

SUMMARY

# A Comprehensive Analysis of NERA's Study on New Jersey's iGaming Economic Impact

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## Summary:

A recent study by National Economic Research Associates (NERA), commissioned by the Campaign for Fairer Gambling, critiqued a 2019 study by Meister Economic Consulting and Victor-Strategies and incorrectly concluded that iGaming has been detrimental to New Jersey's economy. After a comprehensive review, we find NERA's study to be critically flawed because of its reliance on incomplete and limited data, illogical assumptions, faulty methodologies, and computational errors, rendering its conclusions unreliable.

## Key findings:

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### Incomplete Data = False Conclusions

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**1. NERA's analysis of iGaming's economic impact is based on limited wage data** from only 2 operators over 3 years (there were 5 licensed iGaming operators; operating 10 platforms; with 15 different brands in New Jersey in 2016 alone), which fails to represent the entire industry accurately. In contrast, the 2019 Meister Economic Consulting and Victor-Strategies study utilized a thorough, complete data set and a robust, widely accepted methodology to estimate the impact of iGaming on New Jersey's economy.

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### Unfounded Claims, No Facts: iGaming Benefits Casinos

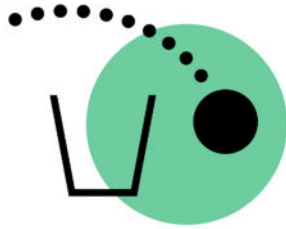
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**2. NERA's study incorrectly assumes that iGaming cannibalizes revenue from brick-and-mortar casinos and other entertainment sectors and does not point to any research that supports this claim.** In fact, previous research has shown that there is not significant substitution across segments of the gaming industry, nor across to other non-gaming industries. The report also ignores the reality that iGaming redirects revenue from *illegal* online gambling sites, resulting in NERA's assumption vastly underestimating the economic contribution of iGaming in New Jersey.



### 3. Data Matters: iGaming Boosts, Doesn't Hurt, Land-based Casinos

3. Contrary to NERA's claims, multiple studies demonstrate that iGaming complements brick-and-mortar casinos, with many operators reporting increased customer engagement and revenue after introducing online gaming. Findings from the 2019 Meister / Victor-Strategies study align with this growing body of evidence, suggesting a complementary relationship between online and land-based gaming.



### 4. Faulty Modeling Misses iGaming's Full Economic Impact

4. NERA's methodology relies on a simplistic, wage-focused model that fails to capture the full scope of economic benefits generated by iGaming, leading to a significant underestimation of its positive impact on New Jersey's economy. The 2019 Meister / Victor-Strategies study employed a well-established input-output methodology that is widely used by governments, businesses, and consultants to comprehensively capture the direct, indirect, and induced effects of projects and events on an economy, including output, jobs, wages, and taxes.



### 5. iGaming Social Cost Estimate Built on Discredited U.K. Model

5. NERA's \$350 million annual social cost estimate for iGaming in NJ is derived from a discredited 2023 British study by the National Institute of Economic and Social Research ("NIESR") that incorrectly classified wealth transfers as social costs and disregarded the high comorbidity rates among problem gamblers such as substance abuse and personality or anxiety disorders. In addition, the NIESR study is riddled with data, methodological, and computational problems so serious that the

NERA social cost estimate is effectively arbitrary. NERA did no independent research on the social costs of gaming in the United States. Instead, they inappropriately applied dubious and inflated social cost estimates from the U.K. to the U.S., where there are vast differences in the gaming industry and social welfare system. The 2019 Meister / Victor-Strategies study did not attempt to quantify social costs, recognizing the inherent difficulties and limitations in doing so accurately.

### **Additional details and supporting facts:**

- The 2019 Meister / Victor-Strategies study estimated that from 2013 to 2018, New Jersey iGaming generated \$2.0 billion in output, supported 6,552 jobs and \$401.0 million in wages, and contributed \$259.3 million in tax revenue to state and local governments. These findings were based on a rigorous, transparent methodology and a thorough and complete data set.
- Research conducted by GeoComply (2023, 2024) and the American Gaming Association (2023) demonstrates that a significant portion of online gambling revenue comes from players who previously used illegal offshore sites, with legal options successfully channeling these players to regulated platforms. The 2019 Meister / Victor-Strategies study aligns with these findings, recognizing the reality that legal iGaming captures revenue from illegal sources.
- The discredited NIESR study used by NERA to estimate social costs in New Jersey overestimates social costs by nearly two-thirds due to the improper inclusion of wealth transfers. The 2019 Meister / Victor-Strategies study avoided the pitfalls associated with attempting to quantify social costs, focusing instead on the measurable economic impacts of iGaming.
- Research has consistently shown that the majority of problem gamblers have comorbid disorders, such as substance use disorders, mood disorders, and anxiety disorders, making it inaccurate to attribute all social costs solely to gambling behavior. The 2019 Meister / Victor-Strategies study recognized the complex nature of problem gambling and its interrelationships with other disorders and did not attempt to assign a monetary value to social costs.
- Studies by Eilers & Krejcik Gaming (2023) and Analysis Group (2024) provide evidence of a complementary relationship between iGaming and brick-and-mortar casinos in New Jersey, with the latter showing iGaming having a positive impact of approximately 12% on brick-and-mortar casino revenues. The findings of the 2019 Meister / Victor-Strategies study are consistent with this growing body of research, highlighting the potential for iGaming to support and enhance the brick-and-mortar gaming industry.

In summary, NERA's study on the economic impact of iGaming in New Jersey is deeply flawed and cannot be relied upon to inform public policy or business decisions. Our comprehensive review, supported by industry data and research, demonstrates that NERA's conclusions are inaccurate and misleading. The 2019 Meister / Victor-Strategies study, which NERA attempted to refute, employed a robust methodology and complete data set to comprehensively assess the positive economic impact of iGaming in New Jersey. The findings of the Meister Economic Consulting and Victor-Strategies study remain valid and provide valuable insights on the benefits of regulated online gaming for the state's economy.