

All In: Casinos, Online Betting and the Future of Gambling in Hampton Roads



ALL IN: CASINOS, ONLINE BETTING AND THE FUTURE OF GAMBLING IN HAMPTON ROADS

*You've got to know when to hold 'em
Know when to fold 'em
Know when to walk away
And know when to run*
– From "The Gambler," as sung by Kenny Rogers

Gambling is not new to the Commonwealth of Virginia. In 1612, the Virginia Company of London held a lottery to fund ships bound for the Jamestown Colony. After King William III and Queen Mary II of England signed the royal charter in 1693 to establish what is now known as the College of William & Mary, lottery funds helped fuel construction of the campus. Not only were lotteries a means of funding public infrastructure projects in the Colonies, they also were used to purchase supplies for Continental Army soldiers in the field during the Revolutionary War.¹ Over the next 200 years, the popularity and legality of lotteries and other forms of gambling in Virginia waxed and waned until the passage of a public referendum to create the Virginia Lottery in 1987. For a state that once cast a suspicious eye on gambling, Virginia is now all in on gambling.

With the sale of the first scratch ticket in September 1998, the Virginia Lottery marked an inflection point in public attitudes and policies about gambling in the Commonwealth. Now, Hampton Roads residents can play the lottery in person or online, place bets with online sportsbooks such as FanDuel, DraftKings and BetMGM, and play historical horse racing machines in Hampton. Soon to enter this increasingly competitive arena of gambling will be the Rivers Casino Portsmouth (late 2022) and HeadWaters Resort & Casino in Norfolk (2023).

When it comes to gambling, it's all about winners and losers. Success, whether in the lottery or at a gaming establishment, is often celebrated in the media, while gambling losses and costs to society are rarely mentioned. In January 2021, a Newport News resident won a record-breaking \$914,000 jackpot at Rosie's Gaming Emporium in Hampton.² In March 2021, a Virginia Beach

woman won \$1 million playing the Virginia Lottery.³ In April 2021, a local shipyard worker walked away with \$2 million following a Powerball lottery drawing.⁴ We learned about these lucky individuals from TV and newspaper stories.

One is much harder pressed, however, to hear and read stories about local residents who lose money gambling, who suffer from gambling addiction or who were victims of crime due to increased gambling activities. The same holds true for stories about the associated costs of gambling to city and county budgets. As President John F. Kennedy once told a reporter, "Victory has a hundred fathers and defeat is an orphan."

1 Charles T. Clotfelter and Philip J. Cook, *Selling Hope: State Lotteries in America* (Cambridge, MA: Harvard University Press, 1989), p. 20.

2 <https://www.wavy.com/news/local-news/hampton/newport-news-man-hits-914k-record-breaking-jackpot-at-rosies-in-hampton/>.

3 <https://www.13newsnow.com/article/news/lottery/i-cant-stop-smiling-virginia-beach-woman-wins-1-million-in-virginia-lottery/291-3e3078e4-3a6e-40d1-b78d-bd0318f88c89>.

4 <https://www.wavy.com/news/local-shipyard-electrician-wins-2-million-in-powerball-drawing/#:~:text=Local%20shipyard%20electrician%20wins%20%242%20million%20in%20Powerball%20drawing,-News&text=SUFFOLK%2C%20Va>.

While Norfolk and Portsmouth are likely to benefit from the construction and operation of the new casinos, the overall impact of this bet on the Virginia Beach-Norfolk-Newport News metropolitan statistical area (Hampton Roads) is likely to be small. Why? As residents begin to frequent these casinos, they will, in effect, be moving their money from one form of entertainment to another in the region. In other words, instead of spending their hard-earned dollars at bars, restaurants and movie theaters, consumers will be “voting with their feet” and spending some of their money at these new venues.

We estimate that the Norfolk and Portsmouth casinos will lift regional gross domestic product (GDP) between \$100 million and \$400 million annually. This expected impact equates roughly to 0.1% to 0.3% of regional GDP. However, the casinos will also shift spending within the two cities and across the region, as consumers decide to spend some of their entertainment dollars at these gaming establishments instead of other entertainment, hospitality and leisure businesses in the region. We applaud the fact that these developments are not receiving direct public subsidies, a departure from some previous projects in the region and the Commonwealth. Finally, we note that if competition proves fiercer than expected or patrons tire of casino gaming at some point, our estimates likely represent an optimistic economic outcome. Given the unfulfilled promise of casinos in many communities, it is perhaps best to enter this discussion with clear eyes, even if we hope with full hearts for a resounding success.

In this chapter, we examine the evolution of gambling in the United States and Virginia, and the future of gambling in Hampton Roads. We estimate the impact of the Norfolk and Portsmouth casinos and discuss how displacement may alter the projected economic effects of these new venues. We also look at the social costs of gambling and pay particular attention to gambling addiction. We conclude with some thoughts on whether betting on gambling will spur innovation and growth in the region.

Gambling In The United States: From The Rat Pack To Your Phone

If the only constant is change, then the state of gambling in the United States embodies this saying. In the 1960s, Frank Sinatra, Dean Martin, Sammy Davis Jr., Peter Lawford and Joey Bishop, collectively known as the “Rat Pack,” helped transform the image of Las Vegas, Nevada, from a place to gamble to a highly popular entertainment destination where one could not only legally gamble in a casino, but also enjoy shows and concerts. In the United States, casino gambling was legal only in Nevada until New Jersey voters approved casino gambling for Atlantic City in 1974. While sports track betting was also legal in a number of states, most communities were relatively distant from an establishment where one could place a legal bet.

To say that times have changed would be an understatement. Since the 1970s, attitudes and policies toward gambling have shifted dramatically. Forty-five states and the District of Columbia now operate state lotteries. In 2018, the U.S. Supreme Court ruled that the Professional and Amateur Sports Protection Act of 1992, which effectively granted Nevada a monopoly on legal sports betting, was unconstitutional. A number of states, including Virginia, rapidly moved to create the legal and regulatory frameworks necessary for residents to place sports bets via computer or their phone. By 2019, 18 states had land-based commercial casinos and another six states were operating riverboat casinos (which, curiously, rarely venture beyond their designated pier).

Americans’ views on gambling as a morally acceptable activity have continued to shift over the last two decades. In the most recent Gallup survey of American moral values, 68% of respondents replied that gambling was “morally acceptable.”⁵ This represents an 8% increase from when the question was first asked in 2003. Drinking alcohol, smoking marijuana and gambling were all viewed as morally acceptable by at least 7 in 10 respondents to the 2020 survey. The push for more legalized forms of gambling is not only driven by states and localities in search of revenue, but also by citizens’ preferences.

⁵ Gallup (2021), “Moral Issues,” available at: <https://news.gallup.com/poll/1681/moral-issues.aspx>.

When one hears the word “gambling,” thoughts of casinos and horse tracks may come to mind. The commercial casino, with its blackjack tables, roulette wheels and slot-style machines, has occupied a place in the American consciousness for decades. However, the number of commercial casinos in operation has waxed and waned over the last decade. As illustrated in Graph 1, the number peaked at 524 in 2016, before falling sharply the following year. The number of casinos in operation in 2020 was roughly equivalent to the level seen in 2007.

The COVID-19 pandemic and associated restrictions on economic and social activity negatively affected the financial performance of commercial casinos. Casino revenues declined in 2020 to approximately \$30 billion, a level not seen since 2003. For the first quarter of 2021, the American Gaming Association (AGA) reported that casino revenues were \$11.1 billion, a 17.7% increase compared to the same quarter in 2020.⁶ With an increasing number of Americans vaccinated and demand for leisure and hospitality services on the rise, we are likely to observe a sharp rebound in casino revenues in 2021. Whether these revenues can be sustained in the face of increasing competition for gambling dollars remains to be seen.

State and local lotteries have grown considerably over the last three decades. In the late 1970s, state and local lottery revenues amounted to less than \$1 billion. By 2019, revenues approached \$29 billion.⁷ Growth in some states, however, slowed (if not declined outright) as consumer fatigue set in and competition in other sources of gambling intensified over the last decade. In Virginia, the launch of the mobile lottery and larger jackpots lifted lottery revenues to \$1.43 billion and profits to \$350 million (a record) in just the second half of 2020.⁸

Competition is likely to only increase for casinos and lotteries in the coming years. Since the U.S. Supreme Court struck down Nevada’s legal monopoly on sports betting in 2018, this particular form of gambling is now offered in 21 states and the District of Columbia and is legal, but not yet operational,

in another 10 states.⁹ Intrastate mobile sports betting had been implemented or authorized, at the time of this writing, in 14 states and the District of Columbia. While some states require in-person registration for mobile betting, this requirement appears to limit revenue growth and is likely to fall by the wayside. **In 2018, total sports betting revenue in the United States amounted to \$430.7 million. In 2019, it more than doubled, jumping to \$908.9 million. Sports betting revenue is forecast to reach \$2.5 billion in 2021 and could hit \$8 billion by 2025.¹⁰ Every dollar wagered by phone or computer is one less dollar that could have been spent on a lottery ticket or gambled in a casino.**



⁶ AGA Commercial Gaming Revenue Tracker, <https://www.americangaming.org/resources/aga-commercial-gaming-revenue-tracker/>.

⁷ Statista, state and local lottery revenue in the United States from 1977 to 2019, <https://www.statista.com/statistics/249128/us-state-and-local-lottery-revenue/>.

