

12-2013

## This is the Place: Utah's gaming history and current attitude

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<http://dx.doi.org/10.34917/5387363>

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This is the Place: Utah's gaming history and current attitude

by

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Bachelor of Science  
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2009

A professional paper submitted in partial fulfillment  
of the requirements for the

Master of Science Hotel Administration  
William F. Harrah College of Hotel Administration

Graduate College  
University of Nevada, Las Vegas  
December, 2013  
Chair: Dr. Bo J. Bernhard

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## **Part One**

### **Introduction**

Global gambling is what it is. It is global. Gambling has become an economic force to be reckoned with. It has spread to all corners of the globe, from Europe to North America to Asia. There are regions that have widely supported the introduction of gambling into their economy and society but there are also those that have shunned it, despite the clear economic advantages associated with gambling. The AGA estimated that total gambling revenue in the United States for 2012 was approximately \$37.74 billion, with commercial casinos contributing approximately \$8.6 billion to local communities via taxes (AGA, 2013c). This is a large and significant amount of money that is used to improve communities, build schools, build roads and continue important social programs that all members of the community enjoy.

However, not everyone in the United States has taken advantage of the opportunity presented to them via gambling despite the fact that according to the American Gaming Association approximately \$13.2 billion in wages and tips were directly earned from gaming corporations (AGA, 2013c). Some argue that casinos and gambling in general corrupt the societies in which they are located. Ultimately leading to increases in crime as well as potential financial hardships due to gambling addictions.

The State of Utah is the final frontier for gambling in the United States. It is the only state in the 48 contiguous states that has no legal form of gambling. So, why is this? There are many factors that may be contributing to the current attitude toward gambling in Utah. At first glance, the most overwhelming factors may be cultural and/or sociological; however there may be more overwhelming factors such as economic and historical factors that may be contributing to the current state of gambling in the state of Utah.

It will be most important to understand what factors are contributing to Utah's gambling attitude in order for a potential licensee to overcome the hurdles that are preventing the introduction of gambling into Utah. There are a variety of gambling business frameworks and/or models that provide appropriate insight into successful regulated gambling that may be suitable for Utah. These models along with other suggestions will be discussed at length in this paper.

### **Purpose Statement**

The purpose of this paper is to explore factors that contribute to Utah's resistance to gaming as well as the potential that the Utah gaming market holds for companies that operate in nearby gaming locales.

### **Statement of Problem**

Gambling is very lucrative for state governments due to the increase in tax revenue as well as the additions to other sectors of the economy such as hospitality and tourism. Thus, the introduction of gambling into Utah may provide the economy of Utah a much needed boost as the United States recovers from the most recent global recession. Capitalizing on this opportunity will provide unique challenges to the people of Utah but will also provide an excellent opportunity to diversify its economy.

### **Justification**

Within the United States the power and authority to engage in gambling is given to each state so that they may decide what is best for their own respective citizens and/or residents. This is important because the Utah state legislature has routinely dismissed the opportunity to begin gambling within its borders. However, despite the illegality of gambling in Utah many residents of Utah routinely visit nearby locales such as Wendover, NV. Thus, there is clearly a desire for some residents along the Wasatch Front to engage in at least some form of gambling.

Utah and Nevada, mainly southern Nevada, do have a historical relationship as Mormon pioneers settled the Las Vegas Valley and surrounding area as Mormon pioneers travelled from Salt Lake City to Southern California (Nevada State Parks, 2013). Currently Salt Lake City, Utah is the worldwide headquarters for the Mormon faith and a main interstate (I – 15) runs from Southern California to the Canadian border through both Las Vegas and Salt Lake City. Members of the Mormon faith also played a role in the growth of Las Vegas during the “Mafia era” (Ward, 2002) in that many of the accounting and finance professionals were active members of the Mormon faith. In more recent times, Mormons have settled in large numbers in southern Nevada with recent calculations reaching approximately 175,000 members (The Church of Jesus Christ of Latter – Day Saints, 2013c). Overall, there are historical circumstances that connect Utah with Nevada and naturally one would think many of the same economic pillars would be present as well.

### **Constraints**

This paper will take a very exploratory approach as there is very little research that has been documented that discusses the factors that are contributing to Utah’s current attitude toward gambling. Mass media as well as governmental legislature proceedings will most likely be the main sources of reference as there is almost no scholarly research regarding the selected topic. Also, the research is constrained as to the factors that are contributing to the current attitude toward gambling in Utah. There will be little to no discussion of how a licensee would go about potentially overcoming the current hurdles associated with entering the Utah gambling market.

## **Part Two**

### **Literature Review**

#### **Introduction**

This section is designed to explore history, current trends as well as overarching issues as it pertains to gambling to Utah. In order to achieve this we must also explore gambling on not only a global level but a domestic level as well. This review includes definitions, dates and important financial information.

#### **Definitions**

The following words may be used frequently over the course of this paper. These words and/or people have been deemed to be ambiguous in nature and must be clarified in order to illuminate the writings of this paper.

*Brigham Young* - Brigham Young was born June 1, 1801, in Whitingham, Vermont. As successor to Joseph Smith, he led the migration west in 1846–47 to the Rocky Mountains and founded Salt Lake City. He was sustained as President of the Church on December 27, 1847. As Church President and Territorial Governor of Utah, he established Latter-day Saint settlements in Utah and throughout the American West. He brought the telegraph and the railroad to Utah and encouraged cooperative industry among Latter-day Saints, and he encouraged excellence and refinement in every aspect of life. He died August 29, 1877 in Salt Lake City after nearly 30 years as Church President (The Church of Jesus Christ of Latter – Day Saints, 2013b).

*Gambling* – Risking something of value or importance on an event whose outcome is in doubt (Bernhard, 2013).

*Gaming* – the action of habit of playing at games for chance for stakes (AGA, 2013a). In modern times especially in the state of Nevada the term gaming and gambling are used

interchangeably despite the different connotations associated with the terms. For our purposes, the terms gaming and gambling will be used interchangeably.

*Joseph Smith* – Born in December 23, 1805, Joseph Smith was the founder and first president of The Church of Jesus Christ of Latter – Day Saints. He and five associates formally organized the Church on April 6, 1830 in Fayette, NY. He presided over the Church until June 27, 1844; when he was martyred in Carthage, Illinois at Carthage Jail. (The Church of Jesus Christ of Latter – Day Saints, 2013 d)

*Mormon* – unofficial and inoffensive nickname for members of The Church of Jesus Christ of Latter – Day Saints (The Church of Jesus Christ of Latter – Day Saints, 2013a)

*Pari-mutuel betting* - a betting pool in which those who bet on competitors finishing in the first three places share the total amount bet minus a percentage for the management. Pari-mutuel betting is typically seen in horse or greyhound racing (Merriam – Webster, 2013).

*Wasatch Front* – The Wasatch Front, comprised of Davis, Salt Lake, Utah and Weber Counties, is located along the Wasatch Mountain Range. It is situated near transportation arteries I-15 and I-80, Salt Lake International Airport and the state’s major colleges and universities. The Wasatch Front is home to 75.8% of the state’s population and 72.4% of the state’s housing units. Anchored by Salt Lake City, the state’s largest city and state capital, the Wasatch Front is the center of Utah’s economy and culture (EDCutah, 2008).

### **Gambling Across the Globe**

Gambling has become a global economic force to be reckoned with. Casinos and a multitude of other gambling establishments such as lottery terminals and sports betting parlors can be found on every continent. Traditionally, gambling has flourished in areas of the globe in which residents have a larger amount of discretionary income. Notable examples include North

America and Las Vegas in particular as well as Monaco. However, this has recently changed. The new capital for global gambling, in terms of revenue at least, is Macau, China. In 1557, the Portuguese were able to establish a small enclave in Macau as a “thank you” from Jiajing Emperor of the Ming Dynasty, for clearing the area of pirates and other undesirables. Portuguese rule and presence existed until 1999, when under the Sino – Portuguese Pact, Macau was returned to China. Since 1999, Macau has become the gold standard for gaming industry growth across the globe. According to Schwartz (2013a), in 2002, Macau had total gambling revenues of approximately \$2.8 billion. In 2012, Macau had approximately \$38 billion. This calculates to an amazing 1,257% growth in a 10 year span.

Singapore has also shown its muster in the gambling industry. Initially opened in 2010, Singapore allowed only 2 casinos to be built. Despite the extremely low number of casinos within the country, Singapore is snapping at the heels of Las Vegas for 2<sup>nd</sup> place on a global scale. Singapore casinos gross revenues in 2010 were approximately \$2.8 billion, 2012 gross casino revenues were approximately \$5.85 billion (Center for Gaming Research, 2012). Clearly, it is easy to see that Macau and Singapore are driving this amazing global industry.

