
MILWAUKEE ECONOMIC IMPACT STUDY

BRIEFING PAPER

Sponsored By:

City of Milwaukee – Community and Economic Development Committee
Forest County Potawatomi Community
Greater Milwaukee Committee
Hispanic Chamber of Commerce of Wisconsin
Milwaukee Urban League
Metropolitan Milwaukee Association of Commerce (MMAC)
VISIT Milwaukee

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<i>Source: The Economic Impact on the city and county of Milwaukee of Building a Casino in Kenosha. Evans, Carroll & Associates (February 2005)</i>

OVERVIEW

The economic loss to the Milwaukee area could climb as high as \$1 billion through the loss of jobs, tourism and local government revenue if the proposed off-reservation casino in Kenosha is built. Milwaukee's minority communities would be the hardest hit by these negative economic consequences.

The Mohegan Tribe of Connecticut, the Menominee Indian Tribe of Wisconsin and a Kenosha developer have filed an application with the federal government to construct an \$808 million off-reservation casino and entertainment complex on 230 acres in Kenosha, Wisconsin. Located approximately 30 miles from Milwaukee along the Interstate 94 corridor, the project will have 3,100 slot machines and 75 table games, include a variety of restaurants, conference and meeting facilities, a 5,000 seat events hall, 50,000 square feet of retail space and a 400 room full service hotel. Promoters say the complex will attract about 4.9 million visitors annually, with a large percentage coming from Milwaukee and the greater southeastern Wisconsin area. A decision by the federal Bureau of Indian Affairs and the State of Wisconsin is expected by late 2005.

Milwaukee Common Council's Community and Economic Development committee called for the study. The Hispanic Chamber of Commerce of Wisconsin, the Milwaukee Urban League, VisitMilwaukee, Metropolitan Milwaukee Association of Commerce the Greater Milwaukee Committee and the Forest County Potawatomi Community, sponsored the study of the proposed off-reservation Kenosha casino's economic impact on Milwaukee. The study was conducted by Dr. Michael Evans, Chief Economist and Chairman of Evans, Carroll & Associates of Boca Raton, Florida.

Dr. Evans' study concludes that the construction of the casino in Kenosha will cause Milwaukee to lose about 2,000 existing jobs and the potential to create approximately 10,000 additional jobs. The existing jobs that would be lost are caused by a 33% reduction in casino patronage at Milwaukee's Potawatomi Bingo Casino and the resulting ripple effect on the area's economy.

The potential 10,000 job loss figure accounts for a Kenosha casino jeopardizing the planned expansion of the existing casino in the Menomonee Valley and any proposals to relocate the Milwaukee casino downtown.

The study also concludes that there would be an \$8.1 million loss in annual revenue for Milwaukee-area businesses from a one-third reduction in out-of-state casino visitors. Furthermore, based on Dr. Evans' prediction of a 33% reduction in Potawatomi Bingo Casino business, the City and County of Milwaukee stand to lose about \$2.5 million annually from their revenue sharing agreement with the Forest County Potawatomi Tribe.

Another significant finding of the study is that Milwaukee's minority communities would be especially impacted. This finding is based on the hospitality industry (hotels, casinos and restaurants) employing a disproportionately high percentage of minorities compared to other industries, and the fact that Milwaukee is home to the largest minority population in Wisconsin.

NEGATIVE IMPACT ON THE MILWAUKEE ECONOMY

The direct result of the proposed off-reservation Kenosha casino would be a significant decline in visitors to the Potawatomi Bingo Casino. The *Milwaukee Economic Impact Study* concludes that **patronage at the Milwaukee casino would decline by approximately 33%**. This decrease, in conjunction with the resulting impact on the casino's vendors and ancillary businesses would lead to a decline in the economic health of Milwaukee in a number of areas, including: employment, tourism and revenue sharing with local governments.

The total economic loss in Milwaukee County could climb as high as \$1 billion. That decline would stem from the direct, indirect and induced impact to major business sectors, such as manufacturing, construction, hotels and restaurants.

