

Office of the State Auditor
Performance Audit Division



State of Mississippi

PHIL BRYANT
AUDITOR

**A Limited Performance Review of the Gaming Industry's:
Economic Impact, Government Use of Revenue, and Social
Cost for the State of Mississippi**

December 19, 1998

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Phil Bryant
State Auditor

Mitchell H. Adcock, CPA, CIA, CFE
Director, Performance Audit Division

February 12, 1999

Dear Legislators, Commissioners, and Citizens:

The Office of the State Auditor has completed **“A Limited Performance Review of the Gaming Industry’s Economic Impact, Government Use of Revenue and Social Cost for the State of Mississippi.”**

Since the inception of the gaming industry in Mississippi in 1989, a debate has raged regarding its economic impact, government’s use of revenue and the social cost. Unfortunately, reliable information regarding these elements has never been consolidated and in the case of social cost is still not readily available. The State Auditor’s Office completed this limited review in an effort to provide information in a baseline study to monitor the industry today and into the future. This report should be the beginning of an independent process to determine the financial impact of gaming on a state and local level.

It is important to note that this audit deals with financial information only and was intentionally completed without the inclusion of moral or philosophical positions. A determination regarding the rights verses the immorality of the legalized gaming industry must rest with each individual. My duty as State Auditor is to provide reasonable and objective information to the governing authorities and the citizens. Accordingly, in this report should not be considered as indicators of mine or any member of the Auditor’s staff’s personal beliefs regarding legalized gambling.

It is our hope the information included in this report will be beneficial to the policy makers in the Legislature, the Gaming Commission that has oversight of the industry, and citizens of the state.

Sincerely,

Phil Bryant
State Auditor

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**A Limited Performance Review of the Gaming Industry's:
Economic Impact, Government Use of Revenue, and Social Cost
for the State of Mississippi**

Executive Summary

February 19, 1999

Background

Purpose of Report

Data on the economic impact, government use of revenue and social cost of the state's gaming industry was not consolidated and readily available. Therefore, the State Auditor initiated this limited performance review to provide this information for the public, Governor, Legislature, state agencies, and local governments to better understand, regulate and monitor resources and costs associated with the gaming industry.

Gaming Definition

Gambling is a broad term referring to all types of betting and games of chance, both legal and illegal.

Since state lawmakers used the term gaming in the Mississippi Gaming Control Act of 1990, legalized casino gambling will be referred to as gaming in this report. (page 2)

Regulation

The evolution of the gaming industry in Mississippi began in the 1989 legislative session with the introduction of Senate Bill 3068 which exempted certain sized cruise vessels from license revocation based on the presence of gaming devices; however, gaming was not permitted while the ship was docked. Also Senate Bill 3069 exempted cruise ships from some prior gaming restrictions.

Expansion of the gaming industry continued in the 1990 legislative session with other legislation. Senate Bill 2837, increased the number of counties where gaming could legally be undertaken by opening interior bodies of water to gaming. Senate Bill 2744 removed the requirement that cruise vessels had to be underway to or from international waters.

In 1990, House Bill 2, commonly known as the Mississippi Gaming Control Act (MGCA), provided for regulation, licensing and taxation of legal gaming and authorized the creation of

the Mississippi Gaming Commission (the “Commission”). MGCA also allowed Gulf Coast dockside gaming by removing the requirement that a cruise vessel be underway before gaming activities are undertaken resulting in the current gaming environment.

Currently, gaming facilities are operated in seven Mississippi counties. Voters in six counties approved dockside gaming by referendum: Adams; Coahoma; Hancock; Harrison; Warren; and Washington. In the seventh county, Tunica, gaming became legal due to the absence of a petition filed calling for a county referendum on dockside gaming. (page 3)

State Government

Direct Gaming Revenue

For fiscal years 1993 through 1998, the state received direct gaming revenue (state and locally imposed gaming fees) totaling **\$1,060,188,751**. These total gaming fees were deposited as follows: Bond Sinking Fund- **\$113,049,089**; State Highway Fund- **\$3,240,099**; General Fund- **\$613,954,868**; and transfers to local governments - **\$333,184,794**.

In fiscal year 1997, the state received **\$119,540,774** in General Fund gaming revenues which represented **4.2** percent of the state’s total 1997 General Fund budget of **\$2,856,138,000**. Gaming revenues increased from **\$33,315,922** in fiscal year 1993 to **\$126,872,535** in fiscal year 1998, an increase of **380** percent over five years or an average **76** percent per year. (page 8)

Use of State-Imposed Gaming Revenues

State law requires the first \$3 million in state monthly gaming fees be deposited in the Gaming Counties Bond Sinking Fund. These funds must be used to pay principal and interest on debt issued to construct road and bridge infrastructure within gaming counties or the counties approaching the gaming counties. For the period 1993 through 1998 the state has collected and deposited approximately \$113 million in gaming revenue in the Gaming Counties Bond Sinking Fund.

State monthly gaming fees in excess of \$3 million, but not in excess of twenty-five percent of total gaming fees collected, must be deposited in the State Highway Fund. These funds must *“be used exclusively for the reconstruction and maintenance of highways in the State of Mississippi.”* The state collected and deposited gaming revenue of approximately \$3.2 million in the State Highway Fund for the period 1993 through 1998.

The remainder of gaming fees collected *“shall be paid by the State Tax Commission to the State Treasurer to be deposited in the State General Fund.”* Although state law does not require the expenditure of these funds for any particular purpose, General Fund resources are expended for many governmental functions including public education, social welfare and corrections. For the period 1993 through 1998 the state has collected and deposited gaming revenue of approximately \$613 million in the General Fund.

Because state’s General Fund accountability does not require that specific revenue types be identified by expenditures made from the fund, exact identification of state expenditures

relative to gaming revenue cannot be made. However, an analysis of state General Fund expenditures from fiscal years 1990 to 1997 revealed expenditures increased **44** percent during the period. Some of the state expenditure categories with increases exceeding this average are: public works- **2,011%**; debt service- **552%**; corrections- **150%**; and insurance & banking- **148%**. (page 9)

Regulation Cost

Two state agencies cooperate to regulate the gaming industry: the Mississippi Gaming Commission and the State Tax Commission.

Based on information provided by the Mississippi Gaming Commission, its estimated budget for fiscal years 1997 and 1998, excluding its function related to charitable bingo, was 7.6 million and 7.4 million, respectively. This is a direct cost to the state to regulate the gaming industry.

Because casino audits require audit skills unlike other audits it commonly performs, the Tax Commission established a separate casino audit division. The casino audit division currently has 24 audit positions; total expenditures for fiscal year 1998 were **\$1,062,223**, a direct cost to the state to ensure that taxes and fees due the state are in fact remitted. (page 10)

Business Activities Subject to Sales Tax

An analysis of business activity subject to state sales tax showed strong growth for the state as

a whole. In gaming counties business activity growth ranged from below state average in some to moderate and robust in others.

Gaming's impact on business activity subject to sales tax varies from one part of the state to another. In Tunica County the increase in business activity far exceeds increases in other counties; for the gulf coast counties increases in business activity were significantly higher than the state average; for Warren County the increase in business activity was about equal to the state average; and for Washington, Coahoma and Adams counties the increase in business activity was well below the state average. (page 14)

Economic Impact

Jobs

The economic impact of the gaming industry on employment was significant. Gaming industry-created jobs, including direct employment, indirect employment and induced employment totaled 45,744 at September 30, 1998. Direct employment refers to jobs at casinos; indirect employment results from casino business spending in local economy; and induced employment results from casino employee spending in the local economy. (page 17)

Per Capita Income

Based on our analysis of U. S. Department of Commerce state per capita income data, the gaming industry has been a contributing factor in a general increase in Mississippi per capita income from 1990 to 1996. Our analysis revealed 1) from 1990 to 1996 Mississippi per

capita income increased 38.1 percent; 2) gaming counties had an average per capita income increase of 45.5 percent from 1990 to 1996, which is greater than the 38.1 percent state average; and 3) per capita income increased an average of 37.5 percent from 1990 to 1996 in gaming counties and counties surrounding the gaming counties, which is less than the 38.1 percent state average. (page 20)

Unemployment

The state's unemployment rate decreased from 8.7 percent to 5.3 percent from 1991 to 1998. While Mississippi's rate continues slightly above the national unemployment rate, a significant decrease in unemployment in the state has occurred over this period.

However, as significant as the state's reduction in unemployment has been, reduction in unemployment in gaming counties is even more significant. Unemployment in Hancock County fell from 7.1 percent in 1991 to 3.7 percent in 1998. Harrison County decreased from 7.1 percent to 3.9 percent; Tunica County decreased from 15.4 percent to 7.2 percent; and Warren County decreased from 8.4 percent to 4.7 percent.

In the other three gaming counties unemployment reductions were not as dramatic. Unemployment in Adams County fell from 10.8 percent in 1991 to 7.8 percent in 1998; Coahoma County decreased from 11.8 percent to 9.8 percent; and Washington County decreased from 11.7 percent to 8.8 percent. (page 21)

Northern River Localities

Background

There are two northern river counties with legalized gaming: Coahoma County and Tunica County. (page 24)

Local Gaming Fees

For the 1996, 1997 and 1998 fiscal years, Coahoma County received revenue from local gaming fees totaling **\$7,996,243** net of amounts shared with other local governmental entities in the amount of **\$579,929** to the City of Clarksdale and **\$1,647,510** to schools.

For the 1996, 1997 and 1998 fiscal years, Tunica County received revenue from local gaming fees totaling **\$84,475,749** net of amounts shared with other local governmental entities in the amount of **\$3,329,071** to the city of Tunica and **\$9,279,777** to schools. (page 24)

Authorized Uses of Gaming Revenue

Local and private law requires Tunica County to deposit and expend 40% of its 3.2 % gaming fees in its county general road fund; deposit and expend 40% in a special fund for limited purposes; expend 12% for Tunica County educational purposes; and pay 8% to the Town of Tunica General Fund.

Local and private law requires Coahoma County to expend gaming revenue for any purpose which general fund, road fund, or bridge fund revenues may be expended. Coahoma County may use its gaming fees to reduce the ad valorem tax levy of the county and may share up to 50% of its gaming

revenue with designated governmental entities.
(page 24)

Conclusion

Expenditures of gaming revenue by the northern river counties and municipalities appear to have been for public use. Nothing came to our attention indicating these public funds were expended for matters other than legal public purposes. (page 28)

Central and Lower River Localities

Background

There are three central and lower river counties with legalized gaming: Adams, Warren and Washington. (page 30)

Local Gaming Fees

For the 1996, 1997 and 1998 fiscal years, Adams County received revenue from local gaming fees totaling **\$1,007,047** and Natchez received a total of **\$2,373,910**.

For the 1996, 1997 and 1998 fiscal years, Warren County received gaming revenue totaling **\$6,623,130** and Vicksburg received a net of **\$15,753,168** after sharing gaming revenue with Vicksburg-Warren County School District. Under the legal requirement to share its 3.2 percent gaming fees, the City of Vicksburg paid Vicksburg-Warren County School District **\$1,809,603** in fiscal years 1996, 1997 and 1998.

For 1996, 1997 and 1998 fiscal years, Washington County received gaming revenue totaling **\$2,100,651** after sharing revenue with Washington County School District and municipalities within the county other than Greenville. Greenville received gaming revenue totaling **\$5,315,629** after sharing revenue with Greenville Municipal School District. (page 30)

Authorized Uses of Gaming Fees

Local and private law requires Natchez to restrict expenditure of gaming revenue for certain purposes. The review determined Natchez expended a portion of its gaming revenue in an area not authorized by local and private law. Natchez municipal officials have recognized this error and intend to repay their General Fund so these funds may be expended for authorized purposes.

Vicksburg is not required by law to identify specific expenditures of gaming revenue from its General Fund but the city does account for specific expenditures it makes using these funds. Vicksburg expended gaming revenue for sewer improvements, a convention center, police station, swimming pool complex, tax reduction and many other projects. State and local law requires Vicksburg to deposit its \$150 device tax in its General Fund but imposes no restriction on expenditures.

The law requires Greenville deposit the gaming revenue in its General Fund but does not restrict expenditure of these funds and does not require the municipality to specifically identify expenditures related to gaming revenue. Greenville does identify its expenditures related to gaming revenue and

expended the funds in the following areas: equipment, vehicles, renovations, furniture, parks, water/sewer improvements and other projects.

The law does not require Greenville to share its gaming revenue with other local governments but the city elected to do so. The city shares 14.2 percent of the revenue collected from its 3.2 percent gaming revenue fees with Greenville Municipal School District (\$339,240 for fiscal years 1996-1998).

Local and private law requires Washington County to deposit the 3.2 percent fees received from Greenville in its General Fund but imposes no restriction on expenditures. Local and private laws make no requirement for Adams and Warren counties regarding the fund to deposit the 3.2 percent fees received from Natchez and Vicksburg, respectively, and do not restrict expenditures of the funds for specific purposes.