In order to more fully understand the industry at large we must look at gambling on truly global perspective and look beyond the obvious locales. According to MarketLine, the global gambling industry in 2012 was valued at approximately \$456 billion (see Table 1). From 2008 – 2012, global gambling had a compound annual growth rate (CAGR) of 5.8% with a vast majority of that growth occurring in the Asia – Pacific region. The MarketLine report also estimates that the global gambling industry will have an approximate value of \$641 billion by the end of 2017 with an anticipated CAGR of 7%.

Despite the clear economic advantages of gambling, not all nations are embracing gambling with open arms. In fact, some nations are putting forth a concerted effort to ensure that most, if not all forms, of gambling stay out of their respective countries. Of the many nations of the world that do have forms of gambling the most notable and current examples are Australia, South Korea and Russia. In Australia, there are significant movements that are attempting to rid the country of virtual poker machines due to the rate of suicide in the country and the relationship that gambling has with suicide in Australia (Bernhard, 2013). Russia has become a shining example of a successful prohibitionist movement. On July 1, 2009 Russia went from massive levels of gambling availability to four remote “gambling zones”. The purpose of the prohibitionist movement was to rid the Russian gambling industry of mob influence. The prohibition has been largely successful due to the remote nature of the designated gambling areas but the remote gambling zones have been an utter failure from a financial perspective in that they were located in areas of the country that were impossible for foreigners to travel to (Vasiliev& Bernhard, 2011).

Table 1

*Global Commercial Gaming, 2012, figures in 000,000,000's*

| Category                   | 2012  | %      |
|----------------------------|-------|--------|
| Lotteries                  | 142.2 | 31.2%  |
| Casinos                    | 117.0 | 25.7%  |
| Sports Betting and related | 68.5  | 15.0%  |
| Other                      | 128.3 | 28.1%  |
| Total                      | 456.0 | 100.0% |

Source: (Marketline. (2013). Global Casinos & Gaming. Retrieved from <http://www.marketline.com/>)

## **Gambling in the United States**

### **History (AGA, 2013b)**

**1931** – Nevada legalizes casino gambling.

**1947** – The Flamingo, operated by mobster Bugsy Siegel, opens in Las Vegas, Nevada.

**1966 – 1970** – Aviation pioneer Howard Hughes purchases several casino properties in Nevada. This is a strong indication to the industry at large that the casino industry presents legitimate investment opportunities and casino operations are no longer teeming with mob influence, as once thought.

**1973** – Harrah’s Entertainment becomes the first “pure casino” company to be listed in the New York Stock Exchange.

**1976** – New Jersey becomes the second state to legalize casino gambling. Eventually, Atlantic City would be developed as an “East Coast Vegas”.

**1978** – The first casinos open on Atlantic City, New Jersey

**1989** – The Mirage Resort opens in Las Vegas ushering in a new era for Las Vegas casinos as well as resorts at large.

**1997 – 1999** – The National Gambling Impact Study Commission, a congressional study, reveals that commercial casinos provide positive economic and social benefits for casino communities.

**2005** – Gross gaming revenues in the United States top \$30 billion for the first time.

Gambling in the United States dates back to the times when Great Britain established colonies on the North American continent. Lotteries were held in England to finance the first settlements in the new world. Eventually, scandal and other associated activities as well as increasing disapproval by the President of United States, Andrew Jackson, led to a ban on

gambling (Rose, 1999). Gambling was eventually tolerated on the western frontier and viewed as a voluntary tax. During the late 19<sup>th</sup> century many would – be states such as Arizona and New Mexico were told to close their casinos in order to have their application for statehood accepted (Hetfield, 2000). During, Prohibition (1920 – 1933) gambling was routinely included in illegal activities such as bootlegging and organized crime. In fact, many of the people involved with organized crime turned to gambling after Prohibition due to the natural occurrences between the industries that happened during the Prohibition years.

The most important event for the gambling industry in the United States occurred in 1931 when the State of Nevada re-legalized casino gambling, ultimately becoming the only state with casino gambling for many years. This event transformed a small Deseret town named Las Vegas into the intellectual and economic powerhouse that it is today. According to the American Gaming Association (AGA 2013c), commercial casinos in the United States had total revenues of approximately \$37.74 billion. A majority of that amount is accounted for in the locales of Las Vegas, Atlantic City, Mississippi, and Pennsylvania (Schwartz, 2013a).

An important factor concerning gambling in the United States is that not all states have the same laws regarding which games are legal and which are not. For example, Nevada legalizes essentially every table game imaginable yet they do not have a lottery (Rose, 2011). At one point in time, Keno was very popular in Nevada but it did not operate as a lottery. Whereas, California does has a very robust lottery operation that millions of players buy into every year. According to the California Lottery, fiscal year 2012 ended with total revenues at approximately \$4.3 billion (California State Lottery, 2012).

In terms of actual games and/or gambling vehicles, there have been significant developments over the past few years in regards to the popularity of certain games in the United

States. Due to the emergence of Macau, China and Singapore as the top global gambling destinations, the game of Baccarat has seen a dramatic increase in popularity. According to the Center for Gaming Research located at the University of Nevada – Las Vegas (Schwartz, 2013c), Baccarat now occupies approximately 10% of casino floor space on The Strip whereas 20 years ago (1992) it only occupied approximately 2.5%. Blackjack or 21 has seen the opposite effect. In the early 90's Blackjack occupied approximately 70% of all gaming pits on the Vegas Strip, now it only occupies 50.5%. Revenue share also mirrors this trend. In 1992, Baccarat on the Las Vegas Strip accounted for approximately 23% of gambling revenue, that figure has now almost doubled to approximately 44% in 2012. Blackjack has gone from 41% to approximately 24%.

The shift in casino floor space as well as revenue share most likely shows that gamblers desire a more diverse and wider variety of games in the casino than in the past. Also, the emergence of Macau and Singapore on the global gaming scene has forced Vegas as well as other locales to cater to a different type of consumer than years past. Schwartz (2013c) describes the shift in table games in Las Vegas for the last 20 years (see table 2). Clearly, there has been a shift not only in the amount of space that games are occupying but also the allocation of revenue for the different games. From a revenue perspective (see table 3), games have changed dramatically over the past 20 years (Schwartz, 2013c). Baccarat has essentially doubled going from 22.91% to 43.88% whereas Blackjack has decreased significantly, 40.71% - 23.62%. This change in revenue allocation has also shown that there has been a change in gaming preferences in the United States.

Table 2

*Unit Share by Game as a Percent, 1992 – 2012*

| Year | Baccarat | 21    | Craps | Roulette | Other |
|------|----------|-------|-------|----------|-------|
| 1992 | 2.51     | 69.60 | 9.67  | 7.54     | 10.68 |
| 1993 | 2.58     | 66.89 | 9.19  | 7.44     | 13.90 |
| 1994 | 2.77     | 64.46 | 9.38  | 8.04     | 15.35 |
| 1995 | 3.01     | 62.55 | 9.25  | 8.31     | 16.88 |
| 1996 | 3.36     | 61.67 | 9.10  | 8.61     | 17.26 |
| 1997 | 3.47     | 61.73 | 9.00  | 8.71     | 17.09 |
| 1998 | 3.77     | 61.16 | 9.21  | 8.85     | 17.01 |
| 1999 | 3.77     | 60.20 | 8.74  | 8.87     | 18.42 |
| 2000 | 3.56     | 59.27 | 8.96  | 8.84     | 19.37 |
| 2001 | 3.76     | 58.65 | 8.54  | 8.85     | 20.20 |
| 2002 | 3.60     | 58.36 | 8.43  | 8.04     | 20.57 |
| 2003 | 3.27     | 58.18 | 8.12  | 8.93     | 21.50 |
| 2004 | 3.84     | 57.61 | 7.83  | 9.15     | 21.57 |
| 2005 | 4.23     | 57.13 | 7.61  | 9.03     | 22.00 |
| 2006 | 5.09     | 55.42 | 7.16  | 9.12     | 23.21 |
| 2007 | 5.85     | 54.97 | 7.04  | 9.22     | 22.92 |
| 2008 | 6.92     | 53.54 | 7.00  | 9.15     | 22.97 |
| 2009 | 7.86     | 52.33 | 7.11  | 10.06    | 22.64 |
| 2010 | 8.88     | 51.71 | 7.44  | 10.08    | 21.89 |
| 2011 | 9.03     | 51.40 | 9.36  | 9.08     | 21.13 |
| 2012 | 10.02    | 50.51 | 7.28  | 9.98     | 22.21 |

