

CasinoFreePA

*a statewide coalition of groups and individuals
opposing casino gambling in Pennsylvania*

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TESTIMONY FOR HOUSE GAMING OVERSIGHT COMMITTEE HEARING

HB 1317 (mini-casinos)

May 21, 2009 Room G 50
Irvis Office Building
Harrisburg, PA

Chairman Santoni, Chairman Schroder and Members of the House Gaming Oversight Committee:

Thank you for the opportunity to testify on HB 1317.

My name is Dianne Berlin and I serve as the volunteer coordinator of CasinoFreePA which is a coalition of groups and individuals opposed to casino gambling in PA.

Before getting into the reasons we have for our opposition, I must point out that we evidently have some very serious problems at our community colleges related to gambling which need to be addressed. An article from the Morning Call on May 5 (www.mcall.com/news/local/all-a1_4casinoed.6885126may05,0,5805145.story) about the Sands casino and Northampton Community College showed a very cozy "partnership" with the casino. A very alarming part of that article states "**The Sands, along with representatives from the Mount Airy and Mohegan Sun casinos, were part of a task force that developed the casino curriculum.**" According to this article 11 of our 14 community colleges have some sort of casino-related courses. This could be compared with partnering with the tobacco interests. I would hope that all members of our legislature see this as totally inappropriate and rectify this egregious situation.

We should not be subsidizing gambling interests at all let alone subsidizing them through our taxpayer funded educational institutions. If they want to educate their work force, let them have their own schools.

Thank you for letting me make that point.

I am not here to debate the merits of tuition relief which we can all appreciate but rather to present opposition to the proposal for funding it. This statement confirms our opposition to casinos no matter whether they are maxi or mini-casinos.

The National Gambling Impact Study Commission made recommendations and one is clearly related to HB 1317. *Recommendation 3-6 which states: **The Commission received testimony that convenience gambling, such as electronic devices in neighborhood outlets, provides fewer economic benefits and creates potentially greater social costs by making gambling more available and accessible. Therefore, the Commission***

recommends that states should not authorize any further convenience gambling operations and should cease and roll back existing operations.

The following confirms the fact that proximity does matter

“The presence of a casino within 10 miles of the respondent’s home was positively related to problem/pathological gambling. The permissiveness of gambling laws was positively related to any gambling in the past year, as well as frequent gambling. These results were interpreted to mean that the ecology of disadvantaged neighborhoods promotes gambling pathology, and that availability of gambling opportunities promotes gambling participation and pathology.”

“The Relationship of Ecological and Geographic Factors to Gambling Behavior and Pathology” by John W. Welte, Research Institute on Addictions, Buffalo NY, William F. Wieczorek, State University College at Buffalo, Buffalo NY, Grace M. Barnes, Marie-Cecile Tidwell, Joseph H. Hoffman, Research Institute on Addictions, Buffalo, NY

West Virginia, like us, had bar, club and tavern owners with illegal machines making a mockery of their law. Instead of enforcing their laws against the illegal video gambling machines which they called gray machines, West Virginia legalized mini-casinos in early 2002.

As you can see on the included chart, the number of calls to their gambling helpline escalated as the number of mini-casinos grew. In 2002, one hundred twenty seven people called the helpline. The following years as more and more mini-casinos opened, the numbers were four hundred twenty-five, seven hundred seventy-eight, nine hundred sixteen and in 2006, there were nine hundred twenty-three who called due to gambling at the mini-casinos. Note that the calls to the WV helpline from people who gambled at the mini-casinos surpassed the calls from people who said that they gambled at the slots at the tracks.

Our population is more than six times that of WV (WV 1,814,468, PA 12,448,279) so our numbers would be at least six times higher. Only about ten percent of gambling addicts call helplines.

Twenty percent of gambling addicts attempt suicide. A Canadian study showed an even higher suicide rate of 26.8 percent for pathological gamblers compared with 7.2% for those without gambling problems.

Several years ago, Professor Earl Grinols who is currently at Baylor presented testimony here in the Capitol regarding casino gambling. I have included that testimony as it lists many of the social costs associated with gambling: crime, business and employment costs, bankruptcies, suicide, illness, social service costs, direct regulatory costs, family costs such as divorce, separation, child abuse, child neglect, domestic violence, abused dollars, etc. As you can see the costs are \$3 to \$1 of benefits. It doesn’t take a mathematician to see that gambling is a losing proposition for all except the gambling interests.

