

The enormity of the gambling market

In 1995, some \$550 billion in legal wagers was placed at casinos, racetracks, off-track betting parlors, video poker machines, state lotteries, bingo games, and charity events, according to the *United States Gross Annual Wager, 1995*, a study by Christiansen/Cummings Associates, Inc., and pub-

lished in August 1996 by *International Gaming & Wagering Business*, a trade magazine (Figure 1). That amounts to about \$2,000 in wagers for every man, woman, and child in the country, and some \$5,500 per household. Gambling is now legal, in one form or another, in all states of the United States, except Utah and Hawaii (Figure 2).

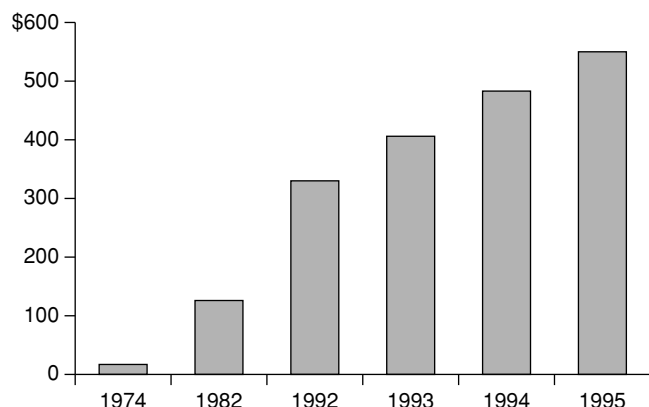
The wagering figure is a measure of the annual turnover in bets, similar to the annual turnover in financial markets, representing the sum of all bets placed. As such, it is different from the revenue of the gambling facilities, which is the net take on those wagers. That is, a gambler might walk into a casino with \$1,000, put all of it into a slot machine, and win back \$750 in jackpots, leaving with \$750 in his pocket; \$1,000 was wagered, but a net \$250 changed hands, the latter figure representing the casino's revenue.

Americans gambled away \$44.4 billion in 1995, more than they spent on movies at theaters, spectator sports, plays, and recorded music combined (Figure 3). Casinos reported 154 million customers in 1995, more than attended all Major League Baseball and National Football League games combined. In 1996, it was even worse. According to Harrah's 1997 *Survey of Casino Entertainment*, casinos reported 176 million visits in 1996, including members of 32% of all U.S. households (Figure 4).

According to Harrah's, more than half of the states generate more than 1 million casino visits each year, led by California with 18 million visits; Illinois, Louisiana, New York, and Pennsylvania with 10-12 million visits; and Texas, New Jersey, Wisconsin, Nevada, and Minnesota rounding out the top ten with 7-8 million visits each. Among metropolitan areas, New York leads the pack with 11 million visits, followed by Philadelphia with 10 million, and Los Angeles with 9 million; these three metropolitan areas generated almost 17% of U.S. casino visits in 1996. Next among metropolitan areas were:

