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**Gambling Commission [3]**

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**AGENDA**

**COMMITTEE ON THE JUDICIARY**

**HEARING ON**

**"NATIONAL GAMBLING IMPACT AND POLICY COMMISSION ACT"**

**H.R. 497**

\* \* \* \*

**Friday, September 29, 1995**  
**2141 Rayburn House Office Building**  
**10:00 a.m.**

**WITNESS LIST**

**PANEL 1:**    **The Honorable Frank R. Wolf**  
**Member of Congress**

**The Honorable Paul Simon**  
**United States Senator**

**The Honorable Richard G. Lugar**  
**United States Senator**

**The Honorable John E. Ensign**  
**Member of Congress**

**The Honorable Barbara F. Vucanovich**  
**Member of Congress**

**The Honorable Harry Reid**  
**United States Senator**

**The Honorable Richard H. Bryan  
United States Senator**

**The Honorable Frank A. LoBiondo  
Member of Congress**

\* \* \* \*

**PANEL 2: William Jahoda**

**PANEL 3: Paul R. Ashe  
President  
National Council on Problem Gambling**

**Frank J. Fahrenkopf, Jr.  
President and Chief Executive Officer  
American Gaming Association**

**Tom Grey  
Executive Director  
National Coalition Against Legalized Gambling**

**Professor Earl Grinols  
Department of Economics  
University of Illinois**

**Richard G. Hill  
Chairman  
National Indian Gaming Association**

**Jeremy Margolis, Esq.  
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\* \* \* \*

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**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-4610**

**CONGRESSMAN FRANK R. WOLF**  
**Statement on H.R. 497, the**  
**"National Gambling Impact and Policy Commission Act of 1995"**  
**Before the House Judiciary Committee**  
**September 29, 1995**

Chairman Hyde, members of the committee, I appreciate the opportunity to testify on H.R. 497, legislation which would create a national commission to study the effects of gambling. This legislation is simple. It would charge the National Gambling Impact and Policy Commission to make an objective, comprehensive, and impartial legal and factual assessment of gambling.

Mr. Chairman, this legislation does not outlaw gambling. It does not tax gambling. It does not regulate gambling. It merely recognizes that gambling is spreading throughout the country like wildfire and it needs a hard look. This is our responsibility as federal legislators to create a commission to bring together all the relevant data so that governors, state legislators, and citizens can have the facts they need to make informed decisions.

Why should this committee and the Congress be concerned about gambling? There is growing evidence that gambling has harmful side effects. Members should be concerned about reports that the rapid proliferation of gambling has caused the breakup of families, suicides, an increase in teenage gambling, and the cannibalization of businesses. When I read the story about Jason Berg, a 19-year-old from the small Iowa town of Elkader ending his life after running up a large gambling loss and leaving a note that read, "I'm out of control," I get concerned. How many other teenagers have taken their lives because of gambling debts? When I hear about a 41-year-old suburban salesman, Howard Russell, who shot himself in the parking lot of the Grand Victoria Casino in Elgin, Illinois, after losing more than \$50,000, I get concerned. When the police found him he reportedly had \$13 in his pockets. How many other compulsive gamblers' turn to violence after losing their life savings? Congress should act now to investigate these reports instead of waiting, as it did with the budget deficit, until there is an almost insurmountable problem. It is time this issue be given national attention through a comprehensive study.

Critics of this commission claim that gambling is a state issue and that the Congress should not be involved in studying it. Let me dispel that myth up front. First, gambling is commerce and as such is subject to Congress's commerce power under Article 1, Section 8 of the Constitution. Also, public corruption and other criminal cases associated with gambling are investigated by the Federal Bureau of Investigation. Furthermore, gambling is a nationwide phenomenon. Gambling in one state impacts the citizens of another. Lastly, gambling interests have their hooks into the state political structure making it difficult for states to make objective studies of gambling. We recognized the states' role in this issue, and that is why section 3(a) of the bill states that one member of the Commission should be a governor. It is time for the federal government to take a leadership role so that state and local communities have the facts when gambling interests come knocking on their doors.

Gambling interests also criticize this legislation as the moral musings of the religious community. Supporters of H.R. 497 include: 47 Republican and 23 Democrats, many states' attorneys general, governors, and newspapers such as The Washington Post and The Cincinnati Enquirer. This is a bipartisan, non-ideological coalition joined because of their concern about the impact of gambling.

Gambling is one of the fastest growing industries in the nation and is becoming America's pastime. In 1993, according to U.S. News and World Report, Americans made more trips to casinos than they did to Major League ballparks. At the turn of the century, gambling was prohibited. Today, however, there are 37 state lotteries, casinos operate in 23 states, and 95 percent of all Americans are expected to live within a three- or four-hour drive of a casino by the year 2000. Only two states, Hawaii and Utah, forbid wagering.

Last year, Virginia blocked gambling interests' \$1.1 million bid to bring riverboat gambling to the Commonwealth and voters in Florida rejected a \$16 million effort to legalize casinos. Voters in Minnesota, Nebraska, Rhode Island, and Wyoming did the same. Why are gambling interests willing to bet so much on legalizing gambling? Why, according to The Boston Globe, are they hiring politically connected consultants to convince state legislators that gambling is a sure bet? Why have they hired some Massachusetts lobbyists at \$65,000 per month plus expenses to "consult" on the legalization of gambling? I am concerned that the flood of casino money into the states will drown out the voices of ordinary citizens, and overwhelm state public officials.

Crime is a subject that the Commission would study. The Florida Department of Law Enforcement recently opposed legalizing casino gambling because **"casinos will result in more Floridians and visitors being robbed, raped, assaulted, and otherwise injured."** Jim Moody, chief of the Organized Crime Section, FBI, in a "60 Minutes" interview stated, **"[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is."**

Organized crime does not only target adults. An April 11 Washington Post article explained how law enforcement authorities uncovered **"a sophisticated betting operation run by student bookies who not only mimicked the Mob, but also worked with it."** The article detailed how three New Jersey high school students **"forced a 14-year-old schoolmate into a car, drove him to a housing project in Newark and dumped him there for failing to pay \$500 in gambling debts . . ."** In another case, a 16-year-old **"prostituted his girlfriend around school to raise money to pay his debts."**

Political corruption is another problem and not one confined to gambling's tawdry history which the commission should review. Federal law enforcement agents are currently investigating possible political corruption in Louisiana tied to gambling. Four Louisiana state senators have reportedly stepped aside because of an FBI investigation into the legislative influence wielded by the gambling industry. Similarly, the speaker of the Missouri House of Representatives has resigned in a cloud of gambling related political corruption. In August 1991, FBI agents in Columbia, S.C., wrapped up "Operation Lost Trust," a sting that resulted in the convictions of 17 South Carolina legislators, lobbyists and other officials for accepting bribes during the 1990 legislative session in exchange for their votes to legalize horse and dog track racing. Six Arizona legislators pleaded guilty in 1990 for accepting bribes on a bill to legalize casino gambling. Seven Kentucky legislators, including the speaker of Kentucky's House of Representatives, were found guilty of accepting bribes, extortion, racketeering under RICO and making false statements. In 1990, a former West Virginia Governor pleaded guilty to taking a bribe from racing interests. In 1994, a West Virginia lottery director was sentenced to federal prison for rigging a video lottery contract.

Because of crime associated with casino gambling, regulatory agencies in New Jersey spend over \$59 million annually to monitor the city's casinos. In 1992, the Wall Street Journal reported that since 1976, Atlantic City's police budget has tripled to \$24 million while the local population has decreased 20 percent. During the first three years of casino gambling, Atlantic City went from 50th in the nation in per capita crime to first. Overall, from 1977 to 1990, the crime rate in that city rose by an incredible 230 percent.

The Commission would make a demographic study of gambling including determining to what extent teenagers are gambling. In 1991 New Jersey casino security ejected 21,838 persons under the age of 21 from casinos, and prevented another 196,707 from entering. Research indicates that as many as 7 percent of teenagers may be addicted to gambling. Sports Illustrated recently ran a three-part series explaining that gambling has infiltrated college sports, is popular and pervasive on college campuses and is destroying young lives. Local Washington, D.C., area papers have chronicled the sad story of the University of Maryland standout quarterback who was suspended by the NCAA for betting on college sports events. Legalized gambling would increase pressure on students to place bets with money they often don't have.

The Commission would make detailed findings of gambling's impact on other businesses. Various studies indicate that income spent on gambling is not spent on movies, clothes, recreation services or other goods or services. An editorial from the Northeast Mississippi Daily Journal indicated that more money was bet in casinos (\$29.7 billion) than was spent on all taxable sales (\$27.6 billion) in the state. As gambling proliferates, job-creating wealth is shifted from savings and investment.

Gambling may cannibalize other businesses. For example, the number of restaurants in Atlantic City declined from 243 in 1977, the year after casinos were legalized, to 146 in 1987. In the four years following the introduction of casinos in Atlantic City, the number of retail stores in that city declined by about a third. Recent news reports indicate that attendance and revenues at the Iowa State Fair declined by over 10 percent this year due in part to the establishment of a horse track and a slot machine casino near Des Moines.

One reason this objective study is needed is because states, using gambling generated studies, frequently overestimate the financial impact of gambling revenues. Professor Robert Goodman of the University of Massachusetts/Amherst found that of 14 state studies of gambling, most were written with a pro-industry spin and only four were balanced and factored in gambling's hidden costs. In New Jersey horse racing alone accounted for about 10 percent of state revenue in the 1950s. Today, despite the addition of a lottery and 12 casinos, the state earns only 6 percent of its revenue through gambling. In a study about casinos in Florida, the Executive Office of the Governor concluded that annual projected state tax revenues related to casinos are sufficient to address only 8 to 13 percent of annual minimum projected costs related to casinos. That means for every \$1 in tax revenues, the costs to taxpayers to pay for gambling is \$8 - \$13. It also projects that crime and social costs attributable to casinos would total at least \$2.16 billion annually. States considering legalizing gambling need to know the truth about gambling tax revenues.