In New Hampshire which like Pennsylvania has been under pressure to approve slots, every NH Attorney General over the past 30 years has opposed slots casinos. The NH Association of Chiefs of Police -- after hearing detailed pro and con presentations from advocates on either side -- recently voted 54-0 to continue its long-standing opposition to slots legalization.

It is very difficult for most of us to understand the reluctance of our own law enforcement to crack down on the illegal machines. These venues have no respect for the law. The illegal machines should be confiscated and destroyed recycling materials in a way that they could not be remade into electronic gambling machines. There should be fines levied equal to the income from those machines and the alcohol license should be permanently suspended. The money from recycling and the fines should more than cover any enforcement expenses and would send a strong message.

This is a copy of the three volume recently released Research Editors Doctoral Directorate (REDD) "U.S. International Gambling Report" which should be required reading for all elected officials not just those of you on this committee.

On page 328 of the first volume, is a statement which needs to be seriously considered before one more slot machine is put into our state. **"1 net job is lost each year for each operating electronic gambling device (EGD)/ slot machine."** 61,000 slots were allowed under Act 71. If HB 1317 would be enacted, that would be an additional 70,000 machines for a yearly loss of 131,000 jobs. Can we really afford to lose that many jobs each year?

The first \$500 slot machine was placed at the Pittsburgh casino which seems like a lot of money for one spin. However, most people have no clue that \$2,700 per hour can be cycled through a PENNY SLOT machine. This is not chump change.

Moses Maimonides, Jewish medieval authority, defined gambling as stealing as the winner "takes another's money for free."

To my knowledge, we have not ever looked at gambling in this way when discussing gambling or gambling expansion. It may be time to look at gambling in this light especially with the enormous amount of money being flushed through slot machines.

A lesson can be learned from South Dakota where they had a hundred day shutdown of their mini-casinos. I have included the study which showed the number of gamblers treated per month dropped by 93.5%. If HB 1317 were to be enacted, we could expect that decrease to be an increase for us.

Every business ledger has both an income and an expense column. In PA, whenever gambling expansion is mentioned, it seems as though our state's ledger only has an income side.

Education is very important but it should never be funded through gambling as it is the opposite of the work ethic that we teach children.

No matter how good the cause, the government's role is still to make decisions which are in the best interest of the health, safety and well-being of its citizens. To only consider revenue sources without calculating the costs is a costly disservice to the citizens.

Although none of us like to pay more taxes than necessary. However, taxes are the legitimate way to pay for necessary government expenses. However, those taxes should be transparent and fair. This allows for easier tracking of government spending. Gambling revenues are not only hidden but also exploitive.

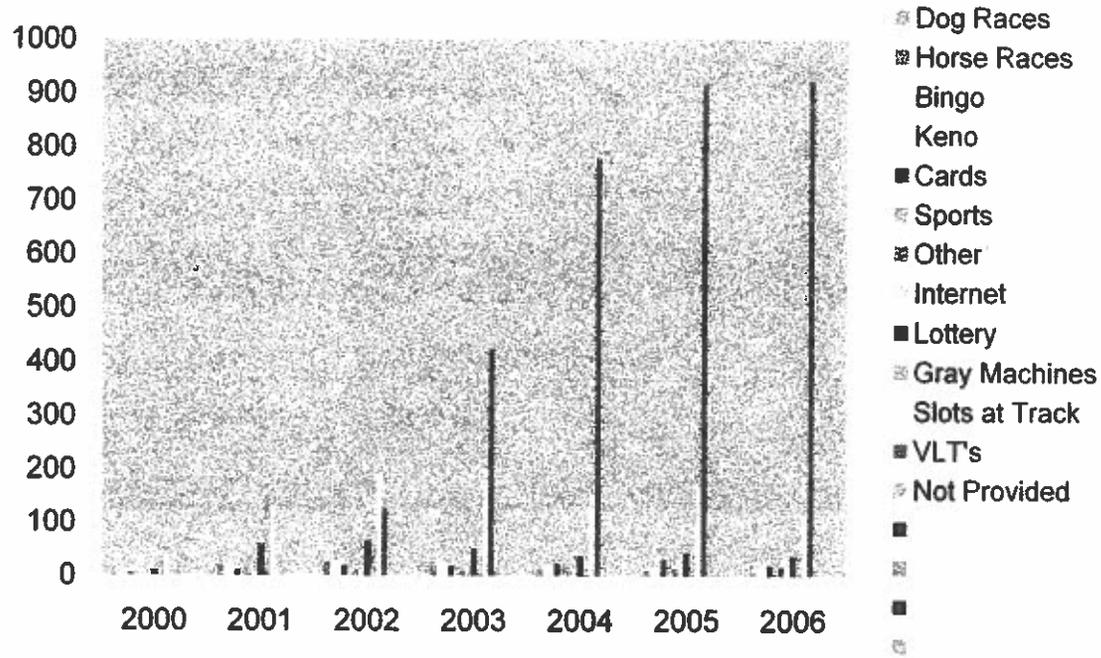
There are definitely costs that come with legalized gambling.

