

A Unique Approach to Improving Economic Conditions in States Experiencing Financial Hardships

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Across the nation states are experiencing financial hardships. Through considering the available resources and properly implementing creative solutions, the states can provide hope and a positive economic outlook for their citizens. This study explores a unique opportunity available for Mississippi as an example of one state that through implementing a creative solution can place itself in an improved financial position. The analysis and results provide an outlook of the implementation scenarios leading to increased state tax revenue and general economy contributions. Other states can use this model as a basis for creating unique solutions to their financial hardships.

INTRODUCTION

Throughout recent years many states experienced financial hardships that resulted in extreme budget reductions to the entities operating within those states. Challenging financial times require creative measures by the states' governments in order to provide adequate funding to allow the states' entities to operate. Politicians, when campaigning for election or re-election, focus on the needs and interests of their constituents, such as education, healthcare, and taxes. While this provides an excellent and often successful strategy, meeting the needs of citizens and upholding campaign promises become a challenge, especially when the economy changes for the worse. Elected officials are tasked with the responsibility to create a balanced budget, while allocating appropriate funds to the states' receiving organizations. In order to meet their obligations, the governments often enforce budgetary reductions within the restrictions of the laws of that state. These reductions traditionally occur within the established constraints of the previously approved budget rather than considering possible creative measures to meet the needs of a balanced budget. This study serves as an example of a unique approach to improving economic conditions in states experiencing financial hardships. Specifically, the state of Mississippi provides an ideal atmosphere for examining the creative measures suggested to increase state revenue to the benefit of a more balanced budget.

A DISCUSSION OF THE LEGAL GAMING AGE IN MISSISSIPPI

In Mississippi, the legal age of 21 provides the gaming patron with permission to enter casinos. This age determination follows the legal requirements established by the state legislature in 1990 (Humphrey, 2010). While Mississippi's age constraint on the legality of gambling mimics others states, the limitation places the state at an economical competitive disadvantage. Not all states with legalized gambling set the minimum gaming age to 21; some have established a lower acceptable gaming age (Table 1).

TABLE 1
MINIMUM GAMBLING AGE FOR CASINOS IN THE UNITED STATES OF AMERICA

State	Minimum Age
Alabama	No Casinos
Alaska	18
Arizona	21
Arkansas	No Casinos
California	Some Indian Casinos 18; Card Casinos 21
Colorado	21
Connecticut	Bingo 18; Casino 21
Delaware	21
DC	18
Florida	Some Casino Boats 18; Indian Casinos 18 for Bingo or Poker; 21 for Electronic Gaming Machines
Georgia	21
Hawaii	No Casinos
Idaho	18
Illinois	21
Indiana	21
Iowa	21
Kansas	21
Kentucky	No Casinos
Louisiana	21
Maine	18
Maryland	21
Massachusetts	No Casinos; Casino Cruises 21
Michigan	Indian Casinos 19; Detroit Casinos 21
Minnesota	18
Mississippi	21
Missouri	21
Montana	18
Nebraska	Native Star Casino 19; Other casinos 21
Nevada	21

New Hampshire	21
New Jersey	21
New Mexico	21
New York	Seneca casinos 21; Others casinos 18
North Carolina	21
North Dakota	21
Ohio	18
Oklahoma	Some Casinos 18; Other Casinos 21
Oregon	Bingo 18; Gambling 21
Pennsylvania	21
Puerto Rico	21
Rhode Island	18
South Carolina	21
South Dakota	21
Tennessee	No Casinos
Texas	21
Utah	No Casinos
Vermont	No Casinos
Virgin Islands	21
Virginia	No Casinos
Washington	Some Casinos 18; Most Casinos 21
West Virginia	21
Wisconsin	21
Wyoming	18

(500 Nations, 2010)

Patrons wanting to participate in gaming prior to meeting the age restriction travel to a number of other states to accomplish their goals. Additionally, these patrons welcome the opportunities to gamble on cruises and online. With these choices, gamblers are not restricted to the state of Mississippi.

The age restriction enforced in the state also excludes a large number of tourists, who might otherwise choose to travel to Mississippi. Casinos assist the state's economy through increasing tourism, however the legal age limitation on gambling discourages possible patrons under the age of 21 resulting in a rejection of the state as a vacation destination. As a result of the decision of tourists not to visit Mississippi, the state experiences an adverse impact on the additional funds that guests spend on non-casino related activities, such as lodging, restaurants, entertainment, and travel expenses. An opportunity for the state's economy to expand its revenue through a creative examination of the restriction placed on the legal age of gaming patrons exists.