The Commission would study the impact of pathological, or problem gambling on individuals, families, social institutions, criminal activity and the economy. Gambling's social costs include direct regulatory costs, lost productivity costs, direct crime costs (including apprehension, adjudication, and incarceration costs), as well as harder-to-price costs such as suicide, family disintegration, and even increased car accidents. Problem and pathological gambling is tearing at the social fabric of American families--much like drug and alcohol abuse. A recent article written by a Kansas City Star reporter told the tragic story of how gambling addiction led a mother of two to kill herself because she gambled the family savings and house away on Illinois casino riverboats. Within two years of legalizing video lottery

terminals, the tiny province of Nova Scotia in Canada went from zero to 12 chapters of Gamblers Anonymous. Outraged over widely publicized reports of broken marriages and wrecked lives, Nova Scotians forced the government to remove 2,400 machines.

Evidence shows that pathological gamblers engage in forgery, theft, embezzlement, drug dealing and property crimes to pay off gambling debts. Various studies indicate that the mean gambling related debt of people in compulsive gambling therapy ranged from about \$53,000 to \$92,000. Compulsive gamblers in New Jersey were accumulating an estimated \$514 million in yearly debt. They are responsible for an estimated \$1.3 billion worth of insurance-related fraud per year which is borne by the rest of us in the form of increased premiums, deductibles, or copayments.

The Commission should also review the costs and effectiveness of state and federal gambling regulatory policy, including whether Indian gaming should be regulated by states as well as the federal government. Indian gambling accounts for about 5 percent of all casino gambling and that figure is growing at an extraordinary rate. Unlike New Jersey and Nevada which have extremely costly, mature, and seemingly effective regulatory structures, the federal effort to regulate Indian gaming to prevent the infiltration of organized crime is scanty at best. There are less than 30 staff persons to regulate Indian gaming operations throughout the country. The Commission should recommend whether or not Indian gaming should be regulated by the states.

Mr. Chairman, noted columnist William Safire recently called state-sponsored gambling **"a \$40 billion-a-year cancer ravaging society, corrupting public officials and becoming the fastest growing teen-age addiction."** Government is supposed to be the protector of society, not the sponsor of its ruin. It is not supposed to be the predator or invite the predator into America's communities. When I hear stories of mothers dragging their young children into casinos to plead with dealers to turn their husbands away from the tables, I get concerned. When I receive a phone call from a man whose wife committed suicide because she gambled their life savings away, I get concerned. And when I receive a letter from a Nevada man who is housing a young construction worker who gambled away his life's savings and whose gambling addiction led to drug use and divorce, I get concerned.

Mr. Chairman, again I reiterate: this legislation does not outlaw gambling. It does not tax gambling. It does not regulate gambling. It merely recognizes that gambling is becoming so pervasive in our society, it needs a hard look. We have a responsibility as federal legislators to bring together all the relevant data so that governors, state legislators, and citizens can have the facts they need to make informed decisions. Why do the gambling interests oppose this legislation? Is there something to hide? Let's find out through this commission's comprehensive review.

Again, I appreciate your holding this hearing and ask unanimous consent that my full statement and extraneous materials be included in the record.

**Testimony of U.S. Senator Richard G. Lugar**

**Before The Committee on the Judiciary**

**U.S. House of Representatives**

**Regarding Legislation to Establish a Gambling Impact Study Commission**

**September 29, 1995**

Mr. Chairman, thank you for holding this hearing and making possible this brief testimony. I am pleased to be here with my colleagues, Sen. Simon and Congressman Wolf, to present testimony before the committee on this important matter.

Mr. Chairman, I would like to start not with research from a national expert on gambling or a lengthy recitation of statistics. I start, instead, with the simple words of ordinary people revealing the impact of gambling in their communities.

Earlier this month, at a hardware store in Staten Island's Oakwood Shopping Center, a woman tried out the state's new video "Quick Draw" Keno game. She told a *New York Times* reporter: "I came here a half an hour ago to buy milk and diapers. I'm still here. It's addicting. I play the daily number, but you have to wait until 7:30 to know. This is quicker -- five minutes -- it's like being in Atlantic City. I won a dollar. I bet \$7. But I had fun."

And in Essex County, New Jersey, Assistant Prosecutor Fred Franco describes for the *Washington Post* the approach of some parents of teens who have substantial debts from gambling on sports: "When parents find out about this, their reaction is often, 'Thank God it's not drugs.' Many of them do not take it as seriously as they should. The parents, 99 percent of the time, will pay off the debt and don't want to get involved."

The April, 1995 *Post* article also states that, "according to police, parents have drained bank accounts, taken out second mortgages and cashed in individual retirement accounts after children were threatened for nonpayment of debts in the tens of thousands of dollars."

Mr. Chairman, let me just state that one lesson we can draw from these real stories is that gambling weakens our ability to teach our children the basic, Cal Ripkin-like values of hard work, patience, human achievement and personal responsibility.

The spread of gambling adds what to the moral fiber of our nation? It says that if you play enough, you can hit the jackpot and be freed from the discipline of self-support through a job or the long commitment to ongoing education. We should not encourage the 'get rich quick' symbolism of gambling, while urging our children to avoid other 'tosses of the dice' that lead to unhealthy living and destructive behavior.

Mr. Chairman, I testify in strong support of establishing a temporary national commission to

conduct an impartial 18-month study on the effects of gambling. I am privileged to work on this timely project with Congressman Wolf and Senator Simon. As you may know, Senator Simon and I have written the chairman of the Senate Committee on Governmental Affairs asking for a hearing like this one to explore how such a non-partisan study would benefit citizens and public officials who are struggling with important decisions about gambling that will impact their communities.

We need to know the answers to questions like: What is the extent of gambling by teenagers? What is the impact of gambling establishments on other businesses? How does gambling affect crime rates? How does gambling affect low-income populations? and, What links exist between gambling and organized crime?

One gambling industry lobbyist recently criticized the proposal saying, "It's a states' rights issue." This argument is flawed for a number of reasons. First, the federal government continues its regulation of gambling on tribal lands. Secondly, the recent growth of electronic gambling via the INTERNET could have serious interstate and international implications when people use personal computers to gamble across state lines and around the world. We need to learn more about gambling via the INTERNET.

For the survival of our communities, our states and our nation, we as public officials have a commitment to assure that government at all levels continues to promote the common good and enhance the general welfare of each individual citizen. American communities that embrace gambling as a quick budgetary and economic fix are not likely to experience lasting economic and spiritual renewal. We should remember that long term growth and prosperity for our cities must be earned the old fashioned way -- through hard work, dedication and commitment to purpose. I believe, Mr. Chairman, if we put our best minds to work on finding ways to finance the needs of our cities and communities, we can continue to ensure a higher standard of living and a better quality of life for all Americans.

Thank you, Mr. Chairman. I would ask that my statement and news articles cited herein be made part of the record.

# Keno Game Ushers In New Era Of Gambling in New York

## Quick-Pay Game, Long Opposed, Makes Its Debut

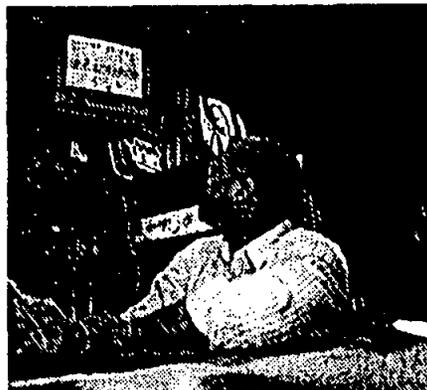
By IAN FISHER

Bill Fox played the numbers in his birthday, his wife's birthday, the birthday of a grandson, and then for good measure, plucked a few random digits from his head.

"Ahhh, it's a shot," he said after betting — and losing — \$5 a short time after New York State's new Quick Draw keno game went on line yesterday morning.

The little colored balls that bopped around the video screen at the Blarney Stone on Ninth Avenue, and at hundreds of other businesses across the state, bounced New York into a new era of gambling, the most significant expansion in the state lottery's 28-year history. Starting at 10 A.M. yesterday, the state began holding lottery drawings every 5 minutes for 13 hours a day in bars, restaurants, bowling alleys, Offtrack Betting parlors — even a hardware store or two — 2,250 by the end of the month, lottery officials project.

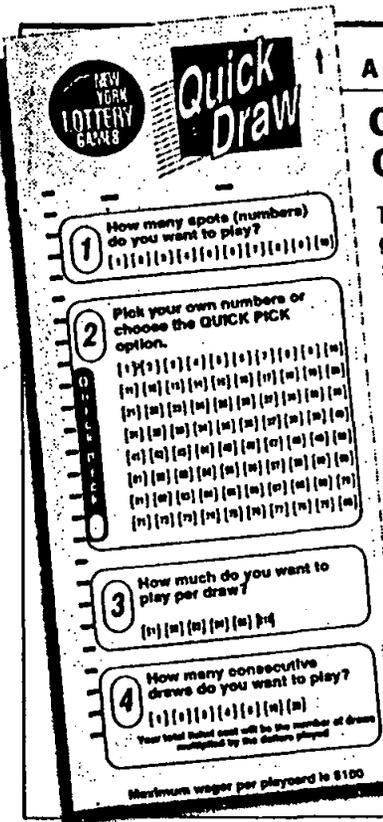
Gov. Mario M. Cuomo, who pushed for the keno game to help close several budget gaps, used to liken it to bingo. Pataki administration officials say it is simply another lottery game, no different from Pick 10. Critics, though, say that the game's pace makes it more akin to casino-style gambling — and more prone to pocket-draining abuse.



Librado Romero/The New York Times

Quick Draw, a fast lottery game, was introduced yesterday. In Manhattan, B. Cross, tried his luck at a Blarney Stone.

