million during December of 1999. The average at Atlantic City casinos that month was over \$25 million.

Native American landbased casinos range from very small to the largest in North America. Reporting requirements vary, but some figures are available for the larger facilities. The Foxwoods casino in Connecticut will have gaming revenues in the vicinity of \$1,000,000,000 this year, and the nearby Mohegon Sun will likely exceed \$700,000,000. The Soaring Eagle casino in Mt. Pleasant, Michigan approached or exceeded one-half billion dollars in gaming revenues last year.

Las Vegas strip casinos are, of course, in a class by themselves. The Strip reported over \$393 million in revenues for the month of December 1999.

The casinos in Windsor, Ontario and Niagara Falls, Ontario are landbased. Each will attract over \$400 million in gaming revenues this year. It is interesting to note that after the permanent casino in Windsor opened (replacing the landbased interim casino) and competition was on the horizon from the planned opening of landbased casinos in Detroit, the Ontario government decided to close the riverboat casino that had been docked in Windsor.

### **Out of state visitors--tourism destinations**

Care should be taken in comparing non-gaming spending between venues because of local demographic differences. There is no question, however, that landbased casinos have historically drawn a larger share of out-of-state visitors than riverboats, and can be expected to attract higher levels of non-gaming spending to the area.

The proportion of longer distance visitors can be inferred by comparing the percentage that slot machines represent of the total gaming hold. Longer distance visitors typically will spend more in total and will more frequently play table games. Landbased casinos typically have a higher proportion of revenues from table games than riverboats. Slot hold represented 65.3% of Nevada gaming revenues in 1999 (the Strip casinos would have an even lower slot proportion), and Atlantic City casinos reported a 70.1% slot proportion. The riverboat states range from an 87.4% slot proportion in Iowa to 75% in Illinois and Louisiana.

### **California**

The expansion of Native American casinos in California has been approved by two referenda and is now developing at a rapid pace. The casinos will be landbased, offering the same gaming options available in Las Vegas.

### **Foreign competition**

The casino competition for the Japanese tourist from Australia, New Zealand, and the Philippines is landbased. The South Korean competition has primarily landbased venues, augmented by gaming ferryboats.

### **Summary comment regarding data from other venues**

The historic data from other states is clear in exhibiting that landbased casinos typically are larger in nature than shipboard, realize greater revenues, and attract more visitors.

## **GENERIC COMPARISON OF ATTRIBUTES FOR HAWAII**

In an earlier chapter the characteristics of the two Oahu casinos were described. The DBEDT shipboard gaming analysis, and historic information from riverboat states, can be used to develop a generic view of the characteristics of shipboard gaming if allowed in Hawaii. The specifics of the size and location of proposed facilities would still need to be determined, but reasonable comparisons can be made. **Table 7-1** provides a list of what are viewed as the most important advantages of landbased casinos.

**TABLE 7-1  
ADVANTAGES OF LANDBASED CASINOS COMPARED TO SHIPBOARD GAMING**

Landbased are of larger size and more flexible

- Larger in total gaming area, offering more gaming options.
- Create a stronger magnet to new and existing tourists.
- More flexible to meet future changes in the market.

Landbased create immediate impact during construction

- Creating much more construction spending and jobs.
- A capital investment of over \$200 million (perhaps far more), the vast majority of which will be made through local contractors.
- A riverboat would likely be constructed in a different state or country, and would generate only modest dockside investment.

Landbased have location and design flexibility

- Specific locations of the landbased casinos can be chosen to maximize community benefits instead of being restricted to a dock area.
- Exhibits permanent commitment on the part of private investors.
- Architecture can blend with existing structures.

Landbased can attract more visitors due to size and non-gaming attributes

- Much stronger lure for new and past visitors from the Mainland.
- Much more competitive for dollars state residents now spend on trips to other gaming venues (and probably also illegal betting).
- Much stronger lure to Japanese and other Asian tourists, both new and those now passing through the state.

Landbased have competitive speed of impact

- A permanent landbased casino may take longer to construct than a riverboat, but a temporary/interim facility would not.
- Licensing by the state will require time; in Detroit, the interim casinos (landbased) were essentially fully constructed before permitting concluded.
- The construction dollars of landbased casinos would almost immediately represent a major injection into the state economy, but a shipboard gaming vessel would be constructed elsewhere.

Summary--landbased would realize far greater new dollars for the state economy

- All aspects point to greater economic benefits, from jobs to tax revenues.
- The biggest advantage is the greater ability to attract new tourists and capture new spending from existing tourists.
- Landbased can more easily adapt to the competitive challenges of the future.

**NOTES FROM NUMERICAL COMPARISONS**

**For elaboration only**

The authors of this report have not performed an identical study to the one performed by the DBEDT of shipboard gaming in Hawaii. Caution must be taken when making any comparisons between two independent studies of separate (though related) topics. Yet, it is **interesting** to compare the estimates generated in this report with those in the DBEDT study. The two studies do not use identical techniques and are not in agreement on all facets. It is not suggested that the DBEDT would arrive at estimates for landbased casinos identical to those generated in this study (their figures could be higher or lower). Yet, it is fair to note that both studies used reasonably similar databases, assumptions and approaches. Both were careful to consider both gross spending and net (non-shifted) spending.

**DBEDT shipboard gaming figures**

The DBEDT developed "Pessimistic", "Moderate", and "Optimistic" figures for various size, market capture, and impact estimates. The study arrived at the following key assumptions and estimates for "Shipboard Gaming".

<b>TABLE 7-2 VARIOUS ESTIMATES FROM DBEDT SHIPBOARD GAMING STUDY (\$ in millions annually)</b>			
	Pessimistic	Moderate	Optimistic
Total Admissions	1,388,000	2,081,000	3,424,000
Gaming positions per boat	800	800	800
Number of boats	2	2	3
Gross Revenues	\$105.5	\$161.3	\$283.0
New visitors non-gaming expenditures	0	0	\$40.7
Net job gains	998	1,508	3,795

The DBEDT study utilized "gaming expenditures per admission" factors that were very similar to the "average hold per visit" factors used in our study of the landbased casinos.

The DBEDT study also assumed that the vessels would not be built in Hawaii.

## Comparisons

It is simplest to compare the gross revenue estimates from both studies. These estimates are least prone to be impacted by other assumptions regarding shifted versus non-shifted spending. The methodology used for the landbased casinos generated an estimate, from conservative assumptions, of 6.8 million visits (one person one entering one or more times during a single day). The "moderate" estimate for shipboard gaming in the DBEDT study was 2.1 million, with the "optimistic" at 3.4 million.

The gross annual gaming revenues for the two landbased casinos was estimated at \$431.2 million, with \$309.2 million being derived from non-shifted spending. If more optimistic assumptions were used, the estimates would be substantially higher. The figures can be contrasted with the "moderate" estimate developed in the DBEDT Shipboard Gaming study of \$161.3 million annually. Even the "optimistic" estimate of \$283.0 million annually in the DBEDT study was below the conservative figure generated for the landbased casinos.

The studies differ to a greater degree in their respective approaches to the capturing of new non-gaming revenues generated, thus additional care is appropriate when making comparisons. This analysis of landbased casinos generated a new spending attracted figure of \$402.6 million, while the DBEDT study, even in their "optimistic" projection, estimated only \$40.7 million. The difference can be attributed to the position that landbased casinos are more able to attract new visitors and new spending from existing visitors.

Given the nature and the likely locations of the vessels, the DBEDT study does not calculate any impact on the convention center. Enhancing use of the center is an important attribute of the landbased casinos.

The estimated net job figures in the DBEDT study are 1,508 (moderate) and 3,795 (optimistic). The landbased study estimates 9,549 net direct and indirect jobs from non-shifted spending. The multiplier effect would serve to more than double the totals and the differentials.

The public revenue figures in the two studies cannot be directly compared because of different assumptions on tax rates. If the same assumption of a 10% tax on gross revenues were used for both situations, the landbased casino would be paying a gaming tax of \$43.1 million annually, while the "moderate" shipboard gaming boats would be paying a total of \$16.1 million annually. The differential for income and sales taxes is even more significant because of the higher number of off-site spending and jobs created by the landbased casinos.

## **CONCLUDING COMMENTS ON COMPARISON WITH SHIPBOARD GAMING**

A central theme of this study is that the development of quality casino gaming options would be extremely beneficial to maintaining the overall competitive viability of the state. Given the enormous importance of the tourism industry to the economy of Hawaii, it is absolutely essential that the state maintain (regain) its competitive edge and maintain (retain) market share.

Landbased casinos have a much higher likelihood of assuring the competitive viability---drawing new visitors and capturing more spending from existing visitors--than would likely occur through the use of shipboard gaming.