Cite: (Schwartz, D. G. (2013c). Las Vegas Strip Table Games Mix: The Evolution of Casino Games, 1985 – 2012. Las Vegas, NV.: University of Nevada – Las Vegas, Center for Gaming Research. Retrieved from <http://gaming.unlv.edu/reports.html>)

Table 3

*Revenue Share by Game as a Percent, 1992 – 2012*

| Year | Baccarat | 21    | Craps | Roulette | Other |
|------|----------|-------|-------|----------|-------|
| 1992 | 22.91    | 40.71 | 19.85 | 8.01     | 8.52  |
| 1993 | 26.08    | 40.24 | 16.58 | 7.55     | 9.55  |
| 1994 | 28.94    | 35.60 | 14.9  | 9.11     | 11.45 |
| 1995 | 34.42    | 32.04 | 13.64 | 7.62     | 12.28 |
| 1996 | 28.31    | 33.83 | 14.24 | 9.18     | 14.44 |
| 1997 | 30.55    | 33.71 | 13.15 | 8.12     | 14.47 |
| 1998 | 25.72    | 33.98 | 15.23 | 9.62     | 15.45 |
| 1999 | 25.72    | 33.89 | 14.26 | 10.16    | 15.97 |
| 2000 | 23.81    | 33.13 | 14.63 | 9.76     | 18.67 |
| 2001 | 20.25    | 34.67 | 14.76 | 9.65     | 20.67 |
| 2002 | 19.96    | 33.59 | 13.74 | 9.67     | 23.04 |
| 2003 | 17.64    | 35.91 | 13.47 | 9.93     | 23.05 |
| 2004 | 21.48    | 35.11 | 12.58 | 9.5      | 21.33 |
| 2005 | 25.01    | 32.01 | 12.22 | 9.6      | 21.16 |
| 2006 | 27.77    | 32.91 | 10.52 | 9.21     | 19.59 |
| 2007 | 29.11    | 33.55 | 10.63 | 9.76     | 16.95 |
| 2008 | 28.27    | 33.49 | 11.55 | 10.12    | 16.57 |
| 2009 | 37.91    | 28.28 | 9.31  | 9.82     | 14.68 |
| 2010 | 41.43    | 26.47 | 8.88  | 9.76     | 13.46 |
| 2011 | 42.59    | 26.01 | 9.63  | 9.33     | 12.45 |
| 2012 | 43.88    | 23.62 | 8.89  | 10.17    | 13.44 |

Cite: (Schwartz, D. G. (2013c). Las Vegas Strip Table Games Mix: The Evolution of Casino Games, 1985 – 2012. Las Vegas, NV.: University of Nevada – Las Vegas, Center for Gaming Research. Retrieved from <http://gaming.unlv.edu/reports.html>)

## **Gambling in Utah**

### **History**

From a historical perspective, Utah is not known for its connections to the world of gambling, in fact it is well known for its lack of connections as well as it being the world headquarters for the Church of Jesus Christ of Latter – Day Saints. However, despite its lack of connections, Utah has played a role in the formation of the American gambling industry. Below is a short synopsis of the State of Utah’s history with gambling.

**1821** – The area known today as Utah became part of Mexico as a part of the region called Alta California due to Mexico gaining its independence from Spain. Eventually, Alta California would become part of the U.S.

**July 24, 1847** – Mormon prophet Brigham Young and Mormon pioneers enter the Salt Lake Valley and establish a permanent settlement (Jarvis, 2010).

By the time that the Mormon pioneers established the Salt Lake Valley, Mormon views and attitudes regarding gambling have already been well established. Professor of Law and historian Robert Jarvis (2010) discovered that Mormon prophet Brigham Young proclaimed: We wish to suppress all grogshops, gambling houses, and all other disorderly houses or proceedings in our city, and to tolerate no intemperance or vice in our midst.

(p.7) Jarvis (2010) also wrote Latter Day Saint founder and prophet Joseph Smith declared in Missouri in 1842 that: [they] could not associate with [their] neighbors... in their midnight revels, their Sabbath breaking, horse racing and gambling .

**February 2, 1848** – Mexico surrenders to US forces via the Treaty of Guadalupe Hidalgo effectively ending the Mexican – American war. All lands north of the California border and the Rio Grande River were ceded to the United States. This area is comprised of

modern – day New Mexico, Arizona, Utah, Nevada and parts of Wyoming and Colorado (Jarvis, 2010).

**March 15, 1849** – State of Deseret is created by Brigham Young and other Mormon pioneers that settled the Salt Lake Valley previously in 1847 (Jarvis, 2010).

**1849** – Gold is discovered in California. The ensuing “gold rush” results in a rapid increase in casino’s and gambling establishments in the western territories of the United States. Despite the discovery of gold in California and the influx of people, casinos and gaming establishments are not nearly as prevalent in the State of Deseret. Ironically, members of the Mormon faith were among the first to discover gold in California at the Sutter’s Mill mining site (Brown, 1894).

**September 9, 1850** – Congress of the United States officially creates the Territory of Utah via passage of the Organic Act. From Sept. 1850 – Sept. 1851 all laws passed by the State of Deseret were valid unless they violated any portion of the Organic Act. Gambling law for the State of Deseret was not yet established (Jarvis, 2010).

**February 24, 1851** –The State of Deseret legislature passes “An Ordinance to Suppress Gaming”. Games included but were not limited to: sporting for money or other property, which may be put at stake and won, by horse-racing, cock-fighting, dog-fighting, card-playing, or any other means by which the game may be tested and property won. (Jarvis, 2010, p.7)

**October 4, 1851** – Legislature for the Territory of Utah passes and approves a law legalizing all pervious laws established by the State of Deseret (Jarvis, 2010).

**1855** – Mormon prophet and leader Brigham Young sent William Bringham and a small group of missionaries to California. Along the way, they settled a desert valley previously

named Las Vegas by Army Engineer John C. Fremont in 1844. Bringhurst and his group established the first permanent structure in the Las Vegas valley. The structure served as a Post Office and trading station for travelers along the trade route to Southern California. This settlement began the permanent settlement of the entire Las Vegas valley and paved the way for the city of Las Vegas today. Upon command from Mormon leaders, Mormon missionaries abandoned Las Vegas in 1857 due to the Utah War (Nevada State Parks, 2013).

**1875** – Silver is discovered in Utah Territory. The discovery brings large amounts of prospectors for silver which introduced many if not all of the “vices” associated with other mining towns. Vices include alcohol use, tobacco use, gambling, gun fighting and prostitution. During this time typical mining towns were ripe with saloons, brothels and gaming establishments all of which were condemned by the majority of Utah residents whom were followers of the Mormon faith. (State of Utah, 2013)

**May 8, 1895** – All forms of gambling in Utah are declared illegal. The law was revisited in preparation for the Territory of Utah petitioning the Congress of the United States for statehood. This law remained in effect as written until 1973 when the entire penal code for the State of Utah was overhauled (Jarvis, 2010).

**1896** – The State of Utah’s application for statehood is accepted by Congress, thus officially establishing previous laws as state law (Jarvis, 2010).

**1925** – Utah legislature authorizes pari – mutuel betting in an effort to stimulate economic growth. The statute also known as the Redd Act was repealed in 1927 (Cortez, 2012).

**1992** – A referendum giving individual counties the option to return pari – mutuel betting was defeated by a margin of 60.2% to 39.8% (Cortez, 2012).

**2005** – A Utah bingo hall tried to circumvent the constitutional ban on gambling by offering winners buffet – style meals (Jarvis, 2010).

**2012** – Utah Governor Gary Herbert officially signs HB 108 into law essentially banning online gambling within the State of Utah despite federal law approving online gambling.

### **Nearby Gambling Locales**

As seen above, residents of Utah have had exposure to the gambling industry in the past and most likely will in the future. As with most items in the consumer services industry, if a consumer demands a service that is not readily available that consumer will go to the nearest and most appropriate replacement product or service, thus creating the typical supply and demand economy that the United States and other capitalist free – market economies are accustomed to. This is the same with gambling.

The most readily available locale for any form of gambling for the majority of Utah residents is the Idaho lottery. In addition to the Idaho lottery, the Wasatch Front is also a main contributor to gambling revenue in Wendover, Nevada as well as Mesquite, Nevada.