No matter how good any cause is, there is no justification for this taxation by exploitation.

Thank you again for allowing me to testify.

**Primary Types of Gambling (Game of Most Losses
8/1/00-12/31/2006 West Virginia**

	Dog Races	Horse Races	Bingo	Keno	Cards	Sports	Other	Internet	Lottery	Gray Mach	Slots at Tr	VLT's	Not Provided
2000	2	2	6	0	4	4	0	2	11	24	30	0	1
2001	15	18	22	18	11	31	4	6	59	150	131	0	12
2002	19	24	26	28	19	44	10	9	65	89	193	127	23
2003	11	19	32	25	17	20	9	12	50	6	180	425	26
2004	7	11	21	19	23	18	9	14	37	1	152	778	68
2005	8	10	16	17	30	18	14	35	43	1	170	916	70
2006	1	8	17	17	19	11	17	46	37	1	117	923	56



<http://www.videogamblinginfo.com/studies.shtml> (This link is no longer active but it has been.)

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The following study that was done by 4 South Dakota medical professionals with gambling addiction expertise appears in the January, 1996 issue of *The South Dakota Journal of Medicine*. **The study considered the impact that the 100 day shutdown of the Video Lottery system 1994 had on gambling addiction treatment.** South Dakota is the only place where a hard core video poker gambling system that had been in place for a number of years was shut down for a period of time and subsequently restarted.

SUMMARY OF CONCLUSIONS

The number of gamblers treated per month dropped by 93.5%.

97.9 % of gambling addicts in treatment were primarily addicted to video lottery, not other types of gambling.

These data suggest that little substitution of other forms of gambling occurred when video lottery gambling was not available.

The entire study follows:

"Video Lottery" and Treatment for Pathological Gambling

A Natural Experiment in South Dakota

*Robert D. Carr, Ed.D; Jerome E. Buchkoski, Ph.D;
Lial Kofoed, MD, MS; Timothy J. Morgan, MD*

ABSTRACT

Four agencies which offer specialized treatment for pathological gambling provided data on the number of inquires about gambling treatment and the actual number of gamblers treated before, during, and after the shutdown of video lottery in the state of South Dakota. A marked decrease in the number of inquiries and number of gamblers treated was seen during the time the machines were turned off as compared to the time periods when video lottery gambling was available. The results suggest that the accessibility and the availability of video lottery machines are an important factor in the number of people being adversely impacted by gambling.

INTRODUCTION

Since the 1970s, there has been significant expansion of legalized gambling in the United States. State legislatures around the country have begun to legalize various forms of gambling to increase revenue without having to rely upon more traditional forms of taxation. In the state of South Dakota, a Constitutional Amendment passed

in 1986 made it "lawful for the legislature to authorize by law a state lottery which is regulated, controlled, owned and operated by the state of South Dakota, either separately by the state or jointly in cooperation with one or more other states." With this amendment, scratch tickets and various forms of state and regional lotteries were instituted.

In 1989, the South Dakota legislature approved legalized gambling at historic Deadwood in the Black Hills. Also in 1989, the South Dakota legislature voted to permit "video lottery" in the state. Four general games are available on the video lottery machines including poker, blackjack, keno, and bingo. About the same time, the Indian Gaming Regulatory Act allowed Native American tribes to set up casino gambling establishments on their reservations. As a result, casinos began to open on South Dakota reservations in the late 1980s and early 1990s. With increased availability of many forms of gambling, substance abuse treatment centers throughout South Dakota began to receive inquiries into the availability of treatment for problematic gambling behavior. In response, private and public agencies in South Dakota developed gambling treatment programs to treat problem gamblers. The state allocated some treatment moneys, which were earmarked to mental health centers throughout South Dakota for treatment of problem gamblers.