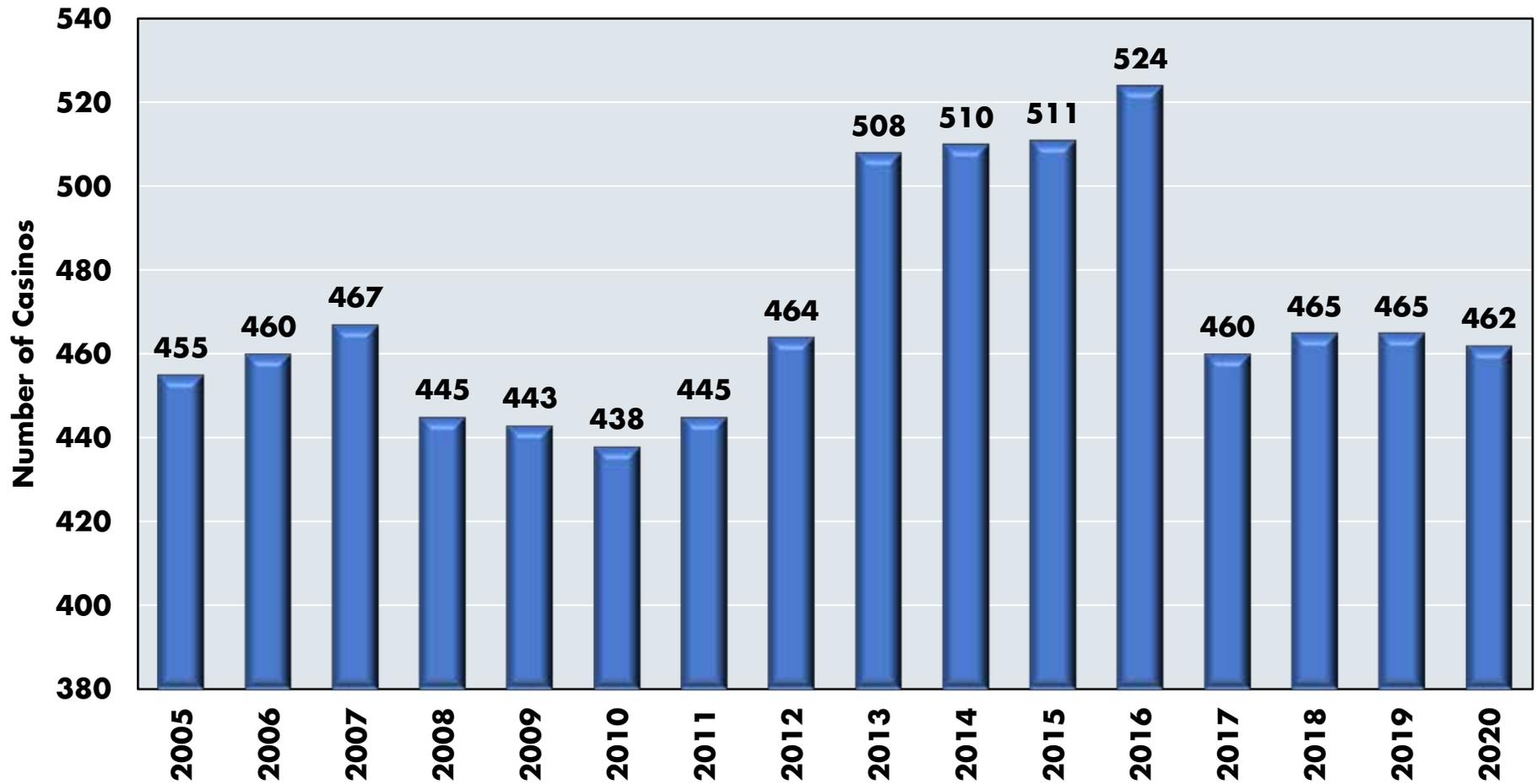
⁸ https://richmond.com/news/state-and-regional/govt-and-politics/big-jackpots-online-gambling-lift-virginia-lottery-revenue-37-in-late-2020/article_98743ed5-de36-567a-90e6-22b7fd4033d8.html.

⁹ <https://www.actionnetwork.com/news/legal-sports-betting-united-states-projections>. The state data are current as of August 2021.

¹⁰ S. Lock (2021), “Forecast revenue from sports betting in the U.S. 2021-2025,” at: <https://www.statista.com/statistics/1117369/sports-betting-revenue-forecast-us>.

GRAPH 1

NUMBER OF COMMERCIAL CASINOS IN THE UNITED STATES, 2005-2020



Source: Statista (2021)

Virginia Rolls The Dice

For decades, the attractiveness of casinos for some Virginia stakeholders has been the lure of additional tax revenue without having to levy new taxes or increase existing tax rates, the creation of new jobs and the addition of new venues to attract more visitors (and their dollars) to the Commonwealth. Legalizing casinos in Virginia could also stem the flow of Virginians to other states in search of gambling opportunities. It is, as the rapper Puff Daddy sang in 1997, “all about the Benjamins.”

Over the last five years, there has been a rapid shift in public policy toward gambling in Virginia. In 2015, legal gambling consisted primarily of the Virginia Lottery, historical horse racing and games associated with charitable giving. By 2021, Virginians could gamble via online lotteries, wager bets with mobile sportsbooks, visit expanded historical horse racing sites and look forward to frequenting commercial casinos in the near future.¹¹ Table 1 provides descriptions of the types of gambling that are currently legal in Virginia.

One might argue that the demarcation line for this change in public policy was drawn in March 2019 when Gov. Ralph Northam signed Senate Bill 1126, establishing a broad framework for expanding commercial casinos and authorizing casino gaming to be regulated by the Virginia Lottery Board. The bill included a reenactment clause, which meant it would need to be passed again for it to take effect. The clause directed the Joint Legislative Audit and Review Commission (JLARC) to conduct a review of gaming laws in other states and approximate what would occur in Virginia if casino gambling were authorized in the Commonwealth. The findings from JLARC’s report prompted the re-signing of the bill in 2020.

The bill authorized casinos in five cities – Bristol, Danville, Norfolk, Portsmouth and Richmond – but only if citizens approved the casinos. Residents in Bristol (71.1%), Danville (68.7%), Norfolk (65.1%) and Portsmouth (66.8%) resoundingly voted in favor of having a commercial casino in their cities. Richmond has scheduled a vote on its proposed casino for November 2021.¹²

In 2019, Richmond was among five cities in the Commonwealth authorized to build and operate a casino. Unlike the other four cities that debuted their casino proposals during the November 2020 general election, Richmond decided to postpone its referendum until November 2021. Council members whittled six proposals to two and then selected the One Casino + Resort in May 2021. The developers have said that the proposed casino will create more than 1,000 jobs, with salaries of over \$50,000 annually. With five casinos being built in the Commonwealth, assuming the Richmond referendum passes, one must question whether all of them can survive in the long run. Opponents argue that the casinos will likely increase problem gambling and primarily attract lower-income customers, serving in essence as a regressive form of taxation. While voters will determine the fate of the proposed Richmond casino in the fall, given the success of the other four casino referenda, it is likely the Richmond referendum will also be approved. For Norfolk and Portsmouth, this would mean another competitor, just 90 minutes up the road.

¹¹ Games of skill were legal for a short period but were effectively banned on July 1, 2021.

¹² “Richmond city postpones casino application and calls for citizen input in 2021” (December 2020), <https://www.rva.gov/sites/default/files/2020-12/Casino%20RFQ%20RFP%20-%20Final.pdf>; “Pamunkey Indian Tribe out of Richmond casino race following city rejection” (March 2021), <https://www.wric.com/news/local-news/richmond/pamunkey-indian-tribe-out-of-richmond-casino-race-following-city-rejection/>

TABLE 1

GAMBLING BY TYPE IN VIRGINIA, 2021

Type	Definition
Casino gaming	Table games (such as craps, roulette, baccarat, poker, etc.) and wagering played with cards and electronic gaming devices where players wager money. Video lottery machines (slot machines) have become one of the most popular forms of gambling in casinos.
Charitable gaming	Bingo, charity game tickets, raffles and charity fundraising permitted by the Office of Charitable and Regulatory Programs throughout Virginia. There were 37 charitable gaming permits operating in Hampton Roads as of March 2021.*
Fantasy sports betting	Players create a fantasy sports team and compete against other teams to win money. Virginia introduced legal fantasy sports betting regulation in 2016.
Games of skill	Games of skill are slot-like machines that appeared in restaurants, bars and convenience stores. The outcome of these games is determined by a player’s mental or physical skills rather than by chance. These machines operated in a “grey area” of the law until they were banned in 2020 but were then granted a reprieve in return for tax collections. Skill games were banned again on July 1, 2021.
Historical horse racing machines	Electronic gambling system that allows players to bet on the outcome of horse races that have already been run. These machines appear very similar to a traditional slot machine. Users can select their horse “winners” with each wager or use an auto cap feature for random horse selection.
Live horse race betting	Individuals place in-person bets on the outcome of a live horse race.
Lottery (scratchers, state lottery)	Prize drawings where entrants pay for a chance to win a large jackpot or instant prizes by scratch “reveal” tickets
Online horse race betting	Individuals place bets on live horse races via an online website or a smartphone app from the comfort of their own home.
Sports betting	Placing bets on a particular outcome or winner of a domestic or international sports event (including straight, total line, money line, parlay and teaser bets)
Sweepstakes sites	A contest in which participants enter for a chance to win a range of prizes (from houses to cars to money), and winners are drawn at random
<p>Source: Dragas Center for Economic Analysis and Policy, Old Dominion University Note: *Online Directory of Bingo Sessions in Virginia, https://www.vdacs.virginia.gov/pdf/bingo_events.pdf</p>	

The Rise Of Mobile Betting

When Virginia launched, it was our most successful launch to date, with more users on the first weekend than any state before it.

– Kevin Hennessy, FanDuel Director of Publicity¹³

The bet on casinos by Bristol, Danville, Norfolk and Portsmouth (and, we expect, Richmond after the November election) is being made at a time when the gambling industry is experiencing a period of profound change. Two decades ago, the thought of sitting on your couch and placing real-time bets on whether the next football pass will be completed, a basketball game beats the over/under or an MMA boxer lands more punches than an opponent in a particular round was just a glimmer in the eyes of entrepreneurs. Today, not only does this technology exist, but also consumers are embracing it enthusiastically. While the number of casinos remains relatively stable and lottery revenue growth has slowed, sports betting revenue nationally is projected to increase from \$2.5 billion in 2021 to \$8 billion in 2025.

Virginia legalized sports betting in April 2020 with the passage of Senate Bill 384, which allows for up to 12 online sports-betting providers in the Commonwealth.¹⁴ Table 2 lists the online and mobile sportsbook applications that have already launched or will launch in Virginia. FanDuel was the first, followed quickly by DraftKings, BetRivers, BetMGM and William Hill. Currently, nine providers are either operating or have been approved to operate a mobile sportsbook in the state. Physical sportsbook locations are anticipated to open in spring 2022. JLARC estimates that the mobile sports-betting market will generate between \$22 million and \$55 million annually in tax revenue for the Commonwealth.

