

TEXAS PUBLIC POLICY FOUNDATION

THE COSTS OF CHANCE: EVALUATING THE ECONOMIC AND SOCIAL IMPLICATIONS OF CASINO GAMBLING EXPANSION IN TEXAS

WRITTEN BY
Derek M. Cohen, Ph.D.
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TABLE OF CONTENTS

Executive Summary	Page 3
Introduction	Page 4
Effects Correlated with Gambling	Page 5
Types of Commercial Gambling	Page 6
Experience in Ohio	Page 7
Tax Revenues and Disbursements	Page 9
The Growth of Problem Gambling in Ohio	Page 10
Suicidality in Ohio	Page 11
Ohio vs. Michigan	Page 12
Extrapolating the Ohio Experience	Page 13
Conclusion	Page 14
References	Page 16

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KEY POINTS

- **Casino gambling** has been expanding in the United States since the mid-20th century.
- **Casino gambling offers** a new source of revenue to state and local governments.
- **However, casino gambling** is associated with increased crime and personal dysfunction.

EXECUTIVE SUMMARY

As of January 2025, both casino gambling and sports wagering are constitutionally and statutorily prohibited in the State of Texas. While exceptions do exist—most notably tribal casinos in Livingston and Eagle Pass, in addition to a statewide lottery—lawmakers have grappled with proposals to permit a limited gambling expansion every regular legislative session since the 73rd Legislature in 1993, rejecting the measure each time.

Proponents of legalized gambling suggest that such policy changes will be attended by a large economic windfall to the state and local coffers through new taxes collected directly from casinos and associated tourism. Indeed, the gaming industry estimates that the states with commercial casinos have collected over \$49.38 billion in 2023 alone, up 3.3% from 2022, netting \$14.7 billion in associated taxes ([American Gaming Association, 2024](#)). Opponents are concerned that if Texas did expand gaming, there would be a commensurate increase in associated social problems, such as gambling addiction, mental illness, and crime.

As gambling itself has liberalized across the country in recent years, it is often attended by modest increases in tax revenues collected by cities, counties, and states. Less understood, however, is the attendant “social cost” of such expansion. Naturally, individuals with a predisposition to “problem gambling” present a difficult policy question for lawmakers to navigate: what is the tolerable amount of human suffering to top off public coffers?

The purpose of this paper is threefold: 1) to discuss the history of casino gambling in the United States; 2) to explore the experiences of other states that have sought to legalize or expand gambling; 3)

and to identify and quantify the potential economic and social outcomes should Texas expand gaming within its borders. It is not the goal of this research to advocate for or against the expansion of casino gambling in Texas; rather, it is to provide lawmakers with the relevant information for making such a decision.

INTRODUCTION

Gambling has been a staple since the dawn of recorded history. In 6000 B.C., dice were a popular activity in the Middle East. In fact, Egyptian Pharaohs' tombs have been exhumed with loaded dice found inside (Thompson, 2015). The Bible even speaks of Roman soldiers gambling for Jesus's garments following his crucifixion (*King James Version Bible, 2018, Matt. 27:35*). Casinos are a contemporary edification of this form of recreation.

Casinos, in their modern form, trace their lineage back to 17th century Europe. "Resort casinos" (luxurious gambling houses built in areas of natural beauty or in urban environments with all the trappings of modernity) welcomed the affluent with a novel method of socialization. Central and western Europe became dotted with establishments that sought to offer the wealthy an opportunity to wager money on games of chance (Poley, 2023). To this day, the lineage of European resort casinos can still be seen in institutions like the Casino di Vienza (opened in 1638), Casino de Spa (1763), and perhaps most notably in Casino de Monte-Carlo (1863).

Casinos, as such, did not migrate to the New World in a similar form. Rather, the colonists often gambled via lotteries in support of public projects. The Virginia Colony itself was partially funded through four England-based lottery drawings between the years of 1612 and 1615. In 1777, Washington's armies were funded in part by four lottery draws approved by the Continental Congress. Several of the newly declared independent states also implemented lotteries in support of their revolutionary armies. Following the American Revolution, 21 state governments legalized almost 200 lottery games prior to 1830.

Private gambling, however, was not condoned in the New World. Plymouth, Massachusetts Bay, and Pennsylvania colonies expressly prohibited gambling, with the former two doing so as early as 1612. Still, gambling as private conduct was widespread among the colonists. The Stamp Act—one of the precipitating offenses of the British Parliament that led to the American Revolution—taxed playing cards at one shilling per pack and dice at ten shillings (Thompson, 2015).

The first casino in the United States opened in 1827 in New Orleans. The town was an acknowledged "sin city" dating prior to the Louisiana Purchase in 1803, and in 1815, New Orleans created a system of licensure and regulation with the hopes of controlling gambling as well as reaping some of the financial benefits for public consumption. This casino operated until 1835, the year the city outlawed all casino gaming.

The closure of the country's sole casino in New Orleans echoed the sentiment of a broader anti-gambling movement that was gaining traction at the time. In 1833, Pennsylvania and Maryland eliminated their public lotteries, with 12 more states doing the same within the next several years. By the start of the American Civil War in 1861, no legal lotteries were operating in the United States (Thompson, 2015). Despite the ending of the governmental imprimatur for all forms of gambling, the practice continued to thrive on riverboats, in the gold mining towns in the far west, and unofficially at horse racing venues. Nevada, where casino gambling had still been legal, made the practice illegal in 1909.

This *status quo* was maintained until March 3, 1931, when the State of Nevada legalized gambling to combat population drain and bolster revenues during the Great Depression. However, casino gambling was not legalized again until 1945, with gambling mostly occurring in saloons prior to. Since, casino gambling has spread across the country, being available in 35 states and the District of Columbia.