The law does not require Washington County to share its gaming revenue with other local governments but the county government elected to do so. The county shares 16 percent of the revenue collected from its 3.2 percent gaming revenue fees with Washington County School District (\$317,548 for fiscal years 1996-1998) and 10 percent of these same fees with municipalities within the county other than Greenville (\$153,570 for fiscal years 1996-1998). (page 30)

Conclusion

Except for the City of Natchez's improper use of gaming revenue for the city hospital insurance fund, expenditures of gaming

revenue by the central and lower river counties and municipalities appear to have been for public use. However, the City of Natchez agreed to reclassify these payments an inter-fund loan and when repaid will use the funds for authorized purposes. Except for the City of Natchez's payments to the city hospital insurance fund, nothing came to our attention indicating these public funds were expended for matters other than legal public purposes. (page 38)

Gulf Coast Localities

Background

There are two Mississippi Gulf Coast counties with legalized gaming: Hancock and Harrison. (page 40)

Local Gaming Fees

For the 1996, 1997 and 1998 fiscal years, Harrison County received gaming revenue totaling approximately **\$18,100,000**, Biloxi received a total of approximately **\$38,900,000**, Gulfport received a total of approximately **\$11,300,000**, the Harrison County School District received a total of approximately **\$6,600,000**, the Biloxi School District received a total of approximately **\$10,300,000** and the Gulfport School District received a total of approximately **\$3,000,000**.

For the 1996, 1997 and 1998 fiscal years, Hancock County received gaming revenue totaling approximately **\$1,400,000**, Bay St. Louis received a total of approximately **\$7,300,000**, and Bay St. Louis-Waveland School District received approximately

Authorized Uses of Gaming Revenue

Local and private laws require Biloxi and Gulfport to deposit the 3.2 percent fees in their respective general funds and require each municipality to expend part of the fees on municipal public safety and municipal education purposes. They are also required to distribute a portion of the fees to Harrison County to be expended by the county for public safety purposes and educational purposes in Harrison County. Bay St. Louis deposits its 2.8 percent fees in its municipal general fund and can be used for any lawful municipal purpose. Bay St. Louis-Waveland School District receives 0.4 percent of casino total adjusted gross revenue.

Local and private law authorizes Biloxi to impose an additional annual licence tax of up to \$150 on gaming devises. The law does not require Biloxi to share revenues from this annual license tax. Similarly, Gulfport is authorized by local and private law to impose an annual license tax of up to \$250 on each table/card game and up to \$100 on each slot machine with no requirement for sharing. Bay St. Louis is authorized by local and private law to impose an annual gaming fee of up to \$100 per gaming device with no requirement for sharing.

Hancock County is not required by law to identify specific expenditures of gaming revenue. Its primary uses of gaming revenue are capital outlay and debt retirement expenditures. (page 40)

Finding

The method used by the City of Bay St. Louis to assess gaming revenue fees on the casino within its jurisdiction is not authorized by the Legislature. The casino affected has agreed in writing with the current method of gaming fee assessment, however the municipality's governing authority has no power to levy gaming taxes of any kind or increase the levy of any state-imposed tax. This authority is reserved to the Mississippi Legislature. (page 46)

Conclusion

City of Bay St. Louis assessment of gaming revenue fees is not authorized by the Legislature.

Expenditures of gaming revenue by the gulf coast counties and municipalities appear to have been for public use. Nothing came to our attention indicating these public funds were expended for matters other than legal public purposes. (page 45)

Social Cost

Compulsive Gambling

Mississippi has responded to the compulsive gaming problem by establishing the Mississippi Council on Problem and Compulsive Gaming (MCPCG). Created in 1995 the MCPCG is a fulfillment of recommendations made by the Governor's Office, the Mississippi Public Policy *Think Tank* and the Mississippi Casino Operators Association. The MCPCG is a non-profit, organization certified by the National Council on Problem Gambling and is governed

by a 40-member board.

Annual funding for the MCPCG consists of \$100,000 for the state via the Mississippi Gaming Commission's legislative appropriation and \$150,000 from the Mississippi Gaming Association.

Since the advent of legalized gaming in Mississippi, the Department of Mental Health has recognized its logical role in treating problem gamblers. To meet this responsibility during the past four years it has made consistently diminishing appropriation requests, not funded by the legislature, ranging from one-half of a percentage point of gaming tax revenue to this year's request for \$300,000. The funding would provide salaries and training for addictionologists and, if approved, would be the only direct state involvement in the treatment of gambling addicts.

A beginning was made to determine the extent (but not the cost) of problem and compulsive gambling in Mississippi in a 1997 MCPCG-sponsored study made by Rachel A. Volberg under the auspices of Mississippi State University's Social Science Research Center. The report is titled **Gambling and Problem Gambling in Mississippi, A Report to the Mississippi Council on Compulsive Gambling** and estimates "that, at a minimum, there are presently 22,300 adult Mississippi residents experiencing severe difficulties related to their involvement in gambling." Based on her criteria, Volberg's study classifies 3.7 percent of Mississippians as lifetime problem gamblers, 3.1 percent as lifetime probable pathological gamblers and 2.8 percent as current problem gamblers. She concludes that although "lifetime and current prevalence of problem and probable

pathological gambling in Mississippi in 1996 are higher than in most other states where similar surveys have been completed, Mississippi's citizens have a relatively low gambling participation rate, with patterns of gambling participation ... similar to patterns identified in other jurisdictions,...".(page 49)

Bankruptcy

Trends in national, state and regional bankruptcy rates were reviewed to determine if a correlation exists between the number of bankruptcies and in the introduction of gaming. Federal bankruptcy statistics from 1980 through 1997 were reviewed for the United States, Mississippi and nine southeastern states.

Mississippi's per capita bankruptcy rate decreased slightly from 1992 to 1994, but for the periods 1984 to 1991 and 1994 to present, per capita bankruptcy has steadily increased. While Mississippi's per capita bankruptcy rate is the seventh lowest among the nine southeastern states, the rate has increased 318 percent from 5,172 to 19,269 bankruptcies per year since 1980. This is slightly below the national average of 324 percent.

While the number of bankruptcies in Mississippi has increased, it must be noted the number of Mississippi bankruptcies attributable to legalized gaming is unknown, since the federal bankruptcy courts do not maintain data on causes of bankruptcies and the fact there is a national trend of increased bankruptcies. (page 55)

Recommendations

Proper Assessment and Use of Local Gaming Fees

The Legislature should provide the State Auditor the authority to review and approve municipal audits, such authority currently not authorized by statute. The problems noted below in Bay St. Louis and Natchez identify the necessity for this authority. This lack of State Auditor review combined with the lack of authority for the State Tax Commission to get involved with payments made directly to municipalities reduces casino accountability for paying all gaming fees due.

Bay St. Louis officials did not comply with the current local and private law, regarding assessment of local gaming fees. Bay St. Louis officials should comply with local and private legislation or request the Legislature to amend the law to conform with its current practices. (page 46)

Natchez officials utilized a portion of City gaming revenue for payments made to the city hospital insurance fund, an expenditure not allowed under current legal restrictions. Natchez officials will now classify these payments as interfund loans and when repaid will use the funds for purposes authorized by local and private legislation. (page 34)

Compulsive Gambling

The Mississippi Council on Problem and Compulsive Gambling should expand 1) training workshops and certification for gambling addiction counselors, clergy and educators, 2) sponsorship of scholarly research into prevalence of problem gambling and 3)

dissemination of public service announcements, programs, newsletters, and maintenance and expansion of its referral resources manual. (Page 55)

Current staff at the state's mental health centers could be specifically trained to provide treatment for compulsive gamblers in addition to their drug and alcohol training. Cost for this additional training does not appear sufficient to warrant a tax increase of gaming revenues. However, a funding source generated from Gaming would seem appropriate. (page 55)

The Mississippi Council on Problem and Compulsive Gambling working with the Department of Insurance should identify insurance policies that offer coverage for the treatment of compulsive gambling, take the necessary measures to make these policies available in Mississippi. (page 55)

Further Research

The State of Mississippi should consider this report as a snapshot of current condition of Economic Impact, Government Use of Revenue and Social Cost related to Gaming. Consideration may be given to more in depth research to independently verify some social phenomenon. For example, establishment of the cause and effect relationship between legalized gaming in Mississippi and the prevalence of compulsive gambling. Further research may also be necessary to clearly establish an association between gaming and the increase of bankruptcies in Mississippi.

A further study should also include the effects of the \$140 million dollar per year legalized bingo industry on the economy and social order of the state.

Introduction

Purpose

Data on the economic impact, government use of revenue and social cost of the state's gaming industry was not consolidated and readily available. Therefore, the State Auditor of Mississippi (Auditor) initiated this limited performance review to provide this information for the public, Governor, Legislature, state agencies, and local governments to better understand, regulate and monitor resources and costs associated with the gaming industry.

The Auditor directed its Performance Audit Division (Division) to study the gaming industry in Mississippi. The objectives of this study were to:

- determine the amount of revenue generated by the gaming industry for the state and for local governmental entities;
- determine how the generated revenue for the state and local governmental entities was expended; and
- address social issues related to the gaming industry.

Scope

The scope of this study includes information beginning with legislation creating the gaming industry through the state fiscal year 1998. Field work for the study began in August, 1998 and ended in January, 1999. The following counties, and municipalities with gambling located within these counties, were included in this study: Adams; Coahoma; Hancock; Harrison; Tunica; Warren; and Washington. The gambling activities located in Neshoba County and operated by the Mississippi Band of Choctaw Indians are not subject to state gaming laws and are not included in this study.

Method

In conducting the study, the Division performed the following procedures:

- read and analyzed legal authority;
- interviewed state and local governmental entity employees;
- interviewed private sector individuals;
- obtained and analyzed statistics;
- visited gaming facilities; and
- read other reports dealing with the gaming industry.

Background

Definitions

In understanding this report, a clear distinction should be made between the terminology gambling and gaming.

Webster's Third New International Dictionary of the English Language, 1976, defines gambling and gaming as follows:

“gambling n 1: the act or practice of betting: the act of playing a game and consciously risking money or other stakes on its outcome 2: the act of risking something on an uncertain event.

gaming n 1: the act or practice of playing games for stakes.”

These technical definitions do not provide a clear distinction between the two terms.

In June 1990, the Mississippi Legislature passed the Mississippi Gaming Control Act. Since state lawmakers used the term gaming in this law, legalized casino gambling will be referred to as gaming in this report.

However, it is important to note that gambling is a broad term referring to all types of betting, games of chance, both legal and illegal. So, gaming, for purposes of this report as defined by the Mississippi Legislature, is actually legalized dockside casino gambling.

Gambling and Problem Gambling in Mississippi: A Report to the Mississippi Council on Compulsive Gambling, by Rachel A. Volberg, published by Mississippi State University's Social Science Research Center identifies the gambling activities, both legal and illegal, that are available to Mississippians. Legal gambling activities are: dockside casino gambling, bingo, charitable games, and raffles licensed by the Mississippi Gaming Commission; and stock or commodities markets. Illegal gambling activities are: card games; pari-mutuel betting (e.g., horses, dogs); slot machines, poker machines or other gambling machines not at a casino; dice games; sports wagering; if wagers are made, games of skill such as bowling or golf; and the numbers game.

Gaming Legislation

The evolution of the gaming industry in Mississippi began in the 1989 legislative session with the introduction of two Senate bills. Senate Bill 3068 exempted certain sized cruise vessels from license revocation based on the presence of gaming devices. It allowed cruise ships having gaming equipment aboard to enter Mississippi ports; however, gaming was not permitted while the ship was docked. Senate Bill 3069 exempted cruise ships from some prior gaming restrictions.

This legislation required that a cruise ship having gaming equipment aboard had to be 1,500 yards from shore and underway to or from international waters.

Expansion of the gaming industry continued in the 1990 legislative session with other legislation. Senate Bill 2837, increased the number of counties where gaming could legally be undertaken by opening interior bodies of water to gaming. This bill also changed some of the past requirements and gaming restrictions. Senate Bill 2744 removed the requirement that cruise vessels had to be underway to or from international water, stating only that the cruise vessel had to be underway in the waters adjacent to Mississippi south of the three most southern counties in Mississippi where gaming had not been prohibited by vote.

In 1990, House Bill 2, commonly known as the Mississippi Gaming Control Act (MGCA), provided for regulation, licensing and taxation of legal gaming and authorized the creation of the Mississippi Gaming Commission (the "Commission"). MGCA also allowed Gulf Coast dockside gaming by removing the requirement that a cruise vessel be underway before gaming activities are undertaken.

Table 1 (page 4) shows the history of Mississippi Gaming Legislation.

Table 1

History of Mississippi Gaming Legislation	
March 28, 1989	<p>S. B. 3068 - Amended Section 67-1-71, Mississippi Code of 1972, exempting licensed cruise vessels from being susceptible to license revocation based on the conduction or presence of gaming devices; exempted vessels from common nuisance provisions of Section 95-3-25, Mississippi Code of 1972.</p> <p>S. B. 3069 - Exempted cruise vessels operating in the Gulf of Mexico from specific restrictions related to gaming when the vessel was 1,500 yards from shore in the channel and underway making way to or from international waters.</p>
March 20, 1990	<p>S. B. 2837 - Opened up interior bodies of water in the state to gaming. Specific bodies of water included the Mississippi River and any navigable waters within any county bordering on the Mississippi River.</p>
April 9, 1990	<p>S. B. 2744 - Struck the phrase requiring cruise vessels on which gaming was conducted to be underway making way to or from international waters.</p>
June 29, 1990	<p>H. B. 2 - Mississippi Gaming Control Act</p>

Source: Institutions of Higher Learning, Center for Policy Research and Planning

Mississippi Gaming Control Act (MGCA)

MGCA established a referendum process to legalize gaming in a particular entity. The process requires a person, corporation or other legal entity to provide the Commission with a written notice of intent to apply for a gaming license in a particular county. Then, within ten days after the receipt of a notice of intent (the “notice”) to apply for a gaming license, the entity must publish notice of such request once each week for three consecutive weeks in a newspaper having general circulation in the county in which the entity wishes to establish legal gaming.

The voters of the county can call for an election on the issue of legalized gaming by submitting a petition signed by 20 percent or 1,500, whichever is less, of the registered voters of the county. If county voters do not approve the referendum, gaming is not allowed; a subsequent vote on the issue of legalized gaming cannot be held for at least one year.