## **CHAPTER EIGHT OVERVIEW OF OTHER COMMUNITY IMPACTS**

### **INTRODUCTION**

The primary mission of this study has been to analyze the market and the economic impacts. Yet, when states or communities consider commencement of casino gaming the discussions are often dominated by (perhaps inappropriately named) non-economic issues. Opponents may suggest that there are community disadvantages from permitting casinos that outweigh the economic benefits.

A lengthy examination of all possible community issues is beyond the scope of this study. Indeed, no matter how great the detail from other states and how persuasive the impact figures from those areas may be it is unlikely that some opponents could be swayed. For reference purposes however, this Chapter provides information capsules on various community and social impact issues and considerations. This analysis can be expanded upon at a later point.

### **UNEMPLOYMENT---THE CORRELATE OF BAD SOCIAL IMPACTS**

A crucial consideration in reviewing community impacts is that the universal statistical correlate with almost all "bad" community situations is the level of unemployment. It is established that higher unemployment correlates with higher levels of crime (particularly domestic violence), alcoholism, lowering property values, bankruptcies, welfare costs and higher costs for social services.

Landbased casino gaming in Hawaii has the clear potential to reduce unemployment and thus serve to reduce the incidence of negative social events and costs. Given the importance of tourism to the economy, the beneficial impacts of casino gaming may be even truer for Hawaii than other existing or potential gaming venues. Casinos will bring dollars and jobs into the state.

### **PRESENT GAMING OPPORTUNITIES**

It is also important to note at the outset that even though Hawaii and Utah are the only two states without some form of legalized gaming, this does not mean that Hawaiians never wager. Previous chapters discussed the high level of visits Hawaiian citizens make to Nevada. It also must be assumed that there is a certain level of illegal (untaxed and unregulated) betting that occurs. Furthermore, there are now over 600 sites on the Internet that accept wagers. Citizen with a gambling problem can find outlets for their tendencies.

In terms of potential tourists and why they select certain locations, the data is clear that casino gaming has become a key sector of the tourist industry. Visitors from the Mainland and Japan are simply more likely to choose a venue that has a casino gaming option than a venue that does not. Allowing casinos in Hawaii draws spending to the state that would otherwise have occurred at other venues.

Essentially, government policies can determine to an extent "where" a person may wager, but has little influence on "whether" they wager.

### **TYPICAL CONCERNS--CAPSULE REVIEWS**

Various issues and concerns that are commonly raised when considering casino gaming are identified below, with brief narratives and statistical references. Fortunately, with the growth of casino gaming during the past decade, there is a solid and growing foundation of information on community impacts. A decade ago only Nevada and New Jersey had regional data meriting review, and both situations are somewhat unique. The situation is entirely different in the year 2000. A wide variety of sources exist that have compiled information on impacts in specific states, cities and counties.

One of the more detailed recent studies is the "*Report to the Governor--The Social, Fiscal, and Economic Impacts of Legalized Gambling in Indiana*" produced by the Indiana Gambling Impact Study Commission. The primary analysts and authors are part of the Indiana University Center for Urban Policy and the Environment. The capsule discussion that follows often uses the "Indiana Report" as well as other sources.

#### **Crime levels and arrests**

The Indiana report researched a variety of crime data for five (and occasionally six) key counties hosting casinos and the data for the entire state. The casino counties are Dearborn, Harrison, Lake, LaPorte, and Vanderburgh. For some tables data from Ohio County was also incorporated. The data published in the Indiana report from the time span between 1992 and 1997 are contrasted in **Table 8-1** below (table developed by Michigan Consultants).

The casino counties exhibited better improvements (or lower increases) than the remainder of the state in all but one of the categories. This is a strong indicator of the community benefits brought by the casinos.

MARKET AND ECONOMIC IMPACT ANALYSIS  
TWO CASINOS ON THE ISLAND OF OAHU  
DECEMBER, 2000

<b>TABLE 8-1</b> <b>CHANGE FROM 1992 TO 1997 IN TOTAL ARRESTS</b> <b>FIVE INDIANA CASINO COUNTIES AND THE REMAINDER OF STATE</b> Data source: Indiana Gambling Impact Study Commission		
Type of Arrest	Change in "Casino Counties"	Change in Remainder of State
Disorderly Conduct	-49%	-15%
Public Intoxication	-30%	-11%
Driving under the influence	+11%	-30%
Offenses against families	+24%	+80%
Drug Abuse Violation	+11%	+108%
Fraud	-14%	+31%

The one exception was "Driving Under the Influence". Interestingly, further inspection of the data finds that four of the five counties exhibited a decrease in arrests in this category over the six-year period. One county (Lake County on the Chicago border) did show a major increase affecting the overall average. This factor is impacted by the millions of visitors to that area, and the millions of Indiana and Michigan visitors to Chicago who return through Lake County, and is not an indicator of increased alcohol consumption by residents.

It is particularly interesting to note that in several categories the total number of **arrests decreased**, suggesting lower law enforcement costs.

Michigan data corroborates the Indiana results. Michigan State University data for crime injury figures was examined for five counties in Michigan that have hosted major Native American casinos. For 1997, the last year that data was fully available on a county basis, the rate of injury for "*victims per 1000 Residents*" was 4.86 for the entire state, but only 3.50 for the five casino host counties. The "*Injured per 1000 Residents*" rate was 1.77 for the entire state, but only 1.36 in the five host counties.

### **Economic and Social indicators**

The Indiana report also considered various social and economic indicators. The overall rate of unemployment in casino counties listed in their study fell from an unweighted average of 7.92% in 1992 to an unweighted average of 3.44% in 1998---an average decline of 57%. The total Indiana figure declined by 53%.

Households participating in a special Indiana program that aids with utility payments decreased by 61% between 1992 and 1998 for the casino counties, a better improvement than the 46% decrease in the remainder of the state. During the same period the number of households receiving public assistance declined by 40% in the casino counties, an impressive improvement, although less than the 53% level achieved in the remainder of the state.

One indicator of social impacts is the divorce rate. Between 1992 and 1998 the divorce rate in the "remainder of Indiana" declined by 6%, while the rate declined by 15% in the casino counties examined.

### **Bankruptcies**

A key segment in the Indiana study reviewed bankruptcy information. The research was unique in that it actually surveyed over 1,000 petitioners for bankruptcy. On page 109 the final report reads:

*"There is no evidence from this analysis that persons who file bankruptcy are more likely to engage in gambling or to have problems with gambling than a random sample of adults. Most petitioners who gambled did not believe that gambling contributed to their bankruptcy."*

The report went on to estimate that only 2.4% of all people who file for bankruptcy were problem gamblers who attributed their bankruptcy to gambling.

Finally, it is appropriate to mention that even if legalized and regulated casinos did not exist it would not mean that individuals with gambling problem tendencies could not find outlets.

### **Land values**

Some casino critics may suggest that casinos hurt land values, but statistical evidence indicates the opposite. A review of five Native American casino host communities in Michigan, using Michigan State University data, finds that the total state equalized valuation in the key host communities increased by a weighted average of 89% between 1991 and 1998. This compares to a 57% increase for the entire state. Firm data is not yet available, but many media reports suggest that land values in Detroit have rapidly escalated since the approval of casinos in the city.

Again, the primary influence is that casinos bring higher employment and better paying jobs. The result is higher land values.

### **Attractiveness to other businesses**

The presence of casinos appears to have a positive impact on the location of other businesses in an area. This may be due to the taxes paid by the casino that serve to lower the tax burden on other firms, and the general physical improvements casinos tend to mean to a community. *Inc. Magazine* has consistently rated Las Vegas at the top of best places to begin a business. Clark County, Nevada (greater Las Vegas) has consistently been found near the top 10 lists of fastest growing areas in the United States. Employment at the casinos themselves is only one segment of the cause. The casinos have helped the area maintain low tax rates and attractive quality of life.

It is also noteworthy that two major international firms, General Motors and Compuware, both selected downtown Detroit sites (in walking distances to the casinos) for their national headquarters after casinos in Detroit were approved. Chrysler Canada selected Windsor, Ontario (host to a major casino and across the river from Detroit) as the preferred site for its new headquarters.

### **Environmental impacts**

Some might argue that no growth or negative economic growth is best for the environment. Yet, residents can not enjoy an acceptable quality of life without a sound economy, and the environment may not be protected if adequate public revenues are not available.

Of all the types of economic development possible in Hawaii, it can be argued that casinos are the most environmentally benign. There are no industrial pollutants and the owners have a very direct personal incentive to assure guests that the venue is attractive and maintained at the highest quality levels. The tax revenues can also assist in funding environmental protection and community recreation programs

### **CONCLUDING CHAPTER COMMENTS**

A better economy means a better quality of life. By bringing jobs and revenues to an area, particularly through dollars attracted from tourists from other states and countries, casinos improve the overall economic and social foundation of the community.