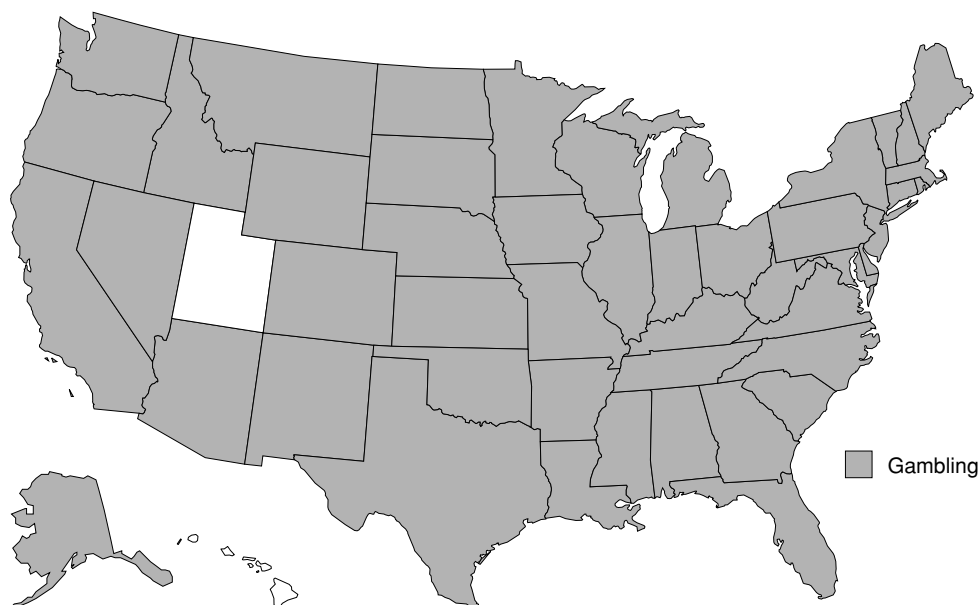
FIGURE 1
Legal gambling wagers in the U.S.

(billions \$ wagered per year)



Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

FIGURE 2
States with some form of legal gambling

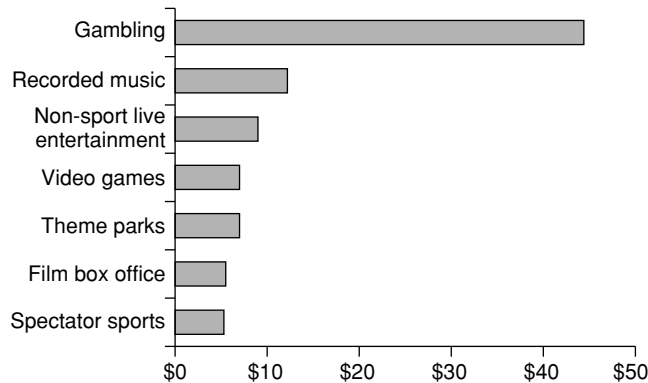


Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*; U.S. General Accounting Office; *EIR*.

FIGURE 3

Spending on gambling exceeds many other forms of 'entertainment'

(billions \$)

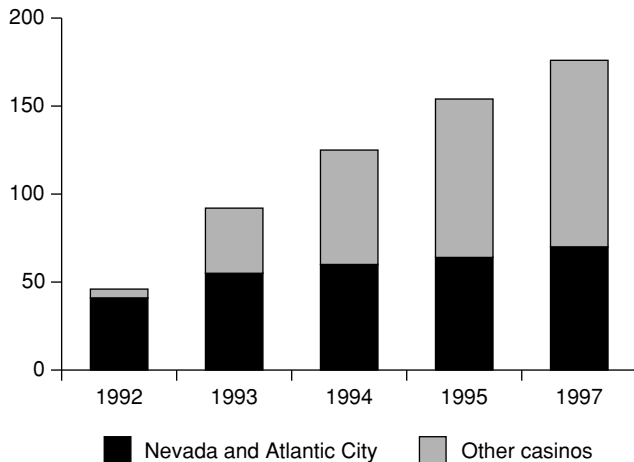


Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

FIGURE 4

Visits to casino destinations

(millions)



Source: Harrah's Survey of Casino Entertainment, 1997.

Chicago, with 7 million visits; and Memphis and New Orleans, with 6 million each. Rounding out the top ten metropolitan areas are Minneapolis-St. Paul, Las Vegas, Phoenix-Flagstaff, and Detroit. These top ten metro areas generated approximately 40% of U.S. casino visits in 1996.