If county voters do not file a petition for an election within 30 days of the last publication of a notice, the board of supervisors shall adopt a resolution stating that a petition was not timely filed and that legalized gaming may be conducted in the county.

Currently, gaming facilities are operated in seven Mississippi counties. Voters in six counties approved dockside gaming by referendum. Table 2 shows the six counties that have authorized gaming by referendum.

Table 2

County	Date Gaming Approved
Adams County	November 1990
Coahoma County	August 1993
Hancock County	December 1990
Harrison County	March 1992
Warren County	September 1992
Washington County	March 1993

Source: Ms Institutions of Higher Learning - Center for Policy Research and Planning

In the seventh county, Tunica, gaming became legal in November 1991 due to the absence of a petition filed calling for a county referendum on dockside gaming.

State Government

State Government

Background

Passage of the body of legislation discussed in this report's introduction culminated in the enactment of House Bill 2, the *Gambling Control Act*, during the June, 1990, Special Legislative Session. The legislation also established the Mississippi Gaming Commission to regulate the gaming industry.

Taxation of Gaming

State law requires the State Tax Commission to collect from each casino a monthly gaming license fee based on gross revenue. The gross revenue fees are levied by the State Tax Commission as follows:

- four percent (4%) of all gross revenue up to \$50,000;
- six percent (6%) of all gross revenue over \$50,000 up to \$134,000; and
- eight percent (8%) of all gross revenue over \$134,000.

In addition, the State Tax Commission assesses and collects an additional state gaming license fee from each casino based on the number of games operated. This annual fee is imposed as follows:

- casinos operating ten (10) games or less pay a fee from \$50 to \$1,500;
- casinos operating more than ten (10) games pay a fee from \$500 to \$4,800;
- casinos operating more than thirty-five (35) games pay a fee of \$100 per game.

The State Tax Commission is also authorized to develop rules and regulations governing the tax collections. Accordingly:

- the first \$3 million in monthly state gaming fees must be deposited in the Gaming Counties Bond Sinking Fund for use in paying principal and interest on debt issued to construct road and bridge infrastructure within gaming counties or the counties

approaching gaming counties;

- monthly gaming fees in excess of the first \$3 million, up to 25 percent of total gaming fees collected, must be “*deposited into the State Highway Fund to be used exclusively for the reconstruction and maintenance of highways of the State of Mississippi*”; and
- the remainder of gaming fees collected “*shall be paid by the State Tax Commission to the State Treasurer to be deposited in the State General Fund*”.

State law also requires the State Tax Commission to collect other locally imposed gaming fees for payment to local governments.

Direct Gaming Revenue

The gaming industry produces direct gaming revenue to state and local government in the form of state and locally imposed gaming fees. Table 3 shows the amount of *direct revenue* (state and locally imposed gaming fees) received by the State Tax Commission from fiscal years 1993 through 1998. (This table does not include approximately \$10 million in fees paid to Bay St. Louis/Hancock County since that agreement is administered without the State Tax Commission pages 41 and 46). In addition, as discussed on page 13, the state also receives revenue from the rental

Table 3

State Tax Revenues From Gaming					
State Fiscal Year	Bond Sinking Fund	State Highway Fund	General Fund	Transfer To Local Govt	Total
1993			\$33,315,922	\$11,095,706	\$44,411,628
1994			95,033,771	33,736,024	128,769,795
1995			128,776,225	60,513,226	189,289,451
1996	\$34,223,742		110,415,641	69,074,471	213,713,854
1997	38,258,926		119,540,774	75,858,651	233,658,351
1998	37,326,322	\$3,240,099	126,872,535	82,906,716	250,345,672
Total	\$109,808,990	\$3,240,099	\$613,954,868	\$333,184,794	\$1,060,188,751

Source: State Tax Commission

of public tidelands. Also discussed on page 13 is gaming revenue received by state levee boards. On page 14 changes in total state business activity subject to sales taxes is discussed.

In fiscal year 1997, the state received \$119,540,774 in General Fund gaming revenues which represented 4.2 percent of the state's total 1997 General Fund budget of \$2,856,138,000. **Gaming revenues increased from \$33,315,922 in fiscal year 1993 to \$126,872,535 in fiscal year 1998, an increase of 380 percent over five years or an average 76 percent per year.**

Use of Gaming Fees Received By State Government

Comparing fiscal year 1990 (pre-gaming) with fiscal year 1997 (most recent fiscal information), total General Fund revenues increased from \$1.811 billion to \$2.856 billion – an increase of \$1.045 billion (57.7 percent). By comparison, for those two years, total state General Fund gaming revenue increased from -0- in 1990 (pre-gaming) to \$119.5 million (1997 revenue) representing 11 percent of the total increase in General Fund budget.

General Fund gaming revenues increased from no (\$0) revenue in fiscal year 1990 to \$126.9 million in fiscal year 1998. Table 3 shows for the period 1990 through 1998 General Fund gaming revenue totaled \$613.9 million.

State law requires the first \$3 million in state monthly gaming fees be deposited in the Gaming Counties Bond Sinking Fund. These funds must be used to pay principal and interest on debt issued to construct road and bridge infrastructure within gaming counties or the counties approaching the gaming counties. As shown in Table 3, for the period 1993 through 1998 the state has collected and deposited \$110 million in gaming revenue in the Gaming Counties Bond Sinking Fund.

State monthly gaming fees in excess of \$3 million, but not in excess of twenty-five percent of total gaming fees collected, must be deposited in the State Highway Fund. These funds must *“be used exclusively for the reconstruction and maintenance of highways in the State of Mississippi.”* Table 3 shows the state collected and deposited gaming revenue of \$3.2 million in the State Highway Fund for the period 1990 through 1998.

The remainder of gaming fees collected *“shall be paid by the State Tax Commission to the State Treasurer to be deposited in the State General Fund.”* Although state law does not require the expenditure of these funds for any particular purpose, General Fund resources are expended for many governmental functions including public education, social welfare and corrections.

Because state's General Fund accountability does not require that specific revenue types be identified by expenditures made from the fund, exact identification of state expenditures relative to gaming

revenue cannot be made. However, an analysis of state General Fund expenditures from fiscal years 1990 to 1997 revealed expenditures increased 44 percent during the period. Table 4 shows the state expenditure categories with increases exceeding this average.

Table 4

Analysis of State General Fund Expenditures for Period of 1990 to 1997	
Expenditure Category	Percentage Increase Greater Than 44%
Public Works	2,011%
Debt Service	552%
Corrections	150%
Insurance & Banking	148%
Hospitals & Hospital Schools	85%
Judiciary & Justice	72%
Public Health	71%
Social Welfare	62%
Public Protections & Veteran's Assist	56%

Source: Analysis of information provided by Department of Finance and Administration

Regulation

Two state agencies cooperate to regulate the gaming industry: the Mississippi Gaming Commission and the State Tax Commission.

Mississippi Gaming Commission Duties

In addition to legalizing dockside gaming, House Bill 2 established the Mississippi Gaming Commission to regulate casinos. Its mission statement describes the agency's purpose and goals:

The mission of the Mississippi Gaming Commission (MGC) is to enforce the Gaming Control Act and Charitable Gaming Laws of the State of Mississippi. The MGC will establish and enforce regulations under the authority of those laws in such a manner that will ensure the integrity of the State of Mississippi and maintain the public confidence in both the charitable gaming and casino gaming industries by working in conjunction with the industry. The Mississippi Gaming Commission will work in concert with international, national, state, county, local regulatory and law enforcement agencies to establish a safe and crime free environment. In addition, the MGC will ensure economic development that is in both the best interest and safety of the citizens of the State of Mississippi.

The Mississippi Gaming Commission is organized into twelve divisions and has two major functions: investigation and enforcement. Based on information provided by the Mississippi Gaming Commission, its estimated budget for fiscal years 1997 and 1998, excluding its function related to charitable bingo, was \$7.6 million and \$7.4 million, respectively. This is a direct cost to the state to regulate the gaming industry to ensure enforcement of gaming laws, to preserve public confidence in the gaming industry, and to insure economic development that is in the best interests of the state's citizens.

State Tax Commission Duties

Section 75-76-81, Mississippi Code of 1972 Annotated, places authority to assess and responsibility to collect taxes and other gaming industry fees with the State Tax Commission:

The Chairman of the State Tax Commission shall assess and collect all taxes, fees, licenses, interest, penalties, damages and fines imposed by this chapter [Gaming Control Act], and is hereby empowered to promulgate rules and regulations to administer such collections.

The State Tax Commission is also responsible for depositing appropriate collections with the State Treasurer and distributing appropriate collections to localities (i.e., the appropriate county or municipality).

State Tax Commission regulations specify the agency's authority to:

- conduct periodic audits or reviews of gaming licensees;
- review and observe accounting methods and procedures;
- examine debt extension procedures;

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- review and require modification of internal control procedures;
 - examine all accounting records when necessary; and
 - investigate compliance with Gaming Control Act, other regulations, controls and procedures.

State Tax Commission regulations require each gaming licensee to:

- maintain accurate records of all transactions pertaining to revenue;
- prepare annual financial statements covering all financial activities;
- submit an annual audit report by an independent accountant of the licensee's financial statements;
- remit weekly a report on revenue and prepayment of fees;
- remit monthly a final return for fees or taxes upon gross revenue;
- establish and submit a written plan of internal administrative and accounting controls and procedures for the purpose of determining licensee's liability for taxes and fees under the Gaming Control Act and to ensure accuracy and reliability of all accounting data; and
- submit an annual report prepared by an independent accountant on licensee compliance with written system of internal controls.

In order to verify the accuracy of casino information and casinos' compliance with the above state laws and regulations, the Tax Commission established a separate casino audit division. Commission auditors compare casinos' written internal control systems with procedures, events and the circumstances they observe. The extent of casinos' compliance with written internal control systems allows auditors to determine the degree of audit risk. By determining audit risk, auditors can determine a necessary audit sample size. The auditors then sample a selected number of business days to review and examine 100 percent of all casino records and documents for the business days selected.

The casino audit division currently has 24 audit positions; total expenditures for fiscal year 1998 were \$1,062,223, a direct cost to the state to ensure that taxes and fees due the state are in fact remitted.

Additional State Revenue From Public Tidelands Rental

In addition to revenue and fees accruing directly from gaming activity, Mississippi collects revenues from the lease of public tidelands.

Section 29-15-9, Mississippi Code of 1972, Annotated, establishes a Public Trust Tidelands Fund for the purpose of receiving funds from lease rentals of tidelands and submerged lands. The Office of the Secretary of State administers this fund.

State law authorizes the use of Public Trust Tidelands Fund to:

- pay administrative cost of the Secretary of State;
- replace lost ad valorem taxes of local taxing authorities;
- fund new programs of tidelands management; and
- fund public improvement projects.

The Secretary of State administered leases totaling \$4,057,071 for tidelands rented by casinos in gaming counties for 1998. After payment of Secretary of State administrative costs, these funds are designated for use in coastal counties with gaming.

Gaming Revenue Received By Levee Districts

The Mississippi Constitution created a state levee system with two levee districts: the Yazoo-Mississippi Delta Levee District and the Mississippi Levee District. The Constitution provides levee district commissioners the authority and responsibility to erect, repair and maintain levees.

Washington County is one of the counties located within the Mississippi Levee District. Coahoma County and Tunica County are located within the Yazoo-Mississippi Levee District.

Table 5 (page 14) shows the gaming revenue received by Mississippi Levee Boards for the 1996-98 fiscal years.

Mississippi levee districts received total gaming revenue of \$8,547,441 in fiscal years 1996-98. During this period the Mississippi Levee District received \$210,528 and the Yazoo-Mississippi Levee District received \$8,336,913. These funds are used by the districts in their operation.

Table 5

Revenue Received By Mississippi Levy Districts			
Fiscal Year	Mississippi Levee	Yazoo-Miss Levee	Total
1996		\$1,199,055	\$1,199,055
1997	\$174,000	3,407,717	3,581,717
1998	36,528	3,730,141	3,766,669
Total	\$210,528	\$8,336,913	\$8,547,441

Source: Ms Levee Board and Yazoo-Mississippi Levee Board

The Yazoo-Mississippi Levee District gaming revenue increased from \$1,199,055 in fiscal year 1996 to \$3,730,141 in fiscal year 1998, or a 211% increase.

Changes in Business Activity Subject to Sales Taxes

An analysis of business activity subject to state sales tax showed strong growth for the state as a whole. In gaming counties business activity growth ranged from below state average in some to moderate and robust in others. Table 6 shows changes in business activity subject to sales tax from 1992 to 1997.

For the period 1992 through 1997, business activity subject to sales tax increased 42.76 % statewide.

Percentage increases in sales tax business activity in three gaming counties (Washington, 19.26%; Coahoma, 19.73 %; Adams, 20.32 %) were significantly below the 42.76 % state average.

The percentage increase in one gaming county (Warren, 44.01 %) approximates the 42.76 % state average.

Percentage increases in three gaming counties (Hancock, 63.98 %; Harrison, 65.87 %; Tunica, 842.76 %) were significantly higher than the 42.76 % state average.

Gaming's impact on business activity subject to sales tax varies from one part of the state to another. In Tunica County the increase in business activity far exceeds increases in other counties; for the gulf coast counties increases in business activity were significantly higher than the state average; for Warren County the increase in business activity was about equal to the state average; and for Washington, Coahoma and Adams counties the increase in business activity was well below the state average.

