

1999

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Recommended Citation

Atkinson, Stanley M.; Byrd, Anthony K.; and LeBruto, Stephen M. (1999) "State Referendums on Casino Gaming: The Effects on the Valuation of Casino and Gaming Stock," *Journal of Hospitality Financial Management*: Vol. 7 : Iss. 1 , Article 14.

Available at: <https://scholarworks.umass.edu/jhfm/vol7/iss1/14>

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**STATE REFERENDUMS ON CASINO GAMING:
THE EFFECTS ON THE VALUATION OF
CASINO AND GAMING STOCK**

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ABSTRACT

The purpose of this study is to determine whether the expansion of the casino gaming industry has had an effect on the growth of individual companies within this segment of the hospitality industry. We examine ten individual state referendums and the Indian Gaming Regulatory Act of 1988. Six state referendums and the IGRA were passed. Four state referendums failed.

Our sample consists of 24 publicly traded casino gaming firms. Daily stock price data were collected and examined to determine the effects of the successful and failed referendums. The results are mixed. On average, successful passage of state gaming referendums had a negative impact on the stock prices of casino and gaming firms. Over the seven-day period surrounding the referendum announcement, gaming stocks declined an average of two percent. These results are driven largely by the referendums in Indiana and Iowa, which were preceded by large positive abnormal returns. Unsuccessful referendums exhibit no significant stock price reaction for the gaming stocks in the sample.