But Mr. Fox and other newly minted keno players were not interested in moralizing. Although the game seemed to get off to a slow start in the morning, as several bars in Manhattan complained that the equipment did not work or was still not installed, those who played early said they liked Quick Draw precisely because of the promise of a quick reward.



### A CLOSER LOOK

## Casino-Style Gambling Or Lotto Game?

The drawings in the New York Lottery's newest game, Quick Draw, are so frequent that critics say the game is more like casino-style gambling than a lottery.

**DRAWINGS** Drawings are held every five minutes from 10 A.M. to 3 P.M. and 4 P.M. to midnight for a total of 158 drawings every day.

**HOW IT IS PLAYED** Players choose up to 10 numbers from 1 to 80, trying to match their selections to a pool of 20 numbers drawn by the Lottery. Players also choose how many numbers, or "spots," are played per game and the amount of money they will bet. Payoffs vary by the number of spots matched.

**ODDS** Odds can vary from 1 in 4 for matching one number in a one-spot game, to 1 in 8.9 million for 10 numbers in a 10-spot game.

Source: New York Lottery Games

"You don't have to wait," said Mr. Fox, a 46-year-old plumber who played a few games at his lunch break. "It's right there in front of you: you are a winner or a loser."

A small taste of the critics' fears played out at Handyman Hardware and Paint in the Oakwood Shopping Center on Staten Island, where three tables and a dozen chairs became a makeshift keno parlor.

"I came here a half an hour ago to buy milk and diapers," said Katherine Petersen, 37, a marine-insurance broker. "I'm still here. It's addicting."

"I play the daily number, but you have to wait until 7:30 to know," she said. "This is quicker — five minutes — it's like being

Continued on Page B2

# Keno Ushers In a New Era of Gambling

Continued From Page B1

in Atlantic City."

"I won a dollar," she said. "I bet \$7. I have no more money for the diapers and the milk. But I had fun."

New York is the eighth state to offer keno, a game that Republicans and Democrats alike had opposed in Albany for years.

But it was approved this year with apparent reluctance in the face of a nearly \$5 billion deficit, as lawmakers scrambled to find money to prevent increases in college tuition or cuts in welfare and Medicaid. The game is expected to bring in \$180 million in its first full year of operation.

"There was a line we were drawing in the sand, and we had to be more open, I should say, to new additional revenue sources," said Patricia Lynch, a spokeswoman for Assembly Speaker Sheldon Silver, a Manhattan Democrat who had been a staunch opponent of keno. "That's the bottom line."

Lawmakers, especially Democrats, were also courted aggressively by half a dozen lobbyists hired by the Gtech Corporation of West Greenwich, R.I., which runs the game on behalf of the lottery. The company will be paid 1.525 percent of the sales.

Except for the pace and setting, Quick Draw is played like any other keno-style lottery game. A player picks 1 to 10 numbers from a field of 80, filling out a card that is fed into a

lottery machine by the bartender or other employee. The player bets \$1, \$2, \$3, \$4, \$5 or \$10 each game and may play a maximum of 20 games or \$100 on each card. But players can effectively bet whatever they like by simply filling out more than one card.

Every five minutes, a central computer at the lottery's headquarters spits out 20 random numbers, which zip through phone lines and are displayed simultaneously on terminals around the state. Players win according to how many numbers they match and how much they bet: the highest prize for a \$1 bet is \$100,000, if the player bets on 10 numbers and matches all of them. If the player matches five numbers on that bet, he would be paid \$2.

Like any other lottery game, players can redeem prizes of up to \$600 on site. For larger prizes, they must file a claims form and receive their winnings from the lottery department.

The businesses that install keno games receive 6 percent of the total sales, with no extra commission for any winning tickets they sell. That percentage is less than what many establishments earn for food and drinks, but many bars and restaurants agreed to the game in the hope of attracting customers both to gamble and, they hope, to spend more on food and drink as well.

But many bars have turned down Quick Draw, both because of worries it may not pay off financially and because they feel it essentially turns

their establishments into betting parlors.

"I think it demeans my restaurant and bar," said Don Berger, owner of the Riverrun in TriBeCa. "It smacks of Atlantic City, honky-tonk and we don't do that. I am not interested in that one bit."

In Massachusetts, which has run a keno game for a year and a half, a debate has ignited over placing keno terminals in convenience stores — which critics say brings gambling into places where children can watch. In New York, the law was written to exclude most convenience stores by requiring outlets to have a minimum of 2,500 square feet. But the game is being installed in some liquor stores, supermarkets, pharmacies and other outlets that do meet the space requirements.

It is too early to know whether any strong opposition to Quick Draw will emerge, but if the experience of other states is any guide, the game will probably be popular among those who play.

"People are going to gamble anyway, if not in New York, then in New Jersey," said Gino Gulli, a retired barber, as he placed a losing \$2 bet in Keenan's bar on 231st Street and Broadway. The profits to the state, he said, were "good for the state for a good cause."

As he spoke, Bert Patel, a candy store owner, basked in the glow of a \$10 win. "I just got my beer money back," he said.

# Sports Betting Rings Moving Into Schools

*Prosecutors Say Affluent Teenagers Attract the Mob to Upscale Suburbs*

By Dale Russakoff  
Washington Post Staff Writer

NUTLEY, N.J.—Standing tall above an impeccably manicured ball field, the biggest presence in a little downtown known for nickel parking meters and family owned shops like The Eight Ciccolini Brothers appliance store, Nutley High School looks as wholesome as the suburban community surrounding it.

But when three Nutley High students forced a 14-year-old schoolmate into a car, drove him to a housing project in Newark and dumped him there in February as punishment for failing to pay \$500 in gambling debts, authorities uncovered a sophisticated betting operation run by student bookies who not only mimicked the Mob, but also worked with it.

Prosecutors have charged three students, two of them juveniles, with illegal gambling, kidnapping and theft by extortion. Three adults are charged with illegal gambling conspiracy for collecting debts and serving as intermediaries between student bookies and a New York-New Jersey crime family. The probe has moved beyond the students, prosecutors have said, and is heading "up the chain" of the crime family. More arrests are expected.

Nutley is only the latest in what has become a pattern of cases of organized crime infiltrating high schools, particularly in affluent communities, to capitalize on teenage gambling, according to police in several jurisdictions. Teenage gambling is attracting growing attention as a national problem; the first formal conference on the subject will be held later this spring at Harvard University.

"Sports betting is in every high school. It's just something kids do," said Durand F. Jacobs, a professor of psychiatry at Loma Linda University Medical School and an authority on teenage gambling. "And when there's big money, the big guys smell it and they come in."

In recent years, police have busted large betting rings in several up-

scale suburbs around New York City—including Madison, Conn., and West Orange, Paramus and Maplewood in northern New Jersey—and officers in each case charged or suspected that organized crime families were involved. In Chicago, authorities uncovered a gambling ring at a private high school after an 18-year-old's arm was broken for failing to pay. No charges were filed, according to the prosecutor who investigated the case, because student bettors refused to cooperate for fear of retaliation.

Police in Montgomery and Fairfax counties, the two most affluent in the Washington area, said they knew of no such cases in their jurisdictions.

In the New York area cases, students have run up debts in the tens of thousands of dollars, placing bets by telephone with bookies. In Nutley, bettors were given an 800 number to call for the "line" on football and basketball games, professional and college. They phoned in bets to student bookies, using the lingo of a gambling ring: "two times" was a \$10 bet, "100 times" a \$500 bet. Students could place bets all week without being asked to come up with cash. Monday was pay-up day.

If they won, the bookies delivered the cash. If they lost, the bettors had to pay, and if they didn't student bookies were under pressure from the professional bookmakers to collect, investigators said. Police said bets totaled \$7,500 a week from about 25 students and about 25 adults. In New Jersey, it is a crime to run a bookmaking ring, but bettors are not liable.

A group of baseball players preparing for practice here the other day said the case has been blown out of proportion. "In reality, it was just some kids making a few bets, not some big thing like in New York," said team member Mike Greco. "If you didn't pay, they said, 'Make sure you do.'" Asked about the kidnapping, Greco and other

players said the 14-year-old who was abducted was bigger than the three charged with kidnapping him.

But community and school leaders are taking the problem seriously, and recently held a teach-in for parents of high school students with police and New Jersey's Council on Compulsive Gambling. They were told that teenagers are twice as likely as adults to become compulsive gamblers, particularly in a state like New Jersey that sponsors gambling at casinos in Atlantic City, at racetracks and through a lottery. Authorities said it is common for students whose parents gamble regularly to fall into the habit.

Edward Looney, who heads the compulsive gambling council, said the mother of one of the juveniles charged with kidnapping has enrolled her son in Gamblers Anonymous. "He owed the bookmaker \$5,000," Looney said. "He was under a lot of pressure and he did something crazy."

Essex County assistant prosecutor Fred Franco said that in an earlier investigation elsewhere in New Jersey, a 16-year-old high school student was found to have prostituted his girlfriend around school to raise money to pay his debts.

"She was pawned around the school, willingly," he said. "They both talked to us, but absolutely refused to cooperate out of fear. She said she did it to help him. He was threatened, his family was threatened, he had to get the money and he felt this was the only way to get it."

Franco said parents often pose a major obstacle to cracking such cases.

"The parents, 99 percent of the time, will pay off the debt and don't want to get involved," he said. "In Nutley, at least four parents paid \$200 to \$1,000. Obviously they feared who their children ultimately owed money to."

According to police, parents have drained bank accounts, taken out second mortgages and cashed in individual retirement accounts after children were threatened for nonpayment of debts in the tens of thousands of dollars.

"When parents find out about this, their reaction is often, 'Thank God it's not drugs,'" Franco said. "Many of them do not take it as seriously as they should."

WEDNESDAY, APRIL 12, 1995

The Washington Post

TESTIMONY OF  
CONGRESSWOMAN BARBARA VUCANOVICH (NV-2)  
HOUSE JUDICIARY COMMITTEE  
SEPTEMBER 29, 1995

Mr. Chairman and members of the committee, thank you for inviting me to testify today in opposition to H.R. 497, the "National Gambling Impact and Policy Commission Act."