Table 6

Changes in Total Business Activity Subject to Sales Tax			
Entity	1992	1997	Percentage Increase
Statewide	\$20,496,668,708	\$29,260,468,694	42.76%
Tunica County	42,734,711	402,886,134	842.76%
Harrison County	1,469,198,687	2,436,895,662	65.87%
Hancock County	178,761,193	293,131,412	63.98%
Warren County	420,738,862	605,898,260	44.01%
Adams County	342,312,581	411,882,008	20.32%
Coahoma County	238,266,988	285,275,140	19.73%
Washington County	543,545,245	648,210,901	19.26%

Source: Analysis of information from State Tax Commission

Table 7 (page 16) is an analysis of changes in specific categories of business activity subject to sales tax for the period 1992-97.

Tunica County had the most significant increase in specific categories of business activity subject to sales tax from 1992 to 1997. In Tunica County building construction increased from \$405,815 to \$180,191,813 or 44,302 %; construction contractors increased from \$304,006 to \$36,513,103 or 11,910 %; hotels & motels increased from \$44,790 to \$21,344,441 or 47,554 %.

The gaming industry has had a significant impact on state business activity subject to sales tax. The most significant impact that gaming has had on business activity is in Tunica County.

Table 7

Changes in Specific Categories of Business Activity Subject of Sales Tax	
Category of Business Activity	1992-97 Percentage Change
Total sales	42.76%
Liquor Stores -bar only	283.35%
Building construction	104.73%
Recreation & Amusement	91.13%
Construction Contractors	90.26%
Hotels & Motels	62.90%
Motor Vehicles -used	57.95%
Motor Vehicles -new & used	56.40%
Restaurants	44.68%
Department Stores	44.53%
Antique including pawn shops	35.89%
Grocery stores	2.22%
Liquor Stores -package	-0.28%
Beer Parlors	-3.73%

Source: Analysis of information from State Tax Commission

ECONOMIC IMPACT OF GAMING INDUSTRY

The economic impact of the gaming industry on employment is significant according to Mississippi Gaming Commission report information, as of September 30, 1998, analyzed by Institutions of Higher Learning (IHL), but not independently verified by the Division. Gaming industry-created jobs, including direct employment, indirect employment and induced employment total 45,744. Direct employment refers to jobs at casinos; indirect employment results from casino business spending in local economy; and induced employment results from casino employee spending in the local economy.

Since this total employment impact does not take into account employees moving from other jobs, the 45,744 total gaming employment should not all be considered new jobs. While this reduces the overall effect of net state employment resulting from the gaming industry, it does not diminish the fact that the gaming industry has had a positive effect on Mississippi employment.

Table 8 shows the gaming industry employment impact per type of job. The largest increases in employment occurred in recreation (25,576), retail trade (6,799), and hotel and lodging (3,431). IHL estimates the following breakdown in gaming industry employment: 80 percent in gaming jobs, 10 percent in hotel jobs, and 10 percent in restaurant and bar jobs.

Table 8 shows that the 45,744 employment total includes 31,700 direct employees of casinos, 5,130 indirect jobs resulting from casino spending in the local economy, and 8,914 induced jobs resulting from casino employee spending in the local economy. The indirect and induced employment figures are estimated by IHL based on direct casino employment.

Table 8

Gaming Industry Employment Impact Per Job Type				
Type	Direct	Indirect	Induced	Total
Recreation Services	25,360	49	167	25,576
Retail Trade	3,170	250	3,379	6,799
Hotels and Lodging	3,170	131	130	3,431
Business Services	0	1,158	221	1,379
Health Services	0	1	1,354	1,355
Construction	0	524	193	717

Gaming Industry Employment Impact Per Job Type				
Type	Direct	Indirect	Induced	Total
Professional Services	0	460	112	572
Personal Services	0	230	334	564
Wholesale Trade	0	204	320	524
Real Estate	0	289	183	472
Motor Freight Transport	0	173	115	288
Farms	0	164	123	287
Automotive Services	0	138	139	277
Banking	0	101	175	276
Non-profit Organizations	0	69	179	248
Domestic Services	0	0	226	226
Legal Services	0	93	113	206
Communications	0	134	70	204
Printing and Publishing	0	161	33	194
Utilities	0	113	78	191
Education Services	0	7	179	186
Food Processing	0	67	113	180
Social Services	0	2	166	168
Credit Agencies	0	77	86	163
Ag Services	0	104	39	143
Federal Non-Military	0	83	42	125
Insurance Carriers	0	12	103	115
State & Local Non-Ed Gov	0	36	55	91
Repair Services	0	49	27	76
Apparel	0	15	61	76
Motion Pictures	0	33	34	67
Insurance Agents & Broker	0	7	60	67
Chemicals and Allied	0	17	29	46

Gaming Industry Employment Impact Per Job Type				
Type	Direct	Indirect	Induced	Total
Wood Products	0	25	19	44
Transportation Services	0	32	11	43
Electrical Equipment	0	9	33	42
Furniture	0	1	39	40
Oil Mining	0	14	23	37
Local Passenger Transit	0	7	21	28
Securities & Comm Broker	0	5	18	23
Pulp and Paper	0	12	8	20
Water Transportation	0	11	8	19
Textiles	0	3	14	17
Transportation Equipment	0	6	11	17
Air Transportation	0	7	10	17
Industrial Machinery	0	9	8	17
Petroleum Products	0	7	10	17
Misc. Manufacturing	0	8	8	16
Railroads & Related Ser	0	6	7	13
Stone, Glass, Clay	0	8	5	13
Scientific Instruments	0	2	10	12
Fabricated Metal	0	5	4	9
Leather Products	0	0	6	6
Rubber Products	0	1	1	2
Commercial Fishing	0	1	1	2
Pipe Lines, Except Na Gas	0	0	1	1
Total	31,700	5,130	8,914	45,744

Source: Institutions of Higher Learning

Table 9 (page 20) shows Mississippi per capita income for the state, for gaming counties and for

counties surrounding gaming counties. Gaming counties are shown **in bold** and counties surrounding gaming counties are listed for comparison.

Table 9

Mississippi Per Capita Income Increases for Gaming and Surrounding Counties 1990-1996								
	1990	1991	1992	1993	1994	1995	1996	%
Mississippi (State-Wide)	12,719	13,402	14,198	14,963	15,941	16,743	17,561	38.1
Adams County	13,014	13,490	14,688	15,401	16,008	16,891	17,698	36.0
Franklin County	9,488	9,940	10,698	11,091	11,414	12,127	12,861	36.1
Jefferson County	7,865	8,247	9,039	9,503	9,491	10,451	11,033	40.3
Wilkinson County	9,143	9,757	10,663	10,822	11,795	12,010	12,971	41.9
Hancock County	12,738	13,493	13,807	14,534	15,209	15,377	16,038	25.9
Harrison County	13,495	14,236	15,027	16,521	17,712	18,445	19,644	46.0
George County	8,997	9,210	9,934	10,176	13,322	13,556	13,794	53.3
Jackson County	13,814	14,732	15,489	16,630	17,227	17,558	17,514	26.8
Pearl River County	11,033	11,624	12,182	12,753	13,437	13,725	14,207	28.8
Stone County	11,600	12,286	12,993	13,592	14,046	14,312	14,762	27.3
Tunica County	9,890	10,522	11,772	12,695	15,810	17,298	19,139	93.5
Coahoma County	11,555	12,681	13,700	14,081	15,363	15,635	16,883	46.1
Desoto County	16,197	16,463	17,234	18,213	19,683	20,932	21,671	33.8
Panola County	11,225	11,804	12,355	12,648	13,571	14,082	14,469	28.9
Quitman County	10,092	10,487	11,757	11,241	12,260	12,235	13,594	34.7
Tate County	12,767	13,273	14,163	15,141	16,165	16,881	17,538	37.4
Warren County	14,839	15,636	16,717	17,749	19,520	20,701	20,920	41.0
Claiborne County	8,956	8,998	10,192	10,853	11,444	12,089	12,479	39.3
Hinds County	15,918	16,888	17,876	18,761	19,666	21,091	21,885	37.5
Issaquena County	10,251	12,315	11,231	11,514	14,375	10,383	12,751	24.4
Yazoo County	12,554	13,098	13,411	13,638	15,270	14,979	16,407	30.7
Washington County	11,643	12,603	12,934	13,370	14,714	15,716	16,520	41.9
Bolivar County	10,572	12,073	12,534	12,869	13,866	14,439	15,393	45.6
Humphreys County	11,512	12,257	12,183	12,733	14,229	14,492	15,377	33.6
Sharkey County	10,653	11,709	11,573	11,138	12,979	11,931	13,586	27.5
Sunflower County	9,432	10,285	10,290	10,427	11,242	11,648	12,402	31.5

Source: Survey of Current Business, U.S. Dept. of Commerce, Economics & Statistical Administration Bureau of Economic Analysis

Based on our analysis of U. S. Department of Commerce state per capita income data, the gaming industry has been a contributing factor in a general increase in Mississippi per capita income from 1990 to 1996. Our analysis revealed:

- from 1990 to 1996 Mississippi per capita income increased 38.1 percent;
- gaming counties had an average per capita income increase of 45.5 percent from 1990 to 1996, which is greater than the 38.1 percent state average; and
- per capita income increased an average of 37.5 percent from 1990 to 1996 in gaming counties and counties surrounding the gaming counties;

The gaming industry cannot be considered the only factor contributing to the consistent increase in per capita income experienced by these counties from 1990 through 1996. Other factors, including a general improvement in the national and Mississippi economy, obviously play a part. However, our analysis of available information revealed the effect of the gaming industry on the state's increase in per capita income is substantial.

Table 10

Unemployment Rates 1991 to 1998								
	1991	1992	1993	1994	1995	1996	1997	1998
United States	6.7	7.4	6.8	6.1	5.6	5.4	4.9	4.5
Mississippi	8.7	8.2	6.4	6.6	6.1	6.1	5.7	5.3
Adams County	10.8	8.2	7.3	8.2	7.3	7.0	9.0	7.8
Coahoma County	11.8	11.3	10.9	11.2	10.3	9.9	10.4	9.8
Hancock County	7.1	7.6	6.2	6.5	6.6	5.7	4.7	3.7
Harrison County	7.1	7.5	5.1	5.5	6.4	4.9	4.6	3.9
Tunica County	15.4	13.6	9.6	10.3	12.7	7.6	7.2	7.2
Warren County	8.4	8.8	7.8	6.9	6.0	5.4	5.4	4.7
Washington County	11.7	12.4	10.5	11.0	10.0	10.2	9.1	8.8

Source: Mississippi Employment Security Commission

Table 10 (page 21) shows unemployment rates for the United States, Mississippi and each gaming

county from 1991 through 1998. The unemployment rates shown are annualized for years 1991 through 1997; the rates for 1998 are averaged for the months of January through October.

The state's unemployment rate decreased from 8.7 percent to 5.3 percent from 1991 to 1998. While Mississippi's rate continues slightly above the national unemployment rate, a significant decrease in unemployment has occurred in the state over this period.

However, as significant as the state's reduction in unemployment has been, reduction in unemployment in gaming counties is even more significant. Unemployment in Hancock County fell from 7.1 percent in 1991 to 3.7 percent in 1998; Harrison County decreased from 7.1 percent to 3.9 percent; Tunica County decreased from 15.4 percent to 7.2 percent; and Warren County decreased from 8.4 percent to 4.7 percent.

In the other three gaming counties unemployment reductions were not as dramatic. Unemployment in Adams County fell from 10.8 percent in 1991 to 7.8 percent in 1998; Coahoma County decreased from 11.8 percent to 9.8 percent; and Washington County decreased from 11.7 percent to 8.8 percent.

FURTHER RESEARCH

The State of Mississippi should consider this report as a snapshot of current condition of Economic Impact, Government Use of Revenue and Social Cost related to Gaming. Consideration may be given to more in depth research to independently verify some social phenomenon. For example, establishment of the cause and effect relationship between legalized gaming in Mississippi and the prevalence of compulsive gambling. Further research may also be necessary to clearly establish an association between gaming and the increase of bankruptcies in Mississippi.

A further study should also include the effects of the \$140 million dollar per year legalized bingo industry on the economy and social order of the state.

Northern River Counties and Municipalities

Northern River Counties and Municipalities

Summary

There are two northern river counties with legalized gaming: Coahoma County and Tunica County.

- Coahoma County authorized gaming in August 1993 and has one casino located within the City of Lula; and
- Gaming became legal in Tunica County in November 1991 in the absence of a petition filed calling for a vote on dockside gaming. Tunica County has nine casinos all located in Robinsonville.

State law requires the State Tax Commission to assess, collect and distribute certain local gaming fees. The State Tax Commission distributes these fees to the county where the casino is located or, if the casino is located in a municipality, to the municipality and county based on population. The local fees (referred to as 0.8 percent fees) are assessed as follows:

- four-tenths percent (0.4 percent) of gross gaming revenue up to \$50,000;
- six-tenths percent (0.6 percent) of gross revenue over \$50,000 up to \$134,000;
- eight-tenths percent (0.8 percent) of gross revenue over \$134,000.

State law does not address which fund counties and municipalities should deposit the 0.8 percent fees or the types of expenditures local governments can make using these local gaming fees.

In addition, local and private laws authorize Coahoma and Tunica counties to impose on each casino additional local gaming fees of up to 3.2 percent of monthly gross revenue. Coahoma County and Tunica County both impose the maximum 3.2 percent gross revenue fee. Local and private law authorizes Coahoma County to impose up to an additional \$150 annual license tax on each table game, card game and gaming device.

