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Casino Companies Seek Foothold in Georgia, the U.S.'s Last Big Untapped Gambling Market

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The world's largest casino corporations have set their sights on Georgia this year, hoping state legislators will consider opening up one of the nation's last untapped regional markets to full-service gambling.

Even though Georgia's constitution bans casinos and the effort faces stiff resistance from Evangelical Christian groups in the Deep South, seven corporations including MGM Resorts International, Wynn Resorts Ltd. and Las Vegas Sands Corp. have hired more than 50 lobbyists to press their case in the state.

A state senate committee is scheduled to vote on legislation Thursday afternoon that would open the door to two casino licenses in the state. Even if the full legislature eventually approves the idea, a majority of voters would have to approve a constitutional amendment on the ballot next year.

The effort underscores the pressure the industry faces in finding new markets in the U.S., as commercial casinos have spread into nine new states over the last 15 years and analysts raise concerns about an oversupply in regions such as the Midwest and Northeast.

"The casino industry has been seen as a growth industry over the last 20 to 30 years, and now you're at an apex," said Alex Bumazhny, a senior director at Fitch Ratings who focuses on the gambling business. "Gaming companies are kind of at the tail end of their growth opportunities."

In the mid-Atlantic and Northeast, for example, the number of casinos will grow to 63 by next year, up from 24 in 2004. Gambling revenue has increased overall in those areas, but growth has been uneven.

New Jersey has seen its revenue from gambling cut in half over the last decade as Pennsylvania expanded commercial casinos, which led to a wave of casino closures in Atlantic City from 2014 through last year. Yet Pennsylvania's rate of growth has also slowed in recent years as new casinos in Maryland and Ohio have cut into its market share, according to data from the University of Nevada-Las Vegas, which doesn't include tribal casinos.

Georgia, by contrast, is much less saturated.

"It's got some big population centers, and it's also bounded by states that have no gaming, which gives you additional supply," said Jan Jones Blackhurst, executive vice president of government relations and corporate responsibility at Las Vegas casino giant Caesars Entertainment Corp.

Georgia is the eighth-most populous state in the U.S., yet the closest full-service casinos with table games and slot machines are several hours away at either tribal casinos in North Carolina and Florida, or commercial casinos in Mississippi and Louisiana.

This is the second year in a row Georgia lawmakers have considered casino legislation. Last year the proposal never made it to a full vote, but supporters this year believe the idea is gaining more momentum, citing polls showing

that between 56% and 57% of registered voters in the state would support legalizing casinos.

Last month Republican Gov. Nathan Deal, who has previously said he would oppose any effort to allow casinos, told lawmakers he was willing to entertain the idea if it didn't harm the state's lottery funding, which pays for a popular scholarship program.

As drafted, the legislation would tax casino profits at 20% -- lower than other states such as Maryland, which taxes casinos at a rate higher than 50% -- and distribute the money to two different scholarship programs.

Operators would compete for two licenses: A minimum \$2 billion resort in the Atlanta area and a \$450 million property elsewhere in the state.

Casino companies have been busy in the state capitol. MGM Resorts International alone has registered more than 20 lobbyists in the state and Wynn Resorts Ltd. has hired former Mississippi governor and Republican National Committee Chairman Haley Barbour. Las Vegas Sands Corp. Chairman and Chief Executive Sheldon Adelson, a prolific GOP donor, has also visited Georgia in recent years to meet with legislative leaders and has discussed legalizing casinos with the governor.

Opponents of casinos, including the Georgia Faith and Freedom Coalition, argue that opening the state to large-scale casino operators

will introduce a powerful new set of political actors that could have a "pernicious effect" on state government.

"You think casinos are throwing a lot of money at it now?" said Dave Baker, the group's executive director. "You let this go to a state-wide referendum and they will just blanket the state."

Most research shows that the introduction of casinos into states with lotteries may cause a short-term decline in lottery revenues, but that the lottery usually rebounds a few years later. A report from the State University of New York's Rockefeller Institute last year found that new state revenue from casinos isn't reliable in the long run, especially if gambling expands in nearby states.

Lorenzo Creighton, who has been leading MGM's Georgia advocacy and is president of the company's newly opened National Harbor resort outside Washington, said Georgia's unique geographic position and limited number of licenses mean any project in the state would be an investment that would enhance the overall economy.

"You have roughly six million people in the Atlanta metro area, and there's no other huge market close by that could cannibalize it," Mr. Creighton said. "The fully integrated resort has a lot of staying power. That's a business model we feel is sustainable for the long term."