EFFECTS CORRELATED WITH GAMBLING

Problem gambling, also known as gambling addiction or gambling disorder, is a behavioral health issue characterized by an overwhelming urge to gamble despite harmful consequences to oneself or others. This disorder affects an individual's emotional, financial, and social well-being, and is often associated with other mental health issues like depression, anxiety, and substance abuse (American Psychiatric Association, 2013). Definitionally, problem gambling becomes compulsive, disrupting an individual's personal and professional relationships.

The fifth edition of the Diagnostic and Statistical Manual of Mental Disorders classifies gambling disorder as a behavioral addiction. It lists the criteria that healthcare professionals use to diagnose this disorder, which reflects a pattern of problematic gambling behavior leading to significant distress or impairment. A diagnosis is made when an individual meets at least four of the following criteria within a 12-month period:

1. Needs to gamble in increasing amounts of money in order to achieve the desired levels of excitement.
2. Is restless or irritable when attempting to cut down or stop gambling.
3. Has made repeated unsuccessful efforts to control, cut back, or stop gambling.
4. Is often preoccupied with gambling (e.g., having persistent thoughts of reliving past gambling experiences, handicapping or planning the next venture, thinking of ways to get money with which to gamble).
5. Often gambles when feeling distressed (e.g., helpless, guilty, anxious, depressed).
6. After losing money gambling, often returns another day to get even ("chasing" one's losses).

7. Lies to conceal the extent of involvement with gambling.
8. Has jeopardized or lost a significant relationship, job, or educational or career opportunity because of gambling.
9. Relies on others to provide money to relieve desperate financial situations caused by gambling. (American Psychiatric Association, 2013, p. 585)

Gambling disorder ranges from mild to severe, depending on the number of criteria met. A diagnosis of mild gambling disorder involves meeting four to five of the above criteria, moderate gambling disorder involves meeting six to seven criteria, and severe gambling disorder involves meeting eight to nine criteria.

Gambling disorder is also attended by several direct and indirect risk factors that increase an individual's propensity for problem gambling. In the largest meta-analysis of problem gambling studies to date, Allami et al. (2021) identified numerous factors that, across the studies reviewed, prime an individual at risk for developing a disordered gambling pathology. Naturally, the top risk factors associated with problem gambling is the engagement with gambling itself. Internet gambling, electronic gaming and slot machine use (both inside and outside of a formal casino setting), and poker make up the top four correlates of problem gambling. Attempting suicide is the fifth.

Casino table gambling appears sixth in the list of 55 correlates with problem gambling (or fifth, specific to gaming modality). Of the individual correlates related to problem gambling producing a moderate effect size in the study, other items of note include problems due to drugs and alcohol (9th), suicidal thoughts (13th), cocaine use (17th), anxiety (19th), depression (26th), illicit drug use (27th), mental health problems (30th), and marijuana use (33rd) (Allami et al., 2021).

It bears mentioning that Allami et al.'s analysis ranked the risk factors discussed above in descending order of odds, ratio, and strength. For practical interpretation purposes, the rankings should not be read as unidirectionally causal. For instance, one could sufficiently argue that internet gambling—the highest item on the list—is likely causal of problem gambling because the specific action definitionally precedes the diagnosis. However, for the social factors like suicide and substance abuse, it is unclear which preceded the other in the included studies, only that their coincidence was quite strong. Regardless of which direction the causal arrow points, the strength of the correlation is notable.

Opponents also cite concerns about crime co-occurring with or caused by expanded casino gambling. Popular films such as *The Sting*, *Casino*, and *Godfather II* establish the connection between casino gambling and organized crime in the popular consciousness. Much of this perception is modeled after—if not directly lifted from—the establishment of Las Vegas as a gambling destination and the real-world involvement of well-known organized crime figures.

The modern nexus of casinos and organized crime looks largely similar to the historical analogue. Human trafficking (both in terms of labor and prostitution) are combatted (and in rare cases, facilitated) by casino operators ([American Bar Association, 2019](#)). While the extent of pervasive organized crime in authorized casino space is unknown, it is a matter concerning enough to prompt the industry to affirmatively combat it ([American Gaming Association, 2022](#)). More research is needed to quantify the problem as well as evaluate the effectiveness of anti-organized crime solutions.

The connection with individual crime, however, is more established. In an analysis of all American counties from 1977 to 1996 (the first two decades of casinos beginning to appear outside of Nevada), Grinols and Mustard ([2006](#)) found that 8% of crime in casino counties in the last year of analysis (1996)

were attributable to the casinos, costing each adult American an additional \$75 per year in “social costs” (public spending, victimization, unemployment, and financial). These externalities were estimated to be roughly \$40 billion per year in 1996, to say nothing of similar costs experienced in surrounding counties. The authors note that in most instances, the social ill and crime prevention efforts taken in advance or during a casino opening often suppress the initial effect as the problems associated with increased gambling set in over time.

This trend has been shown in state-specific analyses as well. An analysis of tribal gaming expansion in Wisconsin from 1981 to 1995 has shown that counties with casinos (as well as those neighboring two or more counties with casinos) experienced a 6.7% higher crime rate than those without. Similarly, the Part II crimes (including offenses such as forgery, sex offenses, fraud, and family violence) arrest rate in such counties were 12.2% higher. This equals an estimated 5,277 additional major crimes per year associated with casinos, most notably burglary (1,697 new crimes per year) ([Thompson et al., 1996](#)).