On June 22, 1994, the South Dakota Supreme Court ruled 4 to 1 that video lottery was an unconstitutional game of chance. After requests for rehearing this case were denied, the video lottery machines were turned off on August 13, 1994. When the machines stopped, there were 1,449 licensed video lottery establishments in the state of South Dakota with a total of 7,859 video lottery terminals in these establishments. The weekly net revenue was \$3,293,950 with a net per machine averaging \$419.13. (South Dakota Lottery, 1995). In November of 1994, state referendum to reinstitute video lottery won by a small margin, and the machines were turned back on November 17, 1994. During the 14 weeks the video lottery machines were turned off, other forms of legally sanctioned gambling remained available. These included regional lotteries (i.e., Lotto America), scratch tickets, and Indian casino gambling. This situation provided a unique opportunity to study the impact of the institution, the discontinuance, and then the reinstitution of video lottery on the population of South Dakota.

METHOD

Four South Dakota substance abuse treatment centers that provide specialized treatment for pathological gamblers were included in this study. Two of these agencies are private for profit and two are non-profit treatment centers. All kept a log of the number of inquiries into treatment for problem gambling and the number of patients who received specific treatment for their gambling addiction. Each center also documented the primary form of gambling for which each gambler sought treatment. Each of the four centers provided data on inquiries about and treatment for problem gambling for the 11 months prior to shutdown of the video lottery machines (October, 1993 through August, 1994), and for the first three months following resumption of video lottery (December, 1994 to February, 1995). They also reported the type of gambling involvement for all patients entering treatment.

RESULTS

The information from the four treatment centers was summed and tabulated. For the 11 months prior to the shut-off of video lottery machines, there was a mean of 68.1 inquiries per month (s.d. 23.9) and 10.8 gamblers treated per month (s.d. 2.3) at the four facilities. For the three months when the lottery machines were turned off, there were only two inquiries about gambling (mean 0.7 per month; s.d. .58) and two individuals (mean 0.7 per month; s.d. .58) treated at these facilities. After video lottery resumed, the number of inquiries and the number of individuals being treated for gambling problems increased rapidly. For the first three months after video lottery resumed, there was a mean of 24 inquiries (s.d. 6.1) and 8.3 gamblers (s.d. 2.9) treated per month at the four facilities. Throughout the 17-month period covered by this study, 146 gamblers were treated at the four facilities. Of these gamblers, 143 were identified as being primarily addicted to video lottery. The remaining three were thought to be primarily addicted to casino gambling. The three gamblers treated for casino gambling all received treatment in the period prior to video lottery machines being turned off.

DISCUSSION

These results suggest the impact availability of video lottery machines has on the number of individuals receiving treatment for problem gambling in South Dakota. When the video lottery machines were turned off, the inquiries about gambling and the number of individuals receiving treatment for problem gambling diminished abruptly. When the machines were turned back on, there was a prompt increase in both of these categories.

These changes occurred despite the fact that alternative forms of legal gambling were available (i.e., scratch tickets, Indian Reservation casino gambling and multi-state lotteries). This suggests that video lottery machine gambling present a unique risk for the development of problems severe enough to prompt treatment. These data suggest little substitution of other forms of gambling occurred when video lottery gambling was not available. If substitution to other forms of gambling did take place during the period when video lottery machines were turned off, the problems associated with this substitute gambling did not reach a point where individuals sought or inquired about treatment for gambling-related problems. The availability and accessibility of video lottery machines appears to be an important component in the onset of maintenance of many individuals' problem gambling patterns. When this form of gambling is not available, gamblers addicted to video lottery do not appear, at least within this three-month time frame, to substitute other gambling types. The study findings are consistent with the investigators' clinical experience in working with individuals addicted to video lottery. Following are case studies of three such individuals.

Case Study #1

Mr. H is a 51-year-old, married (x3), Caucasian male who had gambled at other (than video lottery) forms over his lifetime but not to a problematic level. Upon legalization of video lottery machines in South Dakota (1989), the patient quickly developed a strong obsession and compulsion for video lottery. Following outpatient treatment in February 1992, the patient maintained five months of abstinence and then relapsed. When the machines were turned off in 1994 for three months, the patient felt relieved of his compulsion to gamble. When the machines were turned back on in November 1994, his video lottery playing not only resumed but accelerated. At the time of admission for the treatment, the patient had up to \$7,000

in bad checks out and was aware that his gambling was having a negative impact on his mood, his functioning at work, and his marriage. He experienced depression, panic-like attacks, insomnia, increased nicotine and alcohol usage, and suicidal thoughts.

