

AN ANALYSIS OF THE ARKANSAS CASINO
GAMING AMENDMENT OF 2018

Published by AEDI

Prepared for:
Driving Arkansas Forward



2801 South University Avenue, Little Rock, AR 72204-1099
501.569.8519 | YourAEDI.com | grow@YourAEDI.com

Summary of Findings

If the Arkansas Casino Gaming Amendment of 2018 is approved and the construction upgrades and attendance meet expectations, the economic impact on the state could result in:

- 5.80 Billion (in fixed 2009 dollars) increase in GDP over 10 years
- 6,000 additional jobs for the state
- 3,000 additional jobs for the Amusement, Gambling and Recreation industries
- 39 million (in fixed 2009 dollars) average increase in annual State and Local Revenue

An Analysis of the Arkansas Casino Gaming Amendment of 2018

AEDI was asked by Driving Arkansas Forward¹ to estimate the overall economic impact of Ballot Issue 4 of 2018 on the state of Arkansas. Economic contributions are based on the estimated revenues resulting from construction of new casinos, the expansion of existing facilities, the financial impact of annual revenues from hotel, and gaming activities at both new and existing establishments. To account for any uncertainties arising from the scope and length of the period examined, the study focuses on economic events that occur between FY 2019 and 2025. Results are based on changes projected from the most current and available information on the topic.

This report does not reflect the opinions or beliefs of the University of Arkansas at Little Rock or the Arkansas Economic Development Institute. This report should not be construed as support or opposition to any public policy proposals regarding gambling in Arkansas.

Methodology

The study will use the Regional Economic Modeling Inc. (REMI) Model to determine how the activities proposed under Ballot Issue 4 of 2018 could alter the economic and demographic characteristics of five predetermined regions in Arkansas and the state as a whole.

The REMI model is a dynamic forecasting model that incorporates input-output, econometrics, general equilibrium and economic geography to estimate economic and demographic activities. This allows AEDI to calculate the impact of the initiatives proposed under Issue 4 by comparing them with a control forecast or economic baseline that projects the region's growth without the proposed changes. The REMI model has been used extensively in the analysis of gambling activities by other researcher and consultants. (e.g. University of Massachusetts School of Public Health and Health Sciences²; Spectrum Gaming Group³).

¹ Further information about the group can be found at <http://drivingarkansasforward.com/>

² Reports available at <https://www.umass.edu/seigma/reports>

³ Reports available at <https://spectrumgaming.com/reports>

Scenarios

The report examines two scenarios regarding the timing and extent of construction and investment in gaming and hotel facilities. The first scenario is derived from the static analysis of the Arkansas Department of Finance and Administration, in which existing gaming facilities experience zero growth and construction of new facilities takes at least until FY2021 to be completed. The second scenario uses estimates of industry growth and the assumption that new construction and upgrades to current facilities will take place more quickly. Specific assumptions defining the two scenarios are detailed below.

The economic sectors that will experience changes under these scenarios are:

- Construction
- Furnishing and Fixtures
- Gambling Industry
- Accommodation Industry
- State and Local Government

Scenario 1

- No growth of Gaming Receipts above control forecast
- 2 years for Construction and Implementation Period
 - Start construction beginning of third quarter of 2019
 - Construction phase divided into 4 segments
 - Operation begins after all construction is completed
- Annual Receipts for Jefferson County Casino set as 80% of Oaklawn Casino
- Annual Receipts for Pope County Casino set as 80% of Southland Casino
- No improvements or expansion to Oaklawn and Southland