A study of the legalization of Atlantic City, New Jersey, casinos by Hakim and Buck ([1989](#)) demonstrated a spill-over spatial effect on crime attributable to legalized gambling. Using a pooled cross-sectional time-series analysis of property and violent crimes between the years 1972–1984, the authors found that the introduction of casinos was associated with a significant increase in crime, particularly violent crimes and auto thefts. Distance from Atlantic City and increases in police spending correlated with lower crime rates when other relevant variables were controlled.

TYPES OF COMMERCIAL GAMBLING

While this paper focuses primarily on casino gambling, it is important to note that there are many location types where legalized gambling takes place. The quintessential gambling location is that of the **resort casino**. Similar to the European model discussed above, modern-day resort casinos are

large facilities that offer activities beyond gambling, such as dining, shopping, and entertainment. Often-times these establishments have an adjoining hotel for patrons of the resort's amenities. Contrast this with the smaller **standalone casinos**, which offer gambling but often do not have similar non-gaming amenities. The smallest iteration of a land-based gambling facility is the **mini-casino**, a facility that features slot machines and, in rare instances, table games. While not land-based facilities *per se*, relaxed laws on **riverboat casinos** in many states no longer have to sail to be considered such.

The most common hybrid facility is offered at horse and dog tracks that offer parimutuel wagering on races. Known as "**racinos**" (a portmanteau of "race-track" and casino"), these facilities often offer slot machines, video poker, and other electronic gaming options. State law varies on whether racinos can offer table games.

The majority of resort casinos also include sports-books, which are facilities where sports fans can watch multiple games at once and place bets on in-play and future competitions. While state law dictates whether such facilities can offer sports gambling, most of the states that allow casino gambling offer some form of online or in-person sports wagering.

The advent of online sports betting—wagering on matches via a phone app or website—has caused some confusion with daily fantasy sports (DFS). While casinos and sports betting are currently prohibited in Texas, DFS are currently permitted under state and federal law. DFS are not considered gambling under federal law because they are structured as skill-based contests rather than games of chance. This distinction is supported by the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), which explicitly exempts certain fantasy sports from the definition of gambling, provided they meet specific criteria.

A key factor distinguishing DFS from gambling is the emphasis on skill over chance. Legal precedent,

such as the ruling in *Humphrey v. Viacom* (2007), has affirmed that fantasy sports primarily rely on skill rather than luck, thus placing them outside the scope of traditional gambling. Additionally, DFS platforms comply with UIGEA by adhering to the bill's specific requirements. Winning outcomes in DFS contests must be determined predominantly by skill and the accumulated statistical results of individual athletes across multiple games, rather than by chance. Prizes are established and disclosed in advance, and their value is not tied to the number of participants or the amount of entry fees collected—a contrast with the model of parimutuel wagering. Moreover, winning outcomes cannot rely solely on the performance of a single athlete or team in any single event.

The distinction between entry fees and wagers further supports the classification of DFS as a skill-based activity. Courts and agencies, including the IRS, have consistently differentiated between entry fees for contests and bets or wagers. Entry fees are treated as payments for the opportunity to compete in skill-based games, not as stakes placed on uncertain outcomes.

EXPERIENCE IN OHIO

Extracting lessons from states that have expanded casino gambling is a complicated task. Texas's unique demography, migration patterns, rapid growth, and resilient economy make the state *sui generis* and resistant to like-for-like comparison. Regarding comparison states, most that have expanded casino gambling since the mid-1900s: 1) have done so many decades ago, where new data has to be considered with casinos as a legacy institution; 2) place tax revenues in the general funds of the state or local governments, making tracking spending directly attributable to casino tax revenues impossible; and 3) fail to track the prevalence of problem gambling within the state. Those that do track the negative issues often do one snapshot in time (e.g., New York) or report on process measures with minimal dimensionality in the data (e.g., Pennsylvania).

Ohio, however, has done so with the last 15 years, constitutionally dedicated tax rates and disbursements, and publishes robust information on associated consequences.

The legalization of casino gambling in Ohio emerged after several unsuccessful attempts to introduce gambling legislation. Ohioans had rejected four ballot initiatives from the early 1990s through the 2000s, largely due to concerns about social impacts, increased crime, and gambling addiction (Zatezalo, 2010).

In 2009, Ohio voters approved Issue 3, a constitutional amendment authorizing the construction of four casinos in the state's major cities (Cincinnati, Cleveland, Columbus, and Toledo) 53% to 47%. The amendment specified the locations, with each casino allowed only in its designated city. The amendment also permitted the creation of the Ohio Casino Control Commission (OCCC) to regulate the

new industry. Alongside the OCCC, the Ohio Lottery Commission was also granted statutory authority to regulate video lottery terminals (VLTs) at the state's racetracks, thus allowing the development of racinos (Ohio Laws & Administrative Rules, n.d.). The first Ohio casinos opened in 2012, beginning with the Horseshoe Casino in Cleveland and the Hollywood Casino in Toledo, followed by additional casinos in Columbus and Cincinnati.

Issue 3 also specified the tax rate on gross revenue each facility is required to pay (33%), as well as how that tax revenue was to be distributed as follows in

Table 1.

In addition to the four casinos, Ohio expanded its law to include racinos in 2012. These facilities are regulated by the Ohio Lottery Commission's regulation and offer VLTs, but not traditional table games. By 2021, seven racinos were operating throughout Ohio (American Gaming Association, 2024).