To: Chair Rep. Marcus Oshiro, Vice Chair Marilyn Lee, and  
Committee on Finance

When: Wednesday, February 24 at 12:30 pm

Where: Conference Room 307

What: HB 2251, HD 1 Relating To Gambling - OPPOSED

Chair Marcus Oshiro and Committee

I am speaking against HB 2251. My name is Grace Furukawa and I represent the League of Women Voters of Hawaii in the Hawaii Coalition Against Legalized Gambling. The League has been opposed to any form of legalized gambling in Hawaii for over 10 years. The independent studies from the University of Illinois and others over the years have shown that while appearing to be a source of money for the state, it is anything but. Professor Kindt of the U. of Illinois who came to Hawaii last year claims that for every \$1.00 earned from gambling, \$3.00 is spent by the state to mitigate the problems caused by gambling. I would warn legislators of studies produced or paid for by the gambling industry are notoriously biased. The Chief of Police here understands the cost of increased police presence necessary. The cost of investigating and prosecuting corruption is another reason for opposing this bill according to our Prosecuting Attorney Peter Carlisle. If the money to finance the casinos come from the mainland, all the profits will leave the state.

This bill is aimed at both our visitors and local people alike. Particularly, our visitors come to Hawaii with a finite amount of money which, if spent at the gambling tables, will not be spent in our gift shops, restaurants and other local businesses. The immediate effect will be felt by our small businesses. We cannot afford to do this to our local businesses who are struggling these days to stay alive and keep their employees.

Who will appoint the commission? We need more information on what

happens after the five years. The limit of five years to a license for gambling infers that we could make up our mind after that to keep gambling or end it. Believe me, once the gambling money flows into campaign treasuries, the legislators will be addicted to that money to keep their seats. And there will be so much money from the gambling industry, especially since the Supreme Court decision. This money is not free. There will be heavy pressure to promote and keep and spread gambling. It is well assured we will never get rid of it,

Since this bill restricts gambling in counties with more than 500,000 people, it is aimed at Honolulu. Do we want Las Vegas in Honolulu? Can we compete with the glitz, the shows of Las Vegas? Why would visitors want to come to Hawaii if they loved gambling, when Las Vegas offers so much more?

The issues involved here with gambling are far more complicated than have been expressed. I urge you not to pass this bill.



Grace Furukawa, League of Women Voters

3604 Woodlawn Terrace Place

Honolulu, HI 96822

988-3532

February 23, 2010

The Honorable Marcus R. Oshiro,  
Chair and Members  
Committee on Finance  
House Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members

Subject: House Bill No. 2251, Relating to Gaming

I am Lester Hite, a kanaka oiwi and concerned resident of Hawaii. I am opposed to House Bill No. 2251, Relating to Gaming.

Hawaii is a tourist destination that promotes Aloha and Ohana, which is what makes Hawaii unique. The attraction to our state is the tropical climate, beaches, nature, and culture.

Legalized gaming exists in one form or another in 48 states and many Asian countries. It is unrealistic to believe that people will travel from Asia, Europe, Canada, North and South America to gamble in Hawaii instead of traveling to Las Vegas or remaining home.

What little money tourist may spend on gaming diverts the money that may have been spent in retail, restaurant, and family entertainment businesses. It is irresponsible to gamble on an industry when you cannot predict the revenues gained, if any.

This Bill is a foot-in-the-door approach to legalizing gaming in Hawaii. You are gambling that the ills of gaming will not adversely affect your family members. You are gambling that Hawaii residents will stay home and invest in gaming instead of traveling to Las Vegas, Reno, or Atlantic City.

The Gaming industry profits from the losses of gamblers. Does this make sense? Government is hoping that people will lose their money in order to tax the gaming industry. This is not Aloha and this is not Pono. Do you want Hawaii to lose our unique identity? Auwe!

I have spoke with many family and friends and have found that very few invest in gaming because they understand the value of their hard earned dollars. I have also found that the few that invest in gaming will still travel to Las Vegas because they like to gamble and Las Vegas provides them with an opportunity to get away to have fun and escape their personal and work related stresses.

I urge you to oppose House Bill No. 2251, and to envision a healthy Hawaii that appreciates Ohana, lives Aloha, and remains Pono.

Mahalo for the opportunity to testify.

Lester Hite



Attention of House Finance Committee

Hearing for Wednesday, February 24, 2010 at 12:30 PM

House Conference Room 308

Subject: I am **OPPOSED to HB 2251 HD1.**

Submitted by: Mary Smart, Mililani, HI

Chairman Marcus Oshiro and Vice Chair Marilyn Lee and Committee Members:

Please oppose Gaming in Hawaii. It will only ravage an already downward economy. The people of Hawaii are already losing their homes and struggling with day to day expenses. We do not need to bankrupt our fellow citizens with the hope that the State will stay afloat at our expense. Cities with gaming have financial problems in spite of the gaming. This is not a solution to a problem; this is a problem poised to become viral.

If the State is having budget problems, cut State programs instead. Show some fiscal responsibility. Tighten YOUR belts. That is how the American family stays within their budget. The State is doing too many things that are stuck in old processes and organizations. Streamline and innovate; cut to the bone; and become more efficient. Stop thinking of ways to bleed residents of Hawaii dry of all our disposable income.

You already know that gaming will be a problem. In the Bill, as a part of the gaming commission that would be established you acknowledge it in paragraph 2 (4)

(4) Administer a problem gamblers program; and

Why would you begin a program that you already know is problematic? Everyone is well aware of corruption and crime that follow gaming. Hawaii police and social services would have to increase their staffs to manage all the social ills that come with gaming. Hawaii is currently a wonderful home for families. Let's keep it that way.

Vote AGAINST HB 2251 HD1 and then we won't need a wagering tax on casino gaming. Don't bring new problems to Hawaii. Thank-you.

## TESTIMONY AGAINST HB2251 HD1 AND HB2759:

My name is Daniel T. Tomita and my family and I reside here in Hilo on the Big Island. Although born and raised on Maui, I have called the Big Island my home for the past 22 years. Since 1995, I have pastored the Kinoole Baptist Church, a fellowship of about 100 active members presently. I graduated from Makawao Elementary School, the old Maui High School and received a bachelor's degree in Business Administration from the University of Hawaii at Manoa in 1975. I sensed God's call to become a pastor in 1979, graduated from seminary in Fort Worth, Texas and returned to the islands and have been a pastor since 1984. I pastored in Hawaii Kai for three years, then in Kona for seven years, and pastor now in Hilo for the past fifteen years. Not counting four years in seminary, I have lived in Hawaii all my life. I am proud and protective of our island way of life. These gambling bills threaten and will destroy our island way of life forever. You must be vigilant and NOT approve these bills!

While attending the University in the early 1970s, I became addicted to gambling. Cards(poker and blackjack), nickel machines and gambling in the pool halls were the major forms of my addiction. In the first three-and-a half years, I gambled and lost several thousand dollars of my parents' hard earned money. Each month, they would send money to underwrite my living costs and within a few days, I would gamble most of that money away. I am convinced that gambling is addictive. I believe that young people find it difficult to gamble in moderation. Remember the football pools of the 1980s where young people gambled their futures away. Now fast forward to the more recent Texas Hold EM, World Poker Tour and Internet gambling craze. For years, people travel to Las Vegas to gamble. These are hard-working, responsible people and I am not telling them how to spend the money they make. If they can afford the plane ticket to Las Vegas, then it is none of my business how they spend their money. This may be their idea of recreation and having fun; it is not mine but it is their choice to make. Unfortunately, making gambling legal here in Hawaii will open the doors to many people who really can't afford to gamble and they will use their paychecks and welfare checks to feed a growing addiction. These addictions will be fed by all forms of gambling: casino, shipboard, lottery, bingo, etc. Instead of buying \$100.00 worth of groceries, they will buy \$100.00 worth of lottery tickets hoping to win the BIG ONE. This is the big deception because when you consider the odds, you are more apt to lose all that you spent than to win. The major roadblock of developing a gambling addiction is the cost of airfare; if you can't afford the plane ticket, you can't afford to gamble! Please, let's keep it that way!

We live in a welfare state, where many families live on monthly subsidized income from the State, in food stamps, subsidized housing, medical and car insurance, subsidized school lunches for their children and monthly checks to help meet their living costs. I know that many of these families are but one monthly check away from being out on the streets, homeless, without shelter and food for themselves and their families. They depend on the state's assistance and if they use their welfare checks to gamble, they would be immediately homeless. I can think of no more desperate situation than a family being homeless. I know that there are families who choose to be homeless and

use their income to provide for other basic needs. Several years ago, I attended a Meet-and-Eat event at the Kealahou Intermediate School Cafeteria which was sponsored by Love Inc. and met such families. Hardworking parents, their children attending school, older siblings working full-time and part-time jobs but they choose to sleep on the beach at nights in their cars. That is how these families live within their means. But legalized gambling will bring a terrible epidemic of desperate people who will become homeless because they chose unwisely to gamble. Both SHOPO and the Prosecuting Attorney's office have strongly voiced their opposition every year because they know that desperate people are dangerous people and will steal from the helpless and victimize the elderly. Theft, drunkenness, domestic violence and murder are often the result of desperation and hopelessness. Be assured, violent crime will increase!