We must say, given the nature of the casino business, that all of these figures are suspect. The visitor statistics are likely overstated, to make gambling appear more popular than it is, and to provide cover for the hot money that comes in, so to

TABLE 1

Wagers and revenue, by type of gambling, 1982 and 1995

(millions \$)

	Wagers		Revenues	
	1982	1995	1982	1995
Total	\$125,755.5	\$550,351.9	\$10,413	\$44,386.8
Lotteries	4,088.3	38,878.2	2,170	15,236.2
Casinos	101,400	422,551.2	4,200	18,014.7
Pari-mutuel	14,529.3	17,801.3	2,792	3,746.6
Indian	0	49,023	0	4,039.2
Non-Nevada				
cardrooms	1,000	9,695.2	50	762.7
Bingo	3,000	5,666.7	780	980.9
Non-bingo	1,200	4,139.6	396	1,505
Legal				
bookmaking	538	2,596.2	25.8	101.6

Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

speak, under the table. Still, there can be no doubt that gambling is a big and rapidly growing business in the United States.

Place your bets

Legalized gambling in the United States comes in many forms. There are the casinos, with table games (roulette, blackjack, baccarat, poker) and slot machines; the lotteries; pari-mutuel betting on horse racing, dog racing, and jai alai; bookmaking; card rooms; bingo; charitable gambling; and Indian gambling, which includes elements of several of the other categories. As shown by **Table 1**, the amounts bet at casinos, at Indian reservations, and on lotteries, have risen sharply since 1982, while pari-mutuel betting has remained relatively flat. As in 1982, the non-Indian casinos dominated the wagers in 1995 (**Figure 5**), but the lotteries were nipping at their heels in terms of revenues (**Figure 6**).

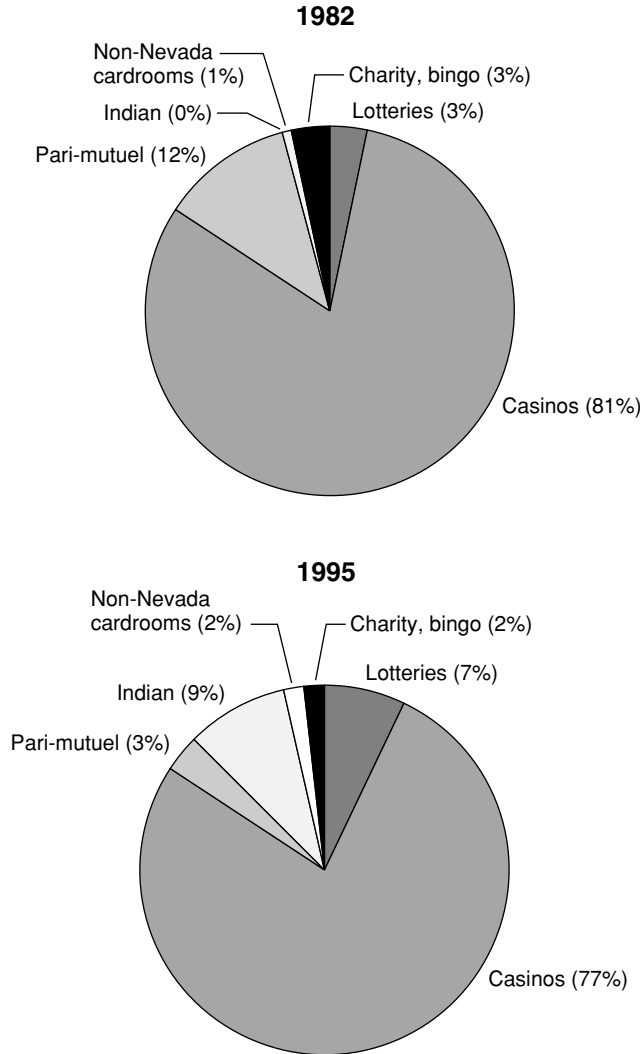
Nevada and its casinos still dominate the gambling market, with nearly 40% of all wagers placed; New Jersey is solidly in second place (**Table 2**). That still leaves a lot of money for the new gambling meccas, in Mississippi, Illinois, and Louisiana, all of which topped \$20 billion in wagers.