Tunica County is required by local and private law to share a portion of its 3.2 % gaming revenue with the Town of Tunica and with the Tunica School District with the .8 % going to the county general fund. Coahoma County is authorized by local and private law to share a portion of its gaming revenue with municipalities, institutions of higher learning, utility districts or other political subdivisions within the county.

Local and private law requires Coahoma County to expend gaming revenue for any purpose which general fund, road fund, or bridge fund revenues may be expended or for any purpose the county has authority to levy ad valorem taxes. Coahoma County may use its gaming fees to reduce the ad valorem tax levy of the county. Coahoma County may share up to 50% of its gaming revenue with any municipality, institution of higher learning, utility district or other political subdivision within the county to be expended for purposes designated by Coahoma County.

Local and private law requires Tunica County to deposit and expend 40% of its 3.2 % gaming fees in its county general road fund; deposit and expend 40% in a special fund for construction and maintenance of roads, bridges, water and sewer systems, airports, conventions centers, drainage and flood prevention, recreation, buildings, education facilities, medical facilities, and transportation systems; expend 12% for Tunica County educational purposes; and pay 8% to the Town of Tunica General Fund.

Table 11 shows the net amount of gaming revenue received by northern river counties in fiscal years 1996, 1997 and 1998 and shows amounts shared with other local governments.

Table 11

Northern River County Gaming Revenue				
Governmental Entity	Fy 96	Fy 97	Fy 98	Total
Coahoma County	\$2,583,042	\$2,628,800	\$2,784,401	\$7,996,243
City of Clarksdale	195,000	189,929	195,000	579,929
Schools	515,398	593,999	538,113	1,647,510
Tunica County	24,423,863	28,663,524	31,388,362	84,475,749
City of Tunica	536,491	769,116	2,023,464	3,329,071
Schools	2,688,760	3,076,464	3,514,553	9,279,777
Total	\$30,942,554	\$35,921,832	\$40,443,893	\$107,308,279

Source: County and Municipal Governments

Table 12 (page 26) shows the uses of gaming revenue by northern river governmental entities that include a variety of categories and expenditure types.

Table 12

Uses of Gaming Revenue By Northern River Governmental Entities
Debt Reduction - Jails
Capital Outlay - Roads
Capital Outlay - General County
Shared Revenue With School District
Shared Revenue With Town
Tax Reduction
General Expenditures
Levee Board

Coahoma County

Coahoma County authorized gaming in August 1993 and has one casino located within the City of Lula.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Coahoma County. This fee is imposed, collected and distributed by the State Tax Commission to the county treasury. State law places no restriction on the expenditure of this revenue.

Local and private law authorizes and the county imposes an additional fee of up to 3.2 percent on gaming gross revenue. This fee is collected and distributed by the State Tax Commission to the county treasury for distribution by the board of supervisors as they deem appropriate.

For the 1996, 1997 and 1998 fiscal years, Coahoma County received revenue from local gaming fees totaling **\$7,996,243** net of amounts shared with other local governmental entities in the amount of **\$579,929** to the City of Clarksdale and **\$1,647,510** to schools. See Table 13 for gaming revenues for fiscal years 1996 - 1998.

Table 13

Fiscal Year	Coahoma County Gaming Revenue	City of Clarksdale	Schools	Total
1996	\$2,583,042	\$195,000	\$515,398	\$3,293,440
1997	2,628,800	189,929	593,999	3,412,728
1998	2,784,401	195,000	538,113	3,517,514
Total	\$7,996,243	\$579,929	\$1,647,510	\$10,223,682

Source: County and Municipal Governments

Table 14

Coahoma County Entities Uses of Gaming Revenue
Debt Service - Jail
Capital Outlay - General County
Capital Outlay - Roads
Education Purposes
General Expenditures
Tax Reduction

Tunica County

Gaming was legalized in Tunica County in November 1991 when no petition was filed calling for a vote on dockside gaming.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Tunica County. This fee is imposed, collected and distributed by the State Tax Commission to the county.

Local and private law authorizes and Tunica County imposes an additional fee of up to 3.2 percent on gaming gross revenue.

For the 1996, 1997 and 1998 fiscal years, Tunica County received revenue from local gaming fees

totaling **\$84,475,749** net of amounts shared with other local governmental entities in the amount of **\$3,329,071** to the city of Tunica and **\$9,279,777** to schools. See Table 15 for gaming revenues for fiscal years 1996 - 1998.

Table 15

Fiscal Year	Tunica County Gaming Revenue	City of Tunica	Schools	Total
1996	\$24,423,863	\$536,491	\$2,688,760	\$27,649,114
1997	28,663,524	769,116	3,076,464	32,509,104
1998	31,388,362	2,023,464	3,514,553	36,926,379
Total	\$84,475,749	\$3,329,071	\$9,279,777	\$97,084,597

Source: County and Municipal Governments

Table 16

Tunica County Entities Uses of Gaming Revenue
Roads
General Expenditures
Capital Outlay
Education Purposes
Levee Board

Conclusion

Expenditures of gaming revenue by the northern river counties and municipalities appear to have been for public use. Nothing came to our attention indicating these public funds were expended for matters other than legal public purposes.

Central and Lower River Counties and Municipalities

Central and Lower River Counties and Municipalities

Summary

There are three central and lower river counties with legalized gaming: Adams, Warren and Washington.

- Adams County authorized gaming in November 1990 and has one casino located within the City of Natchez;
- Warren County authorized gaming in September 1992 and has four casinos all located within the City of Vicksburg; and
- Washington County authorized gaming in March 1992 and has three casinos all located within the City of Greenville.

State law requires the State Tax Commission to assess, collect and distribute certain local gaming fees. The State Tax Commission distributes these fees to the county where the casino is located or, if the casino is located in a municipality, to the municipality and county based on population. The local fees (referred to as 0.8 percent fees) are assessed as follows:

- four-tenths percent (0.4 percent) of gross gaming revenue up to \$50,000;
- six-tenths percent (0.6 percent) of gross revenue over \$50,000 up to \$134,000;
- eight-tenths percent (0.8 percent) of gross revenue over \$134,000.

State law does not address which fund counties and municipalities should deposit the 0.8 percent fees or the types of expenditures local governments can make using these local gaming fees

In addition, local and private laws authorize Adams, Warren and Washington counties, or the designated municipalities located within these counties, to impose on each casino additional local gaming fees of up to 3.2 percent of monthly gross revenue. Natchez, Vicksburg and Greenville each impose the maximum 3.2 percent gross revenue fee. The local and private laws require each of the three municipalities to share a portion of the 3.2 percent fees with their respective county government and Vicksburg is required to also share a portion of its 3.2 percent fees with Vicksburg-Warren County School District.

Local and private law authorizes Vicksburg to impose an additional \$150 annual license tax on each gaming device and slot machine. The law does not require Vicksburg to share revenues received from this annual license tax.

Local and private laws require the three central and lower river municipalities to deposit the 3.2 percent fees in the General Fund of each municipality. While these laws do not restrict Vicksburg and Greenville in the expenditure of the 3.2 percent fees from their general funds, Natchez is limited in its expenditure categories.

Local and private law requires Washington County to deposit the 3.2 percent fees received from Greenville in its General Fund but imposes no restriction on expenditures. Local and private laws make no requirement for Adams and Warren counties regarding the fund to deposit the 3.2 percent fees received from Natchez and Vicksburg, respectively, and do not restrict expenditures of the funds for specific purposes.

State and local law requires Vicksburg to deposit its \$150 device tax in its General Fund but imposes no restriction on expenditures.

Table 17 shows the net amount of gaming revenue received by central and lower river counties and municipalities in fiscal years 1996, 1997 and 1998 and shows amounts shared with other local governments.

Table 17

Governmental Entity	FY 1996	FY 1997	FY 1998	TOTAL
Adams County	\$342,064	\$312,270	\$352,713	\$1,007,047
City of Natchez	882,691	766,586	724,633	2,373,910
Warren County	2,175,865	2,032,609	2,414,656	6,623,130
City of Vicksburg	5,413,051	5,276,572	5,063,545	15,753,168
Vicksburg-Warren County School District	625,887	606,620	577,096	1,809,603
Washington County	409,485	883,002	808,164	2,100,651
Washington County School District	41,728	144,408	131,412	317,548
Other Washington County Municipalities		71,537	82,033	153,570
City of Greenville	2,134,520	1,641,690	1,539,418	5,315,628
Greenville Municipal School District		339,240		339,240
Total	\$12,025,291	\$12,074,534	\$11,693,670	\$35,793,495

Source: County and municipal governments

Table 18 shows the uses of gaming revenues by the central and lower river counties and municipalities that include a variety of categories and expenditure types.

Table 18

Uses of Gaming Revenue By Central and Lower River Counties and Municipalities
Fire Protection
Senior Transportation
Recreation
Capital Improvements
Roads
Road Equipment
Public Safety Equipment
Building Repair
Bridges
Sewer Improvements
Tax Reduction
Convention Facilities
Parks
Shared Revenue With School Districts
Shared Revenue With Municipality
Many Other Uses

While the county is not required by law to do so, Washington County shares a portion of its gaming revenue with Washington County School District and with municipalities in Washington County other than Greenville. Similarly, while not required by law, Greenville shares a portion of its gaming revenue with Greenville Municipal School District.

Compliance with local and private laws on the expenditure of gaming revenue by central and lower river counties and municipalities are followed by all three counties and two of the municipalities. Local and private law requires Natchez to restrict expenditure of gaming revenue for certain

purposes. The review determined Natchez expended a portion of its gaming revenue in an area not authorized by local and private law. Natchez municipal officials have recognized this error and intend to repay their General Fund so these funds may be expended for authorized purposes.

Adams County and City of Natchez

Adams County authorized gaming in November 1990 and has one casino located within the City of Natchez.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Adams County and Natchez. This fee is imposed, collected and distributed by the State Tax Commission to the county and municipality based on population. State law places no restrictions on the expenditure of this revenue.

Local and private law authorizes and Natchez imposes an additional fee of up to a 3.2 percent on gaming gross revenue. The law requires Natchez to share 30 percent of revenue from this additional gaming fee with Adams County. The law places no restriction on Adams County for the uses of this additional fee but requires Natchez to expend this gaming revenue for limited purposes.

For the 1996, 1997 and 1998 fiscal years, Adams County received revenue from local gaming fees totaling **\$1,007,047** and Natchez received a total of **\$2,373,910**. See Table 19 for gaming revenues for fiscal years 1996 - 1998 for Adams County and the City of Natchez.

Table 19

Fiscal Year	Adams County Gaming Revenue	City of Natchez Gaming Revenue	Total
1996	\$342,064	\$882,691	\$1,224,755
1997	312,270	766,586	1,078,856
1998	352,713	724,633	1,077,346
Total	\$1,007,047	\$2,373,910	\$3,380,957

Source: County and Municipal Governments

While not required by law, Adams County can identify the expenditures for a portion of its gaming revenue. Adams County used most of these funds (\$804,830) in fiscal years 1996, 1997 and 1998 for county fire protection. The remaining \$202,217 of gaming revenue was deposited in its General Fund

where the fund use cannot be identified.

Natchez is restricted in the purposes gaming revenue can be expended: infrastructure related to gaming, tourism, conventions and historic preservation; tourism promotion, and fire protection, security and law enforcement. Table 20 shows uses of gaming revenue by Adams County and Natchez for fiscal years 1996 - 1998.

Table 20

Adams County Uses of Gaming Revenue	City of Natchez Uses of Gaming Revenue
Fire Protection	Public Properties
	Senior Transportation
	Recreation
	Capital Improvements
	Bond & Interest Fund
	Hospital Insurance Fund

While indicating a lack of knowledge of legal restrictions on expenditure of these funds prior to this review, officials believe the City of Natchez is in compliance with expenditure requirements, except for payments made to the city hospital insurance fund. Natchez officials will now classify these payments an interfund loan and when repaid will use the funds for authorized purposes.

Warren County and City of Vicksburg

Warren County authorized gaming in September 1992 and has four casinos all located within the City of Vicksburg.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Warren County and Vicksburg. This fee is imposed, collected and distributed by the State Tax Commission to the county and municipality based on population. State law places no restrictions on the expenditure of this revenue.

Local and private law authorizes and Vicksburg imposes an additional fee of up to 3.2 percent on gaming gross revenue. The law requires Vicksburg to share 25 percent of revenue from this additional gaming fee with Warren County and 10 percent with Vicksburg-Warren County School

District. The law places no restrictions on the county and school district regarding which fund this revenue can be deposited or the expenditure of these funds. The law requires Vicksburg to deposit the 3.2 percent gaming fees in its General Fund but places no restriction on the expenditure of these funds.

Local and private law also authorizes Vicksburg to impose an additional annual fee of \$150 per gaming device. Vicksburg is not required to share this fee with other local governments, must deposit revenue from this fee in its General Fund, but is not limited in the expenditure of these funds.

For the 1996, 1997 and 1998 fiscal years, Warren County received gaming revenue totaling **\$6,623,130** and Vicksburg received a net of **\$15,753,168** after sharing gaming revenue with Vicksburg-Warren County School District. Under the legal requirement to share its 3.2 percent gaming fees, the City of Vicksburg paid Vicksburg-Warren County School District **\$1,809,603** in fiscal years 1996, 1997 and 1998. See Table 21 for gaming revenues by fiscal year for Warren County and the City of Vicksburg.

Vicksburg is not required by law to identify specific expenditures of gaming revenue from its General Fund but the city does account for specific expenditures it makes using these funds. Vicksburg expended gaming revenue for sewer improvements, a convention center, police station, swimming pool complex, tax reduction and many other projects.