#### **Wendover.**

West Wendover, Nevada is located approximately 125 miles west of Salt Lake City, Utah along Interstate 80 and is situated about 1 mile over the Utah/Nevada border thus allowing it to offer gambling services unlike its Utah counterpart. Currently, Wendover has 5 casino resorts and 1 stand-alone casino. According to the Nevada Gaming Control Board, West Wendover reported “gaming win” for fiscal year 2012 approximately \$169 million and fiscal year 2013 approximately \$163 million (Nevada State Gaming Control Board, 2013). Most statistical

publications report that 70 – 90% of Wendover’s visitors are residents of Utah, total estimates also put total visitor ship of Wendover at around 3.5 million annually (Lamb, 2002). The gaming win figures combine with visitorship reports result in approximately \$232 - \$299 million dollars over the last two years that may possibly be attributed to residents of Utah. These figures do not include other economic benefits such as Food & Beverage, Lodging, and Gasoline as well as other tourism related sites and businesses (see Table 5). Wendover does not draw many visitors from neighboring Nevada towns such as Elko because those towns have many of the same entertainment options as Wendover and residents do not feel the need to visit. Thus, there is a natural high reliance upon visitors from along the Wasatch Front.

Due to its high reliance on the Wasatch Front for revenue, it would be safe to assume that introduction of gambling to Utah would be very devastating to Wendover gambling as well as the town of Wendover itself. This situation is very similar to the mid 1800’s when vibrant mining towns and travel stops became ghost towns because there was no more mining to be done in the region. However, despite this possibility, there has been talk in the recent past of annexing Wendover, Utah to Nevada in order to improve the quality of life for residents on the Utah side of the border. The main focus of the discussion has been educational improvement as well as community harmony and overall welfare of the area.

Table 5

*Possible Wendover Gaming Win Attributed to Utah Visitors*

| % Utah Gaming Win | 2012             | 2013             | 2 yr. Total      |
|-------------------|------------------|------------------|------------------|
| 70 %              | \$118,300,000.00 | \$114,100,000.00 | \$232,400,000.00 |
| 80 %              | \$135,200,000.00 | \$130,400,000.00 | \$265,600,000.00 |
| 90 %              | \$152,100,000.00 | \$146,700,000.00 | \$298,800,000.00 |

Cite:

Lamb, D. (2002, Feb. 23). Olympic side trips for fun, games, leisure: Wendover, NV. offers a welcome respite for salt lake visitors interested in vegas-style gambling. Los Angeles Times. Retrieved from <http://www.latimes.com/>

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## **Mesquite.**

Mesquite, Nevada is located 38 miles south of St. George, Utah along Interstate 15 just inside the Nevada/Arizona border. Currently, Mesquite has 3 major casino resorts: Casablanca, Eureka and Virgin River that account for a majority of the business in the area. The Nevada Gaming Control Board reported that Mesquite had a “gaming win” for fiscal year 2013 of approximately \$114 million and \$119 million for fiscal year 2012 (Nevada State Gaming Control Board, 2013). Mesquite has a more diverse and competitive economic climate than Wendover due to its proximity to Las Vegas as well as its proximity to National Parks and recreation areas. According to the Las Vegas Convention and Visitors Authority, Utah residents account for approximately 28 – 30% of total visitors to Mesquite (LVCVA, 2012). This is a significant number considering the nearest Utah city is St. George which has a permanent population of 150,000. However, during the winter months, Mesquites “gaming win” actually increases, this is most likely due to snowbird retirees and the warmer climate surrounding Mesquite. Table 6 shows the amount of “gaming win” that may be attributed to visitors from Utah for the past 5 years (see table 6). The gaming win figures combine with visitorship reports result in approximately \$260 million dollars over the last five years that may possibly be attributed to residents of Utah. These figures do not include other economic benefits such as Food & Beverage and Lodging as well as other tourism related sites and businesses.

Moving forward in the future, Mesquite looks to be well placed to compete with Utah for gambling patrons. Mesquite has put forth an excellent effort to diversify its economy and not rely solely upon gambling ala Wendover in order to survive.

Table 6

*Possible Mesquite Gaming Win Attributed to Utah Visitors*

|              | Gaming Win        | % Utah Visitors | % Win to Utah Visitors   |
|--------------|-------------------|-----------------|--------------------------|
| 2013         | \$ 113,968,593.00 | 28              | \$ 31,911,206.00         |
| 2012         | \$ 118,854,881.00 | 28              | \$ 33,279,367.00         |
| 2011         | \$ 116,296,694.00 | 29              | \$ 33,726,041.00         |
| 2010         | \$ 116,830,117.00 | 26              | \$ 30,375,830.00         |
| 2009         | \$ 129,997,560.00 | 26              | \$ 33,799,366.00         |
| 2008         | \$ 160,324,930.00 | 30              | \$ 48,097,479.00         |
| 2007         | \$ 163,152,863.00 | 30              | \$ 48,945,859.00         |
| <b>Total</b> |                   |                 | <b>\$ 260,135,148.00</b> |

Cite:

Las Vegas Convention and Visitors Authority.(2012) Mesquite Visitor Profile Study. Retrieved from [http://www.lvcva.com/includes/content/images/media/docs/2012-Mesquite\\_Visitor\\_Profile.pdf](http://www.lvcva.com/includes/content/images/media/docs/2012-Mesquite_Visitor_Profile.pdf)

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## **Idaho & Wyoming Lottery**

Initially started in 1989 as a way to fund the Permanent Building Fund, a fund that Idaho's universities and other public educational institutions use to improve buildings and construct new ones, the Idaho Lottery has grown into a vibrant financial success. The Idaho Lottery Annual Report for 2012 reported gross revenues of approximately \$175.8 million, an increase of 19.5% over the previous year (Idaho Lottery, 2012). According to an article published in the Deseret News, a major newspaper published and distributed along the Wasatch Front, residents of the State of Utah account for approximately 19% of Idaho lottery proceeds (Romboy, 2013). This figure computes to approximately \$33.4 million attributed directly to the residents of Utah. If the financial results of the Idaho Lottery are taken from a longitudinal perspective, there may be significant implications for the State of Utah.

The Wyoming Lottery was created on July 1, 2013 with the passage of HB0077 in the Wyoming Legislature. The lottery should become operational in early 2014. Due to the proximity of Salt Lake City to Evanston the Wyoming Lottery has already stated they hope to draw a significant amount of revenue from the Wasatch Front. The implementation and development of the Wyoming Lottery is another example of the impact that Utah and the Wasatch Front have upon the gambling industry in the United States and in particular the Inter-Mountain Region.

## **Demand for Gambling in Utah**

Clearly from the discussion there is a demand for gambling from the residents of Utah (see tables 5 & 6). How robust that demand is, is very difficult to measure consider the complete lack of experience with gambling within the state. However, if given the legitimate opportunity, casino's in Utah would most likely do very well financially considering those casinos would naturally take the business of the already existing nearby gaming locales. An article recently published in The Deseret News (Romboy, 2013), a major Utah newspaper based in Salt Lake City, discussed the "underground" gambling culture within the state of Utah. Chandler Cowles, a past director of the Poker Players Alliance stated, "You'd be surprised at who you saw at a game – doctors, lawyers, dentists, sometimes bishops (LDS religious leader) and active members of almost every church imaginable." (as cited in Romboy, 2013, p.4)

This statement really solidifies an already widely accepted notion: Utah residents gamble, just not legally. However due to the non – existence of regulation there are no statistics as to how many people actually gamble and what games are actually being played. It is clear to see that there are significant amounts of money that are leaving the state of Utah. Money, that if taxed within the State of Utah can be put to great use on various public works projects such as public light rail transportation systems, road construction and increasing teacher pay.

## **Current Gambling Law(s) in Utah**

Currently, the State of Utah has very strict laws regarding gambling. The current law has a very specific definition as to what is gambling is. According to Utah Criminal Code, gambling is classified under the chapter concerning "Offenses against Public Health, Safety, Welfare and Morals". The statute essentially states that a person is in violation of gambling law if they risk anything of value where the return of that risk is based upon an element of chance (Utah Code

76). This law can essentially be applied to anything from a friendly 5 dollar bet on a football game to a guy's night poker game. Ironically, despite the strictness of the law as well as the efforts to keep gambling out of Utah, there have been very few gambling cases in the recent past. According to Deseret News, only 10 cities have handled a total of 48 gambling cases since 2008. Additionally, Unified Police, a public police department that enforces the law for unincorporated areas of the Salt Lake valley, had only seven reports of gambling in the past five years; four of which were unfounded and only two had prosecutors considering charges (Romboy, 2013). Recent changes to federal law that would have allowed introduction of gambling to Utah in an online or web – based format were completely dismissed by Governor Gary Herbert in 2012. The passage of the bill has essentially cemented Utah's anti – gambling attitude by rejecting the most recent avenue for gambling discussion on the state legislature.