Table 1

Ohio's Constitutionally-determined Disbursements

Fund	Purpose	Percentage
County Fund	To be split among the state's 88 counties based on population. If the largest city in the county is above 80,000 residents, half of the county's distribution will go to that city.	51%
Student Fund	To be split among the state's 611 school districts, based on student enrollment.	34%
Host City Fund	To be disbursed directly to the cities of Cincinnati, Cleveland, Columbus, and Toledo	5%
OCCC Fund	To support the OCCC. Note: 1% of this disbursement is transferred to the Casino Tax Administration Fund.	3%
Racing Commission Fund	To support the Racing Commission and to promote horse racing in Ohio. Note: Up to 5% of this fund may be retained for Commission operating expenses.	3%
Law Enforcement Training Fund	To support the training of law enforcement, as administered by the Ohio Attorney General. Note: 85% of this disbursement is transferred to the Police Officer Training Academy Fund, and 15% is transferred into the Criminal Justice Services Casino Tax Revenue Fund.	2%
Problem Gambling and Addictions Fund	To support the state's Department of Mental Health and Addiction Services.	2%

Source: Ohio Laws and Administrative Rules, n.d. (<https://codes.ohio.gov/ohio-constitution/section-15.6>).

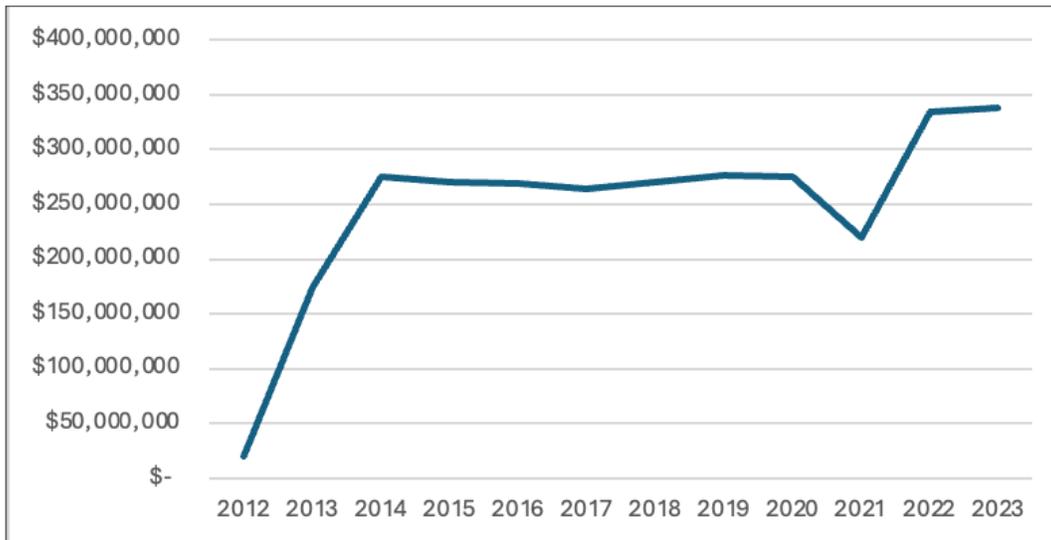
TAX REVENUES AND DISBURSEMENTS

Collections of casino revenue began in 2012 following the opening of the Cleveland and Toledo Casinos. In that first fiscal year, the State of Ohio collected and disbursed \$19,760,134. In the first year that all four casinos were open, the state collected and disbursed

\$275,849,215. Casino tax revenue remained largely static until the 2020 COVID-19 pandemic when receipts temporarily lagged (\$220,000,000 being collected in FY 2021) before resurging in FYs 2022 and 2023 (\$334,100,000 and \$338,000,000, respectively) (Ohio Casino Control Commission, n.d.).

Figure 1

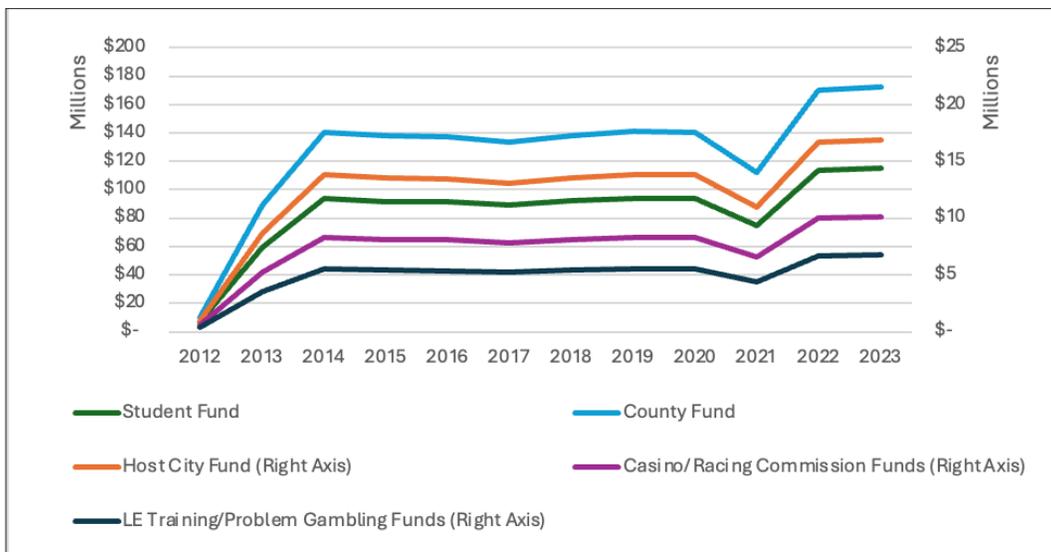
Ohio's Tax Receipts from Casino Gambling, 2012-2023



Source: Ohio Casino Control Commission, n.d. (<https://casinocontrol.ohio.gov/about/revenue-reports/04-revenue-reports>).