Here in Hilo, my congregation's age makeup is about 60% seniors, 20% middle age and 20% all other ages. I believe that our church is a good representation of our community. I believe that we are an aging community. Most of our elderly members do not like to attend night meetings. Why? Driving at night is difficult, but the real reason is that they do not want to come home to a dark house. If they are secure in their homes and it gets dark, that's one thing. But to come home after a few hours at church or anywhere else and not know if someone has broken into their home and is waiting to assault, rob or violate them, this fear prevents them from fully appreciating their twilight years. We already have crimes of violence in Hilo but I know that once gambling is approved, these violent crimes will escalate, especially to victimize the elderly, who are unable to defend themselves from desperate people trying to steal to make their monthly rent or mortgage, or groceries that they could have bought if they had not gambled the money away. The social costs of fighting violent crime would soar, making it necessary to have more police, more prisons and a more efficient judicial system to prosecute these desperate perpetrators. Our present judicial system is already stretched. Other hidden medical costs would escalate because of the heightened fear that our seniors would have to live with, causing illness, emotional distress and even premature death. Living in fear produces undue stress especially to our seniors who live alone. Typical of many of our seniors are those whose extended families no longer reside here.

Make no mistake, once gambling is legalized, it will be a permanent fixture. Once we take the plunge, there will be no turning back. Some feel that we can test the waters by partially granting legalized gambling, confining it to shipboard, state lottery or even allowing a few casinos here such as what is before the Legislature currently. Years ago, I remember State Senator David Matsuura stating that this issue must be "all or none" because there will be no turning back. The fragile "island lifestyle" will be a thing of the past as we invite many of the social ills that gambling creates. A police officer once shared a rather insightful observation: You can tell whether a community is growing or diminishing by the number of pawn shops it has. When people are desperate to support their drug or gambling addictions, they will pawn their valuables and accept 1/10th of their original value. They will only do this when they are driven to desperation. Is that the kind of future you want to create? I placed my trust in you

and your colleagues to make these tough decisions. Do the right thing for our children and grandchildren's futures and say NO! to legalized gambling in any form!

The lure of big money, winnings, visitors and locals bringing a lot of cash to gamble will increase prostitution. We already have a problem with AIDS and other sexually transmitted diseases but I believe this too would escalate. Consider the scenario of a prostitute infecting his or her customer and the resultant epidemic when these "customers" return to their homes and engage in regular sexual activity with their own husbands or wives, spreading this yet incurable disease to greater pockets of our population. Think of the growing number of "innocent" victims and the resultant medical costs that will skyrocket medical insurance premiums for the rest of our population to bear the cost of treating these AIDS patients. Everyone will have to bear these higher medical costs, making Hawaii even more expensive to live. Consider the health care industry as well where nurses and doctors (already a shortage here) treating a growing population of these infected patients and the real danger of themselves becoming infected and infecting their own spouses. It will be a sad day when Hawaii becomes known as "Paradise Lost".

I have heard that organized crime and mob control of the gambling industry is a reality. The influx of gangsters coming to our islands to protect the financial interests of the mob would increase and assault and murder will increase. It would make necessary to increase the police force. If big money lead to payoffs to "look the other way", police corruption would increase. Our police force already see an increase of drug trafficking. Remember Al Pacino in the movie "Serpico" which was based on a real life situation where a police officer fought corruption. When a police officer cannot trust their fellow officers because of corruption, their effectiveness and well being are compromised.

I believe that gambling and drug usage go hand in hand. If I lose my weekly paycheck gambling instead of paying the rent, or buying other necessities such as food, utilities, etc., I may decide to "drink" or "smoke" my misery away. But my reality will not change the fact that I gambled my paycheck away and have nothing to show for it. The guilt and burden of trying to "win it back" would overwhelm gambling addicts. The drugs and alcohol may temporarily lessen the pain of losing but the harsh reality of being broke will return leading to desperate measures such as suicide, theft, domestic violence and murder. Please don't let this happen to our Big Island citizens.

Elaine Dunbar  
P.O.Box 861  
Lihue, Hawaii 96766  
Tel: 808-635-7006  
Email: ed9@hawaii.edu

February 23, 2010

To: COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair and Members  
Rep. Marilyn B. Lee, Vice Chair

Rep. Henry J.c. Aquino	Rep. Scott Y. Nishimoto
Rep. Karen Leinani Awana	Rep. Roland D. Sagum, III
Rep. Tom Brower	Rep. James Kunane Tokioka
Rep. Isaac W. Choy	Rep. Jessica Wooley
Rep. Denny Coffman	Rep. Kyle T. Yamashita
Rep. Sharon E. Har	Rep. Lynn Finnegan
Rep. Gilbert Keith-Agaran	Rep. Gene Ward
Rep. Chris Lee	

DATE: Wednesday, February 24, 2010  
TIME: 12:30 PM

Regarding Testimony in opposition to:

HB2251 HD1	RELATING TO GAMING. Casino Gaming Establishes a gaming commission to oversee casino gaming. Allows the gaming commission to issue one 5-year license to a casino gaming operation in a county with a population of more than 500,000. Limits casino gaming to persons over 21. Creates a wagering tax on casino gaming.
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Aloha Chair Oshiro and Members,

You are our sentinels at the gate to uphold the constitution of Hawaii. The negative impacts from gambling to a community are too numerous to list. The harm is so severe that communities have established Community Impact Funds!

As difficult as it is has been to open this door in Hawaii, if it is, one or two casinos will not remain the extent of gambling. Hawaii legislators have the advantage of long running documented proof as to the negative impacts of gambling. Countless individuals, families, businesses, communities and states continue to suffer leaving no justifiable

reason for Hawaii to buy into a fallacious fix-all. No amount of fast, ill-gotten money can resolve present problems let alone the new ones that will flood Hawaii.

Throughout the existence of the state, residents have been prosecuted for the crime of gambling. How does it now become acceptable for the legislature to engage in the advancement of gambling, contrary to our constitution?

No matter what form gambling's trojan horse presents itself in, it will become the false hope of every individual within its reach. We hope that young people aspire to goals through education and humanity, not an overbearing subconscious goal to win a lottery or have enough money to hit it big on a green felt; the resulting infectiousness of gambling can not be brushed aside.

HB 2251 is the initial component to the establishment of legalized gambling in the State of Hawaii.

Please kill it.

With kind regards,

Elaine Dunbar

Aloha, I would like to express my strong opposition to the bill H2251 HD. Bringing gambling to the State of Hawaii would be a grave mistake as it degrades society and with it brings many social problems. These problems, mainly, compulsive or addiction to gambling. I personally have two family members who have been struggling with an addiction to gambling. They live in California where gambling is easily accessible. The destructive nature of this addiction can lead one to feel helpless and hopeless with many people who attempt to commit suicide, because the damage cannot easily be undone because even if the person stops gambling the monetary reminder or debt may not be taken care of.

- A University of California-San Diego sociologist found that "visitors to and residents of gaming communities experience significantly elevated suicide levels." According to Dr. David Phillips, Las Vegas "displays the highest levels of suicide in the nation, both for residents of Las Vegas and for visitors to that setting." In Atlantic City, N.J., Phillips found that "abnormally high suicide levels for visitors and residents appeared only after gambling casinos were opened."<sup>2</sup>
- Nevada had the highest suicide rate in the nation from 1990-1994, according to statistics from the Centers for Disease Control and Prevention.<sup>3</sup>
- In Gulfport, Mississippi, suicides increased by 213 percent (from 24 to 75) in the first two years after casinos arrived. In neighboring Biloxi, suicide attempts jumped by 1,000 percent (from 6 to 66) in the first year alone.<sup>4</sup>
- The National Council on Problem Gambling, citing various studies, reports that one in five pathological gamblers attempts suicide, a rate higher than for any other addictive disorder.<sup>5</sup>
- At least 140 clients at Minnesota's six gambling addiction treatment centers have attempted suicide, according to the Minneapolis Star Tribune. The paper confirmed six gambling-related suicides in that state, but noted that the six are "almost certainly a fraction of the total number," given that authorities often do not ascertain motives in suicide cases.<sup>6</sup>
- A survey of nearly 200 Gamblers Anonymous members in Illinois found that 66 percent had contemplated suicide, 79 percent had wanted to die, 45 percent had a definite plan to kill themselves, and 16 percent had actually attempted suicide.<sup>7</sup>
- Authorities in Montreal, Canada, officially linked four suicides and a murder-suicide to gambling problems at the Montreal Casino within the first three years of its opening.<sup>8</sup>
- The Illinois Council on Compulsive Gambling reports that more than 20 Illinois residents have killed themselves as a result of a gambling addiction since casinos arrived.<sup>9</sup>
- Multiple casino-related suicides also have been reported in various other states, including Iowa, Missouri and Connecticut.<sup>10</sup>
- An investigation by the Canadian Press found more than 10 percent of suicides in Alberta and 6.3 percent in Nova Scotia were linked to gambling (2001 through 2003).<sup>11</sup>

*"Suicide attempts among pathological gamblers are higher than for any of the addictions and second only to suicide attempt rates among individuals with major affective*

disorders, schizophrenia and a few major hereditary disorders,"

-Dr. Rachel A. Volberg, President of Gemini Research, Ltd. (Gambling Research)<sup>12</sup>

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<sup>1</sup> Kirk Moore, "N.J. gamblers can get help before getting in over their heads," *Asbury Park Press* (New Jersey) online, 27 May 2003, (4 December 2003).