Online Sportsbook	Launch Date	Partner Casino/ Organization	Probable Physical Sportsbook Location
FanDuel Sportsbook	Jan. 21, 2021	Washington Football Team	TBD
DraftKings Sportsbook	Jan. 24, 2021	Stand-Alone License	TBD
BetRivers	Jan. 27, 2021	Rush Street Gaming	Portsmouth
BetMGM	Jan. 27, 2021	Stand-Alone License	TBD
Caesars Sportsbook (formerly William Hill)	Feb. 3, 2021	Caesars	Danville
WynnBET	March 11, 2021	NASCAR	Martinsville, Richmond
Unibet	April 28, 2021	Stand-Alone License	TBD
PointsBet	TBD	TBD	TBD
bet365	TBD	Hard Rock	Bristol

Source: Sports Handle, <https://sportshandle.com/virginia/>, updated as of Aug. 30, 2021

¹³ <https://www.13newsnow.com/article/news/local/mycity/norfolk/virginia-leading-the-way-for-popular-sports-betting-platform-fanduel/291-888e7fff-3a1a-4433-8c6c-0920e4951d89>.

¹⁴ https://www.americangaming.org/wp-content/uploads/2021/03/AGAGamingRegulatoryFactSheet_Virginia-2021.pdf.

Games Of Skill Or Games Of Chance?

While Virginia was debating whether to approve commercial casinos, gaming machines began appearing in restaurants, bars, convenience stores and truck stops throughout the state. These machines – actually, electronic, computerized terminals – were played by inserting money in hopes of winning a cash prize. On the outside, there appeared to be no fundamental difference between a virtual slot machine and these games; however, operators argued that these machines required skill, rather than chance, to win.

The distinction between skill and chance is important from a legal perspective. If the outcome of a game is determined by the player's ability, then it is not a random event. A popular game of skill mimics the Simon memory game, whereby a player must remember color combinations of increasing complexity. Another version requires a player to identify patterns among nine different pictures, much like a pictorial tic-tac-toe game, but with time limits and "wild cards." These games of skill differ considerably from a slot machine where the player's only input is a bet and the push of a button to start the gamble.



A GAMBLER PLAYS A SKILL GAME AT A LOCAL CONVENIENCE STORE IN HAMPTON.

Games of skill occupied what one could consider an ill-defined legal space. The machines were not taxed or regulated and, while some were skills-based, others appeared to cross the line into games of chance. Virginia planned to ban these games in 2020, even though many small-business owners argued that the revenue from these machines allowed them to make capital investments and expand staff. Dave Willis, a restaurant/bar owner in Norfolk, introduced the gaming machines around 2018 when his business was struggling, and that decision proved to be invaluable. After adding these games, Willis was able to afford a small remodel and increase his employees' wages. In Virginia Beach, a similar story was told by Melody Weekly, owner of Mel's place, a bar and grill. Weekly found that the gaming machines not only provided additional revenue, but also contributed to an increase in food and beverage sales. The extra money allowed her to upgrade the building and hire more staff.¹⁵

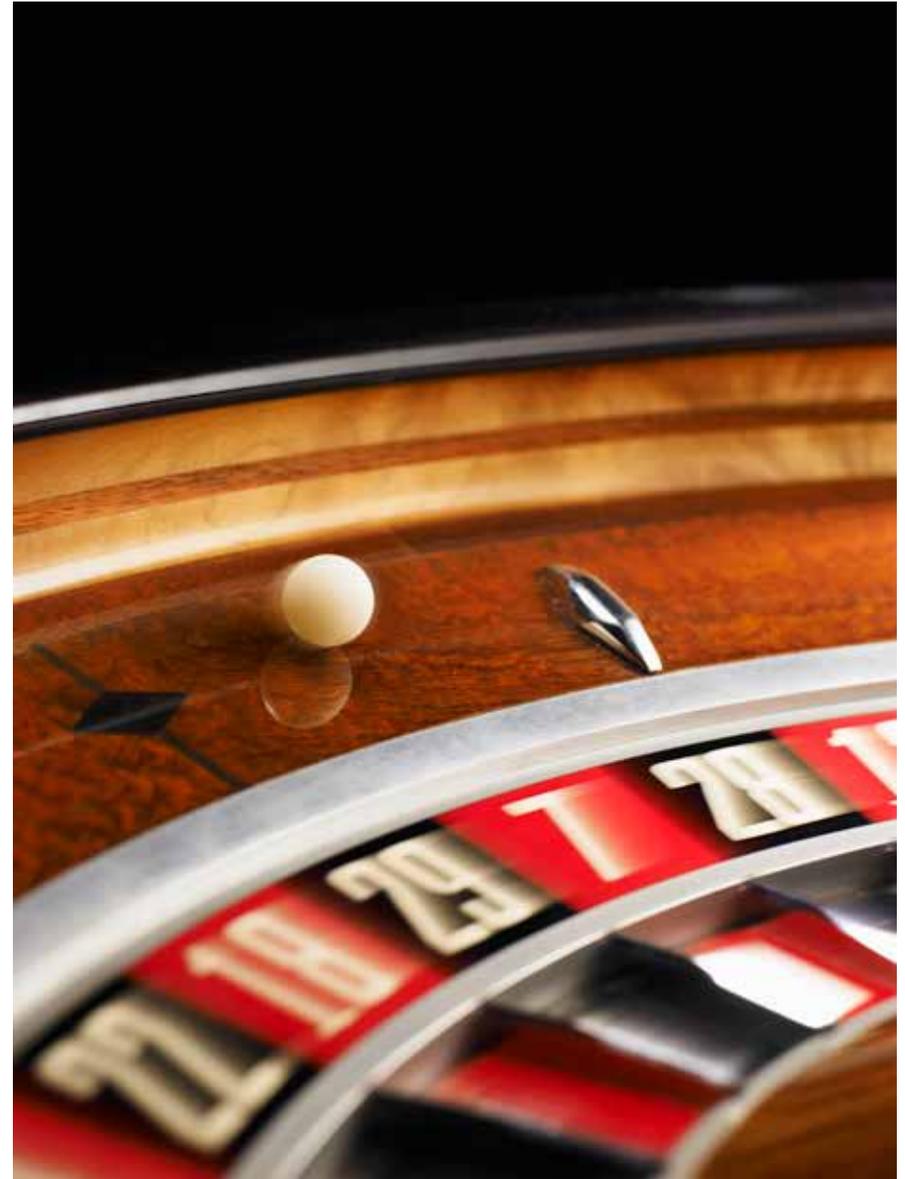
As the COVID-19 pandemic rolled across Virginia in spring 2020, however, social distancing and restrictions on economic activity threatened to overwhelm many of these same businesses. Legislators, fearing a significant downturn in state revenues, decided to allow these machines to operate legally in the Commonwealth and to use the tax revenues and license fees for COVID-19 relief, problem gambling and local community support. The tax was \$1,200

¹⁵ <https://www.pilotonline.com/business/vp-nw-games-of-skill-ban-rally-20200301-rct4toj7xzcjgd3kty3Uke2u-story.html>.

per machine every month a machine was operated in Virginia, and game distributors were subject to the tax. With over 10,000 machines and \$198.4 million in wagers placed in May 2021, the legalization of these machines was welcomed by many small-business owners and their patrons (Table 3). The Commonwealth collected over \$100 million in taxes while the machines were legal in Virginia.¹⁶

Even though these machines produced a boon for the state and business owners, the Commonwealth banned games of skill on July 1, 2021. One argument was that these games bring gambling and its associated social costs into local neighborhoods, though, curiously, the same argument could be made about lotteries and mobile betting. In all likelihood, the primary rationale was the fear that these machines competed with lottery sales and also posed a threat to the state's nascent casino industry. A 2019 presentation by the Virginia Lottery Board attributed slowing growth in lottery sales to the prevalence of gray market machines.¹⁷ However, in a December 2020 presentation to the Virginia House Appropriations Committee, Dan Timberlake, director of the Virginia Department of Planning and Budget, noted that gray-machine revenue had fallen short of expectations. When asked why, he replied: "One reason we believe the gray-machine revenue is not what was originally forecasted is because people weren't going into the stores (to play them). But what they were doing, to our surprise, is that they were buying lottery tickets. The lottery is not seeing the loss of revenue from the fact that the gray machines are still out there."¹⁸

If the state reaped revenues from both games of skill and lottery sales, it should have been indifferent to where the money originates. The short-lived experiment with games of skill generated revenue for businesses and the Commonwealth and was obviously welcomed by many Virginians. Arguments that one form of gambling displaces another should fall on deaf ears, as it should not be the responsibility of the Commonwealth to choose winners and losers.



¹⁶ <https://www.fox5dc.com/news/some-va-business-owners-fight-against-ban-on-skill-games>

¹⁷ Virginia Lottery briefing for House Appropriations and Senate Finance committees, September 2019, https://ihodvirginiageneralassembly.s3.amazonaws.com/agenda_block_docs/attaches/000/000/428/original/III_-_Lottery.pdf?1568640091.

¹⁸ <https://www.playvirginia.com/virginia-gray-machines-lottery-sales/>.