Employment

The study defines job losses in three categories: **Direct jobs** – those jobs lost at the Milwaukee casino and its ancillary service facilities, including restaurants and gift shops, **i.e., casino cashiers, dealers and housekeeping employees**. Additional **direct job losses** would occur because of reduced payments to the city and county; a decline in charitable contributions; and, reduced capital expenditures at the Milwaukee casino. **Indirect jobs** – those jobs lost because of the decline in business activity at the Milwaukee casino and hence the reduced purchases of goods and services, **i.e., uniforms, banking services and food & beverage products**. **Induced jobs** – those jobs lost because of reduced spending in household purchases due to reduced incomes, **i.e., day care services, home mortgages and automobiles**.

Study calculations conclude that the 33% decline in Milwaukee casino patronage will result in the **loss of 2,059 total jobs – 1,125 direct jobs and an additional 933 indirect and induced jobs**. This means the **loss of roughly \$67 million in income** for Milwaukee families.

Though significant, these job loss numbers are considerably lower than the total number of potential jobs that will be jeopardized in Milwaukee if the proposed off-reservation Kenosha casino is constructed.

Last year, the Potawatomi tribe announced plans for a \$240 million expansion of its existing casino facilities. The *Milwaukee Economic Impact Study* states that this planned expansion would result in the creation of **3,850 total jobs (2,692 direct jobs and an additional 1,158 indirect and induced jobs)**. The study concludes that the proposed off-reservation Kenosha casino jeopardizes the planned \$240 million expansion and resulting jobs. The addition of 3,850 jobs in Milwaukee equals about \$94 million in labor income.

Some Milwaukee community and business leaders have been exploring the possibility of relocating the Potawatomi Bingo Casino to downtown Milwaukee. Such a move could include construction of hotel and parking facilities and would coincide with expansion of the convention center and further development on the former Menomonee Valley casino site, as outlined in a report by Evans, Carroll & Associates entitled *The Economic Impact of Expanding the Potawatomi Indian Gaming Casino Downtown Compared to Keeping it in the Menomonee Valley* (November 2003).

Dr. Evans' concludes that a downtown casino would lead to the creation of 6,055 total jobs (3,081 direct and 2,974 indirect and induced jobs). Dr. Evans' concludes that the proposals for a downtown Milwaukee casino and the resulting job creation are jeopardized by the off-reservation Kenosha casino proposal. Adding 6,055 jobs in Milwaukee would mean an additional \$208 million in income for Milwaukee families.

Summary calculations of total Milwaukee job losses are alarming. The effect of the proposed off-reservation Kenosha casino could mean the elimination of **just under 12,000 existing or potential jobs for Milwaukee.**

**Loss in Employment if Kenosha Casino is built and no expansion of existing casino
in either the Menomonee Valley or Downtown Milwaukee
(Unit Value: # Jobs)**

Industry	Reduced Milwaukee casino activities	Milwaukee casino does not expand in the Menomonee Valley	Milwaukee casino does not move Downtown	Total
Agriculture	3	4	8	15
Construction	432	24	623	1078
Nondurable Mfg	18	24	60	102
Durable Mfg	94	41	1115	1251
Transport, Com, Utilities	45	72	141	258
Wholesale Trade	47	40	187	274
Other Retail	113	145	152	410
General Merchandise	111	135	502	747
Restaurants	244	826	1174	2244
Financial Services	63	105	183	350
Hotels And Casinos	360	1593	291	2244
Personal Services	15	25	45	85
Business Services	99	180	391	669
All Other	329	580	822	1732
Entertainment Services	20	31	298	349
Social Services	68	28	63	159
Total	2059	3850	6055	11964

Source: The Economic Impact on the city and county of Milwaukee of Building a Casino in Kenosha, Evans, Carroll & Associates

Tourism

The study estimates that approximately 5.5 million people visit the Milwaukee casino each year. A large portion of these visitors are tourists to Milwaukee. In addition to the numerous Wisconsin visitors from outside of Milwaukee County, approximately 20%, or 1.1 million, of Potawatomi Bingo Casino visitors are from out-of-state.