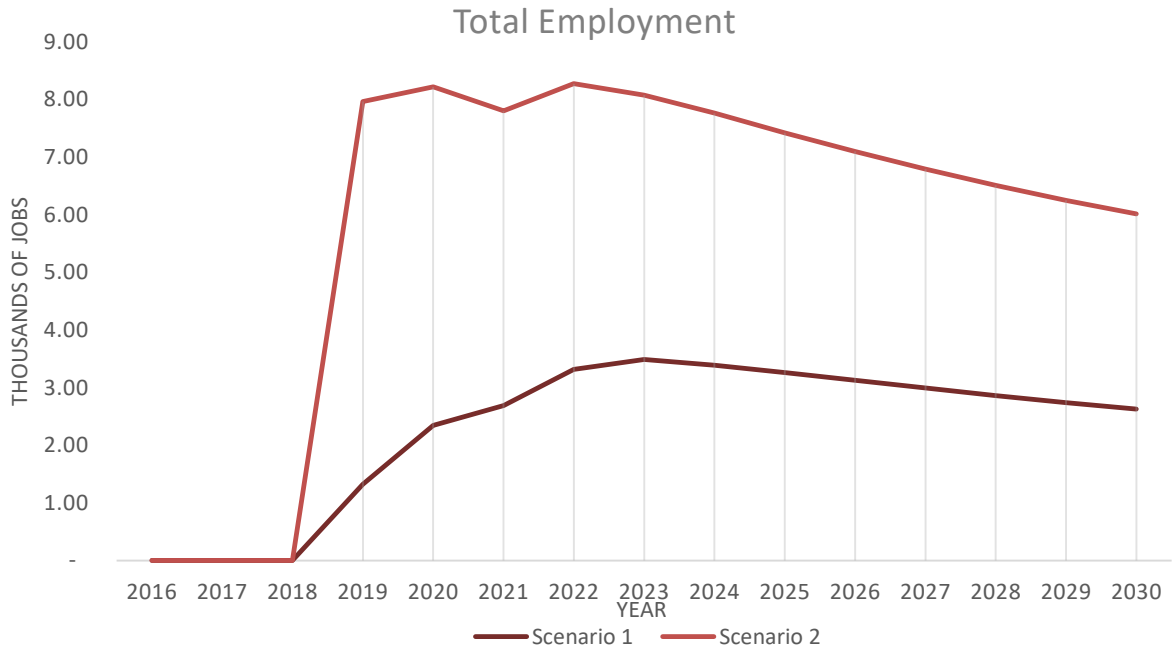
Scenario 2

- Growth on Gaming Casinos equals revenue growth from existing casinos over previous 3 years (Appendix A)
- 18 months for full construction
 - Start Construction on first quarter of 2019
 - 12 months for Inauguration of Casino
 - 18 months for Inauguration of Hotel
 - Casino operations start after 12 months
 - Hotel operations start after 18 months
- Annual Receipts for Jefferson County Casino set as 100% of Oaklawn Casino
- Annual Receipts for Pope County Casino set as 80% of Southland Casino
- Upgrades on Southland and Oaklawn
 - 12 months of upgrade
- Revenue for hotel accommodations
 - Growth occurs up to 2022 at the same rate as casino growth