<sup>2</sup> David P. Phillips, Ward Welty, and Marisa Smith, "Elevated Suicide Levels Associated with Legalized Gambling," *Suicide and Life-Threatening Behavior*, vol. 27, December 1997, p. 373.

<sup>3</sup> Associated Press, "Suicide Rates by State," 28 August 1997.

<sup>4</sup> Attorney General J. Joseph Curran, Jr., "The House Never Loses and Maryland Cannot Win: Why Casino Gaming Is a Bad Idea," Report on the Impact of Casino Gaming on Crime, 16 October 1995, p. 7.

<sup>5</sup> National Council on Problem Gambling, Inc., "The Need for a National Policy on Problem and Pathological Gambling in America," 1 November 1993, p. 7.

<sup>6</sup> Chris Ison, "That Last Losing Bet Often Is More Than Some Can Take," (Minneapolis) *Star Tribune*, 3 December 1995, p. 18A.

<sup>7</sup> Henry R. Lesieur and Christopher W. Anderson, "Results of a 1995 Survey of Gamblers Anonymous Members in Illinois (N=184)," Illinois Council on Problem and Compulsive Gambling, 14 June 1995.

<sup>8</sup> Lynn Moore, "Coroner's File on Gambling Suicides Grows Longer," (Montreal) *Gazette*, 11 January 1997, p. A4.

<sup>9</sup> Christopher Anderson (interview), executive director, Illinois Council on Problem and Compulsive Gambling, 1 May 1998; Laura Gatland, "Paying to Play," *Crain's Small Business Chicago*, 1 October 1996, p. 24.

<sup>10</sup> Dirk Johnson, "More Casinos, More Players Who Bet Until They Lose All," *New York Times*, 25 September 1995, p. A1; Charles Bosworth, Jr., "Man Whose Wife Killed Herself Over Gambling Builds New Life," *St. Louis Post-Dispatch*, 8 August 1995, p. 1B; Tim O'Neil, "Police Tie Suicide, Gambling," *St. Louis Post-Dispatch*, 24 February 1996, p. 1A; United Press International, "Body Identified as Suicide Victim," 7 May 1996; Keith Chrostowski, "Downward Slide Ends in Anguish, Suicide," *Kansas City Star*, 10 March 1997, p. A11; "Relative: Death at Casino Was Suicide," *Hartford Courant*, 12 March 1998, p. B6; Indira A.R. Lakshmanan, "A Woman's Life Lost to Gambling," *Boston Globe*, 9 March 1996, sec. Metro, p. 13.

<sup>11</sup> Sue Bailey, "Two provinces have uncovered startling statistics linking gambling to suicides, raising new questions about the social costs of legalized betting in Canada," *Canadian Press Newswire*, 23 February 2003, Sec. F.

<sup>12</sup> Eric Newhouse, "Problem players a growing trend, experts contend," *Great Falls Tribune* (Great Falls, MT), 31 July 2002, p. 1A.

Not only would gambling be bad socially, but it would cheapen Hawaii. Hawaii should be known for its beauty, not for gambling.

Mahalo,

Amber Rose



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 11:42 PM  
**To:** FINTestimony  
**Cc:** toddhairgrove@yahoo.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Todd Hairgrove  
Organization: Individual  
Address:  
Phone: 808-372-1557  
E-mail: [toddhairgrove@yahoo.com](mailto:toddhairgrove@yahoo.com)  
Submitted on: 2/22/2010

Comments:  
gambling is wrong

COMMITTEE ON FINANCE  
Wednesday, February 24, 2010  
12:30 p.m., Conference Room 308

Chair Oshiro, Vice Chair Lee, and members of the Finance Committee

Testimony on HB 2251, HD1 RELATING TO GAMING

My name is Tom Kay and I am speaking as a kamaaina attorney. In reviewing HB2251, HD1 Relating to Gaming, a primary issue to be decided by the Finance Committee should be whether a stand alone casino in the city and county of Honolulu, probably in Waikiki, would benefit the economy of the state.

In February 2009 copies of legislative briefings by renowned economist John Kindt were distributed to all members of the Hawaii legislature regarding his knowledge of and experiences with casino gambling. He had been invited to Hawaii by the Hawaii Coalition Against Legalized Gambling, but received no fee for meeting with legislators, speaking to the public, and numerous media appearances.

I submit herein several quotes from Professor Kindt's briefings to the Hawaii legislature which are most relevant to the issue of whether a stand alone casino would benefit the economy of our state.

"Basic economic principles dictate that casino-style gambling cannibalizes the consumer economy. States which have no gambling or extremely-limited gambling have better consumer economies and tax revenues than states with multiple gambling mechanisms. These business-economic principles have been exemplified by Utah and its former Governor Mike Leavitt. For years, Governor Leavitt marketed his state specifically as a "nongambling state" and therefore, as a prime location for high-tech and Fortune 500 Companies. He attributed the state's generally nation-leading statistic in new job creation and personal income growth to being a 'nongambling state.'"

"The 'impact statements' or 'benefit/benefit statements' often utilized by pro-gambling interests are invalid for statewide decision-making. 'Costs/benefits statements' are the proper methodological vehicles for valid decision-making. Proposals for expanded Gambling consistently fail academic costs/benefits analyses." Earl L. Grinols, *Gambling in America: Costs and Benefits* (Cambridge Univ. Press, 2004)

"Since 1994, it has been established that the socioeconomic costs are at least \$3 for every \$1 in benefits/revenues." Grinols & David B. Mustard, *Business Profitability versus Social Profitability—The Case of Casinos* (2001)

"Each EGD/slot machine averages a \$100,000 per year net win to the gambling facility. Except for some state/local tax revenues and some local expenditures, most of these dollars leave the state and regional economies. With a typical consumer economic multiplier of 'three,' this \$100,000 translates into \$300,000 in lost consumer spending (or approximately one 'lost job' per EGD/slot machine).

This lost consumer spending also translates into concomitant losses in sales taxes and other consumer-oriented tax revenues. These consumer losses combined with the 3:1 cost/benefit for socioeconomic costs/revenue benefits has led jurisdictions (such as Canada) to own the casinos and thus retain all of the gambling dollars leaving the jurisdiction . . . It should be noted, however, that the socioeconomic costs to the public would still outweigh the overall new revenues.

After hearing these points made by experts on March 17, 2005 the State Government Administration Committee of the Illinois House favorably reported H.B. 1920 to the House for a vote to recriminalize Illinois casinos. The Committee vote was unanimous except for one dissenting vote. On October 27, 2005, the Illinois House of Representatives voted 67 to 42 (with 7 voting present) in favor of H.B. 1920, which then went to the Senate where the Senate leadership would not permit a vote.”

From the above quotes it should be absolutely clear that when applying the cost/benefit ratio of \$3 to \$1, plus losses from EGD/slot machines, our Hawaii economy would not benefit from a casino but would suffer additional substantial losses from a stand alone casino.

One should also note that Las Vegas major casinos suffered losses of \$6.8 billion from July 2008 through June 2009 according to a *Star-Bulletin* article dated Feb. 20, 2010 and that Casino MonteLago at Lake Las Vegas is shutting down in March 2010 due to the closing of the Ritz-Carlton Hotel at the same location because of a lack of tourists. (*Honolulu Advertiser*, Travel Section, Feb. 21, 2010.)

House Representative Joseph Souki, a strong proponent for legalized gambling in Hawaii stated, “Let me be clear this [casino gambling] is not a quick fix for our current budget woes.” (*Star-Bulletin*, Feb. 14, 2010.)

I urge the House Finance Committee to hold HB 2251, SD1 and pursue other measures to resolve our state’s budget shortfall.