The estimated 1.1 million out-of-state tourists bring an influx of revenue for area hotels, restaurants and other businesses. Dr. Evans' estimates that, on average, day visitors to Milwaukee spend \$32 per day on food, retail shopping and additional purchases; \$22 of which is spent outside of the casino facilities. This means the estimated 1.1 million out-of-state visitors spent roughly \$24.2 million on outside hotels, restaurants and other businesses (\$22 times 1.1 million visitors). Considering that the proposed off-reservation Kenosha casino is expected to reduce the number of visitors coming to the Milwaukee casino by 33%, a one-third loss of out-of-state visitor spending calculates into a loss of nearly \$8.1 million for Milwaukee businesses.

Government Revenues

The repercussions of the proposed off-reservation Kenosha casino also extend to government budgets. Currently, the City and County of Milwaukee have a revenue sharing agreement with the Forest County Potawatomi Community. In 2004, the city and county each received \$3.86 million dollars in payments based on the casino's gross revenues. Thus, a 33% reduction in casino revenue caused by construction of the proposed Kenosha casino would lead to a proportionate cut in payments to the City and County of Milwaukee by one-third, or an estimated \$1.27 million. To compensate for the resulting budget shortfalls, the City and County of Milwaukee would need to either reduce services or raise property taxes.

In addition to reduced payments to the City and County of Milwaukee, reduced casino revenues would also mean a reduction in payments to state government. In 2004, the State of Wisconsin received a fixed amount of \$40.5 million from the Forest County Potawatomi Community and is scheduled to receive a similar fixed amount payment in 2005. Beginning in 2006, payments to the state will be calculated as a percentage of the casino's gross revenues, which would be reduced by 33% if the proposed off-reservation Kenosha casino is built.

NEGATIVE IMPACT ON MILWAUKEE'S MINORITY COMMUNITIES

Construction of the proposed off-reservation Kenosha casino and the resulting reduction in employment, tourism and government revenue would impact all Milwaukee citizens. However, minority communities would be disproportionately affected.

Milwaukee's hotel and casino industry employs the highest percentage of minority workers of any industry in Milwaukee County. Minority employees comprise approximately 54% of the Milwaukee casino workforce. The adverse impact on Milwaukee minority communities is accentuated by the high percentage of minorities that reside in the Milwaukee area when compared to the rest of the state. Milwaukee County is home to over 50% of the total minority population of Wisconsin. These statistics suggest that Milwaukee's minority communities would be especially hard hit and the impact of lost jobs has greater implications for these populations.

Milwaukee participates in the federal Community Development Block Grant (CDBG) program which provides over \$30 million of federal funds for programs in 18 targeted Milwaukee neighborhoods. These CDGB targeted areas are home to large concentrations of minority residents who are heavily affected by poverty and unemployment. According to U.S. Census Bureau estimates, approximately 30% of all Wisconsin residents living in poverty reside within Milwaukee County. In addition, the median household income of Milwaukee County residents is 15% lower than the state average. The loss of thousands of jobs predicted by the *Milwaukee Economic Impact Study* would be especially devastating to these populations since over 40% of the Milwaukee casino's current employees reside within the CDBG targeted areas.

CONCLUSION: A NEED TO PROTECT MILWAUKEE

The construction of an off-reservation casino in Kenosha would have a devastating impact on Milwaukee's job market, business enterprises and local governments. The results presented in the *Milwaukee Economic Impact Study* are staggering:

- The loss of 2,000 jobs and the potential to create 10,000 more
- \$8.1 million in out-of-state tourism business lost
- \$2.5 million less in revenue to the City and County of Milwaukee
- The most economically vulnerable segments of the population will be the most impacted.

The study reveals an urgent need for Milwaukee to protect itself from the negative economic consequences of the proposed off-reservation Kenosha casino.