TABLE 3

MONTHLY REPORT OF SKILL GAME MACHINES IN THE COMMONWEALTH, MAY 2021

Region	Total Wagered	Total Awarded	In Play	Warehoused	Total Machines
Region 1 (Roanoke)	\$20,697,585	\$15,240,639	1,065	13	1,078
Region 2 (Lynchburg)	\$32,046,065	\$26,841,343	1,056	47	1,103
Region 3 (Staunton)	\$10,660,184	\$8,177,235	557	8	565
Region 4 (Alexandria)	\$24,862,133	\$19,137,080	994	38	1,032
Region 5 (Fredericksburg)	\$10,708,016	\$7,877,868	542	27	569
Region 6 (Richmond)	\$40,456,679	\$32,056,971	1,666	104	1,770
Region 7 (Hampton)	\$21,251,730	\$17,414,045	922	38	960
Region 8 (Chesapeake)	\$29,829,243	\$22,337,921	1,539	36	1,575
Region 9 (Charlottesville)	\$7,889,460	\$5,936,468	369	11	380
Other*	\$0	\$0	18	1,163	1,181
Grand Total	\$198,401,095	\$155,019,571	8,728	1,485	10,213

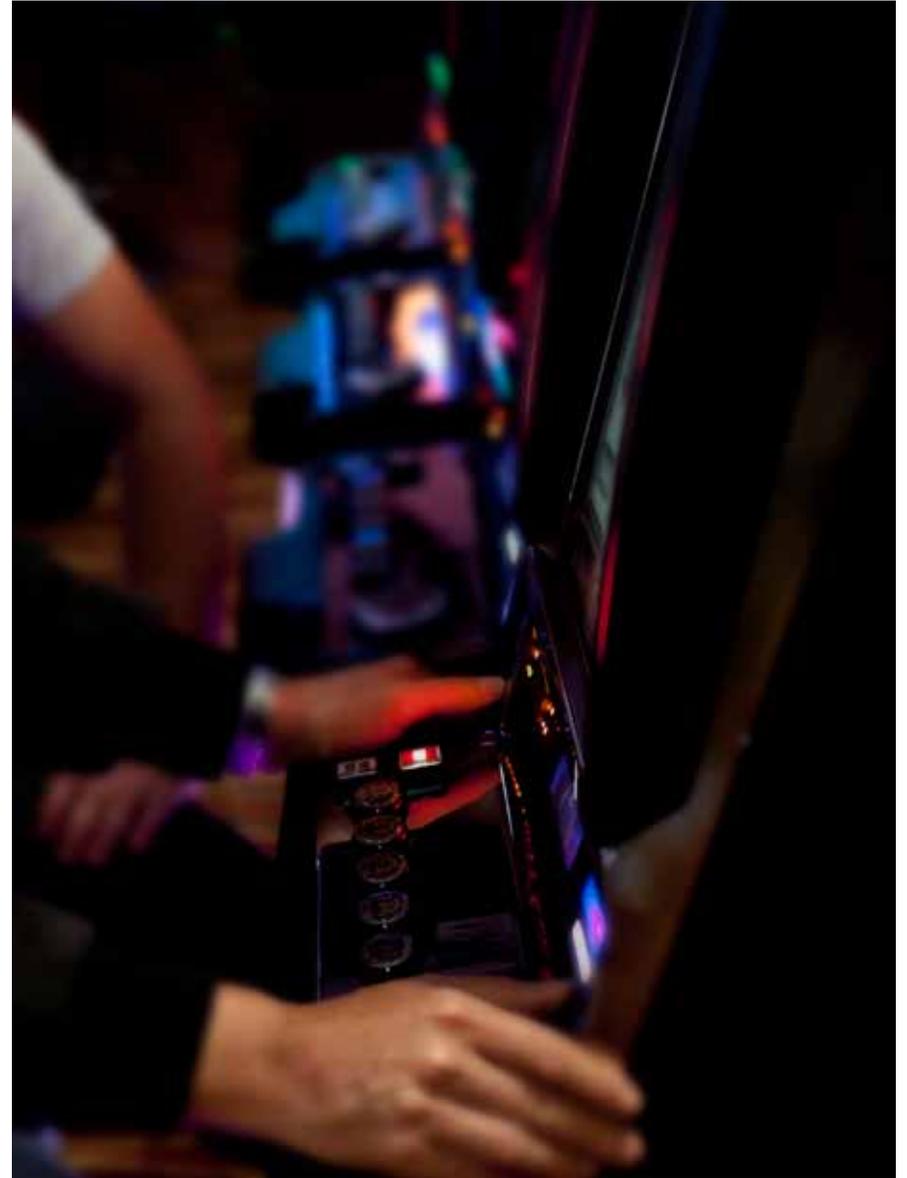
Source: <https://rga.lis.virginia.gov/Published/2021/RD162/PDF>

*Eighteen machines were improperly reported by the distributors as being warehoused, but according to ABC's records they were still subject to the monthly tax.

Bright Lights, Big Gamble? Casinos In Hampton Roads

With the legal framework now in place for five casinos to operate throughout the Commonwealth, how will the casinos in Hampton Roads fare? They will face increasing competition from a variety of sources. First, the rise of mobile and online gambling, as well as the existence of established forms of gambling (lotteries, historical horse racing), means that the casinos will enter an increasingly competitive marketplace. Second, Hampton Roads will be the only region in Virginia (for now) with two casinos in relatively close proximity. Third, there are a growing number of alternatives for one who wants to gamble within 250 miles of Hampton Roads, a fact that poses a challenge to casinos attempting to attract new visitors to the region for the purpose of gambling (Table 4). These factors may lead to a casino “arms race,” where “more casinos are expected to be increasingly dependent on local patrons or convenience gamblers to support their operations and will likely use proven marketing approaches to attract potential gamblers who live near their facilities” (e.g., frequent player incentives, free/discounted dining and drinking programs, and entertainment discounts).¹⁹

Increasing competition, discounts and reliance on local patrons would diminish the economic impact of the casinos on Hampton Roads over time. Competitive pressures would reduce demand for casino gambling, while incentives and discounts would diminish the revenue per patron. An increasing reliance on local residents would merely recycle spending in the regional economy, diminishing the casinos’ contribution. With these proverbial headwinds in mind, we turn to the task of estimating the potential economic impact of these projects on the region.



¹⁹ Julia M. Camp, Carol A. Hartley and Patrick T. Kelly, “The Expansion of Casino Gambling in the United States – State Revenues and Public Interest Implications,” *Accounting and the Public Interest* (2018) 18 (1): 96, <https://doi.org/10.2308/apin-52199>.

TABLE 4

CASINOS AND RACETRACKS/CASINOS WITHIN 250 MILES OF HAMPTON ROADS

Name	Location	Type	Racing Type	Gaming Machines	Table Games
Horseshoe Casino	Baltimore, MD	Casino	-	2,200	168
Ocean Downs Casino and Racetrack	Berlin, MD	Horse Track/Casino	Harness	900	10
Hollywood Casino at Charles Town Races	Charles Town, WV	Horse Track/Casino	Thoroughbred	1,300	90
Horseshoe Casino	Danville, VA	Casino (Proposed)	-	2,000	75
Dover Downs Hotel & Casino	Dover, DE	Horse Track/Casino	Harness	2,600	58
Rosie's Gaming Emporium	Dumfries, VA	Gaming Emporium	-	150	-
Rosie's Gaming Emporium	Hampton, VA	Gaming Emporium	-	700	-
Live! Casino & Hotel	Hanover, MD	Hotel and Casino	-	4,000	250
Harrington Raceway and Casino	Harrington, DE	Horse Track/Casino	Harness	1,800	51
Colonial Downs	New Kent, VA	Horse Track	Harness and Thoroughbred	-	-
Rosie's Gaming Emporium	New Kent, VA	Gaming Emporium	-	600	-
HeadWaters Resort and Casino	Norfolk, VA	Casino (Proposed)	-	3,000	150
MGM National Harbor	Oxon Hill, MD	Casino	-	2,900	170
Rivers Casino	Portsmouth, VA	Casino (Proposed)	-	TBD	TBD
Rosie's Gaming Emporium	Richmond, VA	Gaming Emporium	-	700	-
One Casino + Resort	Richmond, VA	Casino (Proposed)	-	1,800	100

Source: Casino City, an independent directory and information service free of any gaming operator's control, www.casinocity.com

HEADWATERS RESORT AND CASINO IN NORFOLK

In September 2019, Norfolk's City Council initially authorized a land deal with the Pamunkey Indian Tribe that included a hotel, restaurants and an entertainment venue.²⁰ The proposal would have designated the land as sovereign to the Pamunkey, not subject to taxation, and outside the jurisdiction of Norfolk. In November 2019, after complaints of a lack of transparency, doubts about the benefits of the deal and a signature petition that forced the council to schedule public hearings, a new vote was scheduled on the proposal. Two months later, Norfolk Mayor Kenny Alexander announced the Pamunkey Tribe would go through the Commonwealth of Virginia. This change reduced the initial investment plans from approximately \$700 million to about \$500 million, although these estimates continue to evolve. Tennessee billionaire and casino-gaming mogul Jon Yarbrough teamed up with Golden Eagle, the tribe's development partner, on the project.

In 2020, the city of Norfolk and the Pamunkey Indian Tribe came to a final agreement, and the tribe signed a deal to purchase land to build the casino resort. The new deal ensures the land will not become sovereign land and Norfolk will receive tax revenue. The tribe has also been confirmed as a preferred casino partner and will construct the HeadWaters Resort and Casino near Harbor Park, home of the Norfolk Tides minor league baseball team.

As of May 2021, the HeadWaters Resort and Casino was projected to have 3,000 slot machines, 150 table games and a sportsbook. Additionally, the casino resort will have 300 hotel rooms, live music and entertainment venues, bars and restaurants, indoor and outdoor pools, and a spa and fitness center. City officials project total annual revenues to be between \$415 million and \$485 million on a stabilized basis, with annual gaming revenues estimated to be between \$350 million and \$400 million. Nongaming revenues, which include profits from the hotel, food and beverage, and other amenities, are estimated to be between \$65 million and \$85 million on a stabilized basis. Payments to the city of Norfolk in the form of direct payments and taxes are

²⁰ The Pamunkey were the first Virginia tribe to receive official sanction from the U.S. Bureau of Indian Affairs in July 2015. The reservation is located near the Chesapeake Bay on the north side of the James River, approximately 90 miles northwest of downtown Norfolk. It is one of two original reservation lands assigned from a treaty with the English colonial government.



projected to be between \$26 million and \$31 million annually.²¹ Press releases from Capital Results, the firm that handles media relations for the Pamunkey Indian Tribe, suggest that the opening could occur as early as 2022.

RIVERS CASINO PORTSMOUTH

Portsmouth's road to casino gambling has been much smoother than that of its across-the-river neighbor. On Nov. 3, 2020, Portsmouth residents resoundingly voted in favor of a casino – a proposal state Sen. Louise Lucas has supported for more than 20 years. The hotel-casino, Rivers Casino Portsmouth, will be built by Rush Street Gaming, just off Victory Boulevard near Tidewater Community College, and eventually grow to include restaurants, a sportsbook and other entertainment amenities. "For Portsmouth, this means \$16.3 million in tax generation ... [where] \$16.3 million is an additional 7% of our GDP," said Robert Moore, director of economic development for the city of

²¹ Projections assume stabilized operations in year three of the project, as well as the third year of operation of all planned properties in the competitive market, <https://www.norfolk.gov/DocumentCenter/View/61651/Criteria-For-Selection-of-Gaming-Operator>.