Casinos

In terms of wagers placed, the non-Indian casinos dominate the gambling landscape, with \$423 billion in wagers in 1995, or 77% of all wagers; most of these non-Indian casinos are in Nevada, which has over 300 casinos, but 13 other states also have legal non-Indian casinos (**Figure 7**). In second place, were the Indian gambling facilities, with \$49 billion in wagers, or 9%; followed by lotteries with \$38.9 billion (7%), and pari-mutuel betting with \$17.8 billion (3%). The remain-

FIGURE 5

Gambling wagers, by type



Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

ing 4% was accounted for by card rooms, bingo, charitable gambling, and legal bookmaking.

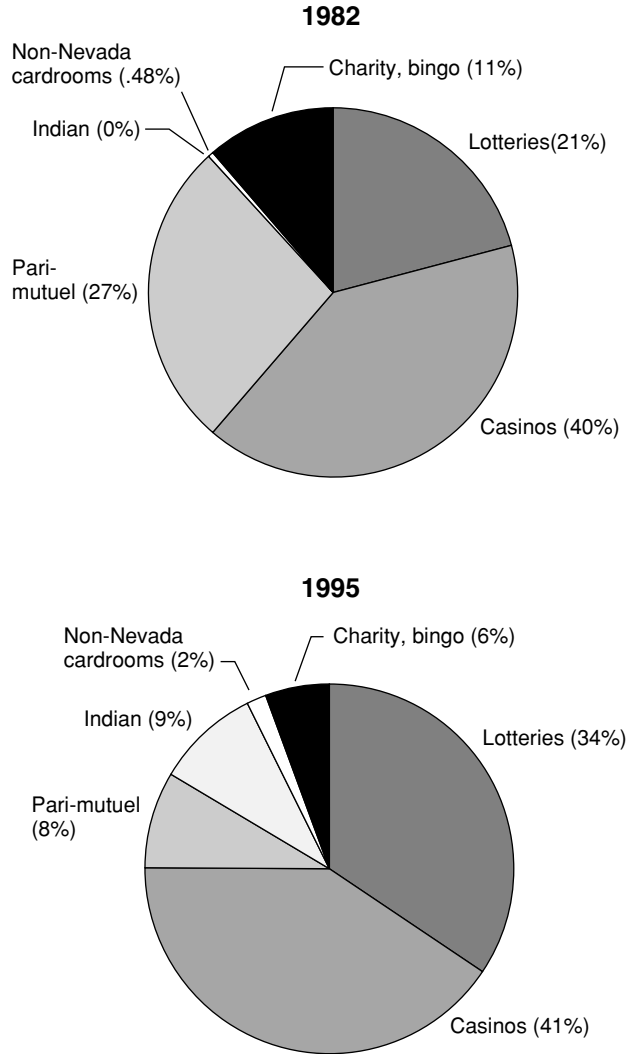
Among the non-Indian casinos, some \$3 out of every \$4 in bets placed, were placed in casinos in Nevada and New Jersey, which accounted for \$306.9 billion of the total wagers (Table 3). Another \$88 billion was wagered on riverboat casinos, most of which are located along the Mississippi and Ohio rivers.

The remainder was accounted for by other land-based casinos, deepwater cruise ships (the aptly named “cruises to nowhere”), slot machines in non-casino locations, and the like.

Measured in terms of revenue, the non-Indian casinos again led the pack in 1995, but by a smaller margin, with \$18 billion, or 41%, followed closely by lotteries, with \$15 billion,

FIGURE 6

Gambling revenue, by type



Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

or 34%. Indian gambling accounted for \$4 billion, or 9%, and pari-mutuel betting accounted for just under \$4 billion, or 8%.

The Nevada and New Jersey casinos, as expected, topped the revenue charts, with \$7.1 billion in revenue from slot machines and \$3.9 billion in revenue from table games, for a total of \$10.9 billion, or 25% of all gambling revenue. The riverboats brought in another \$4.7 billion, or 10%.