Case Study #2

Mr. Z is a 32 year old Native American male with chronic schizophrenia and alcohol dependence who presented December 13, 1994, for treatment of pathological gambling. He had been gambling compulsively since 1989 when video lottery became available. He quickly got to the point that his entire month's monetary resources were gone by the 10th of each month. He tried Gamblers' Anonymous and eventually sought treatment in 1992. He remained abstinent for about one year and then relapsed when he received a big disability "back pay" check (May 1994). He gambled for a few months but then did fairly well monetarily when the machines were turned off in the late summer of 1994. Upon resumption of the availability of video lottery in November 1994, the patient began gambling heavily and within the month was again seeking treatment. He seemed particularly vulnerable to the availability of video lottery machines.

Case Study #3

Mr. B is a 36-year-old, employed, and divorced, Caucasian male who successfully completed treatment for alcoholism in 1992. He had one significant post-treatment relapse, which resulted in legal consequences but was not jailed and has since been sober for two years. During alcohol treatment, pathological gambling with a gambling pattern restricted to "video lottery" machines was diagnosed and treated. Comorbid depression was also diagnosed and treated with antidepressant medication. Despite achieving consistent sobriety, stable mood, and working steadily, he relapsed to "video-lottery" gambling. He eventually borrowed money from and moved in with a parent. His gambling addiction was unresponsive to outpatient treatment, and he felt he was unable to benefit from Gamblers' Anonymous involvement. During the three-month period when the video lottery machines were shut down, the patient did not gamble and experienced relief and remoralization. He did not seek out any substitute gambling forms and did not relapse to alcohol use. Within a week of re-establishment of video lottery gambling, however, his gambling behavior returned.

CONCLUSIONS

These findings suggest that video lottery gambling may present a unique risk for the development of pathological gambling in many individuals. Clinicians judged that 143 of 146 patients receiving treatment for pathological gambling during this study period were principally involved in video lottery gambling, and there is little evidence of substitution of other problematic gambling behaviors during the three-month video lottery hiatus. Whether substitution would have occurred or developed over a longer period is unknown. It would appear that further study of video lottery gambling is warranted, as our data suggest this form of gambling may cause significant problems for many individuals who, without exposure to video lottery, do not appear to have been prone to develop or maintain problematic gambling behaviors.

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The Economics of Gambling: Summary Points

Professor Earl L. Grinols, Dept. of Economics, University of Illinois

Senate Finance Committee (30 April 2003, 9:00 am, Room 8E-B, East Wing, Main Capitol, Harrisburg, PA)

House Finance Committee (30 April 2003, 1:30 p.m., Room 205, Ryan Office Building, Harrisburg, PA)

- **Studying economics of gambling since 1990.**
 - Independent research.
 - Not funded by gambling or anti-gambling organizations.
- **Gambling attracts clientele disproportionately**
 - 30% don't gamble at all; most gamble rarely, minority 10% account for 66-80% of wagers.
 - 30-50 % of revenues derive from problem and pathological gamblers (e.g. 48.2% of gaming machine revenue, Aus. Inst. for Gambling Research, 2001; 37 % Montana keno machines; 1/3 Australia National Productivity Commission study, 1999.)
 - Convenience casinos, racinos, draw from nearby (over 70% from less than 35 miles)
 - Bulk of casino revenues are from slot machines.
- **Gambling creates economic costs for society and taxpayers, including non-users.**
 - Crime: E.g. Aggravated assault, rape, robbery, larceny, burglary, auto theft, embezzlement, fraud.
 - Business and Employment Costs: Lost productivity, lost work time, unemployment-related employer costs.
 - Bankruptcy
 - Suicide
 - Illness: E.g. Stress-related, cardiovascular, anxiety, depression, cognitive disorders.
 - Social Service Costs: Treatment, unemployment & other social services.
 - Direct Regulatory Costs
 - Family Costs: E.g. Divorce, separation, child abuse, child neglect, domestic violence.
 - Abused dollars
 - (NB Electronic Gambling Devices typically represent 60-80 % of typical Class III (casino style) revenues.)
- **Gambling fails a cost-benefit test.**
 - Even using conservative cost & benefit estimates, costs to benefits are greater than \$3:\$1.
 - Social costs (mid-range) from gambling are approximately \$214 per adult annually (of which crime = \$63). Costs of introducing gambling depend on starting base, but typically exceed \$130 per adult.
 - Social benefits (preferred number) are less than \$42 per adult.
 - On a per pathological gambler basis, studies in different parts of the nation conducted since 1994 conservatively estimate costs to be \$10,100 per year.
- **Economic Development; Failure of Impact Studies**
 - IMPACT STUDIES ARE NOT COST-BENEFIT STUDIES. More people working next door to you may have nothing to do with the well being of citizens in your area. Well being may actually decline.
 - The value of an additional job has been estimated to be worth as little as zero to the community, or between \$0-\$1,500.ⁱ In a typical county of 100,000 adults the introduction of casinos would create additional social costs of \$12.7 m annually and direct social benefits of \$4.2 m. Using \$750 as the average value to the rest of the county of a job means that casinos would have to increase the total number of jobs in the county by more than 11,333 to improve well being of residents, an unlikely outcome.
 - Gambling promoters argue gambling creates regional jobs. This is sometimes possible, as in the case of an Atlantic City or Las Vegas where the area has effectively converted itself into one large casino and entertainment center that serves primarily tourists. In general, however, gambling:
 - Loses area jobs when local gambler dollars are removed from the area (when they otherwise would not have been) in the form of taxes or are spent by the casino owners or employees outside the area.
 - Creates area jobs when outside gambler dollars are spent locally by the casino and,
 - Loses net jobs when the first flow is larger than the second.
 - A full accounting of dollar flows, therefore, is needed to determine if gambling will create more jobs than it loses.