Figure 2

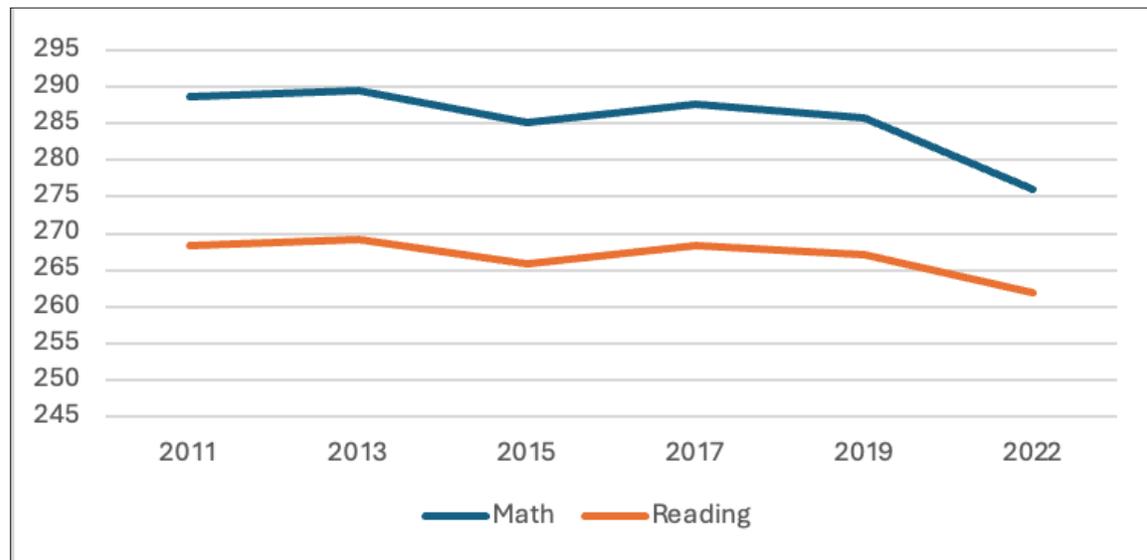
Disbursements from the Gross Casino Revenue Fund, Fiscal Years 2012-2023



Note: The Host City Fund, Casino Control Commission Fund, Racing Commission Fund, Law Enforcement Training Fund, and the Problem Gambling and Addictions Fund are represented on the right-hand Y axis due to scale. Also, the Casino Control Commission Fund and Racing Commission Fund, as well as the Law Enforcement Training Fund and the Problem Gambling and Addictions Fund, are combined into one line at the constitutionally mandated value. In both cases, both included funds are receiving this amount independently. **Source:** Ohio Casino Control Commission, n.d. (<https://casinocontrol.ohio.gov/about/revenue-reports/04-revenue-reports>).

Figure 3

National Assessment of Educational Progress, Average 8th Grade Subject Scores, 2011–2022



Source: National Assessment of Educational Progress, n.d. (<https://www.nationsreportcard.gov/ndecore/xplore/NDE>).

Despite the windfall, key metrics of the institutions benefiting from the funds have not meaningfully changed. Particularly, education outcomes remain stagnant. In FY 2023, the public education share of gambling tax revenue was \$114.9 million, about .9% of Ohio’s \$11.6 billion outlay for primary and secondary education ([Ohio Department of Education & Workforce, n.d.](#)). During the period when gambling was permitted (2012–present), Ohio’s National Assessment of Educational Progress scores slightly declined in both math and reading ([National Assessment of Education Progress, n.d.](#)).

There has not been a similar county-based analysis of Ohio crime data similar to that performed nationally, nor in Wisconsin or Atlantic City.

THE GROWTH OF PROBLEM GAMBLING IN OHIO

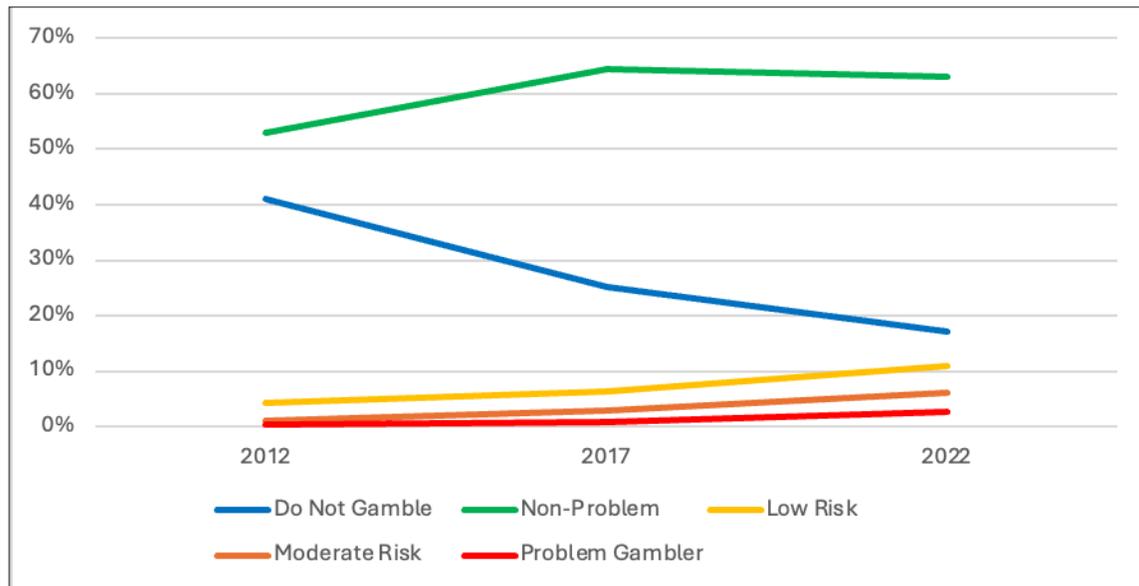
Since the opening of Ohio’s four casinos in 2012, the Department of Mental Health and Addiction Services has commissioned a survey every five years to better understand adult Ohioans who choose to gamble. The initial survey revealed that 41.1% of Ohioans