I would like to point out up front my two primary objections to this bill and say that they are only two of many reasons I believe this is a bad idea. The first reason is that this bill is a waste of taxpayers money, and the second is that this bill repudiates the efforts being made by this Congress to remove the Federal Government from those areas where the local and state governments should have authority.

I come before you today not only as a colleague but as a witness with real life knowledge of the gaming industry and its impact on local communities. I've lived and worked in a community with legalized gambling for 47 years and now have the honor of representing this same community here in Congress.

I find myself in the peculiar position of opposing a study which purports to be nothing but a harmless look at the gaming industry's national impact. Who, you ask, could be against a study? After all that's the allure of this proposal, it's so harmless. It's only a study.

According to the bill this study is to find out what impact legal gaming has on the economy, crime, addictive gambling, prisons, law enforcement, indian gaming and whatever else the commission decides it might want to study. Interestingly the bill does not call for any investigation into illegal gambling, apparently the authors don't consider it nearly as serious a problem.

The authors of this legislation go to great lengths to point out how they only want to have a study to provide states with a much needed "unbiased source" of information before the voters or the legislature make the decision to legalize some form of gambling. What strikes me as odd, however, is the inflammatory statements which accompany this plea for an unbiased review. In letters sent by the sponsors of this bill there is no end of negative statistics and reports that are brought out as reasons to have a study. I wonder why the

states who have legalized gambling are not referring to these same reports? I also wonder why the proponents of this study mention none of the benefits that communities have enjoyed as a result of legalized gambling? Never once have they mentioned the fact that Nevada has operated a prosperous and nearly scandal free gaming industry for well over 50 years. I could go on for some time about the benefits of legalized gaming to our state. But I think two of the most recent studies I've seen say a lot for how we are doing in Nevada. Recently Reno was named by Entrepreneur magazine as the best small city in the country for small business. This seems to run counter to the claims that gaming wipes out all other economic activity. This past summer both Your Money Magazine and The Consumers Digest named Las Vegas as the top retirement spot in the Nation. That certainly doesn't square with the portrayal of cities with legalized gambling as crime ridden. Could it be that the sponsors have chosen to ignore any positive information? Could it be that their commission would suffer from the same point of view? Could it be that this is really just a very expensive method for them to document their case against legalized gambling under the ruse of an unbiased study? I believe it is and believe this committee should put a stop to this effort right here before we waste anymore of our money or time.

Despite the rhetoric to the contrary, the real agenda of this effort is a complete federal prohibition of gambling.

No amount of study is going to change minds on the propriety of gambling. Mr. Wolf opposes gambling and will continue to oppose gambling regardless of the findings of this commission. The proponents of this study are not looking for facts, they are looking for vindication. You only need to listen to their speeches and read their letters asking for support of the commission to see this. The convenient excuse for this commission is a supposed lack of information. The lack of information has not prevented them from making some pretty outrageous accusations about the impacts gaming has made.

It is hard to square the rhetoric with reality. How can they claim that there is a lack of information on the impact on gaming yet cite in the Congressional Record no less than 28 studies and sets of statistics that reinforce their point about gaming being bad. The authors of this bill believe that by spending several million dollars of taxpayers money we will come to some truth about the nature of gambling which will guide the Congress. I don't think so, and at a time when we are looking for ways to cut spending, it would be indefensible to spend tax dollars on this ill-conceived commission.

This brings me to my second point of disagreement with Mr. Wolf and Senator Simon. This legislation runs counter to everything we have been doing in this Congress since January. It is government paternalism at its worst. The sponsors of this legislation believe the States do not have the ability to make their own decisions, and that the decisions they have made are foolish.

The House just repealed the speed limit and the helmet law. We voted to give welfare, food stamps, and soon Medicaid back to the states, but the authors of this bill think we ought to tell states whether they should have bingo or not. This bill is a throw back to the 1970's attitude of regulating everything that moves. Not only is it taking a paternalistic approach, but it creates a new bureaucracy in the process. The nine commissioners will draw salaries of \$115,700 per year and the staff will each be paid up to \$108,200 per year. No limit is given on the number of staff or the total budget for salaries, but there is an ominous reference to the issuing of subpoenas, which suggests to me a need for many attorneys. And as this committee knows, attorneys are not cheap. The bill also refers to the use of government personnel from other agencies and of course provides for travel. I guess studies don't come cheap either.

Forgive me if I sound a bit cynical, but it is very hard for me to take seriously a proposal so poorly thought out and so inconsistent with the goals of this Congress. When

we have been told by our constituents to cut government waste, reduce spending and return decision making to the local level, this bill makes absolutely no sense. Let's save the taxpayers a lot of money and grief and put a stake in the heart of this commission before it haunts us for years to come.

FRANK A. LOBIONDO  
2D DISTRICT, NEW JERSEY

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Testimony by U.S. Rep. Frank A. LoBiondo  
New Jersey, Second District  
before the U.S. House of Representatives  
Committee on the Judiciary

September 29, 1995

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE FOR THE OPPORTUNITY TO ADDRESS AN IMPORTANT TOPIC TODAY -- LEGALIZED GAMING.

IN RECENT WEEKS, SOME MEMBERS OF CONGRESS HAVE SPOKEN OUT ABOUT THE MORALITY OF GAMBLING. THE LEGISLATION YOU HAVE BEFORE YOU TODAY IS THE PRODUCT OF THOSE MEMBERS WHO OPPOSE LEGALIZED GAMING AND WANT TO IMPOSE THAT OPPOSITION ON THE 48 STATES THAT NOW HAVE SOME FORM OF LEGALIZED GAMING.

WHILE I RESPECT MY COLLEAGUES AS THOUGHTFUL PEOPLE, I FEAR THAT THEY ARE MOTIVATED BY STEREOTYPES AND MISINFORMATION OF THE GAMING INDUSTRY. THIS BILL IS THE FIRST ATTEMPT TO ESTABLISH A FEDERAL POLICY COMMISSION THAT WILL EVENTUALLY LEAD TO THE FEDERAL GOVERNMENT MAKING DECISIONS FOR INDIVIDUAL STATES. AND LET'S BE FRANK -- THE SPONSORS OF THIS BILL WANT TO OUTLAW GAMING AND THIS IS THE FIRST STEP.

I ASKED TO COME BEFORE YOU TODAY IN ORDER TELL THE OTHER SIDE OF THE STORY IN THE HOPES THAT YOU -- REGARDLESS OF YOUR PERSONAL FEELINGS TOWARDS GAMING -- WILL RECOGNIZE THAT THIS ISSUE BELONGS TO THE INDIVIDUAL STATES AND NOT THE FEDERAL GOVERNMENT.

I REPRESENT A DISTRICT THAT INCLUDES ATLANTIC CITY, NEW JERSEY. IT WAS THE COLLECTIVE DECISION OF THE PEOPLE OF THE ENTIRE STATE OF NEW JERSEY TO REQUIRE A HEAVILY REGULATED, STRICTLY CONTROLLED CASINO INDUSTRY TO OPERATE IN ONE CITY OF THE STATE IN RETURN FOR MAKING A FINANCIAL COMMITMENT TO THE PEOPLE OF THE STATE.

Testimony of Rep. Frank A. LoBiondo  
September 29, 1995  
Page 2

ATLANTIC CITY IS A PERFECT EXAMPLE OF HOW A STATE, WITH THE APPROVAL OF ITS CITIZENRY, IS THE BEST ENTITY TO DETERMINE WHAT, IF ANY, TYPE OF GAMING SHOULD BE PERMITTED AND WHAT CONDITIONS SHOULD BE APPLIED TO THAT PERMISSION.

FIRST, THE LAW APPROVING CASINOS IN ATLANTIC CITY WAS APPROVED BY A STATEWIDE, BINDING REFERENDUM. SECOND, THE LAW ESTABLISHED TWO STATE GOVERNMENT OVERSIGHT AGENCIES -- THE DIVISION OF GAMING ENFORCEMENT AND THE CASINO CONTROL COMMISSION. BETWEEN THESE TWO AGENCIES, VIRTUALLY EVERY ASPECT OF CASINO OPERATIONS IS SCRUTINIZED -- FROM BACKGROUND CHECKS OF CASINO EMPLOYEES TO THE TYPES OF GAMES CASINOS OFFERED.

THIRD, ATLANTIC CITY CASINOS MUST CONTRIBUTE TO THE BETTERMENT OF THE STATE. IN AN AGE WHEN CITIES AND STATES PROVIDE TAX BREAKS TO ATTRACT NEW INDUSTRIES, ATLANTIC CITY CASINOS ARE NOT ONLY SUBJECT TO ALL STATE AND LOCAL TAXES, BUT MUST PAY SUBSTANTIAL ADDITIONAL TAXES AND FEES. AMONG OTHER THINGS, AN 8 PERCENT TAX ON REVENUES DEDICATED TO THE CASINO REVENUE FUND PAID \$262 MILLION TO AN ACCOUNT FOR LOW-INCOME SENIOR CITIZENS. THIS FUND PAYS THE BULK OF QUALIFIED SENIORS' PRESCRIPTION DRUGS. AND CASINOS PAY ADDITIONAL TAXES TOWARDS THE CASINO REINVESTMENT AND DEVELOPMENT FUND THAT PAYS FOR ECONOMIC DEVELOPMENT PROJECTS THROUGHOUT THE STATE.

FINALLY, NEW JERSEY CASINOS DIRECTLY GENERATE 45,000 JOBS AND IN FACT, ATLANTIC CITY CASINOS PROVIDE ROUGHLY ONE THIRD OF ALL JOBS IN ATLANTIC COUNTY. WHEN RELATED JOBS ARE TAKEN INTO ACCOUNT, ANOTHER 35,000 NEW JERSEY RESIDENTS OWE THEIR EMPLOYMENT TO THE GAMING INDUSTRY.