THE PROPOSED RIVERS CASINO PORTSMOUTH WILL BE BUILT AT I-264 AND VICTORY BOULEVARD, NEXT TO TIDEWATER COMMUNITY COLLEGE. IT WILL BE DEVELOPED AND OPERATED BY CHICAGO-BASED RUSH STREET GAMING.

Portsmouth. In addition to tax generation, the casino promises to create 1,400 temporary construction jobs, as well as 1,300 permanent jobs.²²

Before work can begin on either the Norfolk or Portsmouth casino, licensing must be obtained through the Commonwealth of Virginia, as well as the Virginia Lottery Board. Once licenses have been granted, construction can begin. Originally, the timeline called for shovels to break ground in November 2021, with the Portsmouth casino opening scheduled for 2023. More recently, however, a spokesperson for the casino said the plans have been pushed forward. Construction is currently expected to last 18 to 24 months, with the venue opening its doors in late 2022.

²² <https://www.krem.com/article/news/local/casinos-are-on-their-way-to-norfolk-portsmouth-heres-when-theyll-be-completed/291-58cfae8e-aa50-4617-a1ab-728901d33cad>.

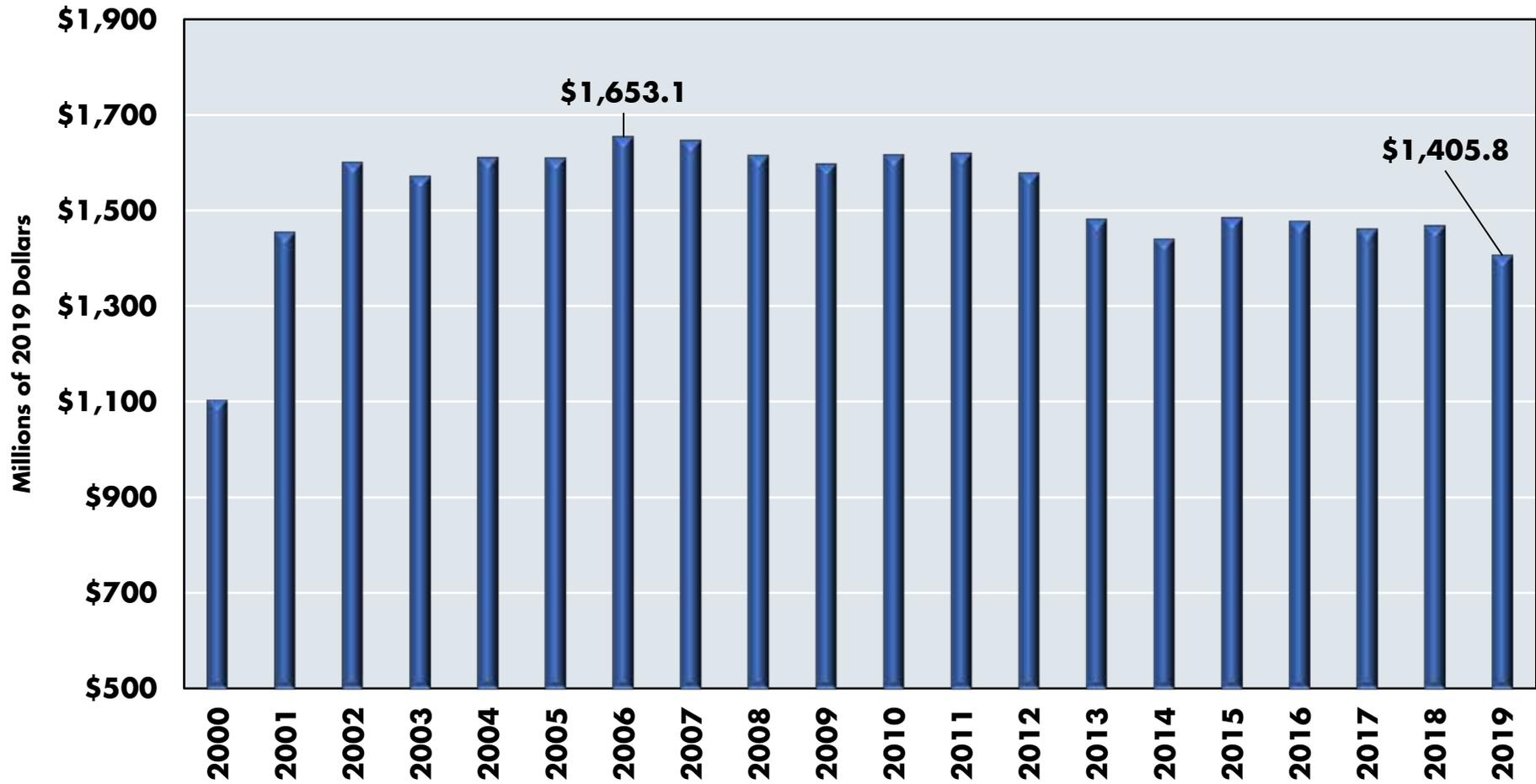
It's All Good – Until It Isn't

We caution that survivorship bias tends to cloud the perceptions of casino projects. We often hear of success stories but rarely learn about casinos that fail to meet expectations. Presentations to city councils and state governments highlight potential jobs and tax revenues, leading one to believe that a casino (or most any gambling venture) is a sure bet. Experience has shown (repeatedly) that, as the novelty wears off, gambling revenues plateau, if not decline outright. Graph 2 illustrates how, after accounting for inflation, casino revenues in Detroit declined from a peak in 2006 (\$1.65 billion) to a prepandemic low in 2019 (\$1.41 billion). Locally, we need only point to the performance of the Virginia Lottery at the end of the most recent decade, and its push to introduce mobile betting as a means of addressing the stagnation in sales, to highlight how consumer fatigue can lead to an ever-widening search for gambling options to sustain revenues.

For Norfolk and Portsmouth, several questions and concerns arise from the public-facing announcements. First, have the cities sufficiently accounted for the operation of two casinos in relatively close proximity? Second, the expected approval and operation of the Richmond casino likely will limit the gains from repatriation by Virginia gamblers to Hampton Roads (the return of gambling expenditures from other states to the Commonwealth). Will the cities and state government revisit their revenue projections for the Norfolk and Portsmouth casinos? Third, the rapid rise in mobile betting may not bode well for more traditional, location-based forms of gambling. We ask whether the projections account for the disruptive impact of technology on gambling preferences and revenue. **While we recognize that these questions are not likely to win one accolades at city council or General Assembly meetings, it is better to ask now rather than face questions in the future of why revenue projections have fallen short.**

GRAPH 2

REAL (INFLATION-ADJUSTED) DETROIT CASINO REVENUE, 2000-2019



Source: Michigan Gaming Control Board, Revenues and Wagering Tax Information (2021)

Who's Coming To The Casinos In Hampton Roads?

The promise of the casinos in Norfolk and Portsmouth (and elsewhere in the Commonwealth) is that these gambling establishments will attract visitors, create jobs, increase incomes and contribute to their respective city coffers. Yet, there are other impacts to consider, especially when one draws back to the regional level. A dollar spent in a casino in Norfolk or Portsmouth is one less dollar spent in a restaurant, bar or movie theater in Hampton, Newport News, Chesapeake, Suffolk or Virginia Beach. **While Norfolk or Portsmouth might “win” by attracting more dollars from other cities in Hampton Roads, the displacement of spending from other forms of entertainment to the casinos means that the economic impact of the casinos on the region is likely to be small, not transformative.**

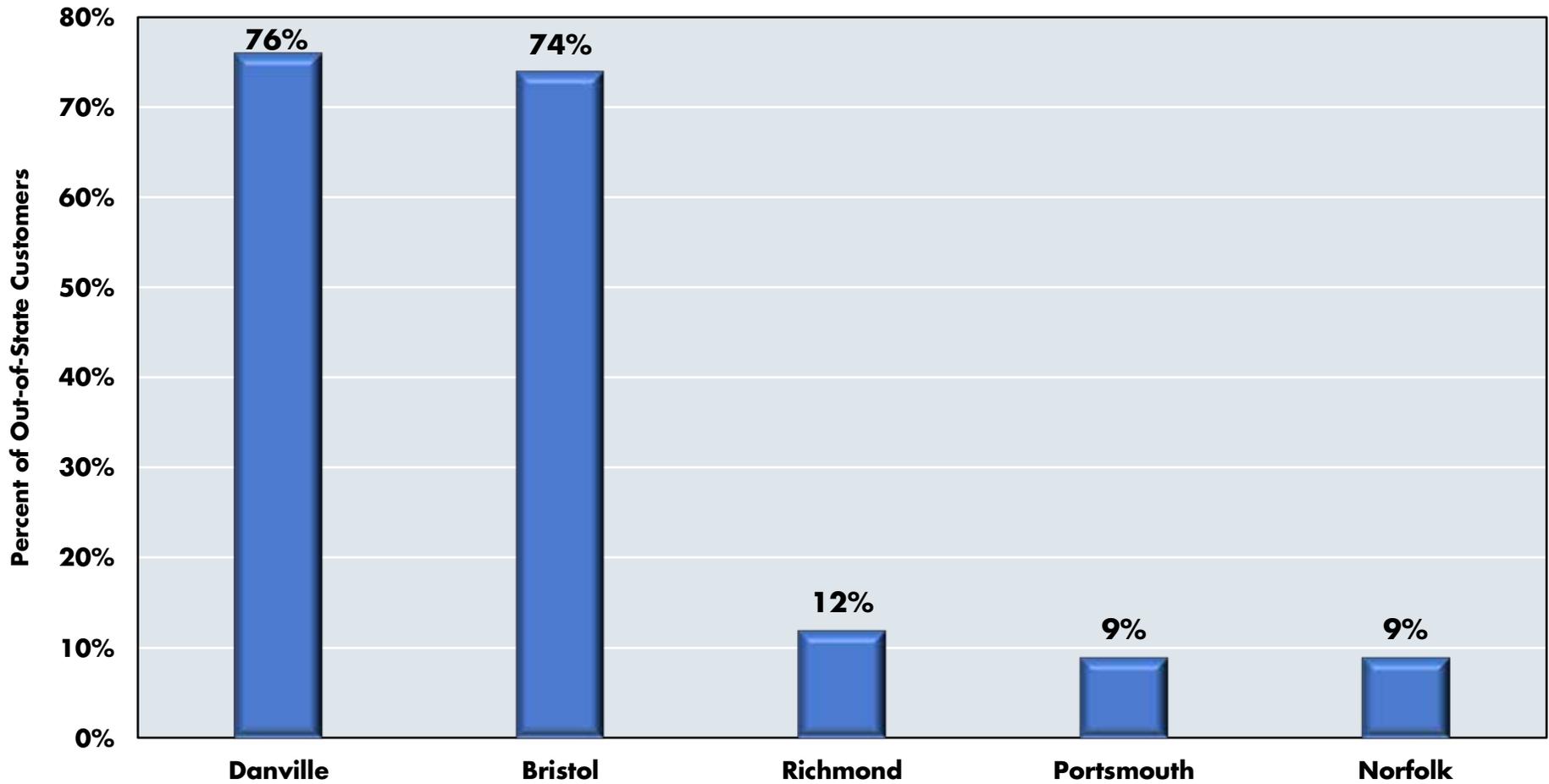
To gauge the potential economic impact of the casinos on the Hampton Roads economy, we first need to ask from whence the casino patrons will come. The more customers that come from outside the region, the greater the potential economic impact of the casinos. Much like tourists visiting the Oceanfront who “inject” money into the regional economy, nonresidents traveling to Hampton Roads to gamble at the casinos will bring “new money” with them, adding to the impact of the gambling establishments.