So what is actually contributing to the anti – gambling stance in Utah. First and foremost is the legislative history of the State of Utah. As stated previously, before the Mormon pioneers settled in the Salt Lake Valley, Mormon attitude and philosophy concerning gambling was well established and when the Territory of Utah was created, the legislature adopted all of the laws that had been set in place by the Mormon pioneers. So what exactly is the Church of Jesus Christ of Latter – Day Saints stance on gambling? The Church of Jesus Christ of Latter – Day Saints has held the strict view that gambling is a sin because in their view it is spiritually destructive and leads people away from Jesus Christ's teachings of love and service as well as undermining the values of work and honesty in all that you do. The main tenant of their argument is the something for nothing proposition as well as the potentially addictive nature of gambling. Official Church of Jesus Christ of Latter – Day Saints (2004) publications state that: The Church of Jesus Christ of Latter-day Saints is opposed to gambling, including lotteries sponsored by

governments. Church leaders have encouraged Church members to join with others in opposing the legalization and government sponsorship of any form of gambling (p. 72).

### **Industrial Cannibalization**

Many opponents of gambling in Utah often use the concept of industrial cannibalization as a justification for not allowing gambling in Utah. The concept of industrial cannibalization has been well documented over the years but has been applied very little to the gambling industry. Over the past 10 years, gambling has seen growth at an unprecedented rate due to the success of Singapore and Macau yet there is much more growth that is able to be had on a global level. However, from a domestic perspective, the market is becoming quite saturated and thus the discussion about industrial cannibalization. This concept does not really apply full force to gaming because the gambling market is not a zero – sum game like the concept is assumed upon. Essentially, industrial cannibalization states that only growth can occur in an industry at the expense of another industry. This assumption is poorly founded because with all industries the growth is based upon regular competition and the preference of goods that are provided to the market. In the long – run, yes there may be some loss by complimentary industries towards the gambling industry but this reflects the overall preferences of the consumer which is the overall driver of market behavior in the economy (Walker, 2007).

### **Problem Gambling**

As with Industrial Cannibalization, many opponents of gambling use addiction or problem gambling as a justification for not allowing gambling within Utah. Yes, there are residents of Utah that do have problems with gambling addiction however there is very little to no research regarding what exactly is occurring within the state of Utah. Opponents' arguments are valid considering that all locales have issues regarding gambling addiction but the supporting

data and research is lacking greatly. Recently, there has been a new push to develop support programs within the Utah – Idaho region. This push has been spear headed by the Utah – Idaho Council on Problem Gambling. Their programs begin at the high school level and continue into adult educational service and support programs. The UICPG recently joined the National Council on Problem Gambling and reported that Utah has approximately 38,000 people with problem gambling issues on some level. These people result in social costs of approximately \$50 million annually (National Council on Problem Gambling, 2013). The unfortunate situation regarding problem gambling in Utah is that most gambling support programs are funded by gambling and with no legal gambling in Utah there is not a lot of direct financial support to develop and sustain programs despite Utah’s exposure to gambling locales such as Wendover, Mesquite and Las Vegas.

### **Successful Regulated Industries in Utah**

Gambling is not the only industry in Utah that is either illegal or heavily regulated to the point that growth is seemingly impossible. Liquor licenses and the selling of alcohol is one of these industries. In most states, if a business would like to sell liquor or beer as part of its business it simply applies for a license and pays the associated fees. In Utah that is not the case. Per the Utah Department of Alcohol Beverage Control (Utah Department of Alcoholic Beverage Control, 2013b), there are only a limited amount of alcohol sales licenses available to the public. Many of these licenses have very peculiar rules attached to the license. For example; a Resort License is stipulated by the following according to the Utah Department of Alcohol Beverage Control website (2013b):

Resort Licenses are issued for the storage, sale, service, and consumption of alcoholic beverages on the premises of a resort building that has at least 150 dwelling or lodging

accommodations (50% of which must be owned by a person other than the resort licensee) and the building must be at least 400,000 square feet. The resort building must be affiliated with a ski area that abuts the resort building premises.

Licenses run from November 1 to October 31. Only four (4) of these resort licenses are available statewide. (p.1)

According to the above mentioned regulation there are only 4 resort liquor licenses available in the state of Utah but there may be more than 4 facilities that would qualify for the license. Thus, legitimate and important community businesses that would gain to sell alcohol are shut out of the opportunity. Another example is the Restaurant – Full Service License. The regulation states that there is only one license per 4925 people. This would result in only 580 Full Service Licenses for the entire state, which according to the Salt Lake Tribune (House, D., 2013) is approximately 50 licenses short. In terms of selling alcohol the state of Utah is the only authorized reseller of packaged alcohol. This means that all residents of the state of Utah must buy their alcohol from a state operated liquor store. Beer is available at grocery stores but is not the same beer found in most other states. Beer sold in grocery stores in Utah is 3.2% alcohol by volume whereas beer sold at the state operated liquor store is between 4 – 6% by volume.

This situation demonstrates that gambling is not the only industry that is subject to peculiar laws or less than ideal government regulations yet the alcohol industry in Utah is flourishing at a phenomenal rate. In the last 25 years the state of Utah has gone from zero craft beer breweries to 18 as of February 2013 with a few more set to open or expand by 2014. Notable breweries in Utah include Wasatch Beer, Uinta Brewing Co. and Epic Brewing Co. Epic Brewing Co. has their product exported to Brazil and Japan with Japanese customer having access to full – strength beer on tap. (House, 2013). The regulation of alcohol sales in Utah has

enabled a vibrant industry to grow while preserving the morals and values of the industry at large. In 2012, total alcohol sales within the state of Utah were approximately \$347 million with 7.5 million gallons of consumer alcohol. These figures are very robust considering the restricted overall access to alcohol in the State of Utah (Utah Department of Alcoholic Beverage Control, 2013a). From a non – financial perspective, alcohol sales contribute a great deal to the communities of Utah. First, the school lunch program (Utah Department of Alcoholic Beverage Control, 2013a) is funded primarily from alcohol sales. This is a program that may greatly be improved if gambling is introduced in Utah. Secondly, many other social programs such as substance abuse support programs are funded via alcohol sales. The lack of support programs for such diseases may be catastrophic for the quality of life of the residents of the state of Utah. Lastly, alcohol sales in Utah significantly relieve the tax burden placed upon individual tax payers. The introduction of gambling in Utah may provide for the opportunity to eliminate state income tax or at the very least lower it. A change in the state income tax may draw more residents to Utah which would allow for even more natural and organic economic growth in the state.

Overall, the State of Utah and the Utah market in general does have some peculiar laws and regulations concerning activities that have been deemed vices or that do not clearly fit within the moral framework of society at large, however social concern can be regulated and controlled while allowing for growth to occur that will be beneficial to all parties involved including those who do not directly participate in such entertainment activities. Moving forward, it is hoped that there will be continued cooperation between all parties so that subsequent generations of people can enjoy the benefits that have resulted from a high level of regulation.

## **Lost Opportunities**

One of the most evident examples of laws created with unintended consequences was that of Prohibition. Prohibition was not exactly a glaring issue in the State of Utah due to the overwhelming societal norms associated with the Mormon religion however it was a glaring issue on a national stage. Michael Lerner (Lerner, 2008), a noted historian in New York, created a 3 part series on Prohibition based upon his book Dry Manhattan. In the series, Lerner (2008) describes a series of unintended consequences and lost opportunities that Prohibition had upon America as a whole. Amongst the many consequences examined there are a few that will relate to Utah directly. First, Prohibition did not drive other sectors of the economy as was predicted; in fact many other forms of entertainment that were expected to increase actually experienced a significant decrease. This can be correlated with Utah in that the outlaw of gambling has prevented other sectors of the Utah economy from growing. Typical predicted effects of gambling introduction include increases in tourism, tourism facilities and infrastructure, all of which provide long term quality jobs for any economy.

Secondly, Prohibition actually not only stymied growth in other industries but it also almost exterminated many others. Lerner reported that barrel makers, truckers, waiters and other related trades lost hundreds of thousands jobs. Again, this can correlated with Utah. Due to advances in technology as well as development of strategic alliances and partnerships, many slot machines as well as other gaming devices are essentially becoming pay – for – play video games. Why is this important for Utah? Recently, The University of Utah received a number one ranking for its Entertainment Arts & Engineering Program (“Top Undergraduate Schools”, 2013). This program specializes in the conceptual development and computer engineering architecture of video games that are played all over the world. Many video game companies such as Electronic

Arts and Avalanche Software (Disney Interactive) have large offices in the Salt Lake Valley. Essentially, Utah and Salt Lake City in particular are not using their resources to their full advantage and important tax dollars are leaving the state to nearby gambling locales.