TESTIMONY OPPOSING HB2251, HD 1 February 23, 2010

To: Marcus R. Oshiro, Chairman, House Committee on Finance  
Marilyn B. Lee, Vice Chairwoman, House Committee on Finance  
Members of the Committee

From: George A. and Marian W. Wilkins

We are opposed to any form of legalized gambling in the state of Hawaii. The arguments for allowing just one casino in Waikiki have not taken into consideration the cost to other businesses in the area and the cost to the state to have a well regulated casino. And surely, if Waikiki is allowed a casino every other county will demand one. Would it even be legal to bar state residents from a casino? It would probably end up in court which would cost taxpayers more money.

As to allowing casinos on Hawaiian Homelands that opens up the possibility of many casinos in all counties. There is a real danger that Homelands casinos will go the way that Indian casinos did on the mainland. States that allowed lotteries were put in the position of having to negotiate with tribes to allow gambling on their lands. In most cases the states collect no proceeds from these establishments and they are NOT REGULATED BY THE STATE. Some of these casinos are not even required to have 52 card in the deck—great odds!

Other states have found that once one type of legalized gambling is allowed, it is only a matter of time before states allow more types because the amount of revenue is never enough to make up budget shortages. Many states have allowed a lottery to start just to fund education. Then those states cut back money in the regular budgets because gambling would pay for education. It did not work and so then they went to video gambling, etc.

The Chamber of Commerce has strongly opposed gambling because statistics have proven that when people spend money gambling they cut back on other expenditures. This hurts everyone. It would hurt restaurants and clubs in Waikiki.

How many tourists will lose all their money while here and not be able to return to the mainland? This was a big problem in Reno years ago. A relative who worked in government in Reno said they had so many people on welfare because they couldn't even afford a bus ticket back home. Hope we have an airfare fund set up for losers who come here.

Every time we have a recession the panacea of gambling is brought forth. We have survived for these many years without it and we will again. Please vote "NO".

73-1410 A Kaloko Dr.,  
Kailua Kona, HI 96740 808-325-6116 [g-mwilkins@juno.com](mailto:g-mwilkins@juno.com)

Representative Marcus R. Oshiro, Chair  
Committee on Finance

RE: HB2251 HD1

Wednesday, February 24, 2010

12:30PM  
Conference Room 308  
State Capitol  
415 Beretania Street

Dear Chair Oshiro and Members of the Committee:

My name is Cindy dela Vega and I am currently a college student and an esthetician at the Mandara Spa (Hilton Hawaiian Village). At first, a single standing casino appeared to me as a fun and entertaining way to stimulate the economy. It would generate more revenue, create more jobs, and if changes were made to the bill, would have potential to keep the business of local residents that frequent Las Vegas here in Hawaii. But I asked myself, "Is the legalization of Gambling the *best* way to stimulate Hawaii's economy?"

Since I was originally in support of this bill, I tried hard to convince myself that this is a good way to help fix our economic problem. However, it came to me that this is not an intelligent way to stimulate the economy. In fact, I now feel that it is a cheap and a not promising way of stimulating the economy. I oppose HB2251 HD1 for the following reasons:

1. Increases crime and drug use
2. Increases local tax
3. Models after a struggling economy
4. Hawaii loses its reputation as a tropical getaway

Studies have shown that within the vicinity of an established casino, crime rates are high. Even if local residents are prohibited from gambling, they know that the tourist that participate in the gambling have money. Tourist would then become even more of a target for desperate locals and will fall victim to assault and robbery. Because of incidents of locals beating up tourist here in Hawaii, people are already a bit skeptical about planning their vacation here.

Increasing local tax should benefit everyone. Not everyone will benefit from a Casino, especially if they are prohibited to partake in it. There are far more pressing issues that the state has to deal with when it comes to state funding and increased tax like public education. How silly does that look? A state would rather invest in a Casino rather than the viable education of its residents. The youth are our future and that is a fact, what happens when you cut them short of their education?

The only way to boost an economy is to capitalize on its own resources. Hawaii's resources are its location, weather, beautiful beaches and environment. We shouldn't create an industry such as gambling. It is not honest and therefore will not be promising. Gambling has a bad reputation. It creates false hope and plays on the desperation of the most vulnerable people which is the working class poor. What Hawaii needs is something honest and promising; something that is built solid. When tourism is down, like what we are experiencing now, the casino will not generate anything and would be a total waste of space, energy and money. Look at Las Vegas, they are not doing well. We should learn from their situation and figure out ways to not end up like Las Vegas.

When you think of Hawaii, you think beaches and fresh food, not gambling. I would hate to see the day that people would associate Hawaii with gambling. That is not what Hawaii is all about. Hawaii has more to offer with its natural resources. In fact, visitors find our location and environment enticing enough to save up years' worth of earnings just to be here, create memories here, and to just get away. While working at the spa, I work with 5-6 tourists a day (1 hour each), giving me the opportunity to have conversations with guest about why they like Hawaii. Basically, they choose Hawaii because it is different. That is why tourists are still coming here. We just need to capitalize on what makes us different because we already know that our separateness from the other states is what people love and keeps them coming back to Hawaii. Gambling will not bring them here. They come here to relax from the stresses of money. Hawaii is an expensive tourist destination. Why would tourist want to take a risk of losing their money when they would be able to do things that they originally planned to do: attend luaus, go to the beach, participate in water activities, and get pampered at the Spa. When it is a rainy day, the spa is overflowing with appointments; however, if it is a sunny day, therapists at the spa already know that it would be a slow day. My point is, people come to Hawaii for its outdoor activities and are forced to resort to indoor activities when the weather is not suitable to be outside.

Gambling is a risk with the odds not in favor of the gambler. Do not gamble with our economy, lives and home. Stop HB2251 HD1. Right now is not the time for playing around. Keep Hawaii, Hawaii!

Mahalo,  
Cindy dela Vega  
[delavegacindy@hotmail.com](mailto:delavegacindy@hotmail.com)  
cell: 330-2461

Testimony Regarding HB 2251 HD1 by John P. Karbens

Respectfully Submitted to the sixteen members of the Committee on Finance of the Hawaii House of Representatives for hearing on Wednesday, February 24, 2010 at 12:30pm.

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Thank you for the opportunity to testify. I am John P. Karbens. I testify as an individual citizen of the State of Hawaii. I came to Hawaii at age 21 to work for a major CPA firm, hold three graduate degrees from the University of Hawaii-Manoa and have taught business courses in Hawaii for 37 years plus five years at the University of Nevada-Reno.

**I wish to testify strongly in opposition to legalization of any form of gambling in Hawaii.**

It is difficult to support HB 2251 or other bills to legalize gambling without having information on:

- 1) The reasonableness of percentage of tax on gross revenues which will be assessed on a casino. If this tax is higher than is taken in other locations, the payout to gamblers will be less than is found in other gambling centers. This percentage appears to be left blank to date in HB2759 and related bills.
- 2) The portion of the tax on gross revenues which will be allocated to a management contract and for funds to care for addicted gamblers, effected families and others.
- 3) The location of any proposed casino(s).
- 4) The hours when any casino(s) will be allowed to operate.
- 5) Whether free food or liquor will be provided to gamblers.
- 6) The costs for construction and financing of casino facilities. A facility which is designed for gambling and constructed for this purpose will have a much longer useful life than a five year management contract.
- 7) The funds needed by city and county government to police the current illegal gambling, prostitution, drug activity, money laundering, theft and other crimes related to gambling as well as the increases in such crimes related to any form of legal gambling.

President Obama has encouraged people not to gamble during a period of recession. This is not the time to expect great revenues at new casinos.

Leaders of the Hawaii Legislature have had the wisdom to reject legalized gambling for many decades.

I moved back to Hawaii for many reasons after living in Nevada. I hoped to escape the dysfunctional life style which gambling imposed on average citizens. We have enough illegal gambling at the present time with insufficient resources to enforce existing laws.

Legalized and illegal gambling benefit a few citizens while increasing social costs and risk on all others.

Mahalo

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 12:16 AM  
**To:** FINTestimony  
**Cc:** shannonkona@gmail.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Shannon Rudolph  
Organization: Individual  
Address: P. O. 243 Holualoa  
Phone: 808-322-6604  
E-mail: [shannonkona@gmail.com](mailto:shannonkona@gmail.com)  
Submitted on: 2/23/2010

**Comments:**

Aloha,  
Gambling would be a disaster for Hawai'i, please don't make residents suffer more than they already are.