Graph 3 illustrates JLARC’s 2019 estimates of the percentage of net gaming revenue that will derive from spending by out-of-state customers. These estimates suggest that the Hampton Roads casinos are unlikely to generate a significant amount of revenue from out-of-state visitors. While there is a possibility for the repatriation of spending from other states (i.e., Virginians gambling in other states returning to gamble in the Commonwealth), the proposed casino in Richmond would most likely stand to benefit substantially from repatriated spending due to its closer proximity to casinos in Maryland and West Virginia.

Who, then, will frequent the casinos in Norfolk and Portsmouth? According to JLARC and the consulting firm The Innovation Group (TIG), only 4% to 10% of casino revenue is generated by customers who live outside the local market area (within two hours’ driving distance). Only the Las Vegas and Atlantic City markets have sustained higher proportions of gaming revenue from out-of-market visits. For Hampton Roads, this means that the revenue from out-of-state customers would come from North Carolina, rather than states to the north, due to the projected casino development in Richmond. In other words, because of the geographical limitations of the Hampton Roads market and the projected development of casinos in Richmond and other areas of the Commonwealth, most of the Norfolk and Portsmouth casino patrons will come from within our metropolitan area. It would be difficult to attract customers from Northern Virginia and Richmond to Hampton Roads with a casino in Richmond occupying a blocking position. While some might argue that summer visitors to the Oceanfront will visit the casinos, this argument also recognizes that some spending will be displaced from restaurants, bars and other venues to the casinos.

GRAPH 3

PERCENTAGE OF NET GAMING REVENUE FROM OUT-OF-STATE CUSTOMERS



Source: 2019 JLARC casinos report, <http://jlarc.virginia.gov/pdfs/reports/Rpt527-5.pdf>

A Short Primer On Economic Impact Analysis

When considering the economic impact of a policy, economists focus on two broad effects: displacement and additionality. Changes in public policy may cause economic agents (consumers and businesses) to alter their behavior. The question is whether the policy change results in spending that is additional or whether it displaces economic activity from one sector to another.

Additionality occurs when a policy change causes economic agents to engage in behavior that they would not have taken in absence of the policy. Economic agents do not shift expenditures from elsewhere in this case. If a new advertising campaign, for example, influences a family from Pennsylvania to come to Virginia Beach for a vacation that they otherwise would not have taken, then the expenditures associated with the visit and the consequent economic activity are additional to the economy.

Displacement, on the other hand, occurs when a policy change causes economic agents to shift their behavior such that they reduce spending in one area to increase spending in another area. The additional spending as a result of the updated policy must be balanced against the reductions in spending elsewhere to determine the economic impact. For example, if a consumer shifts spending from going to a movie theater instead of a restaurant, the consumer is merely “moving” spending from one form of entertainment to another. If one fails to make allowances for displacement, the overall economic impact of a project will be overstated.

To visualize how the economy reacts to a change in investment or employment, imagine a pebble dropped in a puddle. The **direct impact** on employment, sales and employee compensation ripples through the rest of the economy like the waves moving outward through the puddle. These ripples represent the **indirect and induced impacts** that come about through the interconnectedness of the local economy.

The indirect impact comes from economic activity at companies frequented by casino employees and companies that provide services to the casinos. The

induced impact comes via additional spending due to increases in income generated by companies directly and indirectly affected by casino employment or spending. These spillovers create a total economic impact that is larger than the direct impact.

The notion of an economic multiplier summarizes the total economic impact of a change in economic activity. If a firm invests \$1 million (direct impact) that in turn generates \$300,000 in indirect economic impacts and \$200,000 in induced economic impacts, then the economic impact multiplier effect is $(\$1,000,000 + \$300,000 + \$200,000) / \$1,000,000 = 1.5$.

From this perspective, consider the impact of going to the gym. If you usually use the elliptical machine but switch to the treadmill for the same amount effort and time, the marginal impact on your fitness is negligible. On the other hand, if you were only working out two days a week and increase to five days a week, there will be a discernable impact on your fitness. Our question is whether the casinos attract “new” money or recycle “old” money within the region.

Analysts’ estimates of economic impact can often seem confusing. We explain below some of the more common terms they use:

- Compensation – the total payroll cost of employees, including wages, salaries and all benefits.
- Employment – the annual average of full-time, part-time and seasonal employment in an industry or region.
- Output – the measure of the total value of goods produced in an industry. However, output from one industry utilizes output from other industries, so the measure overstates the contribution of an industry to GDP.
- Value Added – the total market value of all final goods and services produced in a region in a given period of time. Value added is the measure of the increase or decrease in GDP.

Estimating The Economic Impact Of Casinos In Hampton Roads

To estimate the economic impact of each casino, we use projections of three economic inputs: capital investment (buildings, furnishings, equipment and so on), direct employment and annual casino revenue (Table 5). Of course, our estimates depend on the accuracy of the projections of these economic inputs. Given the continued evolution of the scale and scope of the casinos in Norfolk and Portsmouth, our estimates should be viewed as informative rather than authoritative. For these assumptions, we draw upon JLARC analysis, news reports and staff analyses from the cities of Norfolk and Portsmouth. We estimate aggregate economic impacts of the casinos on Hampton Roads.²³

TABLE 5

ECONOMIC IMPACT ANALYSIS ASSUMPTIONS

	Capital Investment	Gambling Revenues	Nongambling Revenues
Norfolk	\$500 million	\$350 million	\$45 million
Portsmouth	\$300 million	\$150 million	\$20 million

Sources: City of Norfolk (2020), "Staff Report – Impacts of a Casino Hotel on the City of Norfolk"; WAVY.com (2021), "Portsmouth Casino Developer Commits to Building Hotel, but Won't Say When"; and the Dragas Center for Economic Analysis and Policy, Old Dominion University

ESTIMATED IMPACT OF CONSTRUCTION

Unlike some other recent projects in Hampton Roads, the construction of the two casinos will not receive any state or local government tax incentives or grants. Instead, private funds will be used to fund construction. The injection of new capital into Hampton Roads for the building of the casinos and associated properties will temporarily boost jobs and output in the region. However, one must also

recognize that not all the expenditures on these projects will stay in the region. Some building supplies, furnishings, machines and services will be sourced from outside Hampton Roads, so it would not be appropriate to act as if all these expenditures were occurring in the region. We conservatively estimate that 40% of capital investment expenditures will occur within Hampton Roads, while the remaining spending will take place outside the region. This means that of the \$800 million in projected capital investments in the two casinos, approximately \$320 million will be spent within Hampton Roads.

We estimate that construction of the two casinos will temporarily lift employment in Hampton Roads by approximately 4,200 jobs and add \$291.9 million to nominal GDP (Table 6). These jobs and increases in GDP are transitory; that is, once the construction is complete, the jobs and increases in output will largely dissipate. To place these estimates in context, the increase in output, if it occurred within one year, would amount to approximately 0.3% of Hampton Roads' 2019 GDP.

TABLE 6

ECONOMIC IMPACT: PROPOSED INVESTMENTS IN CASINOS IN NORFOLK AND PORTSMOUTH

	Direct	Indirect	Induced	Total
Employment	2,875	424	908	4,207
Value Added (Millions)	\$171.0	\$42.3	\$78.6	\$291.9
Compensation (Millions)	\$166.5	\$25.2	\$39.1	\$230.8

Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and IMPLAN Group. Estimates may not sum due to rounding.

²³ We use IMPLAN from the IMPLAN Group and JOBSEQ from Chmura Economics and Analytics to model the economic impacts. The results presented in this chapter were generated using IMPLAN.

IMPACT OF SUSTAINED OPERATIONS

To estimate the annual economic impact of the fully operational casinos, we must first consider the question of displacement. If,

as noted by JLARC and TIG, the casinos in Norfolk and Portsmouth generate about 10% of net gaming revenues from out-of-state customers, and the casino in Richmond is approved, then the pool from which the casinos will draw will be limited compared to the casinos in Bristol, Danville or Richmond. Furthermore, the literature and practice show that casinos tend to draw customers predominantly from their local market area. This means that much of the revenue generated by the Norfolk and Portsmouth casinos will be the result of spending that is reallocated by Hampton Roads residents. While one might quibble about the extent of displacement, it will clearly occur, and will invariably reduce the overall impact of the casinos on regional economic activity.

Graphs 4 and 5 illustrate the projected annual economic impact of spending in the Hampton Roads casinos. If one completely ignores displacement and assumes (unrealistically) that all spending in the casinos will come from outside the region, then the industry output would increase by about \$868 million. However, since we want to avoid double counting (a flaw in some projections of the impacts of casinos), we focus on the impact on regional GDP measured by value added, which would be approximately \$462.2 million. Completely ignoring displacement would lead one to conclude that the casinos would create almost 7,300 jobs in Hampton Roads.