chose not to gamble, and the 53% who chose to gamble were able to do so without it meaningfully affecting their lives. Since the initial survey, however, a decreasing percentage of Ohio adults choose not to gamble, with percentages in each risk category increasing in both the 2017 and 2022 surveys. The survey report authors estimate that, across the three risk categories, 19.8% of adults exhibit some form of disordered gambling, or roughly 1,806,490 Ohioans. This trend is observed clinically as well, with 67,713 adults being screened for problem gambling and 1,139 requiring treatment ([Ohio Department of Mental Health & Addiction Services, n.d.](#)).

These alarming numbers starkly illustrate the hidden social cost often discounted in discussions of expanding casino gambling. The most severe category, “problem gambler,” has seen a sevenfold increase in the 10 years casinos have been present in Ohio, afflicting an estimated 254,729 of the state’s residents. Moderate-risk gamblers experienced a sixfold increase (560,248), while the percentage of low-risk gamblers has increased by 2.5 times since the initial survey (991,513). It bears mentioning that

Figure 4

Percentage of Adults by Gambling Activity Across Three Iterations of the Ohio Gambling Survey



Source: Ohio Department of Mental Health & Addiction Services, n.d. ([https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/responsible-gambling/Reports/2022%20Ohio%20Gambling%20Survey%20Highlights%2010.18.23%20v2%20\(2\).pdf](https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/responsible-gambling/Reports/2022%20Ohio%20Gambling%20Survey%20Highlights%2010.18.23%20v2%20(2).pdf)).

Table 2

Prevalence of Gambling in Ohio Population

Survey Year	Do Not Gamble	Non-Problem	Low Risk	Moderate Risk	Problem Gambler
2012	41.4%	53.0%	4.2%	1.1%	0.4%
2017	25.1%	64.4%	6.4%	3.0%	0.9%
2022	17.2%	63.0%	10.9%	6.1%	2.8%

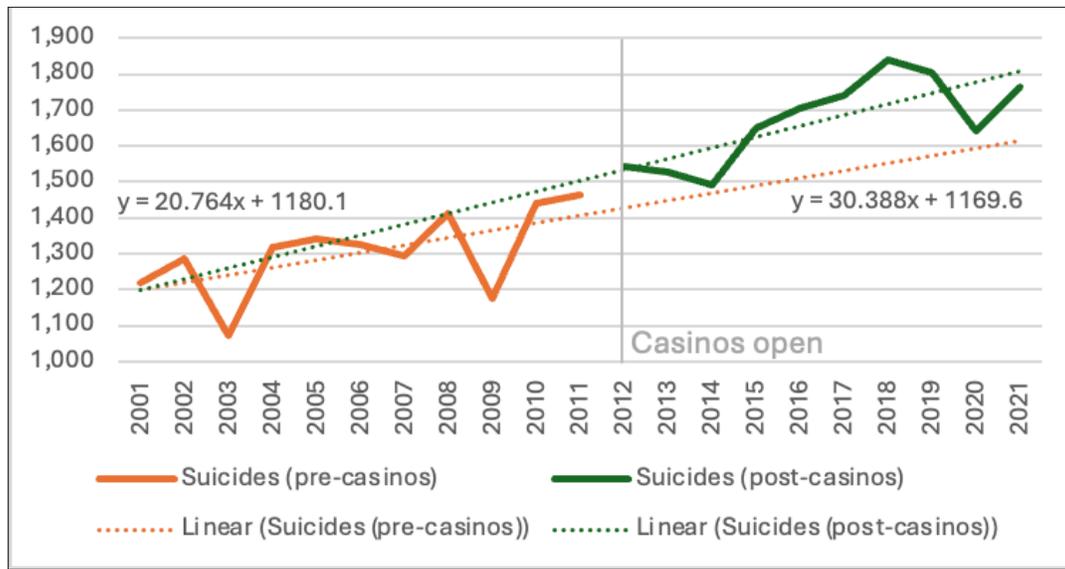
Source: Ohio Department of Mental Health & Addiction Services, n.d. ([https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/responsible-gambling/Reports/2022%20Ohio%20Gambling%20Survey%20Highlights%2010.18.23%20v2%20\(2\).pdf](https://dam.assets.ohio.gov/image/upload/casinocontrol.ohio.gov/responsible-gambling/Reports/2022%20Ohio%20Gambling%20Survey%20Highlights%2010.18.23%20v2%20(2).pdf)).

the percentage of non-problem gamblers has increased by 10% as well, as the entirety of that share is outweighed by the share of gamblers who did not gamble in 2012 and now do. Furthermore, problem gambling has shown to differentially impact communities of color, with the average African American Ohioan being 75% more likely to experience the effects of at-risk or problem gambling than the average White Ohioan (Ohio Department of Mental Health & Addiction Services, n.d.).

SUICIDALITY IN OHIO

Coincident with the expansion of gambling in Ohio was an increase in the state's suicide counts and rate per 100,000 residents. Generally, suicide has been increasing across the nation at a concerning rate. Ohio has seen an increase in the number of suicides (about 10 additional suicides per year) in the period since casino gambling has been accessible in the state (an additional 30 suicides per year from 2012 onward, compared to an additional 20 suicides per year from 2001-2011) (Centers for Disease Control, n.d.).