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 12:19 AM  
**To:** FINTestimony  
**Cc:** dwyoshi12@hawaiiantel.net  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Dean Yoshimura  
Organization: Individual  
Address:  
Phone:  
E-mail: [dwyoshi12@hawaiiantel.net](mailto:dwyoshi12@hawaiiantel.net)  
Submitted on: 2/23/2010

**Comments:**

My wife and eleven children do not wish to be exposed to gambling in our beautiful state. Many studies show the negative social impact in communities with gambling. Social degradation cannot be offset with increased revenues to the state or related businesses. Please stand for what is good and not give in to the lure of money. Sincerely, Yoshimura Ohana

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 7:29 AM  
**To:** FINTestimony  
**Cc:** Jim@JamesHochbergLaw.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jim Hochberg  
Organization: Individual  
Address: 745 Fort Street Mall #1450 Honolulu, HI  
Phone: 8085341514  
E-mail: [Jim@JamesHochbergLaw.com](mailto:Jim@JamesHochbergLaw.com)  
Submitted on: 2/23/2010

**Comments:**

I oppose any form of legalized gambling in Hawaii. It is not good for society and leads to terrible social problems. If gambling was good for citizens generally, the casino's would not be the winners. However, since the casinos are still in business the casinos are the winners. The losers are the poor people who try to better their economic situations but end up losing. Often losing everything and terribly hurting their families. Please stop this. It is the worst way to generate revenue.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 7:40 AM  
**To:** FINTestimony  
**Cc:** patriciablair@msn.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Patricia Blair  
Organization: Individual  
Address: 25 Aulike St Kailua, Hi  
Phone: 888-6393  
E-mail: [patriciablair@msn.com](mailto:patriciablair@msn.com)  
Submitted on: 2/23/2010

**Comments:**

Gaming is not in the best interest of the people of the State of Hawai'i. I can't believe that the Legislature is wasting valuable time on this issue of possible casinos for Hawai'i. I oppose!

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 11:18 AM  
**To:** FINTestimony  
**Cc:** line11@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Linell Mathre  
Organization: Individual  
Address: 2653 Myrtle St Honolulu HI  
Phone: 732-0188  
E-mail: [line11@hawaii.rr.com](mailto:line11@hawaii.rr.com)  
Submitted on: 2/23/2010

Comments:  
February 23, 2010

The Honorable Marcus Oshiro  
Vice Chairman Marilyn Lee  
Members of the Finance Committee

RE: HB 2251 relating to Gambling

Dear Chairman Oshiro, Vice Chairman Lee and Members of the House Finance Committee:

I ask that you vote no on HB 2251. I don't believe it is in Hawaii's best interest to legalize gambling here.

The increased crime attendant to gambling will deter tourists. Child and spouse abuse, drug and alcohol abuse, and suicide attempts have been shown to rise dramatically following the legalization of gambling in different states. Nevada is a leader in terms of suicides, divorce rates and high school dropouts.

Thank you for your time.

Sincerely,  
Linell Mathre

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 11:26 PM  
**To:** FINTestimony  
**Cc:** mghsmart@yahoo.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM  
**Attachments:** Gaming oppose.doc

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Mary Smart  
Organization: Individual  
Address: 94-210 Kakaili Pl Mililani, HI  
Phone: 808-627-1220  
E-mail: [mghsmart@yahoo.com](mailto:mghsmart@yahoo.com)  
Submitted on: 2/22/2010

**Comments:**

Please replace my testimony submitted earlier this evening. I sent a file with a typo that I corrected in this current version. Thank-you.

Attention of House Finance Committee

Hearing for Wednesday, February 24, 2010 at 12:30 PM

House Conference Room 308

Subject: I am **OPPOSED** to **HB 2251 HD1**.

Submitted by:

Chairman Marcus Oshiro and Vice Chair Marilyn Lee and Committee Members:

Please oppose Gaming in Hawaii. It will only ravage an already downward economy. The people of Hawaii are already losing their homes and struggling with day to day expenses. We do not need to bankrupt our fellow citizens with the hope that the State will stay afloat at our expense. Cities with gaming have financial problems in spite of the gaming. This is not a solution to a problem; this is a problem poised to become viral.

If the State is having budget problems, cut State programs instead. Show some fiscal responsibility. Tighten YOUR belts. That is how the American family stays within their budget. The State is doing too many things that are stuck in old processes and organizations. Streamline and innovate; cut to the bone; and become more efficient. Stop thinking of ways to bleed residents of Hawaii dry of all our disposable income.

You already know that gaming will be a problem. In the Bill, as a part of the gaming commission that would be established you acknowledge it in paragraph 2 (4)

(4) Administer a problem gamblers program; and

Why would you begin a program that you already know is problematic? Everyone is well aware of corruption and crime that follow gaming. Hawaii police and social services would have to increase their staffs to manage all the social ills that come with gaming. Hawaii is currently a wonderful home for families. Let's keep it that way.

Vote AGAINST HB 2251 HD1 and then we won't need a wagering tax on casino gaming. Don't bring new problems to Hawaii. Thank-you.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 7:54 AM  
**To:** FINTestimony  
**Cc:** merway@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Marjorie Erway  
Organization: Individual  
Address: PO Box 2807 Kailua Kona, HI  
Phone: 808-324-4624  
E-mail: [merway@hawaii.rr.com](mailto:merway@hawaii.rr.com)  
Submitted on: 2/23/2010

**Comments:**

Please do all you can to keep any form of gambling out of Hawaii. It does not belong here at all and certainly will not stop our residents from going to Las Vegas. I look forward to your response and will carefully watch the vote.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 3:25 PM  
**To:** FINTestimony  
**Cc:** regoa@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: ANSON AND MEYMO REGO  
Organization: Individual  
Address: 85833 farrington hwy waianae hawaii  
Phone: 8086967061  
E-mail: [regoa@hawaii.rr.com](mailto:regoa@hawaii.rr.com)  
Submitted on: 2/22/2010

Comments:  
House Finance

Please properly ignored calls for allowing commercial gambling in Hawaii. The idea that casinos will stimulate the state's economy is ridiculous and will cause more ills. Thank you for opposing this bill.



## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 5:38 PM  
**To:** FINTestimony  
**Cc:** jeannine@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jeannine Johnson  
Organization: Individual  
Address: 5648 Pia Street  
Phone: 808-373-2874  
E-mail: [jeannine@hawaii.rr.com](mailto:jeannine@hawaii.rr.com)  
Submitted on: 2/22/2010

**Comments:**

We do not need to be like Las Vegas in any way. We are unique, we are Hawai'i. Keep it that way.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 6:59 PM  
**To:** FINTestimony  
**Cc:** rjahier@gmail.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Robert Jahier  
Organization: Individual  
Address:  
Phone:  
E-mail: [rjahier@gmail.com](mailto:rjahier@gmail.com)  
Submitted on: 2/22/2010

**Comments:**

People of Hawaii, permitting the Government to allow for gambling in Hawaii is like prostitution your children to help pay for one's credit card debts. Expecting gambling to balance out the Hawaiian economy is shifting from financial accountability to moral irresponsibility. Keep Hawaii Ohana!!

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 22, 2010 8:42 PM  
**To:** FINTestimony  
**Cc:** mpeary1947@aol.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Margaret Peary  
Organization: Individual  
Address:  
Phone:  
E-mail: [mpeary1947@aol.com](mailto:mpeary1947@aol.com)  
Submitted on: 2/22/2010

### Comments:

Dear Finance Committee Chairman Oshiro and Vice Chairperson Lee and Committee Members:

Please be advised I strongly oppose HB2251 HD1. In lieu of attendance at the Finance Committee hearing on the above referenced proposition, please consider this my official testimony.

My birth state is New Jersey where gambling was introduced in the mid-1970's. Like you, the NJ legislator's were hoping to raise some much-needed revenue. Atlantic City was supposed to receive funds from gambling revenues to repair their crumbling infrastructure. Other groups of people were also promised many benefits from the supposed 'windfall.'

The only thing gambling did was to line the pockets of the already well-to-do casino owners while placing more of a burden on Atlantic City and surrounding areas due to increased crime; increased addictions, etc.

Since Hawaii already has a high percentage of people who have addictive personalities ... it is absolutely foolhearty to think we can bring gambling to our beloved state and not suffer serious consequences.

Instead of gambling, let's fix our roads with federal subsidies thereby putting people to work. Find more productive ways to increase revenue or begin laying people off at the state level in an endeavor to live within our means but I implore you ... DON'T let the dreaded gaming monster into the state of Hawaii.

Mahalo,

Margaret Peary  
Mililani/Mauka

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 10:18 AM  
**To:** FINTestimony  
**Cc:** russnancicarvalho@yahoo.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Nancy Carvalho  
Organization: Individual  
Address: 512 Lawelawe Street Honolulu, Hawaii  
Phone: 808-383-0409  
E-mail: [russnancicarvalho@yahoo.com](mailto:russnancicarvalho@yahoo.com)  
Submitted on: 2/23/2010

### **Comments:**

The actions of some legislators / politicians are becoming blatantly self-serving and self-beneficial that no matter how cleverly worded bills such as HB2251 HD1 are, they do not cover up the fact that these bills and this one in particular are in direct opposition of the people's desire. The people are getting tired of this kind of government.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 12:08 PM  
**To:** FINTestimony  
**Cc:** LionEntHI@aol.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lleander Jung  
Organization: Individual  
Address: Honolulu 96816  
Phone:  
E-mail: [LionEntHI@aol.com](mailto:LionEntHI@aol.com)  
Submitted on: 2/23/2010

Comments:  
TESTIMONY

TO FINANCE CHAIR, Rep. Marcus Oshiro and VICE CHAIR, Rep. Marilyn Lee

HB 2251 HD1 24 : GAMING

In the face of these extraordinary conditions, the State cannot proceed with business as usual. All resources must be examined to address critical statewide health, safety, and education needs. Accordingly, the purpose of this Act is to generate additional general fund revenue to ensure the delivery of critical services statewide by permitting gaming, restricted to only one location, for individuals who are over the age of twenty-one.  
===== The quote above is from the introductory statement of the Bill itself.