Table 21

Fiscal Year	Warren County Gaming Revenue	City of Vicksburg Gaming Revenue	Vicks-Warr School Distr Gaming Revenue	Total
1996	\$2,175,865	\$5,413,051	\$625,887	\$8,214,803
1997	2,032,609	5,276,572	606,620	7,915,801
1998	2,414,656	5,063,545	577,096	8,055,297
Total	\$6,623,130	\$15,753,168	\$1,809,603	\$24,185,901

Source: County and Municipal Governments

While not required by law, Warren County can identify the specific uses of its gaming revenue. Table 22 shows Warren County and City of Greenville uses of gaming revenue in fiscal years 1996, 1997 and 1998.

Table 22

Warren County Uses of Gaming Revenue	City of Greenville Uses of Gaming Revenue
Roads	Sewer Improvements
Road Equipment	Convention Center
Sheriff Radios and Cars	Police Station
Building Repair	Swimming Pool Complex
Bridges	Tax Reduction
Civil Defense	Other City Projects
Other County Projects	

Washington County and City of Greenville

Washington County authorized gaming in March 1992 and has three casinos all located within the City of Greenville.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Washington County and Greenville. This fee is imposed, collected and distributed by the State Tax Commission to the county and municipality based on population. State law places no restrictions on the expenditure of this revenue.

Local and private law authorizes and Greenville imposes an additional fee of up to 3.2 percent on gaming gross revenue. The State Tax Commission collects this fee and distributes the revenue to the City of Greenville and Washington County based on the local and private law requirements: 66 2/3 percent to the City of Greenville and 33 1/3 percent to Washington County. The law requires Greenville and Washington County to deposit the gaming revenue in the General Fund of each local government but places no restriction on the expenditure of these funds.

For 1996, 1997 and 1998 fiscal years, Washington County received gaming revenue totaling **\$2,100,651** after sharing revenue with Washington County School District and municipalities within the county other than Greenville. Greenville received gaming revenue totaling **\$5,315,629** after sharing revenue with Greenville Municipal School District. See Table 23 for gaming revenue by fiscal year for Washington County and the City of Greenville.

Table 23

Fiscal Year	Washington County Gaming Revenue	Washington County School District Gaming Revenue	Washington County Municipalities Gaming Revenue	City of Greenville Gaming Revenue	Greenville School District Gaming Revenue	Total
1996	\$409,485	\$41,728		\$2,134,520		\$2,585,733
1997	883,002	144,408	\$71,537	1,641,690	\$339,240	3,079,877
1998	808,164	131,412	82,033	1,539,418		2,561,027
Total	\$2,100,651	\$317,548	\$153,570	\$5,315,628	\$339,240	\$8,226,637

Source: County and Municipal Governments

The law requires Washington County deposit the gaming revenue in its General Fund but does not restrict expenditure of these funds and does not require the county to specifically identify expenditures related to gaming revenue. However, Washington County does identify its expenditures related to gaming revenue. Table 24 shows the categories of expenditures made by Washington County and the City of Greenville.

The law does not require Washington County to share its gaming revenue with other local governments but the county government elected to do so. The county shares 16 percent of the revenue collected from its 3.2 percent gaming revenue fees with Washington County School District (**\$317,548** for fiscal years 1996-1998) and 10 percent of these same fees with municipalities within the county other than Greenville (**\$153,570** for fiscal years 1996-1998).

The law requires Greenville deposit the gaming revenue in its General Fund but does not restrict expenditure of these funds and does not require the municipality to specifically identify expenditures related to gaming revenue. Greenville does identify its expenditures related to gaming revenue and expended the funds in the following areas: equipment, vehicles, renovations, furniture, parks, water/sewer improvements and other projects.

The law does not require Greenville to share its gaming revenue with other local governments but the city elected to do so. The city shares 14.2 percent of the revenue collected from its 3.2 percent gaming revenue fees with Greenville Municipal School District (**\$339,240** for fiscal years 1996-1998).

Table 24

Washington County Uses of Gaming Revenue	City of Greenville Uses of Gaming Revenue
Baseball Stadium Construction	Equipment
Convention Center Upgrade	Renovations
Road Improvements	Furniture
Shared Revenue With Washington County School District	Parks
Shared Revenue With Municipalities Other Than Greenville	Water/Sewer Improvements
	Other Projects
	Shared Revenue With Greenville Municipal School District

Conclusion

Except for the City of Natchez's improper use of gaming revenue for the city hospital insurance fund, expenditures of gaming revenue by the central and lower river counties and municipalities appear to have been for public use. However, the City of Natchez agreed to reclassify these payments an interfund loan and when repaid will use the funds for authorized purposes. Except for the City of Natchez's payments to the city hospital insurance fund, nothing came to our attention indicating these public funds were expended for matters other than legal public purposes.

Gulf Coast Counties and Municipalities

Gulf Coast Counties and Municipalities

Summary

There are two Mississippi Gulf Coast counties with legalized gaming: Hancock and Harrison.

- Hancock County authorized gaming in December 1990 and has one casino located within the City of Bay St. Louis;
- Harrison County authorized gaming in March 1992 and has nine casinos located within the cities of Biloxi and Gulfport. (ed. note - there will be ten casinos when Beau Rivage casino opens in March)

State law requires the State Tax Commission to assess, collect and distribute certain local gaming fees. The State Tax Commission distributes these fees to the county where the casino is located or, if the casino is located in a municipality, to the municipality and county based on population. The local fees (referred to as 0.8 percent fees) are assessed as follows:

- four-tenths percent (0.4 percent) of gross gaming revenue up to \$50,000;
- six-tenths percent (0.6 percent) of gross revenue over \$50,000 up to \$134,000;
- eight-tenths percent (0.8 percent) of gross revenue over \$134,000.

State law does not address which fund counties and municipalities should deposit the 0.8 percent fees or the types of expenditures local governments can make using these local gaming fees.

In addition, local and private laws authorize the cities of Biloxi and Gulfport to impose on each casino additional local gaming fees of up to 3.2 percent of monthly gross revenue. Biloxi and Gulfport each impose the maximum 3.2 percent gross revenue fee.

A local and private law authorizes the City of Bay St. Louis to impose a boarding fee of up to \$2.50 as an additional local gaming fee. In lieu of the boarding fee Bay St. Louis receives 2.8 percent (originally 2.3 percent) and the Bay St. Louis-Waveland School District receives 0.4 percent of total adjusted gross revenue from casino gaming operations.

Local and private law authorizes Biloxi to impose an additional annual licence tax of up to \$150 on each gaming device and slot machine. The law does not require Biloxi to share revenues from this annual license tax. Similarly, Gulfport is authorized by local and private law to impose an annual

license tax of up to \$250 on each table/card game and up to \$100 on each slot machine with no requirement for sharing. Bay St. Louis is authorized by local and private law to impose an annual gaming fee of up to \$100 per gaming device with no requirement for sharing.

Local and private laws require Biloxi and Gulfport to deposit the 3.2 percent fees in their respective municipal general funds and require each municipality to spend a portion of the 3.2 percent fees on municipal public safety (20 percent) and municipal education purposes (20 percent). They are also required to distribute a portion of the 3.2 percent fees to Harrison County to be expended by the county for public safety purposes (10 percent) and educational purposes in Harrison County (10 percent). Bay St. Louis deposits its 2.8 percent fees in its municipal general fund. The revenue can be used for any lawful municipal purpose. Bay St. Louis-Waveland School District receives 0.4 percent of casino total adjusted gross revenue.

Table 25 shows the approximate net amount of gaming revenue received by the Gulf Coastal counties and municipalities in fiscal years 1996, 1997 and 1998 and shows amounts shared with other local governments.

Table 25

Governmental Entity	FY 1996	FY 1997	FY 1998	Total
Hancock County	\$ 600,000	\$ 400,000	\$ 400,000	\$ 1,400,000
City of Bay St. Louis	2,100,000	2,600,000	2,600,000	7,300,000
Bay St. Louis-Waveland School Dist.	300,000	300,000	300,000	900,000
Harrison County	5,700,000	5,900,000	6,500,000	18,100,000
Harrison County School District	2,100,000	2,200,000	2,300,000	6,600,000
City of Biloxi	12,100,000	12,700,000	14,100,000	38,900,000
Biloxi School District	3,200,000	3,400,000	3,700,000	10,300,000
City of Gulfport	3,700,000	3,800,000	3,808,000	11,308,000
Gulfport School District	1,000,000	1,000,000	1,000,000	3,000,000
Total	\$30,800,000	\$32,300,000	\$34,708,000	\$97,808,000

Source: County and municipal governments

Table 26 shows the uses of gaming revenues by the Gulf Coastal counties, municipalities and school districts that include a variety of categories and expenditure types.

Table 26

Uses of Gaming Revenue by Gulf Coastal Counties and Municipalities
Public Safety Equipment
Capital Improvements
Static or Reduced Taxes
Teacher Salary Increases
Debt Retirement
Many Other Uses

Compliance with local and private law on the expenditure of gaming revenue is followed by both counties and the three municipalities.

Hancock County and the City of Bay St. Louis

Hancock County authorized gaming in December 1990 and has one casino located within the City of Bay St. Louis.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Hancock County and Bay St. Louis. This fee is imposed, collected and distributed by the State Tax Commission to the county and municipality based on population. State law places no restrictions on the expenditure of this revenue.

Local and private law authorizes and Bay St. Louis to impose an additional gaming boarding fee up to \$2.50 per person which can be increased annually upon notification of casinos and the State Tax Commission.

In lieu of a boarding fee, Bay St. Louis, through a service agreement, has agreed to provide additional service to the casino in exchange for service fees to be paid directly to the city and the Bay St. Louis-Waveland School District. Bay St. Louis receives 2.8 percent, originally 2.3 percent, of total adjusted gross revenue from casino gaming operations. Bay St. Louis is authorized to expend this additional gaming revenue for any lawful municipal purpose. Bay St. Louis-Waveland School District's operating fund receives 0.4 percent of total adjusted casino gross revenue from gaming operations. No restrictions apply to the expenditure of this additional gaming revenue by the school district.

For the 1996, 1997 and 1998 fiscal years, Hancock County received gaming revenue totaling approximately \$1,400,00, Bay St. Louis received a total of approximately \$7,300,000, and Bay St. Louis-Waveland School District received approximately \$900,000. See Table 27 for gaming revenue by fiscal year for Hancock County, the City of Bay St. Louis and the Bay St. Louis-Waveland School District.

Table 27

Fiscal Year	Hancock County Gaming Revenue	City of Bay St. Louis Gaming Revenue	Bay St. Louis-Waveland School Dist Gaming Revenue	Total
1996	\$ 600,000	\$2,100,000	\$300,000	\$3,000,000
1997	400,000	2,600,000	300,000	3,300,000
1998	400,000	2,600,000	300,000	3,300,000
Total	\$1,400,000	\$7,300,000	\$900,000	\$9,600,000

Source: County and municipal governments.

Hancock County is not required by law to identify specific expenditures of gaming revenue. Its primary uses of gaming revenue are capital outlay and debt retirement expenditures.

Bay St. Louis is not required by law to identify specific expenditures of gaming revenue. Since Bay St. Louis has been receiving gaming revenue the city has reduced its tax levy for city administered funds from more than 30 mills per year prior to gaming revenue to five mills per year.

Harrison County and the cities of Biloxi and Gulfport

Harrison County authorized gaming in March 1992 and has seven casinos (soon eight) located within the City of Biloxi and two casinos within the City of Gulfport.

State law imposes a local gaming fee of up to 0.8 percent of gross revenue on gaming in Harrison County and Biloxi and Gulfport. This fee is imposed, collected and distributed by the State Tax Commission to the county and municipalities based on population. State law places no restrictions on the expenditure of this revenue.

Local and private law authorizes and Biloxi imposes an additional fee of up to 3.2 percent on gaming gross revenue. The State Tax Commission collects this fee and distributes the revenue to Biloxi. The

law requires Biloxi to spend 20 percent of revenue from this additional gaming fee for municipal public safety and 20 percent for municipal education purposes. The law also requires Biloxi to distribute 10 percent to Harrison County to be spent on county public safety and 10 percent for educational purposes in Harrison County.

Local and private law also authorizes Biloxi to impose an additional annual gaming fee of up to \$150 per gaming device and slot machine. Biloxi is not required to share this fee with other local governments, must deposit revenue from this fee in its general fund, but is not limited in the expenditure of these funds.

Local and private law authorizes and Gulfport imposes an additional fee of up to 3.2 percent on gaming gross revenue. The State Tax Commission collects this fee and distributes the revenue to Gulfport. The law requires Gulfport to spend 20 percent of revenue from this additional gaming fee for municipal public safety and 20 percent for municipal education purposes. The law also requires Gulfport to distribute 10 percent to Harrison County to be spent on county public safety and 10 percent for educational purposes in Harrison County.

Local and private law also authorizes Gulfport to impose an additional annual gaming fee of up to \$250 per table/card game and up to \$100 per slot machine. Gulfport is not required to share this fee with other local governments, must deposit revenue from this fee in its general fund, but is not limited in the expenditure of these funds.

Table 28

Fiscal Year	Harrison County Gaming Revenue	City of Biloxi Gaming Revenue	City of Gulfport Gaming Revenue	Harrison County School District Gaming Revenue	Biloxi School District Gaming Revenue	Gulfport School District Gaming Revenue	Total
1996	\$5,700,000	\$12,100,000	\$3,700,000	\$2,100,000	\$3,200,000	\$1,000,000	\$27,800,000
1997	5,900,000	12,700,000	3,800,000	2,200,000	3,400,000	1,000,000	29,000,000
1998	6,500,000	14,100,000	3,808,000	2,300,000	3,700,000	1,000,000	31,408,000
Total	\$18,100,000	\$38,900,000	\$11,308,000	\$6,600,000	\$10,300,000	\$3,000,000	\$88,208,000

Source: County and municipal governments.

