



UNIVERSITY OF MASSACHUSETTS SCHOOL OF PUBLIC HEALTH AND HEALTH SCIENCES

Lottery Revenue and MGM Springfield: Statewide and Local Analysis

Executive Summary

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Executive Summary

Research Objective

The objective of this research is to monitor and describe changes in lottery revenue statewide, in Springfield, and in the communities surrounding MGM Springfield for the purpose of identifying potential impacts associated with expanded casino gambling. This report first briefly describes overall sales trends in Massachusetts during the first year of operation of MGM Springfield. This is important because lottery sales statewide are the largest source of local aid for all communities. This is followed by a more detailed analysis of Springfield and the designated surrounding communities. While the amount of local aid going to these communities is not based on local lottery sales, but instead statewide sales overall, a more detailed local analysis is important since any potential impact on lottery sales from the casino may be more pronounced and have greater economic impact (on the earnings of local lottery vendors, for example) nearer the casino if gamblers that live near the casino are more likely to visit than those living at greater distance.

This research is undertaken due to the Commonwealth's concern that expanded casino gambling may decrease lottery revenue, and therefore local aid. The 2011 Expanded Gaming Act explicitly declares that "enhancing and supporting the performance of the state lottery and continuing the commonwealth's dedication to local aid is imperative to the policy objectives of this chapter."¹ Moreover, casino license eligibility required the applicant to "demonstrate to the commission how the applicant proposes to address lottery mitigation, compulsive gambling problems, workforce development and community development and host and surrounding community impact and mitigation issues as set forth in the memoranda of understanding required under this chapter." Consequently, the Massachusetts Gaming Commission has requested an analysis of the lottery as part of its research program. In order to assess whether there is an impact from the casino, it is first necessary to know what happened to lottery sales after the opening of the casino. Our data allows for accurate estimation of the change in lottery sales following the opening of the MGM Springfield casino and this report presents that information.

Whether any change in lottery sales in Springfield and the surrounding communities was caused by the casino cannot be determined at this point. Our research identifies correlation between the opening of casinos and changes in lottery revenue. It does not establish causation. Simply because lottery revenue decreased after the casino opened does not mean the casino caused the decrease. We do not know if decreased lottery expenditures were spent inside the casino. In addition, we only have one year of lottery sales after the opening of MGM Springfield. Because it is not possible to determine a trend in lottery sales based on a single year of data or a simple year-over-year comparison, this report describes the changes that occurred in lottery revenue during the first year of operation. We provide different comparisons such as year over year, comparable time periods, and others. However, based on the volatility of the lottery sales data and the relatively brief period of time since the MGM Springfield casino opened, it is unwise to expect or explore meaningful differences. Subsequent reports will examine these important trends when further years of data become available and allow a clearer distinction between a longer-term change in lottery sales from year-to-year variation.

¹ The Expanded Gaming Act can be found at <https://malegislature.gov/Laws/SessionLaws/Acts/2011/Chapter194>.

Key Findings

What happened to lottery sales statewide during the first year of operation of MGM Springfield?

- Lottery sales statewide increased 6.50% in the first year after the opening of MGM Springfield compared to the year before.
- Over fiscal years 2003-2019, lottery revenue has increased at a 1.70% annual rate; recent growth is above the historical average.
- The Lottery generated \$1.1 billion in profit (the key source of local aid) in fiscal year 2019; an all-time record.

What happened to lottery sales in Springfield during the first year of operation of MGM Springfield?

- Total lottery sales in Springfield decreased 3.05% in the first year after the opening of MGM Springfield compared to the year before.
- The decline in sales in Springfield may reflect random annual fluctuation in lottery sales or unusually high sales in Springfield in the year just prior to the casino opening.
- Further years of data will be used to establish trends in the data after the opening of MGM Springfield in order to better distinguish random fluctuation in lottery sales from a casino impact.

What happened to lottery sales in the MGC designated surrounding communities during the first year of operation of MGM Springfield?

- Total lottery sales in the designated surrounding communities decreased 0.38% in the first year after the opening of MGM Springfield compared to the year before.
- Lottery sales increased in five of the designated communities in the first year after the opening of MGM Springfield compared to the year before.
- Lottery sales decreased in three of the designated communities in the first year after the opening of MGM Springfield compared to the year before.
- Total lottery sales increased in Chicopee (0.16%), Longmeadow (2.03%), Ludlow (1.90%), West Springfield (0.72%), and Wilbraham (7.81%).
- Total lottery sales decreased in Agawam (-2.68%), East Longmeadow (-2.37%), and Holyoke (-3.08%).