The argument of present economic hardship and having to examine "all resources" for making money to provide services does not hold water. If we follow this line of "logic" for increased revenue for the government coffers then the government should try also to legalize and tax prostitution, all bars, or houses of ill repute, gambling online, legalize and tax presently illicit drugs.

In other words, the government acts as the pimp, collects the money and then tells the public it is doing so for their own good. This is the kind of logic which criminals use to justify their crime. "I was doing it for the good of my family";.

So when economic hardships disappear, will the gaming also disappear? Unlikely. More justification will be requested to have more gaming houses...one on each island if necessary to promote tourism. We can justify anything we want but in the process of liberalizing, we have killed the Conscience of the State.

Providing gaming in Hawaii would be a great temptation to the ones who can least afford it, who are unable to muster together the fare to go to mainland gaming places. It places temptation right at their door steps. Even those who go faithfully to their favorite gaming spots on the mainland, don't want it here knowing full well the temptation would be too much for them.

The legislature has a responsibility not to lead the State downhill in morals which would be a "benefit now and pay later" (when you are no longer a legislator) or to wipe your hands clean by saying "the problem lies with the gambling addict". We, the taxpayer will be forced to pay later for social services when the addict has lost all means of support for his /her family, with other additional addictions (drugs and alcohol) to follow, broken families and homelessness, cost of imprisonment should other crimes follow as a result of gambling debts.

Presently, the State does not deal with problems of feeding the homeless (the various non profit faith groups do so) or even takes away Public Parks space so no homeless can have a place to rest themselves. To boot, the legislature wants to push more problems on the society they claim to "represent" by placing gaming at our front steps.

The very people who will be picking up the broken families, feeding and housing them later and educating their children will be the very Christians the liberals mock and claim to be conservative and intolerant and to demand "Separation of Church and State". These Christians are the ones with the foresight, the compassion, the hardworking-ness, and the disciplined who will not want to lead the others astray by luring in more unsavory businesses.

Indeed it is the responsible thing to do to not alter our conscience to suit our desires but to fund and encourage better sources of economic growth e.g. in alternate agricultural products to feed the local hungries and to lessen dependence on outer states.

I urge you to please vote NO TO HB 2251 HD1 24 GAMING IN HAWAII.

Thank you very much.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 12:22 PM  
**To:** FINTestimony  
**Cc:** skafjacquelyn@yahoo.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Jacquelyn Skaf  
Organization: Individual  
Address: 67-175 Farrington Hwy Waialua, HI 96791  
Phone: 687-1796  
E-mail: [skafjacquelyn@yahoo.com](mailto:skafjacquelyn@yahoo.com)  
Submitted on: 2/23/2010

### Comments:

Thank you for giving the public an opportunity to speak about HB2251. I OPPOSE this bill. I humbly urge you to vote against HB2251. I appreciate the fact that the legislature is looking for ways to stimulate Hawaii's economy. However, a solution that creates another problem is NOT a solution. Gambling may attract more visitors to Hawaii but at what cost to our families and culture? I submit to you that the cost is too high. You have heard reports on studies, and credible statistics that affirm gambling hurts families and indigenous peoples. So why would you consider this measure at all? I can only conclude that you are under pressure by big businesses and mainland companies that want to exploit Hawaii. Please have the courage to say no. Please do not allow Hawaii to be prostituted by people who pretend to help us while they hurt our families and culture. I testify to you today that our children, teenagers and parents do not need gambling to create a better future for ourselves. Rather, we need you to fix Hawaii's educational system. That is the real solution to improving Hawaii's economy. Fixing our corrupt educational system is definitely more difficult than signing this gambling bill into law. But you will be known for your wisdom and integrity as you find real solutions to Hawaii's needs. Please vote NO on HB 2251.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 1:55 PM  
**To:** FINTestimony  
**Cc:** alohafromdaisy@yahoo.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Daisy Carbone  
Organization: Individual  
Address: 94-414 Keaoopua Street #52B mililani, HI 96789  
Phone: 772-0200  
E-mail: [alohafromdaisy@yahoo.com](mailto:alohafromdaisy@yahoo.com)  
Submitted on: 2/23/2010

**Comments:**

Dear Honorable Representatives Marcus Oshiro and Marilyn Lee,

I'm writing to oppose the HB 2251 HD1 bill on gambling.

I used to live in California and you can see by their failing economy that gambling didn't really help the schools, or their economy rise up out of it's debt. The poor just got poorer because most of those who gamble were the low wage earners. It ends up being a form of "addiction" (like alcohol and smoking) and it being hard to quit. Families are bankrupt from the tragic and fruitless "lie" that, "Maybe I'll get lucky THIS time". In the meantime, the family suffers, others have to pay for their financial mistakes, poverty doubles, and who in the end profits??? The gaming houses.

So you wonder who is instigating and are strongly urging us to have this "eyesore" in our beautiful islands. . . .

Thank you for voting NO and helping our economy from going under.

Sincerely,

Daisy Carbone  
Mililani, HI



## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 5:08 PM  
**To:** FINTestimony  
**Cc:** birthpang@hotmail.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Bobbie Pang  
Organization: Individual  
Address:  
Phone:  
E-mail: [birthpang@hotmail.com](mailto:birthpang@hotmail.com)  
Submitted on: 2/23/2010

Comments:

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 6:28 PM  
**To:** FINTestimony  
**Cc:** bill06@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Bill Nations  
Organization: Individual  
Address: 68-679 Hoomana Place Waialua, HI  
Phone: 808-637-6124  
E-mail: [bill06@hawaii.rr.com](mailto:bill06@hawaii.rr.com)  
Submitted on: 2/23/2010

### Comments:

Let's keep Hawaii gaming-free!

I lived in Clark County (Las Vegas) some years ago, and saw the little kids waiting outside the casinos for their dads (and moms) to finish gambling away the family paycheck; we don't need that here.

If you open the door any at all, then you've provided the entre' when the Akaka bill becomes law--like the American Indian tribes up in the mainland.

Let's let Vegas keep the casinos for us.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 7:47 PM  
**To:** FINTestimony  
**Cc:** agenaj003@hawaii.rr.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Janet Agena  
Organization: Individual  
Address: 1472 Ala Hekili Pl Honolulu, HI  
Phone: 808-284-1005  
E-mail: [agenaj003@hawaii.rr.com](mailto:agenaj003@hawaii.rr.com)  
Submitted on: 2/23/2010

**Comments:**

I enjoy going away to Las Vegas for recreational purposes, but I strongly oppose gaming in Hawaii. Hawaii is unique, and we should continue to promote its arts, culture, natural beauty and resources.

Temptation to gamble might prove costly and create unwanted problems.

If money is needed, I would favor a small increase in the excise tax.

I personally would not patronize casinos here.

Thank you.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 23, 2010 9:28 PM  
**To:** FINTestimony  
**Cc:** Brycie\_Quinn@hotmail.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Cynthia  
Organization: Individual  
Address: Honolulu, HI  
Phone: 808-256-9646  
E-mail: [Brycie\\_Quinn@hotmail.com](mailto:Brycie_Quinn@hotmail.com)  
Submitted on: 2/23/2010

**Comments:**

Gambling will hurt Hawaii. There will be more crime, more deaths, more lost jobs, foreclosures. You will ruin Paradise in Hawaii.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, February 24, 2010 6:48 AM  
**To:** FINTestimony  
**Cc:** heidiburgoyne@hotmail.com  
**Subject:** Testimony for HB2251 on 2/24/2010 12:30:00 PM  
**Attachments:** Please oppose bill HB 2251.doc

Testimony for FIN 2/24/2010 12:30:00 PM HB2251

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Heidi Burgoyne  
Organization: Individual  
Address:  
Phone: 808-372-9304  
E-mail: [heidiburgoyne@hotmail.com](mailto:heidiburgoyne@hotmail.com)  
Submitted on: 2/24/2010

Comments:

Please oppose bill HB 2251. I understand this can help the state in its current financial crisis. However, it will not help Hawaii's people in the long run. How can a state promote financial responsibility to its people and at the same time condone gambling? The state of Hawaii CAN overcome this economic downturn without gambling. Let's do it *responsibly*, and without giving in to desperate measures that can have a damaging effect on society.