Lastly, the laws that were designed to protect Americans from the evils of alcohol consumption actually made the problems worse. Much of the data from the period is notoriously unreliable, however the general trend does show that many parts of the United States more people overall were drinking and people were consuming more alcohol. This effect may not have direct correlation to the state of Utah but will provide important points of discussion for officials in order to raise awareness of the possibility that the lack of gambling in the state is actually contributing to problem gambling.

William Eadington, the pre – eminent gambling economist, has conducted a wide variety of research as it pertains to gambling and economics. In general, he has found that resort – style casinos have benefits that may be classified into three distinct categories: Entertainment value, “ancillary economic benefits” and tax revenue. The first category describes the leisure experience and utility that non – problem gamblers experience when partaking of such activities. This benefit is very difficult to quantify considering utility and pleasure are intangible. The second category, “ancillary economic benefits” groups together such benefits as job creation, investment stimulation and tourism growth. This group is often quoted in gambling debate because it highly quantifiable and easily objective to interpretation. Lastly, tax revenue is essentially the revenue gained by state government from the taxation of income. This is the most direct benefit from gambling for state and local governments. (Philander & Bernhard, 2013). According to the Center for Gaming Research at the University of Nevada – Las Vegas, tax revenue for four states (Colorado, Iowa, Kansas, Mississippi and West Virginia); with the same

approximate population as Utah totaled approximately \$14 billion over an 11 year period (see Table 4) (Schwartz, 2013b)

Currently, there is very strong anti-gambling sentiment among not only residents of the state of Utah but also legislators. This sentiment was most recently exhibited by the fact that the current governor Gary Herbert passed a bill banning online gambling (Romboy, 2013). The passage of the bill has essentially cemented Utah's anti – gambling attitude by rejecting the most recent avenue for gambling discussion on the state legislature. Some state legislators such as former state Rep. Stephen Sandstrom, have gone as far as trying to outlaw “gambling like activities in establishments that hold liquor licenses, even if the games were free (Romboy, D., 2013). Despite the clear anti – gambling attitude of Utah's residents, there is still a growing underground gambling industry.

## **Literature Conclusions**

### **Global Gambling Industry**

The gambling industry in a global scale is definitely here to stay. As the research has shown, gambling has become not only key driver in regional economies but it also has the ability to transform an entire national economy. Due to the sheer volume of people in China, Macau is far and away the top gambling destination in the world. Depending upon what happens in the future, Macau may continue to grow but it also may have already hit its peak. However, with the opening and development of the Cotai Strip, Macau is in excellent position to continue to grow.

### **Gambling in the United States**

There have been significant developments and changes in the United States gambling industry over the past 10 yrs. Many states have looked to gambling as a way to stimulate economic growth, especially via lotteries. Other states are accepting bids for single unrestricted

licenses that may transform other businesses in the community. Las Vegas has gone from being the global leader in gambling to essentially being a competitor for second place alongside Singapore. In terms of games, 21 or Blackjack has gone by the way side for popular game of the moment Baccarat as well as Poker. However not all states are accepting gambling with open arms with the notable example of Utah.

### **Gambling in Utah**

Historically, Utah has been known for its lack of associations with gambling. However, as shown previously, gambling has been a highly discussed issue throughout Utah's history. In more modern times, efforts have been made to move introduce gambling into the state but all have been unsuccessful except one. Even this instance was repealed after two short years. Despite the lack of gambling establishments within Utah, many residents still engage in this form of leisure entertainment. Many residents of Salt Lake City visit Wendover for a weekend of Vegas – style fun. Mesquite, located near southern Utah, finds that a significant portion of its patrons hail from the Beehive State.

Utah may have some advantages for operators in the future in that the state is highly educated and the University of Utah in Salt Lake City has the top program for video game design and development. Developments in the gaming manufacturing and design industry have resulted in video games becoming a larger part of the gaming industry at large.

Table 4

*Tax Revenue by State, figures in 000,000*

|             | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007    | 2008   | 2009   | 2010   | 2011   | Total    |
|-------------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|----------|
| Colorado    | 92.00  | 98.20  | 95.60  | 99.50  | 101.10 | 108.40 | 115.40  | 97.70  | 101.53 | 107.02 | 102.17 | 1118.62  |
| Iowa        | 216.90 | 249.30 | 209.70 | 252.70 | 265.0  | 289.4  | 3148.00 | 324.00 | 306.17 | 305.44 | 321.53 | 5888.14  |
| Kansas      | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00   | 0.54   | 9.48   | 13.08  | 23.10    |
| Mississippi | 32.60  | 331.70 | 325.00 | 333.00 | 301.70 | 301.60 | 350.40  | 326.90 | 296.34 | 285.47 | 274.42 | 3159.13  |
| W Virginia  | 166.80 | 229.50 | 270.80 | 327.63 | 404.52 | 445.59 | 439.94  | 430.24 | 408.37 | 378.49 | 406.46 | 3908.34  |
| Total       |        |        |        |        |        |        |         |        |        |        |        | 14097.33 |

Cite: Schwartz, D. G. (2012b). Direct casino tax revenues by state. Center for Gaming Research. Retrieved from <http://gaming.unlv.edu/reports.html>

## **Part Three**

### **Introduction**

The overarching purpose of this paper has been to explore factors that contribute to Utah's resistance to gambling. Via literature review and subsequent discussion it has been discovered that an overwhelming contributor to the current attitude concerning gaming in Utah is rooted in the attitude of the members of The Church of Jesus Christ of Latter – Day Saints. It is important to note that despite this resistance from Mormon's, residents of the State of Utah at large participate in gaming quite frequently and also contribute significantly to gaming locales in the borders of Utah.

Due to the fact that the State of Utah has essentially no experience in gaming regulation it would be important for potential regulators to research what actions are being taken and what decisions are being made around the globe in different communities to address the concerns that the State of Utah has concerning gaming. Across the globe, countries and local communities have addressed gaming regulation in different ways. Some prefer to address gaming concerns on a federal level where as other have addressed it at state or provincial levels. In the United States of America, the federal government has largely left the issue of gaming and gaming regulation with states so that they may be able to best serve its own citizens. This has large implications for Utah because it allows potential regulators to enforce laws that pertain specifically to Utah without having to conform to laws that may not align with the planned direction of gaming in Utah. A perfect example of this has occurred within the past few years. In 2010, the US federal government passed a law approving online gambling but left enforcement and additions of such laws to state regulatory agencies (Dodge, 2010). Almost immediately legislators in Utah proposed a law outlawing online gambling within the State of Utah. Clearly, the state of Utah has

determined that gambling, in any form, within the state would be detrimental to societal norms and cultural values that have been established.

However much may be learned from other regions of the globe that have also expressed the same concerns about gaming in their own society and communities. In order more fully understand what has been done and what decisions has been made in those communities, Utah should consider what type of gaming might be beneficial in its society and then determine if there is a similar community for comparison. Below is short but non-exhaustive list of specific global communities that have expressed many of the same concerns as Utah and what decisions they have made to make gaming beneficial for its citizens.

### **Possible models for gaming introduction in Utah**

#### **Lottery License**

Among the many states in the United States of America and countries around the world that do offer lottery gaming, Norway offers an excellent example of how to combat potential gambling concerns while harnessing the proposed economic benefits associated with gambling. Currently, Norway offers very few gambling avenues for its citizens. The most popular is Norsk Tipping and its lottery based product offerings. Norsk Tipping is the result of a July 2007 ban on slot machines in Norway. This ban was affected to combat the growing trend of problem gambling and to increase tax revenues that may be used to improve overall society in general. Below is a list of events that have occurred within the past decade to preserve Norwegian society and values while combating gambling issues.

**Ban on Slots.** In July 2007, Norway outlawed slot machines in an effort to control the spread and growth of problem gambling. By design this has reduced the amount of gross revenue but has also allowed Norway to combat issues associated with gambling (Responsible Gambling

Council, 2012). From January 2000 – July 2007, gambling gross revenue was approximately NOK 134 billion; this figure has dropped to approximately NOK 11 billion for July 2007 – December 2011. This is an astonishing reduction of revenue and is directly attributed to the ban on traditional slot machines in Norway as well as the implementation of a mandatory player's card. In terms of gambling helpline activity, [RGC] estimates that in 2010 there were approximately 25 calls to the helpline whereas in 2006 there were 711. Again, this reduction of activity can be attributed to Norway's ban on traditional slot machines that do not require enrollment in the player card monitoring program.