GAMING'S OPPONENTS WILL TELL YOU THAT ATLANTIC CITY'S CASINOS HAVE INCREASED THE CRIME RATE. THIS IS SIMPLY UNTRUE. THE VISITOR ADJUSTED CRIME RATE, ACCORDING TO THE WEFA GROUP, A PRIVATE CONSULTING FIRM IN PENNSYLVANIA, ARE COMPARABLE TO, AND IN SOME CASES LOWER THAN, CITIES SUCH AS ATLANTA, NASHVILLE AND ORLANDO. OUR CRIME RATE NATIONALLY IS FAR TOO HIGH FOR MY TASTE, BUT THERE IS NO INDICATION THAT ATLANTIC CITY CASINOS HAVE CONTRIBUTED TO THAT CRIME RATE.

GAMING'S OPPONENTS WILL ALSO TELL YOU THAT ATLANTIC CITY'S CASINOS HAVE LEAD TO ECONOMIC DECLINE IN OTHER PARTS OF THE CITY. THE FACT IS THAT ATLANTIC CITY'S ECONOMY WAS ON THE DECLINE LONG BEFORE THE FIRST CASINO OPENED IN 1978. IF ANY THING, ATLANTIC CITY'S CASINOS HAVE BROUGHT A WELCOME ECONOMIC STABILITY TO THE CITY.

Testimony of Rep. Frank A. LoBiondo  
September 29, 1995  
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THE POINT TO ALL OF THIS IS THAT FOR ATLANTIC CITY AND FOR THE STATE OF NEW JERSEY, CASINO GAMING WAS THE RIGHT ANSWER TO SOME SERIOUS PROBLEMS. THAT DOES NOT MEAN THAT IT IS THE RIGHT ANSWER FOR VIRGINIA, OR ILLINOIS, OR INDIANA. WHAT IS RIGHT IN THOSE STATES IS FOR THE RESIDENTS OF THOSE STATES TO DECIDE. IT IS NOT FOR WASHINGTON TO SAY.

I URGE THE COMMITTEE TO REJECT THIS BILL AND LET INDIVIDUAL STATES DECIDE FOR THEMSELVES WHAT TYPES OF GAMING SHOULD BE ALLOWED IN THEIR STATE. IT IS THEIR DECISION.

AGAIN, THANK YOU FOR ALLOWING ME TO TESTIFY TODAY.

**Statement of William Jahoda  
September 29, 1995**

Thank you Mr. Chairman.

Good afternoon, Distinguished Ladies and Gentlemen of Congress, my fellow panelists and guests.

My name is Bill Jahoda. I am 53 years old, a high school graduate and a divorced parent of three adult children. I have no religious ideology or political affiliations. I am, I believe, credentialed as an authority on gambling based on personal experience, observation and research.

I was "*mobbed up*"-- which is to say that I was a member of organized crime on a full-time basis between 1975 and 1989.

During the last ten years of that period, I was managing partner of the Chicago Outfit's largest and most profitable illegal gambling enterprise. In that capacity, I generated net profits of at least \$15 million of ill-gained, take-home income on behalf of myself and other members of the racketeering ensemble.

Most of that \$15 million was derived from sports bookmaking and gambling house casinos.

Our clientele or confederates included, in addition to approximately a dozen former professional athletes, members of the sitting judiciary, county sheriffs, city mayors, police chiefs and numerous other appointed and elected public figures.

If it will serve as only a reminder to you, Mr. Chairman, and your colleagues, that the predatory nature of organized gambling reaches across all walks of life, I point out with no pride whatsoever that one of our targets in years past was a former Member of this very House whose losses over a six-month period exceeded \$175,000.

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The axiom we believed in is fool-proof, simple and still in place today. It is this: Organized gambling is a cold "zero sum" game, mathematically designed so that the player must end up with zero and the house must end up with the sum.

But since organized gambling is nothing more than a cleverly marketed consumer fraud, I was concerned in the late 70's and early 80's that we would virtually cannibalize our market share within a 10 year period.

If we as the Mob, or Las Vegas as Corporate America for example, were to bust-out our gambling base—which by the way is what we are designed to do— how would we find new revenue?

In the case of the Chicago Outfit, our long range business interests were aided by an ambitious, though naive, ally: The Statehouse. The Land of Lincoln, like many states since, approved a variety of licensed gambling activities through legislation.

From then on, there always existed one solid and dependable constant to those of us in organized crime-- any new form or expansion of existing State-controlled licensed gambling always increased our market share.

Simply put, the political dupes or stooges who approved riverboat gambling houses, lotteries, off-track horse betting sites, Las Vegas nights, etc., became our unwitting -- and at least to my knowledge-- unpaid pimps and frontmen.

Of the most benefit to us in the gambling underworld were:

- (a) Mass media advertising blitzes falsely promoting gambling as a glitzy opportunity or a healthy entertainment;
- (b) The resultant desensitization within the community from the reality that most forms of gambling --whether run by the State, corporations or the Mob-- are, by their parasitic nature, an actual and potentially dangerous vice.

Today, licensed gambling, in its many disguises, is the fastest growing and most highly promoted con game in this nation.

If this rampant consumer fraud continues unabated and revenue growth maintains its pace, this new breed of "*legit wise-guys*" will bust-out many of our middle class citizens and most of the lower-middle class within 15 years.

The reason is obvious: Organized gambling--whether licensed or illegal--manufactures nothing except smoke, false promises and hard-dollars at the expense of the unwary.

Insiders in the industry, in private amongst themselves, describe their clientele as "*mooches*", "*suckers*" or "*marks*".

Their livelihood depends on making suckers out of us and our families. The American public is counting on you to prevent that fate after your Commission to examine gambling goes into action.

Thank you.

**STATEMENT OF EARL L. GRINOLS, PROFESSOR OF ECONOMICS  
UNIVERSITY OF ILLINOIS, COLLEGE OF COMMERCE**

before the

**U.S. HOUSE OF REPRESENTATIVES  
Committee on the Judiciary  
September 29, 1995**

As noted by gambling experts, the expansion of casino gambling in the past half dozen years has not come as the result of a "popularly-based movement for expansion of legalized gambling,"<sup>1</sup> nor is it the result of painstaking judicious planning and careful deliberation by elected officials. Rather, it has happened as the unintended consequence of a number of small inceptive events such as the Indian Gaming Regulatory Act of 1988 and initiatives by several states to introduce casinos. The crack in the dike was widened to a flood by gambling industry lobbying in government offices and the inability of most others to do anything about it; the result is a nationwide deluge of casino expansion.

Now the Federal government is considering what its role should be in regulating the gambling industry. There would be no need for oversight or regulation if it were not for the tremendous harm that gambling does to some individuals and the widespread and heavy costs that it inflicts on everyone—including those who do not gamble.

In many ways an analogy can be drawn between casino gambling today and smoking thirty years ago. There was already a great deal of evidence that smoking was

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<sup>1</sup> Robert Goodman, Statement before the U.S. House of Representatives, *Hearing on the National Impact of Casino Gambling Proliferation*, Committee on Small Business, 103<sup>rd</sup> Congress, 2d Session, Serial No. 103-104, 21 September 1994, p. 57.

harmful, but the tobacco industry naturally had little reason to want to provide research on the harmful effects of tobacco. It did have a vast amount of resources and an interest in questioning the evidence of others that tobacco was dangerous. The federal government took a greater role and today we understand the true effects of tobacco on the health of its users. The analogy ends at this point, however, because instituting a prohibition of tobacco sales in any state must confront the long history of legal use of tobacco in every state in the union. In contrast, until 1991 casino gambling was legal only in Nevada and Atlantic City.

### **Gambling Economics**

One policy option is to prohibit casino gambling, as was the case in all states except Nevada and New Jersey prior to six years ago. Another option is to allow widespread expansion. It is not clear that a middle alternative—allow casino gambling but take measures to prevent problem and pathological gambling by treatment initiatives—is available.

Although casino gambling has been available in Nevada since the early 1930s there is little research available from the gambling industry or those it sponsors that would allow one to evaluate these options. My own research, therefore, has been directed to developing independent cost-benefit information on casino gambling.

**Employment.** The industry claims that gambling creates economic development. These claims are mostly false, but because there *are* rare circumstances in which casinos can increase employment in a given region, they are often accepted in places where the claims do not apply. A good question to ask is whether a casino will act as a factory, a toll house, or a restaurant. A factory exports its products to buyers outside the area and

brings new money to fund factory jobs and area jobs in the secondary economy. A toll house, on the other hand, collects money from those inside and outside the region, but has little or no effect on the area's economy because it takes the money it collects outside the area. A toll house could even shrink the local economy if it takes more out than it brings in. A restaurant sells to locals. A growing restaurant may be successful, but it competes with other businesses in the area. Since no new dollars from the outside are brought in, there is no effect on the local economy other than redistribution of consumer dollars.

Research completed this summer (1995) using state and county employment and unemployment data from eight casino markets in Illinois shows that the benefits of economic development have not appeared. These markets include both large and small counties, and differ in their proximity to metropolitan areas that range in size from Paducah, Kentucky to St. Louis and Chicago. What was learned should therefore be valuable for cost benefit evaluations of casino expansions in other areas.

Of sixteen data sets examined, none showed a relationship between casino gambling and local jobs except two areas where the effect was 15 and 16 percent of what could be expected if casino revenues came from outsiders and, with the exception of state taxes, were spent locally. Representative charts of the data for three of the areas is included in my testimony. The absence of an effect is consistent with the toll house and restaurant models above. In only one case was the outcome larger, measuring 41 percent of the possible.

The areas that showed employment effects were characterized by a low population (in both areas county employment was less than 12,000) and close access to a larger population base. Las Vegas, relying heavily on gamblers from California, and Tunica,

Mississippi near Memphis, Tennessee, fit this pattern since neither area had a substantial economic base apart from casino gambling.