Figure 5
Ohio Suicide Count, 2001–2021



Source: Centers for Disease Control, n.d. (<https://wisqars.cdc.gov/>).

Again, it bears noting that a prevailing increase (and the increase in the rate) of suicide in Ohio cannot be directly tied to the expansion of gambling in the state. Suicide, as an individual act, is extremely complex with multifactorial risk factors, insular factors, and environmental factors that vary across the state’s population. Still, the observed increase in suicide rates following the introduction of an environmental factor moderately correlated with suicide (i.e., access to gambling) is a relevant item for policymakers considering the issue.

OHIO VS. MICHIGAN

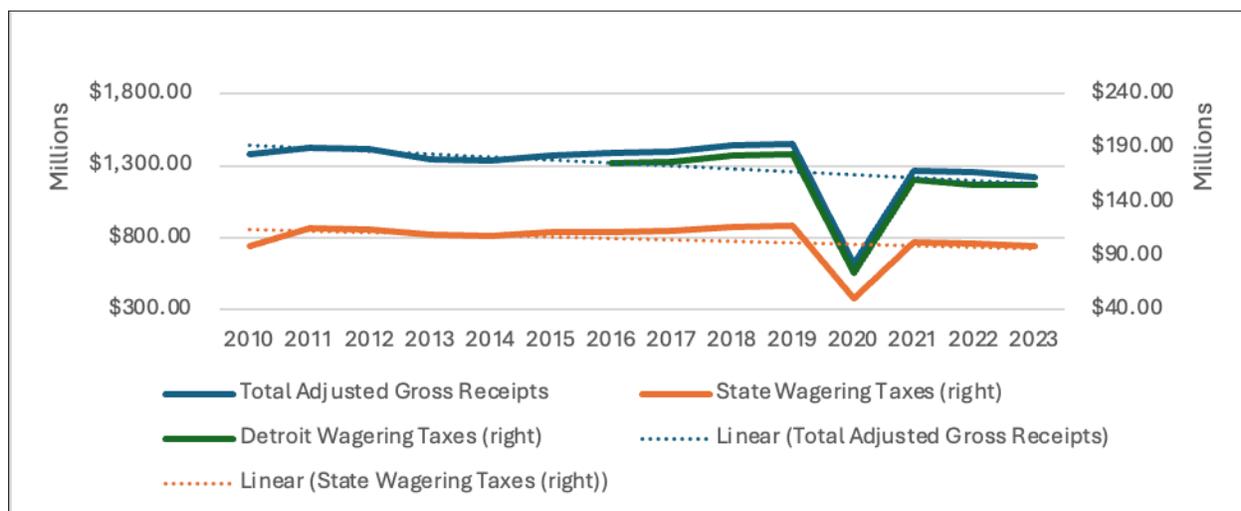
In 1996, Michigan voters approved Proposal E, a ballot initiative allowing for the establishment of up to three commercial casinos, specifically in Detroit, Michigan’s largest city. Proposal E amended the Michigan Gaming Control and Revenue Act, specifying that casinos could only be located in Detroit. Three casinos were built, MGM Grand Detroit, MotorCity Casino, and Greektown Casino, opening between 1999 and 2000. Both the state and the city set the tax rate for the casinos’ adjusted gross receipts (AGR) at 8.1% and 9.9%, respectively.

Toledo, located on the Ohio–Michigan border, is under an hour’s drive from Detroit. Cleveland, located across Lake Erie from Detroit, is about 90 minutes further away by car. It was widely reported at the time that Detroit lawmakers were fully expecting an economic hit to gambling revenues when the casinos in Toledo and Cleveland opened in May of 2012 (Helms, 2012). The displacement effect introduced by the opening of Cleveland’s casino was likely tempered by a Pennsylvania racino (Erie) and casino (Pittsburgh) being a shorter drive from the city, although analysts did expect to lose some Cleveland traffic as well. In all, analysts were predicting a 5% hit to gross revenues, equaling roughly \$30 million in tax revenue per year.

Indeed, the expected hit did occur, albeit mildly in the first year. In 2012, the three Detroit casinos experienced a .54% decrease in gross revenues (\$7,711,034.83 less than in 2011), and likewise, state wagering tax receipts (SWTR) decreased by \$624,593.82. In 2013, when all four of Ohio’s casinos were operational, tax receipts decreased an additional \$67,230,756.99 in gross revenue on top of the previous year’s loss and a 5.26% drop from 2011. That decrease resulted in a \$5.4 million loss for SWTR. The losses continued in 2014 (Michigan Gaming Control Board, n.d.).

Figure 6

Detroit Casino Revenues and Tax Receipts, 2010–2023



Source: Michigan Gaming Control Board, n.d. (<https://www.michigan.gov/mgcb/detroit-casinos/resources/revenues-and-wagering-tax-information>).

In 2015, however, the casinos' AGR started to rebound. In what would become the historic peak, Detroit's casinos brought in \$1,454,274,694.07 in 2019. Following the arrival of the COVID-19 pandemic in 2020, Detroit's three commercial casinos saw declining revenues before being shut down on November 18, 2020. The disruption resulted in casinos bringing in only \$620,385,027.98 in AGR, a 57% drop from the 2019 high, and bringing in \$67.5 million fewer dollars to the state and \$100.4 million fewer dollars to the city (Michigan Gaming Control Board, n.d.).

Similar to other industries, the Detroit casinos rebounded in 2021—\$1,266,762,530.94 in AGR collected—roughly 87% of the AGR of 2019. However, the rebound year marked the post-COVID-19 peak, and the casinos brought in .78% less revenue in 2022 and 2.7% less in 2023, year-over-year.