We cannot ignore displacement, of course, and studies that shrug displacement effects aside or provide estimates of economic impact based on industry output alone should be viewed with a healthy dose of skepticism.²⁴ For example, if the casinos generated \$500 million annually in gambling revenue, but 50% of that revenue originated from within Hampton Roads, then only the impact of the “new” spending

²⁴ If displacement occurs, where displacement occurs, and the magnitude of displacement by casinos remain a matter of debate in the economics literature. Leven and Phares (1998) estimated that about half of casino revenues in Missouri were the result of displacement spending. Siegel and Anders (1999) found that casino spending displaced other forms of entertainment spending in 11 Missouri counties. Chhadra (2007) estimated that about 30% of Iowa gamblers would have participated in other entertainment activities if casinos were not locally available. Wiley and Walker (2009), on the other hand, found a complementary effect between casinos and retail property values in the Detroit urban area.

(\$250 million) should be considered. To do otherwise ignores the impact of consumers shifting dollars away from local restaurants, bars, movie theaters and other establishments to spend on gambling, rooms, and food and drink in the casinos.

Using value added (the addition to regional GDP) and accounting for displacement yields more realistic estimates of the casinos’ impact. If 50% of spending is from outside the region (an optimistic estimate), the casinos will add \$231 million to regional GDP and create more than 3,600 jobs. However, if only 10% of casino patrons are from outside the region, the net annual economic impact of the casinos shrinks to only \$46 million and 730 jobs.

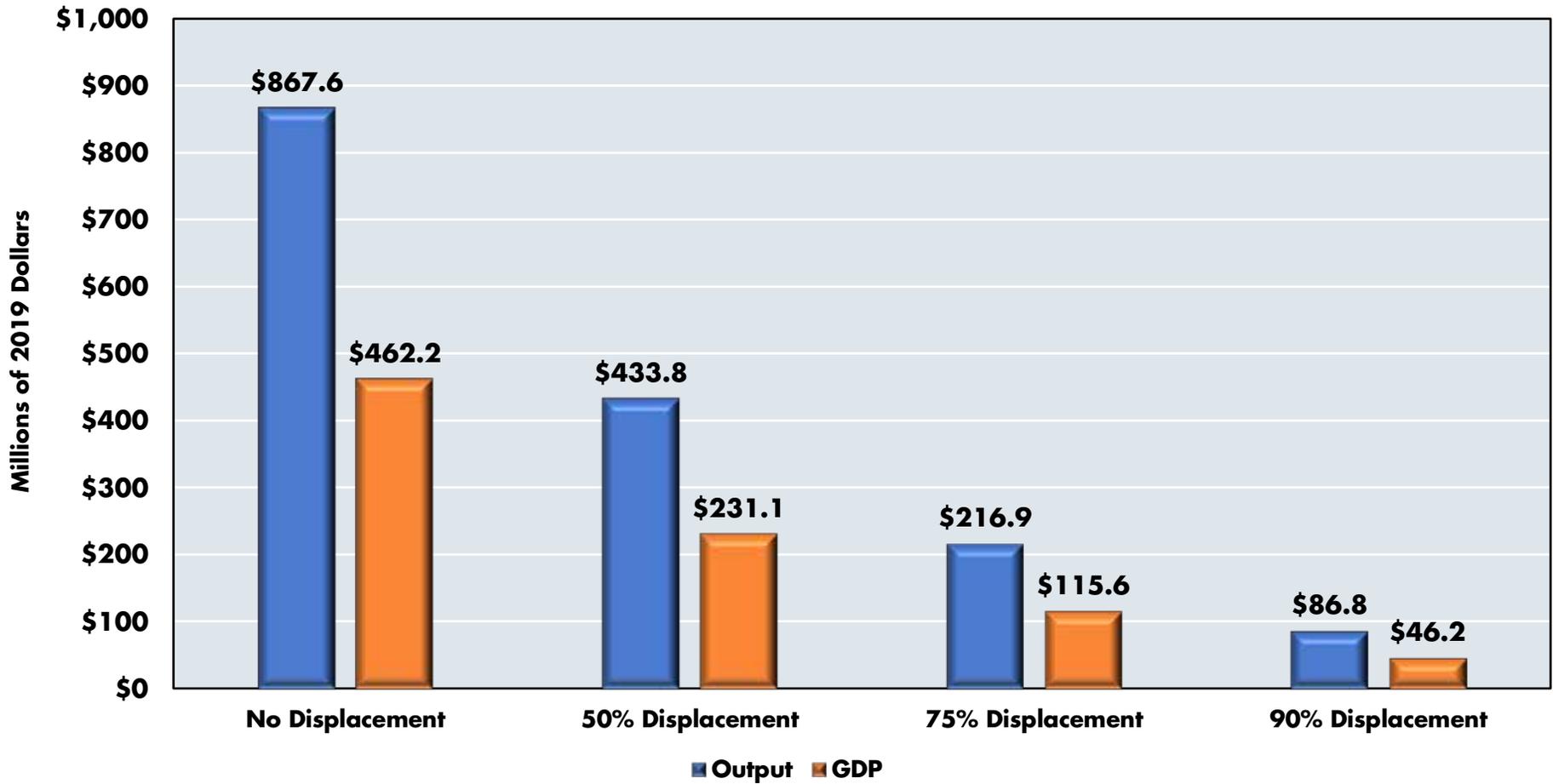
The fiscal impact of the casinos depends on where one stands. While projections vary, the casinos in Norfolk and Portsmouth are expected to generate about \$350 million and \$150 million, respectively, in revenue annually. The budgets of Norfolk and Portsmouth will undoubtedly benefit from the spending at the casinos. In September 2020, the city of Norfolk projected that the Norfolk casino would generate between \$24.8 million and \$44.5 million annually.²⁵ A November 2020 release from the city of Portsmouth stated that the Portsmouth casino would generate more than \$16 million annually.²⁶ We do not argue that the cities where the casinos are located will benefit from increases in tax revenue; however, we need to point out that as displacement rises, the revenues of other cities and counties in Hampton Roads may decline as consumers shift some of their spending to Norfolk and Portsmouth.

²⁵ <https://www.norfolk.gov/DocumentCenter/View/62929/Casino-Hotel-Staff-Report-Final>.

²⁶ <https://www.accessportsmouthva.com/news-and-press/rush-street-gaming-casino-approved-by-voters-in-portsmouth-virginia>.

GRAPH 4

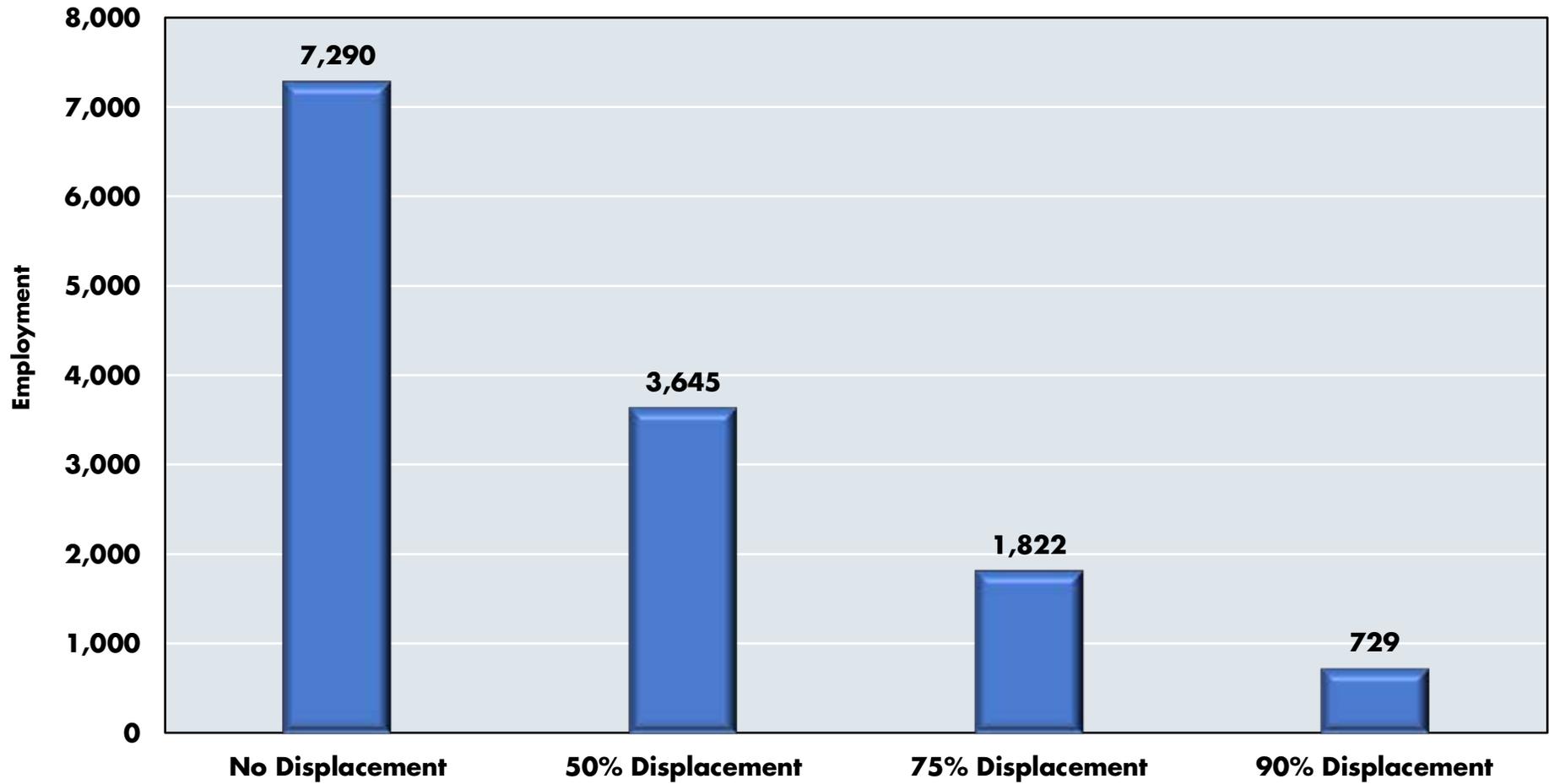
ESTIMATED ANNUAL ECONOMIC IMPACT OF CASINOS ON OUTPUT AND GDP: HAMPTON ROADS,
NET OF DISPLACEMENT



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and IMPLAN Group

GRAPH 5

**ESTIMATED ANNUAL ECONOMIC IMPACT OF CASINOS ON EMPLOYMENT: HAMPTON ROADS,
NET OF DISPLACEMENT**



Sources: Dragas Center for Economic Analysis and Policy, Old Dominion University, and IMPLAN Group. Estimates may not sum due to rounding.