Based on this evidence, economic development does not appear to be a reason to turn to casino gambling.

**Social Impact and Pathological Gambling.** The social costs of casino gambling derive primarily from the 1 to 4 or 5 percent of the population who become pathological gamblers upon its introduction. Recent research commissioned by the Iowa Department of Human Services confirms again that the introduction of casino gambling increases the number of pathological gamblers.<sup>2</sup> Taking account of the cost to society per pathological gambler and their prevalence in the population leads to annual social costs between \$315 to over \$1,100 per member of the work force.

Evidence from pathological gamblers about how much they lose in casinos, combined with data about average casino gross revenues per adult from those living near casinos, suggests that the casino industry relies surprisingly heavily on the losses of problem and pathological gamblers. These two groups typically constitute about 4 percent of the population, but provide slightly more than half of casino revenues.<sup>3</sup> Such information is important because it suggests an inherent link between casino gambling and the source of social costs. Further, it suggests that the industry would have less

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<sup>2</sup> The rate of active pathological gamblers rose from .1 percent to 1 percent from 1989 to 1994, a period that saw the introduction of casinos. Rachel A. Volberg, 1995, "Gambling and Problem Gambling in Iowa: A Replication Survey," Report to the Iowa Department of Human Services, July 28.

<sup>3</sup> This can be compared to the lottery, in which the top 10 percent of the population accounts for 65 percent of lottery wagers. Charles T. Clotfelder and Philip J. Cook, *Selling Hope*, Cambridge: Harvard University Press, 1989, pp. 92-93.

desire to help prevent problem and pathological gambling than if its revenues were less affected by their absence.

**Costs and Benefits.** The most important finding of my research to date is that gambling fails a simple cost-benefit test. Taking into account the benefits to consumers of having a casino within 35 miles of every adult,<sup>4</sup> the taxes that expanded casino gambling would produce, and the increase in profits to casino owners, the annual value of expanding casino gambling is about \$110 per adult. Since the social costs of expanded casino gambling are somewhere between \$110 and \$340 per adult, costs outweigh benefits.<sup>5</sup> The conservative way in which costs were computed reinforces this negative conclusion.<sup>6</sup>

### **Conclusions**

In spite of its social impact, casino gambling is profitable to developers and private casino owners. Many of the owners would sincerely like to continue to make the fabulously high returns that a regional casino monopoly license offers them without creating or exploiting pathological gamblers. However, there is no evidence currently

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<sup>4</sup> The benefit of closer casinos can be inferred from information about how much nonproblem and nonpathological gamblers living at different distances from Las Vegas and Atlantic City annually lose in casinos. Since most individuals have many forms of recreation available without casinos and can obtain restaurant meals, drinks and entertainment elsewhere, the amount an average adult would be willing to pay annually to have casinos within 35 miles is approximately \$80. Those living further away would pay more and those already living close to a casino would pay less than this amount.

<sup>5</sup> The relative magnitude of costs and benefits is charted in my testimony.

<sup>6</sup> For example, only the costs attributable to pathological gamblers were counted (costs related to problem gamblers were ignored) and many social costs such as suicide, increased car accidents, and family disintegration are not measured. In my testimony I provide some information on suicide, child abuse, and violent crime rates in Nevada compared to other western states and the rest of the country. Links between pathological

available that such an option is possible. In this respect, casino gambling is one of a group of goods and services including alcohol, illegal drugs, and tobacco, where private interests conflict with overall public interests.

If the choice is between prohibiting casino gambling or allowing its expansion, the – evidence says we are better off prohibiting it as most states have done until recently.

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gambling and suicide, car accidents, and other problem statistics have been developed in the gambling literature.

## **Testimony of Earl L. Grinols, Professor of Economics**

### **University of Illinois, College of Commerce**

Gambling is a regulatory issue because it ruins the lives of some and causes large costs to be imposed on the many for the benefit of the few. Other types of entertainment do not impose the same externality costs as gambling.

Gambling is a national issue because regional governments that intend it to draw dollars from neighboring jurisdictions intentionally play a Beggar-Thy-Neighbor brand of politics. The gambling industry exploits competition between regions to help it expand into new areas. When every region has casinos, they cannot all gain at the others' expense. Casino owners will make high profits, while the rest of society, including those who do not gamble, will pay social costs that exceed what the casino owners receive.

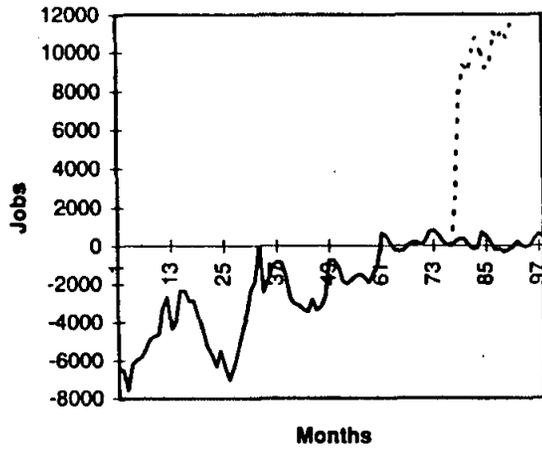
To summarize the main economic issues of gambling I have prepared several charts.

#### ***Employment***

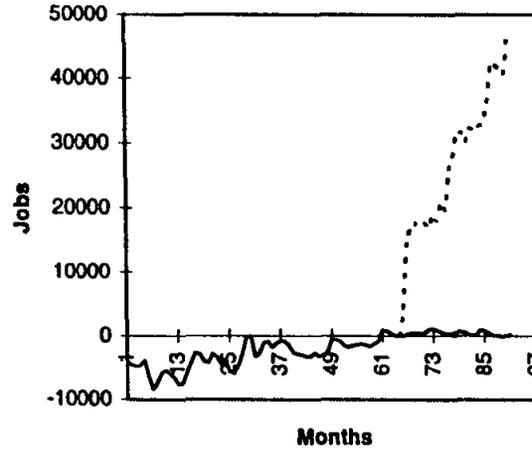
Gambling promoters often claim that casinos will bring economic development. The first figure shows the experience of three representative Illinois markets. The figure shows monthly county data for the number of people employed relative to the state. State data are scaled to be the same size as the local market on the month of casino opening. Deviations from the state baseline therefore represent the differential labor market experience of each location due to factors such as the introduction of casinos. Aurora and Joliet are chosen because they are near the suburbs of Chicago and are often pointed to by the gambling industry as examples of successful casinos. Peoria is centrally located, away from Chicago. The figures also show data for the number of unemployed.

Employment-Unemployment

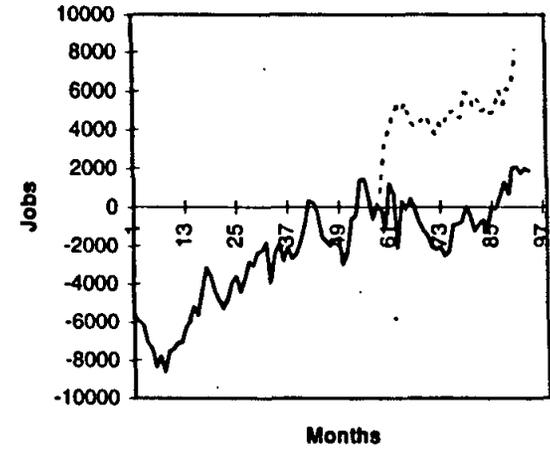
**AURORA RELATIVE TO STATE:  
Employment**



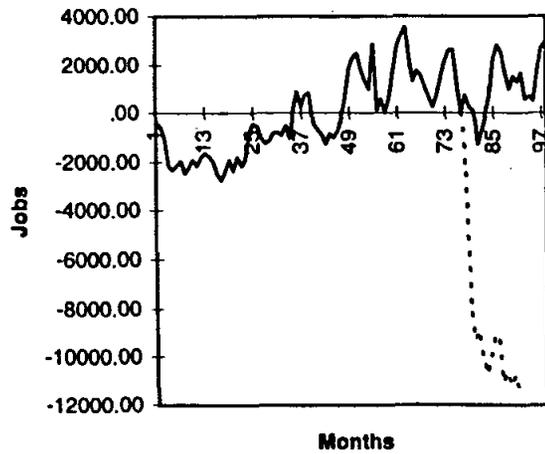
**JOLIET RELATIVE TO STATE:  
Employment**



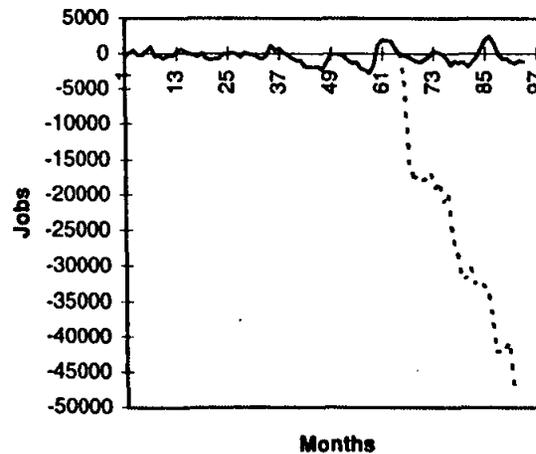
**PEORIA RELATIVE TO STATE:  
Employment**



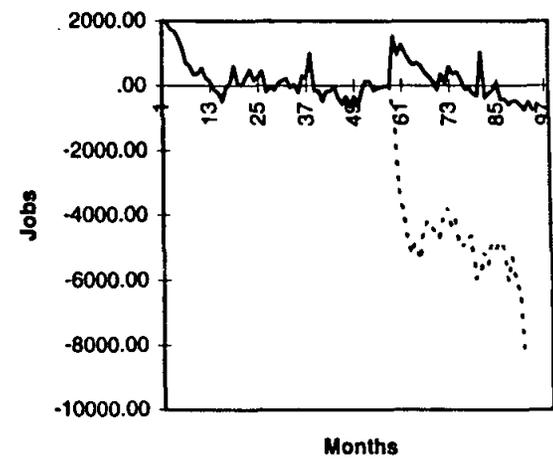
**AURORA RELATIVE TO STATE:  
Unemployment**



**JOLIET RELATIVE TO STATE:  
Unemployment**



**PEORIA RELATIVE TO STATE:  
Unemployment**



The dark line shows the labor market experience while the red lines beginning at month of opening show the potential impact on jobs of the casinos if the casino gross revenues came from gamblers outside the area and all revenues (except for state taxes) were spent locally.