One of the most significant events in the reduction of gambling in Norway was a June 2006 decision that outlawed the use of bank notes for the purpose of gambling. This decision has profound effects in that approximately NOK 10 billion per year could be credited to citizens and/or corporations using bank notes to gamble.

**Introduction of Multix.** In 2009, Norsk Tipping introduced Multix, an electronic gaming terminal that has allowed regulators to monitor and research gaming behavior in ways never before thought possible. Multix is a state of the art gaming terminal that is connected to a central server that allows regulators to monitor every aspect of every players playing behavior. To play, players must register with regulators and use the player's card. No cash is accepted. The players' card is monitored by gaming regulators and has spending limits that are 100% enforceable. Currently the following regulations exist concerning Multix:

- Enforceable Age limit – 18 years old. In the United States, only patrons age 21 and older may gamble at commercial casinos. Certain casinos located on Native American reservations allow gambling at age 18.

- Global spending limits due to the ability to play online. – As of November 2013, players had a limit of NOK 400 per day and NOK 2200 per month. Both these figures result in approximately \$75 and \$300 respectively. Also, there is a mandatory break in play after players have played continuously for 60 min.
- Personal limit function – There are also opportunities for players to limit themselves. Limits include time on machine, money spent per gaming session mandatory breaks on a daily, weekly or monthly basis as well as a permanent exclusion function.
- Maximum allowance – The Multix system also allows for a maximum bet as well as minimum game duration, which are NOK 50 and 2 seconds respectively. Many regulators would see a minimum game duration as a hindrance to gaming enforcement but this is not the case. Minimum game durations are positive because they do not allow customers to play at their own pace but they must play at the pace of the game. Overall, this reduces play time at the machine and the overall amount of money that players will spend. Maximum win amount is also another feature of Multix. Any win above NOK 1500 is still deposited into the players account but is not accessible for betting until a later time.

**Player's Card.** The introduction of the mandatory players' card has allowed regulators to identify those players who truly do have an addiction to gambling and to offer them help so that they may improve their own personal lives. The players' card does function much like traditional loyalty card but also functions as the permission slip for players to play. The card allows researchers and regulators to identify demographic data such as Age, Gender, Residence, Phone Number etc. Transaction or financial data is also gathered such as what game was played, how many tickets were purchased and at what price they were purchased at, how often a particular

person purchases tickets, at what time tickets were purchased at, and what Multix terminal was being played. More importantly the player's card allows regulators to track players wins, losses and total amounts of money lost. This information is critical in determining if there is a financial association with problem gambling and if the losses associated with problem gambling are materially affecting the life of the player and their family. It is important to note that the e-Card is available and required at all channels and levels of distribution

On a positive note, all profits from Norsk Tipping must go to social causes. In 2011, approximately 46% of profits were distributed to national sports initiatives with half of the amount being used to rebuild or rehabilitate public sports facilities in the municipalities of Norway. Each year, in its Annual Report, Norsk Tipping publishes a comprehensive list of all the social causes that have received funding from gambling. Below are a few highlighted social causes and the amount of funding received in 2011, all figures are in NOK (Norsk Tipping, 2011)

- Sports – 45.5% of total profits – 1.37 billion total
  - Municipal sports facilities – 683.45 million total
    - Norwegian Olympic Federation – 566 million
    - Local youth teams and programs – 156 million
    - Anti – Doping initiatives – 22.6 million
- Culture – 36.5% of total profits – 1.25 billion total
  - National Culture Budget – 833 million
  - Primary & Secondary school art and culture programs – 167 million
  - Cultural Buildings, meeting places and festivals – 125 million
  - Youth music and theater council – 125 million

- Humanitarian – 18 % of total profits – 617 million total
  - Norwegian Red Cross – 215 million
  - Norwegian Sea Rescue – 133 million
  - Norwegian Cancer Society – 69 million
  - Other organizations – 200 million total

Ultimately, Norwegian parliament has created an environment that allows its citizens to engage in gaming but also allows Norway as a whole to preserve the values that are important to all of its citizens. There is much that Utah may learn from Norway. First, the State of Utah can easily observe that regulation can be coupled with technology in order to find regulatory solutions that best fit society. Second, there are significant social causes and programs that may be impacted in a positive manner given that the funding is available. Gambling and the tax revenue associated with gambling allow for this funding.

### **Slot Focused License**

Throughout the world, many gaming corporations and the gaming industry in general, have been given a predatory stereotype that has resulted in many jurisdictions to reject the opportunity to introduce gambling to their citizens. Canada however has taken a different approach. The province of Nova Scotia has taken the attitude that gaming corporations and operators have a social responsibility to preserve the culture and morals of the community in which they reside. This attitude and standard has been most prevalent in the area of problem gambling. Nova Scotia has made great effort and strides in attempting to control spread of problem gambling while allowing outlying towns and settlements to partake of the fruits of gambling within the province. According to the Nova Scotia Provincial Lotteries and Casino

Corporation, the [NSPLCC] spent approximately \$6.4 million on prevention, education and treatment at more than a dozen responsible gaming and prevention centers and programs which reach 99,000 Nova Scotian's (Nova Scotia Provincial Lotteries and Casino Corporation, 2013a). Another important aspect of Nova Scotia's corporate social responsibilities is the development of responsible gaming initiatives within the casino itself. Recently, Nova Scotia has instituted a mandatory enrollment program called MyPlay in order to track and monitor the play of players in the casino. Below are a few highlights of the MyPlay program (NSPLCC, 2013b)

**Mandatory enrollment.** All players that desire to play VLT's, video lottery terminals, must enroll in the program. This allows regulators the opportunity to determine how much you are playing and if there are any potential problems with your gambling behavior. This program does not have a maximum play/game function.

**Myliveaction.** This function allows players to know exactly how much money players have put in, how much has been cashed out and the amount of money currently in the machine. It also tells players how long since they have last played.

**My money limit.** This function allows players to limit the amount of money players are allowed to bet in a daily, weekly and yearly basis.

**My play limit.** This function allows players to set a time limit for play on a daily, weekly or monthly basis.

**Stop.** This function allows players to suspend the ability to play, effective immediately, for up to 72 hours. This function allows players to stay in control of their gambling behavior with a simple on/off mechanism.

Outside the casino itself, with that advent of the internet and the growth of the World Wide Web, it is only natural to believe that the internet was the next step for gambling. Many

gambling manufacturers around the world are chomping at the bit to provide products for online gambling whether it be slots or lottery. Nova Scotia has decided to combat this head on. They have developed a software package named Betstopper that does not allow computer users to access gambling websites. Initially designed as a way to combat underage gambling and create awareness for gambling among youth, the software has grown into an effective way to combat adult problem gambling as well as it restricts all users from accessing sites that designated by the administrator.

Overall, casino operators have fulfilled the expectations of the Nova Scotian government to be active socially responsible citizens in the community. In return, casino operators have experienced economic prosperity. According to the NSPLCC, 100% of all profits from gaming taxes are repaid to the province and fiscal year 2013 resulted in a payment of approximately \$C128 million (NSPLCC, 2013c), additionally fiscal year 2014 is projected to result in approximately \$C122 million. It has been reported by the NSPLCC that the \$C128 million for 2013 would result in the construction of the following:

- 10 Elementary Schools
- Twinning of 43 km of 100-series or federal highway or
- Paving of 393 km of secondary highway in Nova Scotia

Also, due to its commitment as socially responsible community citizens, the NSPLCC also reports that 688 jobs are attributed to gambling, as well as the \$C21.1 million dollars in wages from casinos and other gambling products, \$C35 million in sales commissions have been used as loans for small business that serve local communities. Other contributions include charitable foundations and cultural expositions that occur on a yearly basis (NSPLCC, 2013a)

Overall, the Nova Scotia Provincial Lotteries and Casino Corporation has created a business model that is reliant upon it being an honest citizen of its community and in return the community has rewarded it financially. In the future, as regulation and scrutiny of gambling across the globe increases, Nova Scotia is well placed to continue being profitable even while meeting the strict needs of the Nova Scotia community.