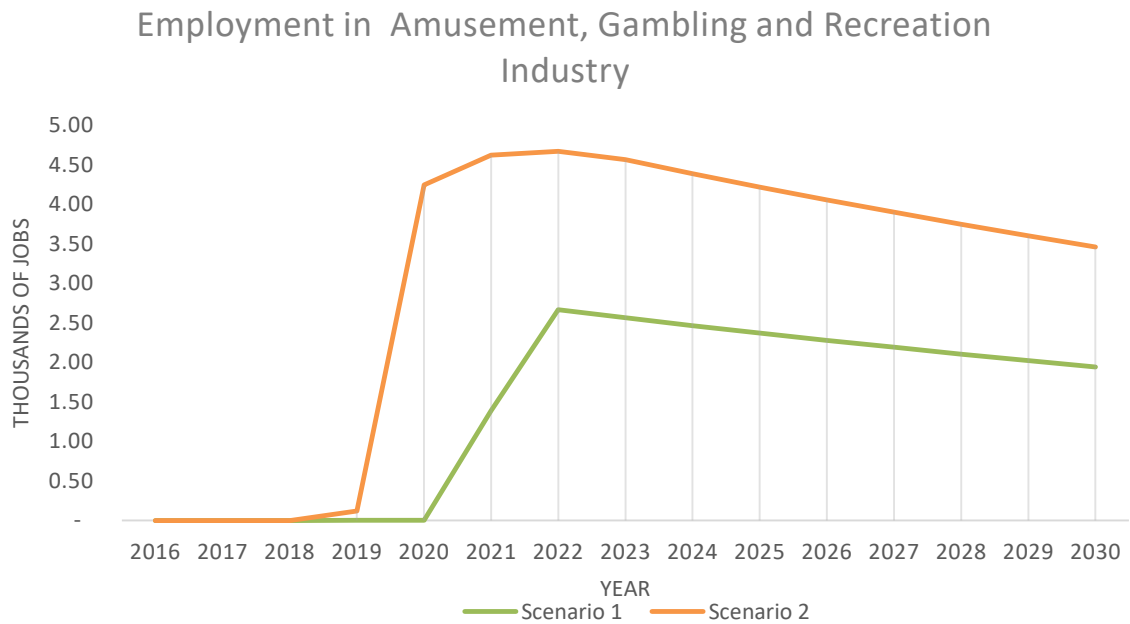
Results

The results presented below illustrate the expected changes in each of the analyzed sections when compared to the control forecast.

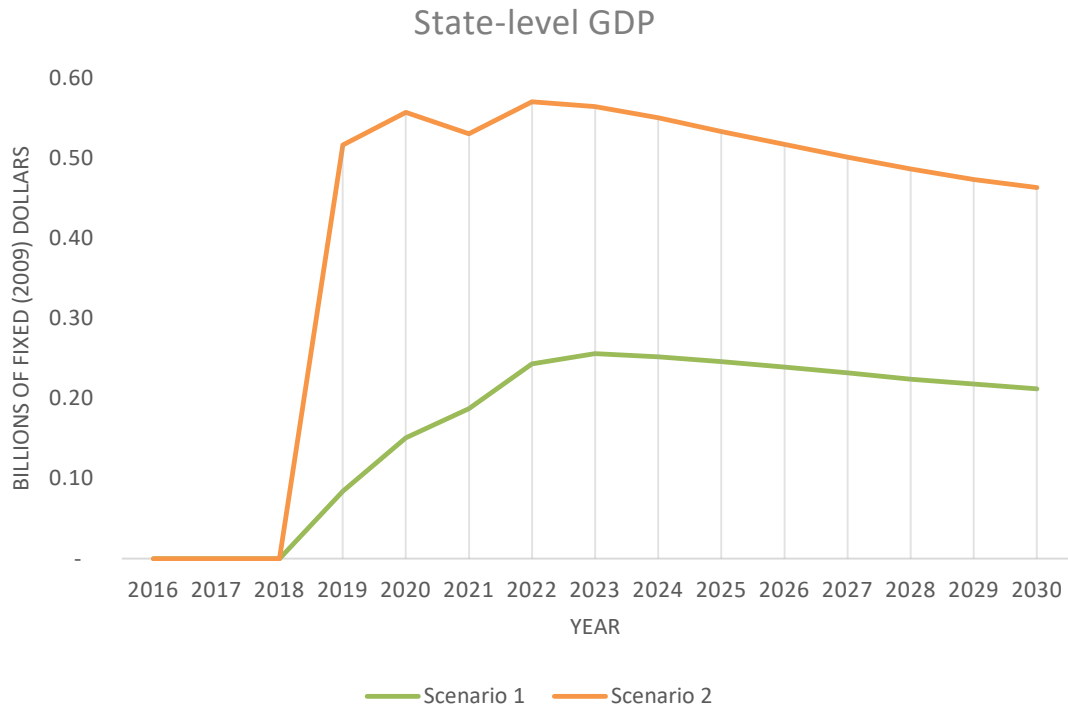
Total employment



Employment in Amusement, Gambling and Recreation Industry



State-level GDP (Arkansas)



State and Local Government Revenue