The figures show no discernible pattern to the data after casino opening compared to before. Statistical regressions confirm the absence of an effect in these markets.

This data agrees with economic theory and with what most economists would expect.

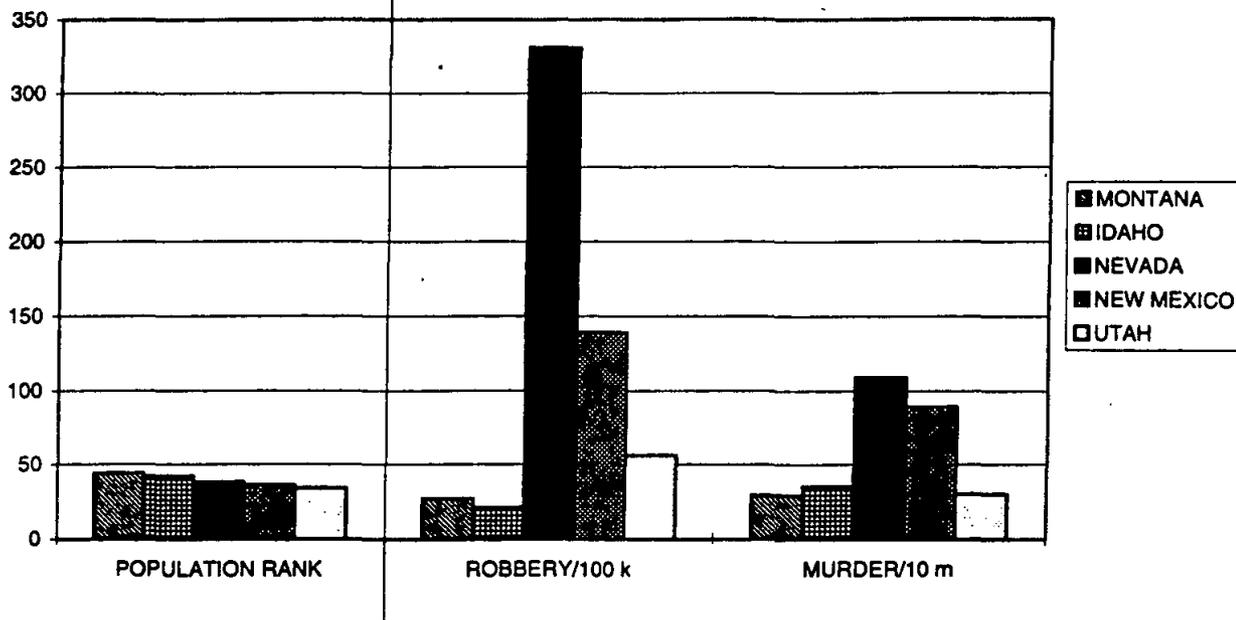
### ***Social Impact***

The central objections to gambling derive from its costly externalities and the effect that it has on society. Nevada has had casinos since the early 1930s, owes more than half of its jobs to the casino industry, and, until 1978 was the only state with casino gambling. Nevada has the highest suicide rate in the nation, more than double the national average, and one of the highest rates in the world. Nevada has one of the highest rates of child abuse (third in the nation), and has one of the highest rates of automobile accidents per vehicle mile driven. The connection to gambling is that addicted gamblers commit suicide at 5 to 10 times the average rate according to experts and that casinos often use alcohol as a gambling inducement. Nevada also shows up prominently in other problem statistics including school dropout rates and crime. The figure compares Nevada in violent crime to other western states ranked near it in population and to the nation in suicide and child abuse.

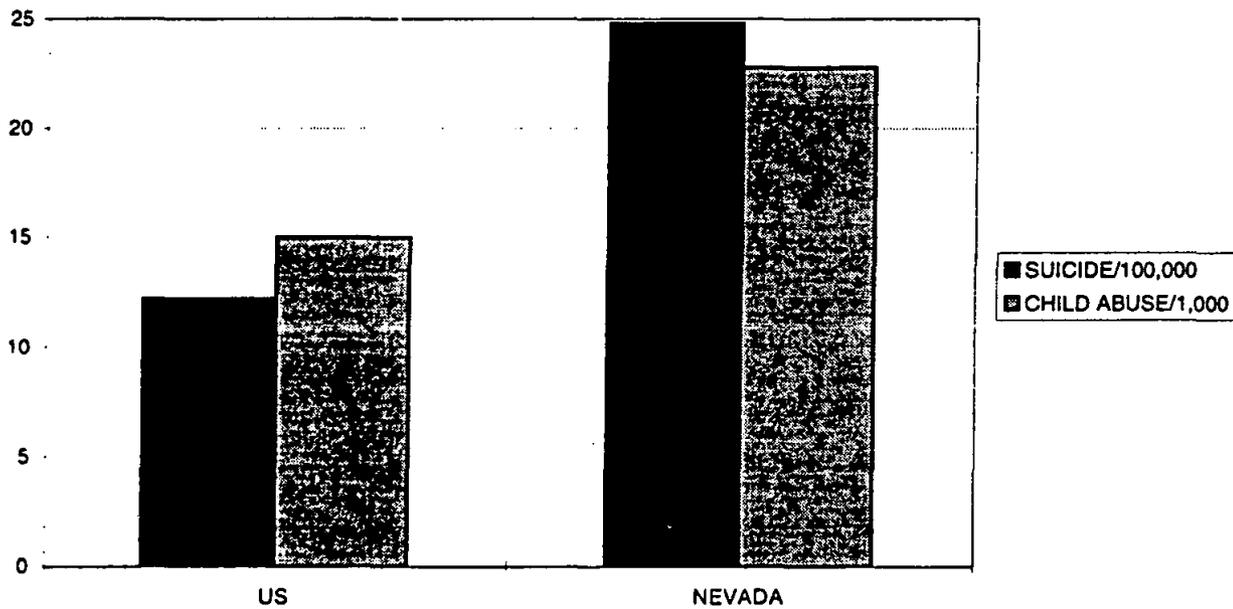
### ***Pathological Gambling***

We know that 1 to 5 percent of the adult population will become addicted to gambling if it becomes commonly available. Pathological gambling has the potential to become just as big a social problem as any the country now struggles with including drug addiction, alcoholism, and

### VIOLENT CRIME



### SUICIDE AND CHILD ABUSE



crime. Combining prevalence studies with information about the social costs per pathological gambler implies annual costs averaged over the country's work force of \$315 to over \$1,100 for every working person. These high costs would be paid by everyone so that some may gamble.

The next figure shows the share of revenues received by a representative casino from three types of clients: Problem and pathological gamblers, heavy bettors, and everyone else. Combining information from pathological gamblers about how much they lose annually with data about the prevalence rate of pathological gamblers in the population, suggests that the casino industry is heavily dependent on the revenues of problem and pathological gamblers. In the chart, the casino receives slightly more than half its revenues from this group. These figures can be compared to consumption of alcohol: 6.7 percent of the population consumes 50 percent of all alcohol consumed in the country annually.

Because problem and pathological gamblers are typically less than 5 percent of the population, the next chart shows what this means for the relative amounts of gambling by three hypothetical individuals, one of each type.

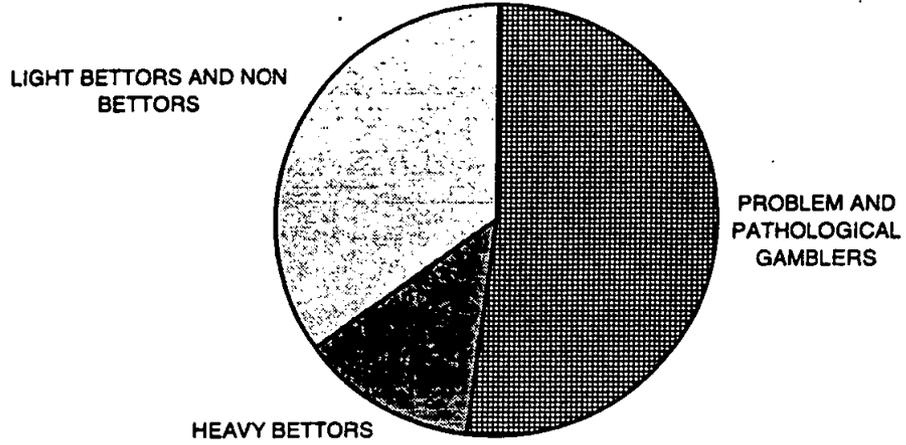
### ***Costs and Benefits***

Since casino gambling began its spread outside the confines of Nevada and Atlantic City, the serious economic questions have been:

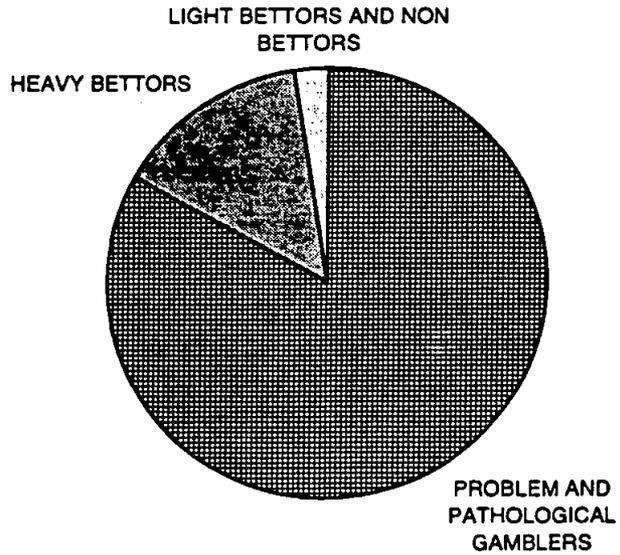
- 1) What are the social costs of casino gambling?
- 2) What are its benefits?
- 3) Which is bigger?