For the 1996, 1997 and 1998 fiscal years, Harrison County received gaming revenue totaling approximately \$18,100,000, Biloxi received a total of approximately \$38,900,000, Gulfport received a total of approximately \$11,308,000, the Harrison County School District received a total of approximately \$6,600,000, the Biloxi School District received a total of approximately \$10,300,000 and the Gulfport School District received a total of approximately \$3,000,000. See Table 28 for the

approximate gaming revenues by fiscal year for Harrison County, the City of Biloxi, the City of Gulfport, the Harrison County School District, the Biloxi School District and the Gulfport School District.

As required by law, Harrison County has used its portion of Biloxi's and Gulfport's 3.2 percent local gaming revenues for county public safety expenses. Harrison County has used its local share of the state gaming tax for various general purpose expenses.

As required by law, Biloxi has used and distributed the appropriate portion of its 3.2 percent local gaming revenue for municipal public safety, municipal education purposes, Harrison County public safety and educational purposes in Harrison County. Biloxi has used the remaining portion, its additional annual fee on gaming devices and slot machines, and its 0.8 percent state gaming fee for general purposes. Since Biloxi has been receiving gaming revenue it has slightly reduced its tax levy for city administered funds.

As required by law, Gulfport has used and distributed the appropriate portion of its 3.2 percent local gaming revenue for municipal public safety, municipal education purposes, Harrison County public safety and educational purposes in Harrison County. Gulfport has used the remaining portion, its additional annual fee on table/card games and slot machines, and its 0.8 percent state gaming fee for non-reoccurring expenses. Since Gulfport has been receiving gaming revenue it has kept its tax levy for city administered funds at approximately the same level as prior to gaming revenue.

Harrison County School District has placed its portion of Biloxi's and Gulfport's 3.2 percent local gaming revenue in an escrow fund because a court order concerning a lawsuit brought by the Long Beach School District concerning its claim to part of the Harrison County School District's gaming revenue.

Biloxi School District has used its portion of Biloxi's 3.2 percent local gaming revenue to make improvements to its physical plant and give salary increases to teachers without significantly increasing its tax levy.

Gulfport School District has used its portion of Gulfport's 3.2 percent local gaming revenue to make improvements to its physical plant without significantly increasing its tax levy.

Conclusion

Expenditures of gaming revenue by the gulf coast counties and municipalities appear to have been for public use. Nothing came to our attention indicating these public funds were expended for matters other than legal public purposes.

FINDINGS

The method used by the City of Bay St. Louis to assess gaming revenue fees on the casino within its jurisdiction is not authorized by the Legislature.

The method used by the City of Bay St. Louis to assess gaming revenue fees on the casino within its jurisdiction is consistent with other gaming jurisdictions and the most practical, but it is not authorized by the Legislature. The casino affected by the city's method has agreed in writing with the method, however the municipality's governing authority has no power to levy taxes of any kind or increase the levy of any authorized tax. This authority is reserved to the Mississippi Legislature.

In 1991 the Legislature enacted House Bill 1675, related to local gaming fees, for the City of Bay St. Louis. Section 1 of House Bill 1675 states, in part:

*“The governing authorities of the City of Bay St. Louis are authorized, in their discretion, to require that every cruise vessel, as defined in Section 27-109-1, Mississippi Code of 1972, that docks in the municipality and on which legal gaming is conducted, **pay boarding fees of not to exceed Two Dollars and Fifty Cents (\$2.50) per person** and which shall be collected by the State Tax Commission as other gaming fees are collected by the commission pursuant to the Mississippi Gaming Control Act. The full enforcement provisions of the Mississippi Gaming Control Act with respect to the collection of fees by the State Tax Commission shall apply as necessary to the implementation and administration of this section. Not less than thirty (30) days before the effective date of the fees, the governing authorities shall furnish the State Tax Commission a certified copy of the ordinance enacting the boarding fees and establishing the effective date thereof. The avails of such boarding fees shall be forwarded by the State Tax Commission to the municipality on or before the tenth day of each month following the month in which the fees were collected. Such monies shall be deposited into the general fund of the municipality”.*

Section 2 of House Bill 1675 states, in part:

“The governing authorities of the City of Bay St. Louis are authorized, in their discretion, to impose an annual license tax of not to exceed One Hundred Dollars (\$100.00) upon every gaming device, as defined in Section 75-76-5(m), Mississippi Code of 1972, that is located on a cruise vessel which docks in the municipality and on which legal gaming is conducted. The license tax shall not exceed One Hundred Dollars (\$100.00) per gaming device and shall be collected by the State Tax Commission as other gaming fees are collected by the commission pursuant to the Mississippi Gaming Control Act. The full enforcement provisions of the Mississippi Gaming Control Act with respect of the collection of fees by the State Tax Commission shall apply as necessary to the implementation and administration of

this section. The license tax shall be due and payable before a cruise vessel, as defined in Section 27-109-1, Mississippi Code of 1972, may dock in the municipality, or may continue to be docked, as appropriate. Before the effective date of the license tax, the governing authorities shall furnish the State Tax Commission a certified copy of the ordinance enacting the license tax and establishing the effective date thereof. The avails of such license tax shall be forwarded by the State Tax Commission to the municipality on or before the tenth day following the month in which the license tax was collected. Such monies shall be deposited into the general fund of the municipality”.

House Bill 1675 requires boarding fees and license taxes be collected by the State Tax Commission just as other gaming fees are collected by the Commission pursuant to the Mississippi Gaming Control Act. It also states that the Mississippi Gaming Control Act’s full enforcement provisions regarding the collection of fees by the State Tax Commission shall apply as necessary to this Section’s implementation and administration. Section 75-76-81, Mississippi Code of 1972, Annotated, states:

“The Chairman of the State Tax Commission shall assess and collect all taxes, fees, licenses, interest, penalties, damages and fines imposed by this chapter, and is hereby empowered to promulgate rules and regulations to administer such collection”.

In lieu of the boarding fee authorized by House Bill 1675, the City of Bay St. Louis, in October 1993, entered into a service agreement with the cruise vessel docked in the municipality on which legal gaming is conducted. The service agreement states the City of Bay St. Louis recognizes a need and desire to provide services to the cruise vessel which are above and beyond the normal services that a city taxpayer would receive. The service agreement also states the City of Bay St. Louis agrees to provide the additional services in lieu of a boarding fee for gaming customers. It further states that in consideration of the service fees provided for by the service agreement, the City of Bay St. Louis and the Bay St. Louis-Waveland School District mutually agree to provide the additional services for the following service fees, which are due and payable by the 10th of the following month:

- the City of Bay St. Louis shall receive 2.3 percent of total adjusted gross revenues from gaming operations (net win), as reported to the State of Mississippi, for deposit into the city’s general fund to be used for any lawful municipal purpose; and
- the Bay St. Louis-Waveland School District shall receive 0.4 percent of total adjusted gross revenues from gaming operations (net win), as reported to the State of Mississippi, for deposit into the district’s operation fund to be used only for purposes specified from time to time by the Bay St. Louis City Council.

In October 1996 instead of 2.3 percent, the city began receiving 2.8 percent of total adjusted casino gross revenue from gaming operations. As a result the casino is paying gaming fees of 3.2 percent of adjusted gross revenue, the same percentage as casinos in Biloxi and Gulfport.

Section 21-17-5 (1), Mississippi Code of 1972, Annotated states:

“The governing authorities of every municipality of this state shall have the care, management and control of the municipal affairs and its property and finances. In addition to these powers granted by specific provisions of general law, the governing authorities of municipalities shall have the power to adopt any orders, resolutions or ordinances with respect to such municipal affairs, property and finances which are not inconsistent with the Mississippi Constitution of 1890, the Mississippi Code of 1972, or any other statute or law of the State of Mississippi, and shall likewise have the power to alter, modify and repeal such orders, resolutions or ordinances. Except as otherwise provided in subsection (2) of this section, the powers granted to governing authorities of municipalities in this section are complete without existence of or reference to any specific authority granted in any other statute or law of the State of Mississippi”.

Section 21-17-5 (2), states, in part

“Unless such actions are specifically authorized by another statute or law of the State of Mississippi, this section shall not authorize the governing authorities of a municipality to (a) levy taxes of any kind or increase the levy of any authorized tax, ...”.

The Office of the State Auditor acknowledges it may be somewhat difficult to ascertain the amount of gaming fees payable based on the number of people boarding, as required by House Bill 1675. However, current legislation establishes this taxing method. The method should either be followed or amendments to the legislation should be made to eliminate requirement. We agree that assessing gaming revenue fees on a percentage of the casino’s total adjusted gross revenue is the easiest method to regulate. Nevertheless, it is the opinion of this office that the service agreement between the City of Bay St. Louis and the casino is not in accordance with statutes and laws of the State of Mississippi.

Although Section 21-17-5 provides municipalities with home rule, subsection 2 prohibits municipalities from levying taxes of any kind -- or increasing the levy of any authorized tax. If the legislature did not consider the fees collected from casinos to be a tax, it would not have passed local and private legislation setting the maximum gaming fees each governmental entity could collect.

The service agreement between the City of Bay St. Louis and the casino implies the service fees are to pay for the additional services the city and school district will provide the casino. The service agreement does not specify what additional service will be provided. If the additional services are services provided to the public by the city and school district then the fee is a tax . If the additional services provided by the city and school district are services related to an individual privilege or benefit to the casino then the fee is truly a fee that can be set by the city’s governing authorities. In this office’s judgement, the services provided by the city and the school district to the casino are services provided to the public.

House Bill 1675 requires the State Tax Commission to collect the gaming fees from the casino after it has received a certified copy of the ordinance enacting the gaming fees from the City of Bay St. Louis. With the City of Bay St. Louis entering a service agreement and not adopting an ordinance to enact the gaming fees, the State Tax Commission has no authority to monitor or collect the City of Bay St. Louis' gaming fees. Under the service agreement, the gaming fees are paid directly to the city and school district.

Since the State Tax Commission has no authority get involved with payments made directly to the city and school district by the casino and with this office having no authority to audit municipalities, this payment method by the casino reduces its accountability for paying all gaming fees due.

Prior to the 1999 legislative session, the Division notified City of Bay St. Louis officials of this situation to enable them to correct this problem during the current legislative session.

Social Costs

Compulsive Gambling

Mississippi Council on Problem and Compulsive Gaming

Mississippi has responded to the compulsive gaming problem by establishing the Mississippi Council on Problem and Compulsive Gaming (MCPCG.). Created in 1995 the MCPCG is a fulfillment of recommendations made by the Governor's Office, the Mississippi Public Policy *Think Tank* and the Mississippi Casino Operators Association. The MCPCG is a non-profit organization certified by the National Council on Problem Gambling and is governed by a 40-member board.

Annual funding for the MCPCG consists of \$100,000 from the state via the Mississippi Gaming Commission's legislative appropriation and \$150,000 from the Mississippi Gaming Association.

MCPCG responsibilities include:

- operation of a 24-hour statewide help line for problem and compulsive gamblers;
- training workshops;
- certification for gambling addiction counselors, clergy and educators;
- sponsorship of scholarly research into problem gambling's prevalence;

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- dissemination of public service information in the form of billboards, posters, brochures, public service announcements and programs, newsletters, and an Internet page; and
 - development and maintenance of a referral resources manual.

These MCPCG activities are the sole state government-sponsored responses to problem gambling. Consequently, no funding or staffing has been available to reliably estimate problem gambling's health-related costs (e.g., changes in the utilization rate of psychiatric services, suicide, self-inflicted injuries, etc.), social-related costs (e.g., divorce, bankruptcy, families in poverty rates, etc.) or law enforcement and criminal justice costs.

State Agencies and Other Organizations

Since the advent of legalized gaming in Mississippi, the Department of Mental Health has recognized its logical role in treating problem gamblers. To meet this responsibility during the past four years it has made consistently diminishing appropriation requests, not funded by the legislature, ranging from one-half of a percentage point of gaming tax revenue to this year's request for \$300,000. The funding would provide salaries and training for addictionologists and, if approved, would be the only direct state involvement in the treatment of gambling addicts.

Non-governmental medical treatment and counseling is available to Mississippi problem gamblers at 14 in-state and four neighboring-state centers. However, the Department of Insurance reports being "[un]aware of any policies filed with this Department [i.e., legally approved for purchase in Mississippi] which provide coverage for compulsive gambling, either directly or under the mental/nervous or compulsive/addictive behaviors component. Additionally, we are not aware of any specific exclusions for the treatment of compulsive gambling."

In addition to private medical treatment centers, 15 in-state and five neighboring-state chapters of Gamblers Anonymous and Gam Anon are available to Mississippians.

Volberg Study of Mississippi Problem Gambling

A beginning was made to determine the extent (but not the cost) of problem and compulsive gambling in Mississippi in a 1997 MCPCG-sponsored study made by Rachel A. Volberg under the auspices of Mississippi State University's Social Science Research Center. The report is titled **Gambling and Problem Gambling in Mississippi, A Report to the Mississippi Council on Compulsive Gambling** and estimates "that, at a minimum, there are presently 22,300 adult Mississippi residents experiencing severe difficulties related to their involvement in gambling."¹ Based on her criteria

¹Volberg, p. 33. Estimates are based on Mississippi's 1990 population aged 18 and over (1,825,845).