- **Crime: U. Illinois-U. Georgia, Grinols-Mustard Study**
 - 7.9% of total crime (FBI Index I) due to gambling in counties with Class III gambling.
 - 7.7% of property crime
 - 10.3% of violent crime
 - E.g. For an average county with 100,000 population this implies 772 more larcenies, 357 more burglaries, 331 more auto thefts, 12 more rapes, 68 more robberies, and 112 more aggravated assaults.
- **How can we conclude that casinos increase crime?**
 - Casinos have largely been built since 1991, a period when crime has decreased substantially. Because crime is caused by many factors other than casinos, we want to take those into consideration when we estimate the effect of casinos on crime.
 - A better comparison is to look at the drop in crime rates for counties that have casinos and for those that don't. Crime rates drop much more in noncasino-counties than casino-counties. The divergence between the two sets of counties is greatest since 1992 after casino expansions.
 - In many areas such as Florida, casino-county crime rates as a fraction of noncasino-county rates have increased from 2-25% less in 1977 to much higher in 1996. FBI Index I Crimes (-6% to 11%), Violent Crimes (-17% to -2%), Aggravated assault (-8% to 9%), Rape (-9% to 13%), Robbery (-25% to -14%), Murder (-23% to 0%), Property Crimes (-4% to 13%), Larceny (-4% to 13%), Larceny (-2% to 12%), Burglary (-5% to 2%), Auto Theft (-20% to 14%). All individual crimes switched from negative to positive, except robbery, which still moved in the direction consistent with the rest.
 - Indian reservations: compact-counties had higher crime rates than noncompact-counties, but the difference was stable until the early 1990s, when the crime rates in compact-counties increased by even more. By 1996 compact-counties have significantly higher crime rates than non-compact counties.
- **Gambling Taxes are Worse than a Conventional Tax Collecting Identical Revenue**
 - A conventional tax implies social costs per extra dollar collected of \$1.25-\$1.45.
 - Taxes on gambling revenues cost \$2.53 per dollar of tax collected if the tax rate is 50 percent, a number that rises above \$4.82 per dollar if the gambling tax rate is 20 percent.
- **Gambling is a Slippery Slope**
 - What is easy for one state to do, others can do.
 - Generates a race to the bottom.
 - End result: States not gain at others' expense; all reap social costs.
- **National Gambling Impact Study Commission**
 - ~3 m problem and pathological gamblers, 15 million more at risk (8.5 m potential according to other studies)
 - ~\$5 b costs now, (vs. \$20 b - \$85 b potential based on other studies: My research implies ~ \$30-\$53 b.)
 - Gambling is like losing the lost output of another 1990-91 recession very decade.
- **For many, gambling merely transfers dollars from one pocket to another without creating a tangible product.**
 - Some gamble for recreation (such gamblers are presumably provided recreation value for their lost dollars), but many gamble to acquire money. Instead of creating a product or offering a service to earn money, this second group of gamblers doesn't accomplish anything and yet expects to acquire money.
 - The more people there are who gamble to acquire money, the poorer society is.
 - If everyone gambled to acquire his money, we would all starve.

¹ Rappaport, Jordan and Chad Wilkerson, 2001, What are the Benefits of Hosting a Major League Sports Franchise?, *Economic Review*, Federal Reserve Bank of Kansas City, 86, 1, 55-86.