ADDRESSING MISSISSIPPI'S FINANCIAL HARDSHIPS

The Creative Solution

The establishment of legalized gaming occurred in 1990 (Humphrey, 2010) and the first casino in the state opened in 1992 (Johnson & Long, 2009). In the years since casino establishment, Mississippi's legal gaming age has limited the available revenue to the state. Increasing the available funds for government

entities, residents, and businesses through creative measures establishes Mississippi as a leader in economic innovation, especially given the recent and ongoing challenges of the economy.

Mississippi is primed to take advantage of a unique financial opportunity that will result in additional revenue which can address the state’s budgetary problems. By lowering the legal minimum gaming age from 21 to 18, the state will increase revenue, resulting in a reduction or elimination of the need for lowering the budgeted amount to various state entities that has been prevalent for the last several years and is expected to continue.

Benefits of Implementing the Creative Solution

Through changing the legal gaming age from 21 to 18 in Mississippi, many benefits become evident leading to a reduction of the financial hardships experienced by the state. The opportunities this change can have on the state include an increase in tourism, increase in the employment rate, and increase in the revenue generated by the casinos, all of which will increase the tax revenue to the local and state governments. A focus on the possible increased revenue generated by the casinos provides a sample of the numerous opportunities this solution presents to the state. A positive domino effect will result from the increase in patrons to the state’s casinos as an outcome of this change.

METHODOLOGY

By lowering the gaming age, a population previously untapped becomes a source for generating revenue through already established gaming organizations. The number of 18-20 year olds in the state is estimated at 146,026 (United States Census Bureau, 2009). Additionally, it can be concluded that through allowing younger patrons to gamble, 18-20 year olds in counties and parishes of states that border Mississippi will likely participate. The number of 18-20 year olds in the counties and parishes of bordering states is estimated at 96,464 (United States Census Bureau, 2009), resulting in a total of 242,490 18-20 year olds both in Mississippi and the bordering counties. Permitting this age group to participate in gaming is expected to increase revenue. Of course the amount of the increase depends on the number of patrons, the amount the patrons spend, and the amount spent being in addition to the current patron spending.

In estimating the possible increases in revenue generated by the 18-20 year old population, a conservative approach was utilized. The calculations using the entire estimated population allowed the determination of the maximum revenue possible. Additionally, realistic and conservative estimates of 75%, 50%, 25% were used in the analysis. The annual amount estimated for patron spending was calculated for \$1,000, \$1,500, and \$2,000. Table 2 provides the scenarios of the full population, 75%, 50%, and 25% of the population of 18-20 year olds given each group’s annual spending of \$1,000.

**TABLE 2
\$1,000 SCENARIO OF REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING**

Population %	Patron Amount Spent	Revenue Generated
100	\$1,000	\$242,490,000
75	\$1,000	\$181,867,500
50	\$1,000	\$121,245,000
25	\$1,000	\$60,622,500

Table 3 provides the scenarios of the full population, 75%, 50%, and 25% of the population of 18-20 year olds given each group’s annual spending of \$1,500.

TABLE 3
\$1,500 SCENARIO OF REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING

Population %	Patron Amount Spent	Revenue Generated
100	\$1,500	\$363,735,000
75	\$1,500	\$272,801,250
50	\$1,500	\$181,867,500
25	\$1,500	\$90,933,750

Table 4 provides the scenarios of the full population, 75%, 50%, and 25% of the population of 18-20 year olds given each group's annual spending of \$2,000.

TABLE 4
\$2,000 SCENARIO OF REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING

Population %	Patron Amount Spent	Revenue Generated
100	\$2,000	\$484,980,000
75	\$2,000	\$363,735,000
50	\$2,000	\$242,490,000
25	\$2,000	\$121,245,000

Mississippi's state tax structure pertaining to gaming revenue identifies the first \$50,000 of monthly gross gaming revenue as being taxed at 4%, the next \$84,000 monthly gross gaming revenue as being taxed at 6%, and all monthly gross gaming revenue over \$134,000 as being taxed at 8% (Mississippi Gaming Commission, 2010). The changing of the gaming age would provide additional taxable revenue to the current patron base, therefore the revenue generated by this new group of patrons would be taxed at 8% (R. Butcher, personal communication, March 26, 2010). Table 5 shows the state tax revenue generated by the \$1,000 scenario forecasting the revenue possibilities produced by the 18-20 year old population variances of 100%, 75%, 50%, and 25%.