Indian gambling

There were 281 Indian gambling facilities in the United States as of the end of 1996 (Figure 8). In terms of numbers of facilities, California leads the nation with 41, followed by Oklahoma with 36, Washington state with 28, Wisconsin with 25, and South Dakota with 20.

TABLE 2

Top wagering states, 1995 (excluding Indian gambling)

(millions \$)

State	Wagering	Revenue
1. Nevada	\$226,360.7	\$7,382.4
2. New Jersey	86,432.2	4,790.6
3. Mississippi	32,488.6	1,757
4. Illinois	26,729	2,298.3
5. Louisiana	25,858.6	1,875.5
6. California	14,556.8	2,558.7
7. Missouri	9,700.6	718.6
8. Colorado	7,578.1	640.3
9. Iowa	7,455	580.9
10. New York	6,283.7	2,320.3
11. Texas	4,327.6	1,445.5
12. Florida	4,273.5	1,620.3
13. Massachusetts	3,559.5	1,092.5
14. Oregon	3,531.9	508
15. Ohio	3,427.8	1,258.7

Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

TABLE 3

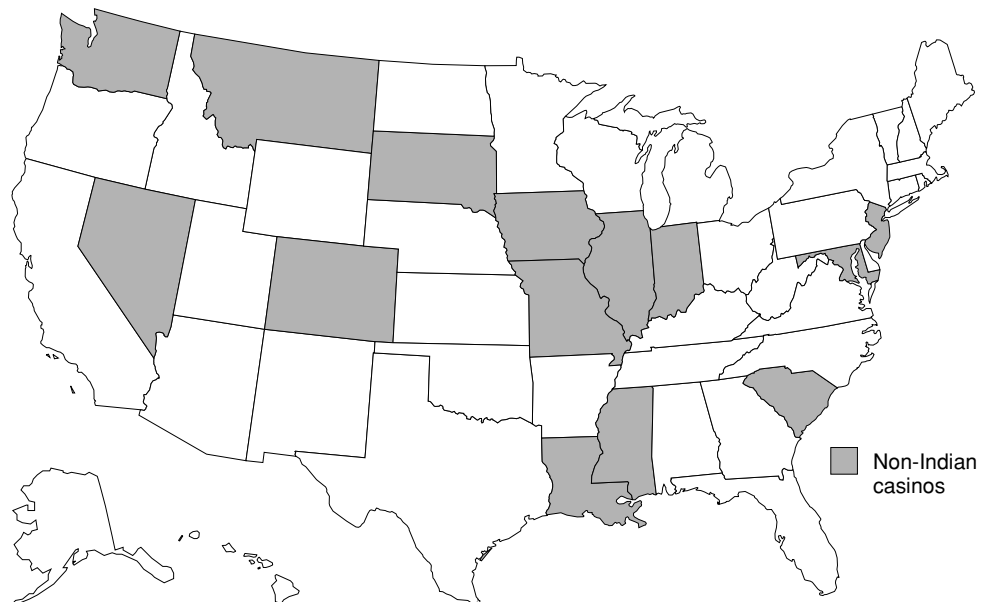
Top casino states (excluding Indian gambling)

(millions \$)

State	Casinos & devices	
	Wagering	Revenue
1. Nevada	\$223,370.33	\$7,201
2. New Jersey	83,500.43	3,747.8
3. Mississippi	32,360.66	1,723.9
4. Louisiana	24,951.24	1,587.6
5. Illinois	23,616.66	1,178.3
6. Missouri	9,057.57	466.5
7. Iowa	7,119.95	455.9
8. Colorado	6,756.52	394.3
9. South Carolina	2,695	404.3
10. Montana	2,103.02	212.2
11. South Dakota	553.41	45.9
12. Washington	420.79	156
13. Maryland	173.33	26
14. Indiana	115.69	6.2
15. Idaho	94.9	NA

Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

FIGURE 7

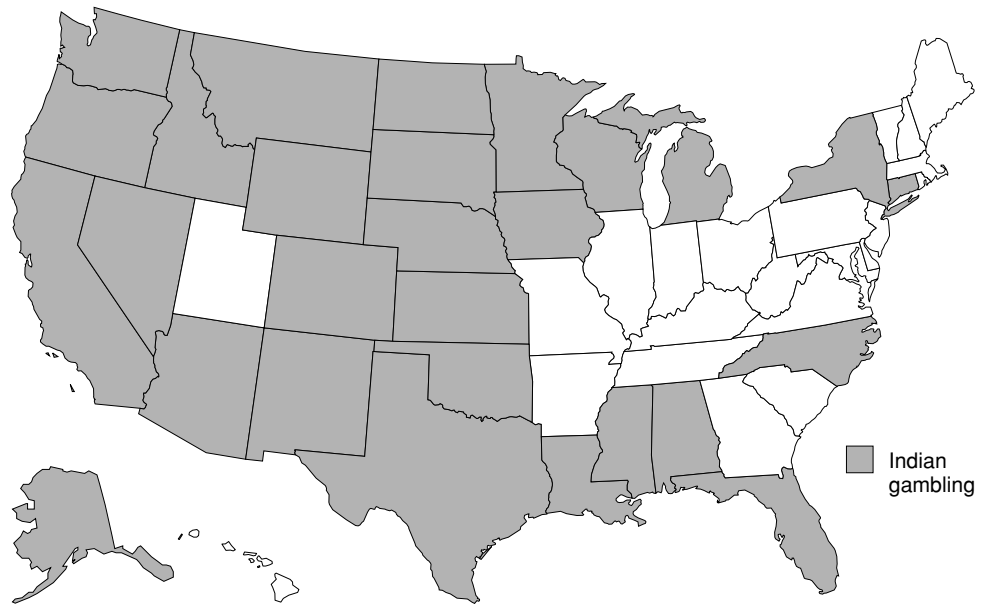
States with non-Indian casinosSource: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

The U.S. General Accounting Office, in a May 1997 profile of Indian gambling, put the revenues for Indian gaming at \$4.5 billion, slightly higher than the figure from Christiansen/Cummings, and based its analysis on constant 1995 dollars, instead of current dollars. The GAO figures show a sharp rise in Indian gambling revenue since the passage of the Indian Gaming Regulatory Act (IGRA) in 1988 (Figure 9), but that revenue is concentrated in a small number of Indian facilities. The GAO study looked at just 178 of the 281 Indian gambling

facilities in the United States, and found that just eight Class III casinos (with revenues of \$100 million or more) accounted for 41% of all Indian gaming revenues reported in the study, and another ten Class III casinos (with revenues from \$50 million up to \$100 million) accounted for 17%.

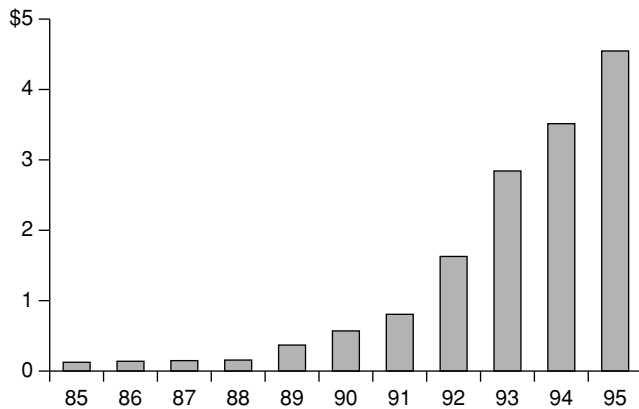
The survey's 109 Class III Indian casinos, as a group, reported \$4.0 billion in gambling revenues in 1995, slightly more than the \$3.6 billion reported by the 12 Atlantic City casinos, but well below the \$7.0 billion reported by the 213

FIGURE 8
States with Indian gambling



Source: U.S. General Accounting Office.