### **Comprehensive Casino License**

In 2005, the Singaporean government announced that it would allow development of two integrated resorts within its borders and attached to those resort licenses would be comprehensive casino licenses. However, as part of the development contract, developers and casino operators would have to be willing to adhere to extremely strict and restrictive business policies. There were approximately 10 companies that bid for the licenses with Las Vegas Sands Corp. and the Genting Group from Malaysia eventually being deemed the winner(s). Upon completion of their respective properties, each of these companies would have to subject themselves to regulatory scrutiny at the highest level. Below is short and non-comprehensive highlight list of regulations. Regulations may be found in their entirety in the Casino Control Act of Singapore (Attorney Generals Chambers of Singapore, 2007)

#### **Access control for Singapore citizens and permanent residents**

*Entry levies.* Singaporeans and Permanent Residents of Singapore are required to pay an entry levy in order to enter any casino in Singapore. As of November 2013, the entry levy at Resorts World Sentosa was S\$100 for a single 24 hour period or S\$2000 for an annual pass. The entry levy is non-refundable and/or non-transferable (Resorts World at Sentosa, 2013) Failure to pay the entry levy may result in a fine of up to S\$1000. Residents and Non-Residents are required

by law to use designated entrances so that entry levy payment may be assessed to the proper patrons.

***Self-exclusion.*** The Singapore government and NCPG allows for any person to submit an application for self-exclusion. This provision allows gamers to seek help without the temptation of entering a casino.

***Family exclusion.*** The Family Exclusion provision allows immediate members of one's family to submit an application for someone to be placed on the Exclusion List. It is encouraged that the issue be resolved in private amongst members of the family. If the issue is unable to be resolved, a hearing will be held by a designated committee appointed by the state to determine the appropriate course of action. This option allows for objective counseling that is the best interest of not only the gambler but also the casino, the family and the country of Singapore.

***Third – Party Exclusion.*** Un-discharged bankruptcy filings as well as those receiving aid from the Singapore Government are automatically excluded from all casinos in Singapore until either the bankruptcy is resolved or the aid has ended or has been repaid. Aid examples include welfare and student loans.

### **Marketing restrictions for Integrated Resort operators**

One of the biggest concerns for Singapore was the preservation of the culture and morals of Singaporean society. In order to preserve Singapore society, the government developed strict regulations in regards to advertising casino services. Almost all of the restrictions pertain to Singapore residents and companies in Singapore; however, some of the restrictions may be applicable to companies that do not have an immediate presence in Singapore. Chapter 33A of the Casino Control Act covers all marketing restrictions regarding casinos in Singapore. Regulations may be found in their entirety in the Casino Control Act of Singapore (AGC, 2007).

The following are a few regulatory highlights that are directly related and appropriate for discussion in this paper.

***Unpermitted Advertising.*** Outside designated areas, marketers are not allowed to purchase billboards above buildings, in trains or on airplanes. Handbills, pamphlets and brochures are strictly prohibited, as are mass mailers. Public exhibitions that involve TV, radio, films or vocal broadcasting are illegal. Internet advertisements of any kind are strictly prohibited.

***Permitted Advertising.*** Advertising regulations do not apply to hotel directional signs, hotel services such as Food & Beverage outlets, Shopping and Spa, and Press Releases. Charity events are not subject to regulation as long as there is no reference or encouragement to gamble. Advertisement at Changi Airport is permitted as well as at tourist attractions stipulated by the Singaporean government. Casino advertisements in foreign languages that are specifically designed for tourists are encouraged.

***Limited Casino Advertising.*** Advertising that is permitted may not entice or induce to gamble and must have no suggestion of specific games or offers. This type of advertising is highly restricted to areas such as the Front Desk of Registered Hotels, Changi Airport, Tourist Attractions, and inside the Casino.

Overall, the Singapore government has created a regulatory environment that restricts casino advertising to inside the casino itself and designated tourist attractions in accordance with the Casino Control Act. At first glance, these restrictions may seem overbearing and even anti-business; however, the result has been quite the opposite. In 2012, casinos in Singapore had gross revenues of approximately \$5.85 billion which is an increase of approximately \$3 billion from 2010. Singapore is projected to surpass Las Vegas in gambling revenue within the next 3 – 5 years and become the second largest gambling market in the world (Vegas, Inc. , 2011)

Ultimately, there are a few things that regulators in Utah can learn about the gambling and regulation if they choose Singapore as a possible model. First, operators are willing to abide by regulations if the financial incentives are commensurate with the amount of regulation. In comparison to Las Vegas and Atlantic City, Singapore's casino regulatory environment is astronomically more stringent and the penalties for violations are much more severe. However, the financial incentives for abiding by the regulations are extremely attractive as seen from the growth in revenues within the past few years as well as the projected growth for the next few years. Utah regulators can rest assured that if gaming is introduced and operators bid for licensing then they are more than willing to abide by almost any regulation placed upon them.

Second, regulations can cover almost anything. As discussed, residents of Singapore must pay to enter a casino in their own country. Utah regulators would be given the same opportunity to levy fees upon residents of Utah. Also, Utah regulators would be able to provide exclusionary policies to people that clearly should not be gambling. This is done in Singapore via voluntary and automatic exclusion provisions in the Casino Control Act.

### **Recommendations**

Due to the clear lack of research surrounding the Utah gambling community, it is extremely difficult to provide a clear and concise research based recommendation about gambling in Utah. However, if a recommendation must be made, the recommendation must begin at the most basic level. First, should the State of Utah consider legalizing gambling? From a financial perspective the answer is obviously yes. As discussed in the Literature Review section of this paper, many residents of Utah are leaving the state to engage in gambling. This results in discretionary income leaving the state that might be spent on improving the economy. Precious tax dollars are also leaving the state and the state of Utah cannot tax the revenue that is

earned in the casinos of nearby gaming locales such as Wendover and Mesquite. From the research presented in this paper approximately \$180 million dollars in “gaming win” left the State of Utah in fiscal year ending 2013. This amount does not include ancillary revenues that may be attributed to food & beverage, hotels or other hospitality or tourism associated businesses. Thus, it is clear that there is a significant economic incentive for legalizing gambling within the State of Utah.

From a sociological perspective the answer is maybe, at best. As with every gaming local, the State of Utah has used the fact of problem gambling as a main tenant in the argument against the legalization of gambling. It is a clear well known fact that every gaming locale has experienced issues with gambling addiction and the devastating effects that such an addiction can have upon an individual as well as the individuals family. However, regulators can have a massive impact upon the prevalence of such an addiction by instituting strict regulations that not only limit access but also allow others to exclude those who have difficulties. As seen from a financial perspective the outlaw of gambling within the State of Utah is not having as much as an effect as expected because residents from Utah are still leaving the state. Overall, from a sociological perspective, gambling does have some serious disadvantages that must be taken into consideration if deciding whether or not to legalize gambling. However, like addicts from other vices such as alcohol, it is safe to assume that those who desire will go to great lengths to satisfy the need regardless if it is not readily available.

Another main tenant in the argument against the legalization of gambling is the effect that legalization will have upon existing industries as businesses compete for the appropriate share of wallet. As discussed in the Literature Review, many studies have been conducted and thorough research has been done that supports the notion that gaming has no effect upon existing

industries. In some cases, gaming actually increased the vitality of businesses associated with and in close proximity to casinos. Thus, as before, it is clear that many of the justifications used to not legalize gaming have foundational weaknesses and must be reconsidered.

Second, if the State of Utah does decide that legalization of gambling is in the best interest of the state and its residents, then begs the questions what model should be used or referenced and what level of regulation should be imposed? With this in mind, the gambling model that Singapore has developed seems most appropriate and most qualified to meet the needs of Utah regulators. There are a variety of reasons for this recommendation. First, the Singapore model shows that the goals of regulation and the goals of revenue can co-exist and co-exist very well. Both the government and its citizens can continue living in a country that is full of prosperity and high moral fiber while private business can grow and flourish and ultimately become productive members of society. Singapore and Utah have demonstrated a similar attitude toward the overarching concerns of gambling introduction and thus Utah can mimic or at the very least structure their own regulatory environment after that of Singapore. However, an ounce of caution must be used because there is no guarantee that the model the Singapore used will produce the same results in Utah. In fact, it may have the opposite effect and push gamblers toward less restrictive locales. Second, the Singapore model may clearly be considered the way of the future due to its success and the fact that Utah has no current gaming business model allows for an excellent opportunity to see if the Singapore model would work within the United States. Essentially, Utah would be able to serve as a testing ground for a new level of regulation in the United States.

Over the course of this paper, many arguments have been established that have pointed out the reasons behind Utah's current attitude concerning gambling, however many arguments

have also been made known about the advantages of having such an industry within an economy. Clearly, the decision to introduce gambling in the State of Utah is not one to be taken lightly or made in haste. However, it is hoped that the arguments and facts that have been discussed display the advantages of gambling will persuade legislators and potential regulators in Utah to at least discuss the possibility of introducing gambling within the State of Utah.

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