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**THE JEMEZ PUEBLO/CIRCLE P ANALYSIS OF
THE COMMITTEE TO PROTECT DOÑA ANA COUNTY'S STUDY, TITLED
"Economic Impact of a Proposed Jemez Pueblo Casino in Anthony, New Mexico on
Doña Ana County, New Mexico: Income, Employment and Tax Revenues"**

Any study of government budgets has to look at both the revenue and the spending sides of the balance sheet. This study, presented by Christopher Erickson, PhD on October 11, 2004 entitled "*Economic Impact of a Proposed Jemez Pueblo Casino in Anthony, New Mexico on Doña Ana County, New Mexico: Income, Employment and Tax Revenues*" only looks at half of one side of the ledger. It is incomplete because of what it leaves out, and wrong in what it includes.

Property Taxes. The study fixates on the property taxes loss. It is uncontested that 78 acres of vacant land will be taken off the tax roles and placed into trust for the Jemez Pueblo. The loss of an actual \$2,841.21 a year property tax payment will not require a tax increase in Doña Ana County **for many reasons. One threshold reason is that the Pueblo has offered to make substantial payments to the County that will more than offset any theoretical loss of property taxes.**

But even if the payments that will be made to the County by the Pueblo are ignored, it does not follow that there will be any net loss to the County. A comparable situation is presented by the activities of the Mesilla Valley Economic Development Association (MVEDA) which often offers property tax exemptions for up to 30 years to firms bringing jobs to Doña Ana County. The bottom line impact on county finances is the same as putting the land into trust. The difference is duration.

Manufactured Gross Receipts Losses. The study also claims up to a \$1.7 million gross receipts tax shortfall. It bases its dire conclusion on the premise that the casino won't bring any new economic activity to Doña Ana County. The economy of Doña Ana County is transformed into a closed economy where no new money comes into the county simply because the author said so. The Soviet Union had closed cities during the Cold War. No visitors were allowed in because of the top-secret nuclear weapons work done there. These "closed cities" are the only economies that even vaguely resemble the one described in this study.

The study says, "In applying impact analysis, it is critical to determine the initial change in spending." The study states that the "casino is unlikely to attract many new tourists to Doña Ana County." The relevant data in the study is sparse, and it is internally inconsistent. **The author assumes that the casino will do \$100 million in business--all from within Doña Ana County. However, he tells us on page 20 of his study that the TOTAL personal income of the county is only \$3.6 million. If the money coming to the casino is all local money, how can \$3.6 million in personal income be stretched into \$100 million?**

The assumptions are impossible. Yet the rest of the study is anchored to this "finding of impossible fact." With determination, as if with repetition, a ludicrous conclusion somehow

becomes less ludicrous, the study asserts, with no factual or analytical backup that the casino would only “divert spending,” “divert business” and “constitute a diversion” of economic activity.

Gaming is one of the fastest growing entertainment industries in the world with 85 percent of Americans saying that it is an acceptable and fun type of entertainment. The GVA Marquette Advisors who have prepared more than 100 studies on various casino projects in laborious detail quantified the out-of-state origin of the Jemez/Anthony Casino patrons and the infusion into Doña Ana County of their entertainment dollars. The Marquette study pinpoints exactly where the 2.7 estimated visitors would come from. Other proprietary studies have quantified the frequency and the amount of entertainment dollars per visit the average visitor will spend.

There will be some transfer of entertainment dollars due to the substitution effect; however, the casino will attract vast numbers of new people. The new casino with its table games will recapture entertainment dollars from local residents that have been going to Albuquerque and other gaming venues.

The Jemez/Anthony casino will be a **different entertainment product** than the existing racino. In contrast to the racino, it will offer **table games** and the **latest slot machines**. In the greatest contrast, the new facility will provide a modern casino environment that includes clean air, high ceilings, spacious floor plan and attractive décor.

A slot house (the racino) that offers obsolete machines in a smoky, overcrowded environment will not induce tourists to drive any great distance. A new facility with a proper air handling system, professionally designed décor, the latest gaming machines and **table games** will create a much different entertainment experience, one that will be worth driving some distance to experience. A recent study conducted by Harrah’s found that 14 percent of gamblers prefer table games to slot machines. Since there is little crossover play between tables and slots, much of this market is not presently being captured in Doña Ana County.

People will be willing to drive further and come more frequently to participate in this level of entertainment. Many players like to experience different casinos and therefore, will travel beyond the closest casino(s) to try a different venue and/or will travel throughout an entire region visiting casinos.

Visibility and accessibility from the interstate will capture new demand from travelers, particularly truckers, most of who have no intention of going to the racino. Much of the highway traffic will stop on impulse. As the casino builds market awareness, more travelers (particularly truckers) will add a stop at the casino to their travel plans. Some of these travelers may stop in the county for fast food anyway so there could be some sales substitution with the casino. However, even this will be minimal as there is much higher density of restaurant alternatives along the interstate in El Paso than there is in Doña Ana County.

Enough said about the balance sheet items that the study attempts to examine and the items it got just got plain wrong. Let’s move on to the items it forgot.

Ignored Gross Receipts Revenues. The study curiously ignores the fact that significant gross receipts tax revenue will be generated when the 950 new employees go to town to spend their \$28

million in paychecks. We calculate this to be an additional \$1.627 million in additional gross receipts tax revenue.

Forgotten State Income Tax Payments. In examining the impact on a state or county budget it is important to examine state income taxes paid since the state income and estate tax are responsible for 27 percent of the revenues raised in the state. It has been estimated that up to approximately \$1.9 million a year in state income taxes will be paid by the 950 employees earning \$28 million. This significant source of new revenue isn't even worthy of a footnote in the Erickson scholarly endeavor.

Omitted 8 Percent of “net win” that Indian Gaming Casinos pay under the Compacts. The casino business is different, and the economic models have to be different. They are taxed and regulated differently from manufacturing. As an example of the basic flaws in the study, we note that the study misses the fundamental tax that the Indian casinos pay under the compacts.

The errors and omissions on the revenue side of the balance sheet are significant, but dwarfed by the omission of the entire spending/savings side of the ledger for the state and county budgets.

Increased Savings for state and local governments. Fewer people will need welfare. Fewer people will be receiving other government benefits that cost the state and county taxpayers money—Savings all ignored by the Erickson study. Since the jobs will provide health care, the state's financial picture will benefit from fewer people in the area needing Medicaid, and the county will save significant sums in its indigent care program.

We count many, many flaws. It left us seeing holes in this study,

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