FIGURE 9
Indian gambling revenues
 (billions \$)



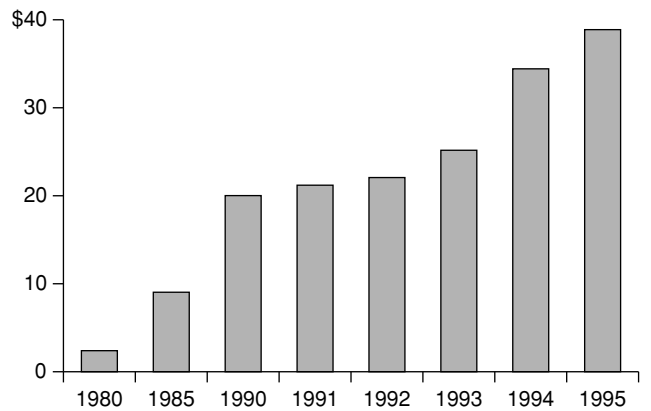
Source: U.S. General Accounting Office.

Nevada casinos included in the study (about two-thirds of the Nevada total). The Foxwoods Resorts Casino, run in Ledyard, Connecticut by the Mashantucket Pequot Tribe, claims to be the largest casino in the United States. Gambling revenues accounted for 93% of total revenue at these Indian casinos and 91% in Atlantic City, but only 64% in Nevada, reflecting the success of the Las Vegas casino resorts in grabbing non-gambling tourist dollars.

Lotteries

The numbers racket, in the form of lotteries, has proved lucrative to the states (Figure 10). Thirty-nine states (in addition to the District of Columbia) took in \$38.9 billion in revenue in 1995, from ticket sales and video lottery machines

FIGURE 10
Lottery ticket sales
 (billions \$)



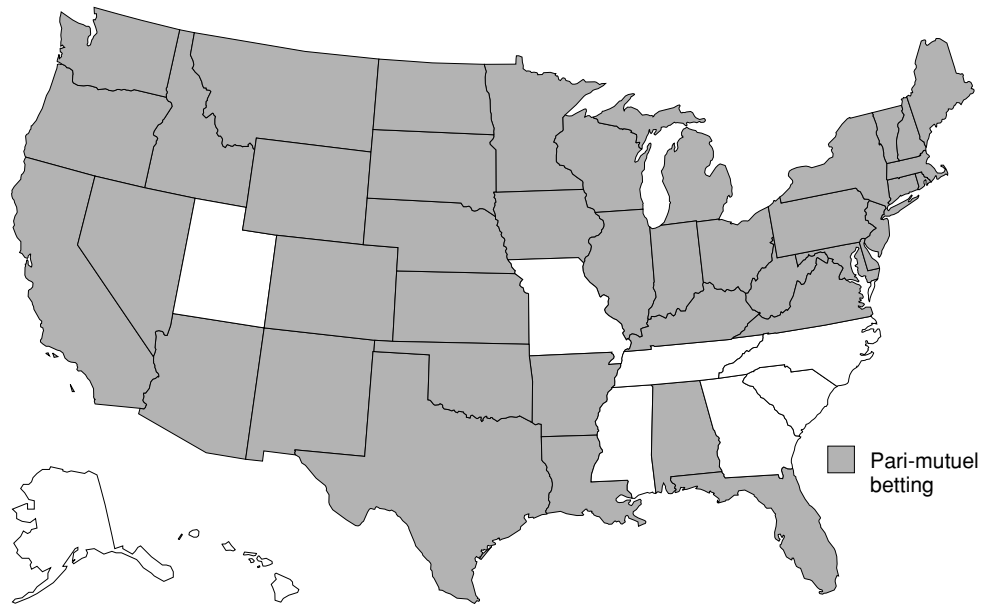
Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

(such as video lottery poker and keno) (Figure 11). About \$13 billion — 34% — of that money went to the state governments, just over half was paid out in winnings to the players, and the rest went for administrative costs (mostly to the lottery operators, such as GTECH) and awards to sellers of winning tickets.