In December of 2019, Michigan expanded gambling to allow online casinos and sports wagering starting March of 2020 and online sports wagering starting January of 2021. In the three full calendar years since, online sports wagering has produced a total of \$553.6 million in adjusted gross sports betting receipts for the casino operators, and \$36.8 million for the state

(Vojvodic, 2024). Ohio followed suit, allowing online sports wagering starting in January of 2023.

Ohioans quickly took to online sports betting, placing more than \$7.65 billion in wagers in the 2023 calendar year alone, netting \$936 million in tax revenue (2024). Commensurately, Ohio's Problem Gambling Help Line received 10,637 calls, almost twice the number of calls received in 2022 (2024).

The cautionary tale evident in the Ohio/Michigan experience is that while gambling revenues can be a new source of tax revenue for state and local governments, the enterprise is volatile and subject to external and ecological events. There is a finite amount of dollars that current and would-be gamblers are willing to part with in a given year, and as the pool of non-gamblers diminishes at a rapid rate, states can become stuck in an "arms race" to offer access to more taxable pursuits.

EXTRAPOLATING THE OHIO EXPERIENCE

While Ohio's expansion of gambling is illustrative, the observed metrics would logically pale in comparison if a much larger state like Texas were to implement similar changes. Indeed, Texas's adult population

Table 3
Texas Extrapolations of Ohio Trends

	Ohio (2022)	Texas (2023)
Adult Population	9,193,508	22,963,044
Revenue		
Host Cities	\$16,700,000.00	\$41,712,351.24
Public Schools	\$113,600,000.00	\$283,743,898.24
Counties	\$170,400,000.00	\$425,615,847.36
Casino Regulation	\$10,000,000.00	\$24,977,455.83
Racing Regulation	\$10,000,000.00	\$24,977,455.83
Law Enforcement	\$6,700,000.00	\$16,734,895.41
Problem Gambling/Mental Health	\$6,700,000.00	\$16,734,895.41
Total	\$334,100,000.00	\$834,496,799.31
Gambling Typologies		
Non-gamblers (17.2%)	1,581,283	3,949,644
Non-problem Gamblers (63%)	5,791,910	14,466,718
Low Risk Gamblers (10.9%)	1,002,092	2,502,972
Medium Risk Gamblers (6.1%)	560,804	1,400,746
Problem Gamblers (2.8%)	257,418	642,965

Note: This data is pulled from the 2022 Ohio Casino Revenue Report and the 2022 Ohio Gambling survey, then extrapolated by Texas's most recent population estimate.

(meaning those who would have access to casinos and increased gambling opportunities) is 2.5 times that of the Buckeye State. Presuming an identical policy, taxation, and revenue disbursement structure and similar experiences with problem gambling, the state can reasonably expect the following results in **Table 3**.

Regarding revenue, an additional \$834.5 million could be expected to be shared between the state and various political subdivisions. However, it is a relatively paltry sum compared to other state and local revenues dedicated to these entities. For example, the estimated revenue dedicated to

education (\$283,743,898.24) is 0.31% of the over \$92 billion Texans spend on primary and secondary education for the 2022-2023 school year ([Texas Education Agency, n.d.](#)).

CONCLUSION

There is no denying that expanding casino gambling is associated with an increase in state and local tax revenues. Naturally, a newly established tax on erstwhile illegal activities represents an incalculable percentage increase over what was previously untaxed behavior. However, this new tax revenue is offset by correlated negative phenomena like gambling addiction and crime.

Extrapolating observed trends to the State of Texas offers some added focus. It is not unreasonable to believe that Texas could bring in over \$800 million a year in previously unrealized revenues that would support public spending in education, law enforcement, and mental health. However, that same rationale would posit that an excess of 4.5 million adult Texans would have their lives negatively impacted by their gambling, with 642,965 of them having their lives severely upended. No discernable benefits attend the increased revenues due to the paltry percentage it layers on top of preexisting spending, and the source of the money is rather sensitive to external events.

The tradeoff presented to lawmakers is apparent: at what financial threshold does the risk posed by expanding casino gambling become acceptable? Using the numbers above, the result would be political subdivisions bringing in less than \$184 per year for each Texas adult who develops some degree of gambling addiction. It is up to lawmakers to decide if this is a golden windfall or a mess of pottage. ■

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ABOUT THE AUTHOR



Derek M. Cohen, Ph.D., is the Foundation's Chief Research Officer and Right on Crime Senior Fellow. Previously the Vice President of Policy and Director of Right on Crime, the Foundation's criminal justice reform initiative, Cohen was instrumental in the passage of the First Step Act, federal legislation that borrowed from successful changes to prisons and sentencing that he had helped pass in conservative states. In addition to leading the Foundation's work on criminal justice, he is also the lead researcher of firearms policy.

Cohen currently serves as a commissioner on the State Commission on Judicial Conduct and as a member of the Judicial Advisory Council, both terms expiring in late 2029.

Prior to joining the Foundation, Cohen worked as a researcher with the University of Cincinnati's Institute of Crime Science and completed three advanced statistical trainings at the Inter-university Consortium for Political and Social Research (ICPSR) at the University of Michigan. He also taught classes in statistics, research methods, criminal procedure, courts, and corrections.

Cohen's academic work can be found in *Criminology and Public Policy*, *Victims and Offenders*, the *Oxford Handbook on Police and Policing*, and many other academic outlets. He has presented several papers to the American Society of Criminology, the Academy of Criminal Justice Sciences, and the American Evaluation Association.

Cohen graduated with a BS in criminal justice from Bowling Green State University and earned his M.S. and Ph.D. in criminal justice from the University of Cincinnati.

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