(South Oaks Gambling Screen items²), Volberg's study classifies 3.7 percent of Mississippians as lifetime problem gamblers, 3.1 percent as lifetime probable pathological gamblers and 2.8 percent as current problem gamblers.³ Using the 1990 census (over age 18 population: 1,825,845) as a basis, she further estimates that "between 32,700 and 69,600 Mississippi residents aged 18 and over can be classified as current problem gamblers. In addition, we estimate that between 22,300 and 54,400 of Mississippi residents aged 18 and over can be classified as current pathological gamblers."⁴ However, ". . . the questionnaire for the survey collected information about 13 different wagering activities, **both legal and illegal** [emphasis added] . . . (1) lottery, (2) casinos, (3) bingo, (4) charitable games, (5) card games for money not at a casino, (6) horses, dogs or other animals, (7) slot machines, poker machines or other gambling machines not at a casino, (8) bowling, pool, golf or other games of skill, (9) dice games not at a casino, (10) stock or commodities markets, (11) sports events, (12) the numbers, (13) any other type of gambling."⁵ Of these, only casino gaming, charitable bingo, and charitable games are legal forms of gaming in the state.

For the Volberg report to be useful to this report, percentages and numbers of lifetime problem; lifetime problem pathological; or current problem gamblers (given above) would have to be adjusted to include only estimates of **legal** gamblers (i.e., age 21 years and over).⁶ Further, acceptable indications of problem gambling should be limited to behavior attributable **only** to patronage of legally licensed Mississippi casinos or the influence of legalized gambling, which would somewhat reduce her figures.

Volberg's study grouped gamblers into three categories: **social gamblers** "who gamble responsibly for entertainment and to socialize," **problem gamblers** who exhibit "all of the patterns of gambling behavior that compromise, disrupt or damage personal, family or vocational pursuits," and **pathological gamblers** who experience "continuous or periodic loss of control over gambling; a progression in gambling frequency and amounts wagered, in the preoccupation with gambling and in obtaining monies with which to gamble; and a continuation of gambling involvement despite adverse consequences."⁷

²This instrument is usually a telephonic survey considered to capably measure current and lifetime gambling prevalence.

³Volberg, p.16.

⁴Ibid., p. 13.

⁵Ibid, p. 6.

⁶Mississippi Code of 1972, Annotated, 75-76-155 (1) "A person under the age of twenty-one (21) years shall not: (a) Play, be allowed to play, place wagers, or collect winnings, whether personally or through an agent, from any gaming authorized under this chapter."

⁷Volberg, pp. 2-3.

Although the Volberg report states a “majority of problem gamblers in Mississippi identify casino gaming as their preferred activity,” “despite this expressed preference, *problem gambling prevalence rates are highest among individuals who have wagered on illegal types of gambling such as dice games, non-casino gambling machines and card games and among individuals who have ever wagered on pari-mutual events and bingo* [emphasis added].” She also found the preference for casino gaming “most pronounced among older white female problem gamblers,” although the state’s “. . . problem gamblers [regular wagers in casinos, card games and sports] are significantly more likely . . . to be black and never married.”⁸

Comparing Mississippi with Louisiana and Georgia, Volberg found “Lifetime, past-year and weekly gambling participation are all significantly higher in Louisiana and Georgia than in Mississippi” although “many of the differences in participation are due to differences in availability in the three states.” She also found “few differences in the characteristics of problem gamblers from the three states.”⁹

Volberg concludes that although “**lifetime and current prevalence of problem and probable pathological gambling** [emphasis added] in Mississippi in 1996 [is] higher than in most other states where similar surveys have been completed,”¹⁰ the percentage (64%) of random Mississippi respondents acknowledging participation in “one or more of 13 gambling activities. [is] the lowest rate of lifetime gambling participation identified in any jurisdiction where similar surveys have been completed.”¹¹ “Apart from the much lower participation rates in gambling in Mississippi, the patterns of gambling participation identified in Mississippi are similar to patterns identified in other jurisdictions.”¹²

Harvard Medical School Study on Gambling Behavior

The same year (1997) as the Volberg study, a report titled **Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis**, was produced by Harvard Medical School’s Division on Addictions. It found that while the majority of Americans and Canadians gamble with little or no adverse consequence, there has been an increase from 0.84 percent

⁸Ibid, p. 25.

⁹Ibid., p.33.

¹⁰Ibid., p. 16. Volberg does not list, but we assume (based on a chart in the report, p. 15) these jurisdictions to be the states of Washington, California, Texas, Louisiana, Mississippi, Georgia, Montana, Minnesota, North Dakota, South Dakota, Iowa, Maryland, New Jersey, Connecticut, Massachusetts and New York.

¹¹Ibid., p.6.

¹²Ibid., p.12.

to 1.29 percent in the estimated prevalence rate of “disordered” gambling among the adult population during the last two decades.¹³

As in the Volberg study, three levels of *disordered* gambling were identified: Level 1 - producing little or no adverse consequences; Level 2 - a gambling pattern associated with a wide range of adverse reactions or consequences; and Level 3 - gamblers who experience the most serious consequences, i.e., clinically meaningful negative effects.¹⁴ The report identified the extent of lifetime Level 3 gambling as follows:

- among adults from the general population - 1.60 %
- among youth from the general population - 3.88 %
- among college students - 4.67 %
- among adults in treatment - 14.23 %¹⁵

In addition, the Harvard report includes a variety of informative findings about the nature and distribution of disordered gambling:

- During the past two decades, gambling disorders have evidenced an increasing rate among general population adults.
- To date, prevalence research has not demonstrated an increase in the **rate** of gambling disorders among adolescents or adults sampled from treatment or prison populations during the past two decades.
- Gambling disorders are significantly more prevalent among young people than among the general adult population.

¹³Harvard Meta-analysis, p. 43.

¹⁴The American Psychiatric Association’s **Diagnostic and Statistical Manual (DSM-IV)** recognizes compulsive or pathological gambling as a disorder of impulse control and defines it as “a chronic, progressive failure to resist impulses to gamble and gambling behavior that compromises, disrupts, or damages personal, family and vocation pursuits. The gambling preoccupation, urge, and activity increases during periods of stress. Problems that arise as a result of gambling lead to an intensification of the gambling behavior. Characteristic problems include loss of work due to absences in order to gamble, defaulting on debts and other financial responsibilities, disrupted family relationships, borrowing money from illegal sources, forgery, fraud, embezzlement and income tax evasion.”

¹⁵Harvard Meta-analysis, p. 34.

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- Gambling disorders are significantly more prevalent among males.
 - Individuals with concurrent psychiatric problems display much higher rates of disordered gambling.
 - There was no significant variation in rates of gambling disorders identified across geographic regions.
 - The overall methodological quality of disordered gambling prevalence research has not improved during the past 20 years.
 - Methodological study quality did not influence the magnitude of prevalence estimates.¹⁶

The Harvard study also notes the absence of a valid construct of disordered gambling, i.e., no independent means of assessing (a “gold standard”¹⁷) who does or does not have this psychiatric disorder. Without a “gold standard” confidently determining whether a screening instrument over- or under-estimates the problem in the general population is impossible.¹⁸ Without independent validation, gambling researchers must begin to consider to what extent gambling disorders may overlap other psychiatric illness.

Role of State Government in Problem Gambling

If Mississippi state government plans to expand its response to problem gambling, the appearance of these two studies in the same year was fortunate. The Volberg study describes the extent of problem and compulsive gambling in a disturbingly wide and confusing range of numbers. Its findings are ameliorated somewhat by the Harvard study’s assertion that problem and compulsive gambling may not be as widespread as supposed. Although the incidence of problem and compulsive gambling is undoubtably exacerbated by the casinos’ accessibility, credible scientific evidence suggests it is not

¹⁶Ibid., p. iv.

¹⁷Ibid., p.68.

¹⁸According to Shannon Bybee, Director, UNLV International Gaming Institute, “Lifetime prevalence figures from [surveys such as the South Oaks Gambling Screen] range from 0.1 percent to 6.3 percent of the adult population. This includes anyone who has had a problem with gambling at some point in their [sic] live. Current prevalence, those who are most likely to have a problem now, constitutes 1.4 percent to 2.8 percent of the problem. Thus, the highest projections are still well below 10 percent” *Gaming Research & Review Journal*, UNLV, Vol.3, Issue 1, 1996.

as easily ascribable to legalized gaming as popularly thought.

Comparing the number of people gambling in Mississippi with the number seeking help for gambling addictions does not suggest that state government is ignoring a gambling-related epidemic. Nevertheless, increased attention should be focused on those whose gambling negatively affects their lives as well as their families, friends, employers and those who lend to them or sell to them on credit.

We recommend the Mississippi Council on Problem and Compulsive Gambling expand:

- training workshops and certification for gambling addiction counselors, clergy and educators,
- sponsorship of scholarly research into prevalence of problem gambling and
- dissemination of public service information in the form of billboards, posters, brochures, public service announcements, programs, newsletters, and maintenance and expansion of its referral resources manual.

Current staff at the state's mental health centers could also be specifically trained to provide treatment for compulsive gamblers in addition to their drug and alcohol training. Cost for this additional training does not appear sufficient to warrant a tax increase of gaming revenues. However, a funding source generated from Gaming would seem appropriate.

We recommend the Mississippi Insurance Department identify insurance policies that offer coverage for the treatment of compulsive gambling, take the necessary measures to make them available in Mississippi.

Bankruptcy

The Division performed three reviews of Federal bankruptcy statistics from 1980 through 1997 for (1) the United States, (2) nine southeastern states and (3) Mississippi. Mississippi bankruptcy rates were reviewed to determine if a correlation exists between the number of bankruptcies and the introduction of gaming.

Bankruptcies in the United States, the District of Columbia, Puerto Rico and Guam increased from 331,264 in 1980 to 1,404,145 in 1997, or a 324 percent increase. The largest increase occurred in Puerto Rico (2,159 percent) and the lowest increase occurred in Nevada (110 percent). Mississippi ranked 28th at 318 percent.

Among the nine southeastern states, Mississippi ranked seventh, while Florida ranked highest (1,122 percent) and Arkansas ranked lowest (230 percent). Mississippi's increase in bankruptcies is slightly below the national average (i.e., 318 percent vs 324 percent.)

During this period (1980-1997) total Mississippi bankruptcies increased from 4,607 to 19,269 and bankruptcies per capita steadily, if erratically, increased in proportion to the state's population. In 1980 one bankruptcy occurred for every 547 citizens (4,607 in a population of 2,520,683). By 1989 one bankruptcy occurred for every 250 citizens (10,310 in a population of 2,574,269). After passage of the 1990 Gaming Control Act, Mississippi bankruptcies increased from one of every 229 citizens in 1990 (11,228 in a population of 2,590,841) to one of every 142 citizens in 1997 (19,269 in a population of 2,730,501.)

Analysis of bankruptcy data showed Mississippi's per capita bankruptcy rate decreased slightly from 1992 to 1994, but steadily increased between 1984 and 1991 and between 1994 and the present.

While the number of bankruptcies in the state has increased, it must be noted the number of Mississippi bankruptcies attributable to legalized gaming is unknown since the federal bankruptcy courts do not maintain data on causes of bankruptcies.

Conclusion

A correlation between bankruptcies and gaming is difficult to determine based on the information available during this audit. A more in depth study may produce the necessary evidence to make a factual conclusion on this issue.

Recommendations

Proper Assessment and Use of Local Gaming Fees

1. The Legislature should provide the State Auditor the authority to review and approve municipal audits, such authority currently not authorized by statute. The problems noted below in Bay St. Louis and Natchez identify the necessity for this authority. This lack of State Auditor review combined with the lack of authority for the State Tax Commission to get involved with payments made directly to municipalities reduces casino accountability for paying all gaming fees due.

The method used by Bay St. Louis officials to assess gaming revenue fees on the casino within its jurisdiction may be the most practical, but it is not authorized by the Legislature. The casino affected has agreed in writing with the method of gaming fee assessment, however the municipality's governing authority has no power to levy gaming taxes of any kind or increase the levy of any state-imposed tax. This authority is reserved to the Mississippi Legislature.

Bay St. Louis officials should adhere to the current local and private law, regarding assessment of local gaming fees, or request the Legislature to amend the law to conform with its current practices. (page 46)

Natchez officials utilized a portion of City gaming revenue for payments made to the city hospital insurance fund, an expenditure not allowed under current legal restrictions. Natchez officials will now classify these payments as interfund loans and when repaid will use the funds for purposes authorized by local and private legislation. (page 34)

Compulsive Gambling

2. The Mississippi Council on Problem and Compulsive Gambling should expand 1) training workshops and certification for gambling addiction counselors, clergy and educators, 2) sponsorship of scholarly research into prevalence of problem gambling and 3) dissemination of public service announcements, programs, newsletters, and maintenance and expansion of its referral resources manual. (page 55)
3. Current staff at the state's mental health centers could be specifically trained to provide treatment for compulsive gamblers in addition to their drug and alcohol training. Cost for this additional training does not appear sufficient to warrant a tax increase of gaming revenues. However, a funding source generated from Gaming would seem appropriate. (page 55)

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4. The Mississippi Council on Problem and Compulsive Gambling working with the Department of Insurance should identify insurance policies that offer coverage for the treatment of compulsive gambling, take the necessary measures to make these policies available in Mississippi. (page 55)

Further Research

5. The State of Mississippi should consider this report as a snapshot of current condition of Economic Impact, Government Use of Revenue and Social Cost related to Gaming. Consideration may be given to more in depth research to independently verify some social phenomenon. For example, establishment of the cause and effect relationship between legalized gaming in Mississippi and the prevalence of compulsive gambling. Further research may also be necessary to clearly establish an association between gaming and the increase of bankruptcies in Mississippi.

A further study should also include the effects of the \$140 million dollar per year legalized bingo industry on the economy and social order of the state.