Problem Gambling

According to The Recovery Village Drug and Alcohol Rehab treatment facility, an estimated 10 million Americans struggle with gambling addiction in the United States. The social costs attributed to gambling vary, depending on the type of gambler. Gambling addiction can affect anyone of any age or gender, and it impacts not only the individual with the problem but also close family and friends. This addiction is more common in adults than in adolescents, but the exposure to and participation in gambling at a younger age increases the risk of developing a gambling problem later in life. Approximately 1 in 20 college students are said to exhibit signs of compulsive gambling, a rate that is higher than that for the overall adult population.²⁷ Table 7 lists local programs that specialize in gambling addiction.

For many people, addiction to gambling isn't an isolated problem. Individuals who are most at risk of developing gambling problems typically have preexisting addictions or disorders. A correlational link exists between gambling and depression, and one study found suicidal ideation in nearly half of its respondents.²⁸ Substance abuse is also prevalent among these individuals, with the connection to alcoholism being most common. Although little data exist on gambling addiction among adults in Virginia, research suggests the estimated percentage of Virginia adults with a gambling problem is between 5% and 10%.²⁹ Previous estimates of the general public afflicted with a gambling disorder range from approximately 0.5% to 2%. Hampton Roads is home to approximately 1.8 million people, so there may be between 9,000 and 36,000 problem gamblers in the region. Yet, with the advent of the mobile lottery, online sportsbooks and games of skill, the argument that casinos will be the impetus for problem gambling seems to have lost some steam. The challenge for cities and counties in Hampton Roads will likely be meeting the rising demand for mental health services due to the increasing range of gambling choices available to the public. It may be appropriate to allocate more funds to behavioral health services in order to meet this demand.

²⁷ The Recovery Village, Gambling Addiction Facts and Statistics, <https://www.therecoveryvillage.com/process-addiction/compulsive-gambling/related/gambling-statistics/>, and the National Center for Responsible Gaming, https://www.icrg.org/sites/default/files/oec/pdfs/ncrg_fact_sheet_gambling_disorders.pdf.

²⁸ <https://preventionlane.org/gambling-vulnerable-populations>.

²⁹ <https://www.virginiamercury.com/2020/02/24/as-virginia-preps-for-casinos-and-sports-betting-experts-say-state-needs-sharper-focus-on-problem-gambling/>

TABLE 7

GAMBLING ADDICTION TREATMENT PROVIDERS: HAMPTON ROADS, 2019

Name	Location
Middle Peninsula Northern Neck Counseling Center	9228 George Washington Memorial Highway Gloucester, Virginia 23061
Norfolk Community Services Board	7460 Tidewater Drive Norfolk, Virginia 23505
Sentara Norfolk General Hospital Gambling Addiction Treatment	600 Gresham Drive Norfolk, Virginia 23507
Virginia Beach Mental Health Substance Abuse Division	289 Independence Blvd., Pembroke 3, Suite 245 Virginia Beach, Virginia 23462
Hampton Veterans Affairs Medical Center/Mental Health SATP	100 Emancipation Drive, Unit 116-A Hampton, Virginia 23667
Mental Health Support Services Alpha Counseling	2278 Executive Drive Hampton, Virginia 23666
Gordon Wellness LLC	610 Thimble Shoals Blvd., Suite 403 Newport News, Virginia 23606
A. Richards Counseling and Psychotherapy	720 Rodman Ave. Portsmouth, Virginia 23707
Virginia Beach Department of DHS MHSA Div Adult Day Treatment	1045 Lynnhaven Parkway Virginia Beach, Virginia 23452
Western Tidewater Community Services Board	7025 Harbour View Blvd., Suite 119 Suffolk, Virginia 23435

Source: Substance Abuse and Mental Health Administration (2019)

Do Casinos Increase Crime?

Opponents of casinos rely on a straightforward argument: Casinos attract people with money to spend, and criminals, being profit-maximizing individuals, are quick to offer illicit services (drugs and prostitution, for example) or prey on those with money (confidence scams, robbery and the like). Proponents of casinos argue that the evidence supporting the casino-crime hypothesis is overstated. It turns out the evidence, depending on how one looks at it, can support either perspective.

Since the 1980s, more than 30 peer-reviewed studies have examined the influence of commercial casinos on criminal activity and public safety. A 2019 review of these studies found that some of them concluded criminal activity increased after casinos opened; other studies reported that some crimes increased and some decreased (a mixed effect); and still others saw no statistical evidence to support the hypothesis that casinos influence criminal activity (Table 8). Yet, as with academic studies, one must read past the abstract to discern the nuance of the findings.

Finding	Total Number of Studies	Percentage of Studies
Increase in crime	4	13%
Mixed effect (increases and decreases in crime)	9	28%
No impact on crime	19	59%

Source: Jay Albanese (2019), "Casino gambling impacts on crime and public safety: A review of 30 years of research," *International Journal of Criminal Justice Sciences* 14 (2), 320-338

First, the demographics of casino patrons indicate that they are less likely to be involved in crimes typically measured by these studies. Crime statistics show that, on average, younger individuals are more likely to perpetrate and be victims of crime than older individuals, especially street crimes. Casinos attract

an older and higher-income clientele, who are more likely to go out less often, go home earlier and visit less desirable places than younger people. Casino patrons who are in their 40s and 50s are likely to behave much differently than theme park, bar and beach visitors in their 20s and 30s.

Second, revenue from casinos may fund the growth of public safety services, which, in turn, uncover more criminal activity. Most studies fail to account for the level and composition of public safety resources prior to and after the introduction of a commercial casino. This is not to say the area surrounding the casino is safer or less safe, just that there are more public safety resources. This leads to more interactions with the public, which, in turn, leads to more reports of criminal activity.

Third, many studies are geographically limited and cannot be extended to other locations. A 2019 study of casinos in Southern California found that perceived staff friendliness and casino popularity on Yelp were significantly related to higher crime rates. However, the nature of the study meant that its results were only specific to the area being examined.

A 2021 study suggested that criminal activity around a casino may "behave" much like casino revenues – increasing at opening and then returning to pre-opening levels.³⁰ The JACK Casino opened in Cincinnati's central business district in 2013. Within the casino's neighboring area, criminal activity decreased during construction (2012) and the year of opening. Criminal activity increased from 2014 to 2016, even while the city experienced an overall decline in property crimes. Criminal activity then dropped to the pre-opening level.

The latest findings in the literature suggest that psychology may play an important role in the casino-crime hypothesis. Increases in crime appear to occur after casinos open, but these increases may subside after the initial surge. Upticks in crime tend to be frequently reported (one need only watch the evening newscast or read the morning paper to see how criminal activity is often featured), while statistics that show decreases in crime rarely make the news.

³⁰ Minxuan Lan, Lin Liu and John Eck (2021), "A spatial analytical approach to assess the impact of a casino on crime: An example of JACK Casino in downtown Cincinnati," *Cities* 111, <https://doi.org/10.1016/j.cities.2020.103003>.

Both sides appear to be partially correct; there is evidence that casinos do result in more criminal activity, and there is also a lack of evidence that casinos result in more crime. The risk for decision makers in Norfolk and Portsmouth is to assume that all will turn out well. It would be better to be prepared by investing now in public safety resources rather than to be surprised when criminal activity increases after the casinos open. Being optimistic about crime is not a tenable policy position.

Final Thoughts

Over the last decade, Virginia has doubled down on its bet on legalized gambling. Today, a resident of Hampton Roads can place a bet through an online or mobile sportsbook, buy a physical or virtual lottery ticket, visit a historical horse racing establishment and look forward to gambling at a casino in Norfolk or Portsmouth in the near future. This is a marked change from three decades ago when Virginia did not even have a state lottery.

With this in mind, we offer some final observations about the expansion of gambling and the opening of casinos in Hampton Roads and across the Commonwealth.

Governments in Virginia are increasing their reliance on taxes that are more sensitive to economic conditions. Proponents of casinos and other forms of gambling invariably point to the contributions to local and state budgets to support these projects. While we do not deny that gambling will enhance the bottom lines of Norfolk and Portsmouth, we also note that casinos are sensitive to changes in economic conditions. Given that the casinos in these cities will primarily attract patrons from Hampton Roads, their fortunes may rise and fall in relation to decisions made in Washington, D.C., regarding the size and composition of the federal budget. As most of us are aware, the strength – or lack thereof – of our regional economy is closely tied to federal defense spending.

Casinos will create jobs and increase output in Hampton Roads, but the impact across the region is likely to be small.

An increase in the number of jobs in the region would be welcome news, especially given the relatively anemic job growth over the decade prior to the COVID-19 pandemic. However, these jobs are likely to be concentrated in the leisure and hospitality sector, which continues to struggle to attract workers in the aftermath of the pandemic. Even our most optimistic estimates suggest that the casinos might lift output by 0.4% on an annual basis, an incremental rather than monumental gain. Experience in the gambling industry shows that, after the novelty has worn off, revenues tend to plateau, if not outright decline. We caution readers to view promises of sustained, fulsome impacts over time with a wary, informed eye.

Displacement effects should not be cast aside in the

conversation about casinos or other projects. The majority of benefits from the casinos are likely to accrue to Norfolk and Portsmouth. With about half of workers in Hampton Roads living in one community and working in another, there are likely to be some spillovers across the region in terms of spending and employment. However, the economic impact of the two Hampton Roads casinos is likely to be lower than that produced by casinos in other Virginia regions where the proportion of out-of-state visitors is expected to be higher. Hampton Roads would need visitors to the region to increase their spending rather than substitute casino patronage for other forms of leisure activity. One dollar cannot be spent at the same time in different places.

Gambling is here, thus we should plan accordingly for the social costs. We know that problem gambling and criminal activity are likely to occur at higher rates as gambling opportunities increase, so we should act now. Enhancing our investment in behavioral and mental health services is not only a wise course of action to help residents cope with gambling addiction, but also to address other economic and social shocks. Investing more in policing, including community-based approaches to nonviolent crimes, appears to be a sensible response to the projected increases in visitors to the casinos. Finally, working across jurisdictional boundaries will be necessary, given that many local residents will travel to the casinos to work or gamble. As with other challenges and opportunities in Hampton Roads, collaboration can help increase the gains for the entire region.