Lotteries are big business in many states: Three states, Oregon, New York, and Texas, sold over \$3 billion in tickets in 1995, and five more, Massachusetts, Florida, Ohio, California, and South Dakota, sold more than \$2 billion in tickets. Another six states had sales in excess of \$1 billion (Table 4).

Worldwide, some 125 lotteries sold in excess of \$100 billion in tickets in 1996.

FIGURE 12
States with pari-mutuel betting



Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

Card rooms

Card rooms, where betting on card games such as poker are permitted, handled \$9.8 billion in wagers and took in \$763 million in revenues in 1995 (these figures are for card rooms outside Nevada, where they show up in the casino table games figures). The bulk of the non-Nevada card room activity took place in California, which had some 240 card rooms with about 2,000 tables. Other states with card rooms included N. Dakota, Washington, Maryland, and Montana (**Table 6**).

Charitable games and bingo

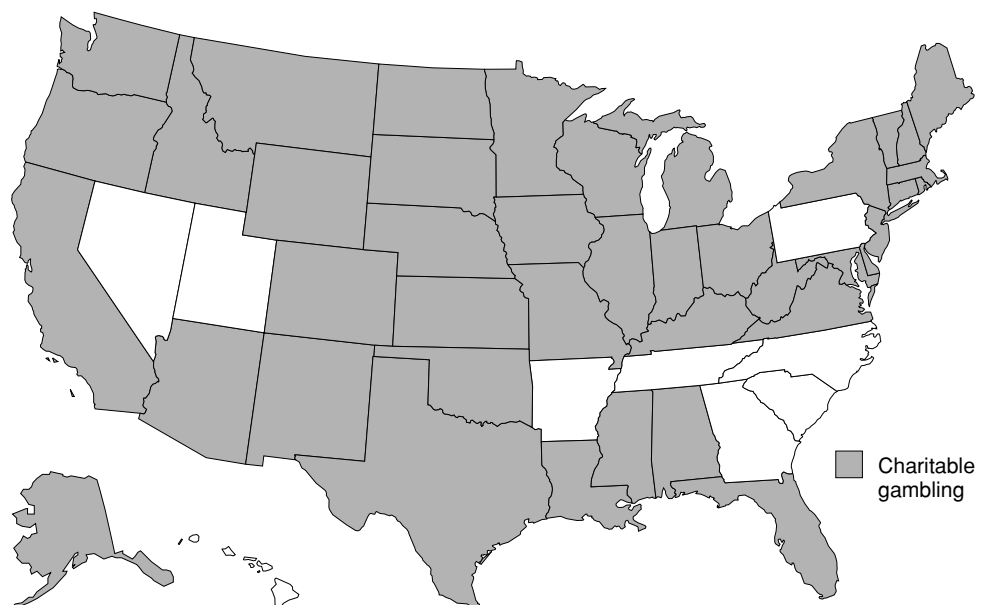
Charitable games, legal in 40 states (in addition to the District of Columbia), took in \$5.7 billion in wagers and \$1.5 billion in revenue (**Figure 13**). These games include a variety

TABLE 6
Top card room states (excluding Indian gambling)
 (millions \$)

State	Card rooms	
	Wagering	Revenue
1. California	\$8,898.8	\$ 711.9
2. North Dakota	257.9	7.7
3. Washington	230.2	18.4
4. Maryland	195.9	15.7
5. Montana	112.5	9

Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

FIGURE 13
States with charitable gambling



Source: Christiansen/Cummings Associates, *International Gaming & Wagering Business*.