TABLE 5
\$1,000 SCENARIO OF STATE TAX REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING

Population %	Patron \$	Revenue Generated	Tax Revenue to MS
100	\$1,000	\$242,490,000	\$19,388,480
75	\$1,000	\$181,867,500	\$14,538,680
50	\$1,000	\$121,245,000	\$9,688,880
25	\$1,000	\$60,622,500	\$4,839,080

Tables 6 and 7 present the state tax revenue generated by the \$1,500 and \$2,000 scenarios, respectively, forecasting the revenue possibilities produced by the 18-20 year old population variances of 100%, 75%, 50%, and 25%.

TABLE 6
\$1,500 SCENARIO OF STATE TAX REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING

Population %	Patron \$	Revenue Generated	Tax Revenue to MS
100	\$1,500	\$363,735,000	\$29,088,080
75	\$1,500	\$272,801,250	\$21,813,380
50	\$1,500	\$181,867,500	\$14,538,680
25	\$1,500	\$90,933,750	\$7,263,980

TABLE 7
\$2,000 SCENARIO OF STATE TAX REVENUE GENERATED THROUGH 18-20
YEAR OLD PATRON SPENDING

Population %	Patron \$	Revenue Generated	Tax Revenue to MS
100	\$2,000	\$484,980,000	\$38,787,680
75	\$2,000	\$363,735,000	\$29,088,080
50	\$2,000	\$242,490,000	\$19,388,480
25	\$2,000	\$121,245,000	\$9,688,880

RESULTS AND DISCUSSION

Through the implementation of the creative solution provided, the state of Mississippi will be better equipped to address the financial challenges presented by the current economy. According to the analysis, the best case scenario for Mississippi resulting from the lowering of the legal gaming age from 21 to 18 is presented in Table 8.

TABLE 8
BEST CASE SCENARIO FOR MISSISSIPPI'S ECONOMY

Population %	Patron \$	Revenue Generated	Tax Revenue to MS
100	\$2,000	\$484,980,000	\$38,787,680

As presented in Table 8, the state of Mississippi would have approximately \$39 million of tax revenue generated by the casinos as a direct result of the lowering of the gaming age. Additionally, the remaining casino revenue of approximately \$446 million generated represents a contribution of funds to the general economy. This scenario presents the outcome of one year's revenue generated by this change; it is likely after multiple years, the state's benefit will be significant.

The best case scenario provides an optimistic view of the possibilities available to the state, however it is highly unrealistic. A more conservative view of the economic impact of the lowering of the gaming age is presented in Table 9.

TABLE 9
A CONSERVATIVE CASE SCENARIO FOR MISSISSIPPI'S ECONOMY

Population %	Patron \$	Revenue Generated	Tax Revenue to MS
50	\$1,500	\$181,867,500	\$14,538,680

According to Table 9, the state of Mississippi would have approximately \$14.5 million of tax revenue generated by the casinos as a direct result of the lowering of the gaming age. Additionally, the remaining casino revenue of approximately \$167 million generated represents a contribution of funds to the general economy. This scenario presents the outcome of one year's revenue generated by this change; it is likely after multiple years, the state's benefit will be significant.

Furthermore, the lowering of the gaming age can affect other aspects of the economy; these changes have not been considered in the presented scenarios. For example, the influx of tourists to the state will result in the increase of spending as they will pay for accommodations, travel expenses, meals, non-gaming entertainment, and other activities. The additional patrons at the casinos may require an increase in the number of employees, especially in the businesses and casinos in the areas where gaming is permitted. Given the January 2010 unemployment rate for the state was 12% as compared to 10.3% in December 2009 (Richardson, 2010), it is necessary that the state consider all options for easing the financial hardship of its citizens. According to Parker (2010), "After hearing from state revenue estimators that the 2010 budget is expected to fall almost \$500 million in the hole, Gov. Haley Barbour said he will make a fifth round of cuts today (p. A1)." This latest cut in the Mississippi budget will total \$41 million dollars and greatly impact the state's financial stability. The tax revenue generated from the increased employment rate and the additional spending of visitors, as well as to the tax revenue generated by the casino's increased patron spending through the lowering of the legalized gaming age, will have a positive economic impact on the state. Drastic measures to improve the financial hardships of the state and its citizens require creative thinking and actions by the elective officials responsible for the state's economic well being.

CONCLUSION

During challenging economic times, creative methods are critical in meeting the financial needs of many states. A balanced budget can be accomplished through understanding and utilizing all resources available, rather than considering only those previously investigated. Making cuts and lowering appropriations will not provide the entities dependent upon state funding to adequately perform their assigned tasks, however opening the options to allow for an increase in revenue through the established infrastructure of the state can present unique opportunities. State legislatures that consider creative solutions that showcase the states' existing amenities and require minimal to no additional resources in state funds can provide constituents with hope, confidence in the future, and appropriately funded state entities.

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