The social cost figures just provided are astonishingly high when compared to other social issues. In my Congressional testimony last year I compared them to the costs of an additional

**CASINO REVENUE SHARES**



**RELATIVE GAMBLING BY GAMBLER TYPES**



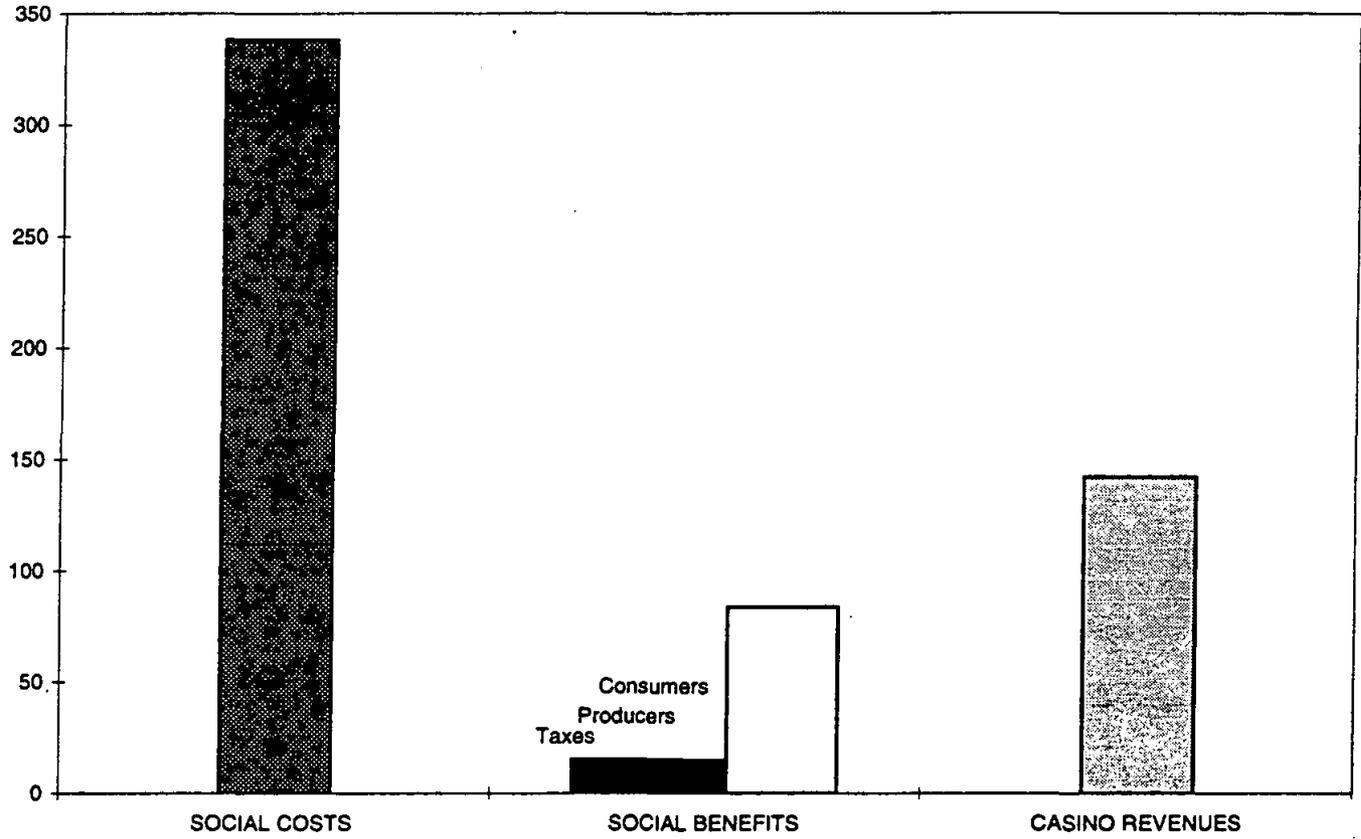
recession in the economy roughly every decade or to suffering an additional hurricane Andrew, the costliest natural disaster in American history, every year for the rest of time.

One problem that economists have is trying to explain billions of dollars of social damage in ways that are comprehensible. My last chart shows the *additional* social costs and benefits on a per adult basis that would come from expanding casino gambling to all parts of the country, compared to the pre-1990 situation when only Nevada and Atlantic City had casinos. Extensive expansion would create social benefits of about \$110 including \$15 in taxes, \$14 in increased casino profits, and the benefits of closer casinos for consumers. The additional social cost would be between \$110 to \$340 per adult. If the choice were between expansion or prohibition, these figures suggest we are better off with the pre-1990 situation.

The last bar shows casino revenues. Because social costs equal three-fourths to more than 100 percent of casino revenues, social costs cannot be compensated by taxing casinos more heavily.

The chart highlights another important point: Casinos can remain highly profitable whether they bring economic development to a region or not, and regardless of whether gambling creates social costs or not, because the costs are paid by one group and the revenues are received by another.

**SOCIAL COSTS AND BENEFITS:  
Annual Dollars per Adult**



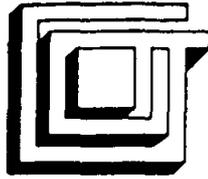
**THE NEED FOR A NATIONAL POLICY ON  
PROBLEM AND PATHOLOGICAL  
GAMBLING IN AMERICA**

**The National Council on Problem Gambling, Inc.**



**The National Council on  
Problem Gambling, Inc.**

P. O. Box 9419  
Washington, D.C. 20016



The National Council on  
Problem Gambling, Inc.

**Executive Summary of  
Problem and Pathological Gambling in America  
(Updated 25 September, 1995)**

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**Background**

The most recent and only national study of gambling behavior was completed in 1976 when state lotteries were in their infancy. At that time, it was estimated that total legal annual wagering in the United States amounted to \$22.4 billion or about 2% of United States personal income, while legal gaming revenues amounted to approximately \$3 billion annually. Since 1976, gambling has quickly proliferated throughout the United States. Over thirty seven states operate lotteries, six states permit casino gambling, six states permit riverboat gambling and the federal government allows high-stakes bingo and/or casino gambling on Indian lands across the country. By 1994, the amount wagered legally in the United States had reached \$482.1 billion or 8.5% of United States personal income while legal gaming revenues mounted to \$39.9 billion.

In today's high tech society which includes the Internet and off-shore gambling enterprises, the ability of the computer has provided a wide range of gambling action. Future results and effects (positive or negative) of the computer age gambling industry remains an unknown. Accordingly, it is time to examine this abnormal interest and promotion of gambling as a cure all for various problems.

To date no national study has been conducted to assess the impact of the rapidly expanding gaming industry on society. Such a study should be mandated immediately.

Contributions are deductible  
for income tax purposes

## **Defining Problem and Pathological (Compulsive) Gambling**

Most Americans are social gamblers who can participate in a gaming activity without harmful effects. A small percentage of the population, for whom gambling becomes uncontrollable, are referred to as problem or pathological (compulsive) gamblers.

The American Psychiatric Association first recognized pathological gambling as a mental disorder by its inclusion in the Diagnostic and Statistical Manual (DSM-III) in 1980. Pathological gambling was recognized as an addiction by the American Medical Association in 1994. The essential features of the disorder are a continuous or periodic loss of control over gambling; a progression in frequency and in the amount wagered, in the preoccupation with gambling, and in obtaining monies with which to gamble; and a continuation of the behavior despite adverse consequences.

## **Epidemiology**

The 1976 study for the Commission on the Review of the National Policy Toward Gambling showed a prevalence rate of .77% or 1.1 million "probable compulsive gamblers" (as they were called) in the United States. Prevalence studies in fifteen states conducted since the advent of lotteries and other high-tech gambling innovations show combined prevalence rates from 1.7% (1989) in Iowa to 7.0% (1995) in Louisiana. On average, states with more legalized gambling have more problem and pathological gamblers, as indicated in the Iowa studies where prevalence rates increased from 1.7% in 1989 to 5.4% in 1995. Demographically, males, non-whites, younger individuals, and those with lower education appear to be at greater risk for developing gambling problems. Recent studies have shown that the presence of problem and pathological gambling among high school juveniles is as much as two to four times the prevalence rate of adults with problem/pathological gambling throughout North America. These findings were reviewed in April of 1995 at a Harvard Medical School Think Tank on Teen Gambling, of which members of the National Council on Problem Gambling and the gaming industry both participated as an initial effort to solve this problem.

### **The Cost of Pathological Gambling**

Since there are no systematic studies of the financial or social impact of pathological gambling, assumptions about the costs to the nation must be based on existing surveys of individuals in treatment which show high costs to the individual (indebtedness, deteriorating relationships with family and friends, depression and suicide attempts); to the family (emotional turmoil, stress-related diseases, lack of financial support, neglect and divorce); and substantial costs to society (lost work productivity, monies stolen or embezzled, unpaid taxes, and bankruptcies as well as substantial costs to the criminal justice system).

### **Availability of Treatment and Public Education Programs**

Available services for pathological gamblers rank well below those for other addictions. While there are over 13,000 programs for alcohol and other substance abuse problems throughout the nation, there are fewer than one hundred treatment programs for pathological gamblers. Only thirteen states provide any financial support for education or research for pathological gambling, and the federal government provides none.

### **The Need for Concern and Involvement by the Federal Government**

While gambling regulation has historically been a prerogative of state governments, the federal government has become involved with gambling through legislation such as the Indian Gaming Regulatory Act, the regulation of interstate commerce inclusive of many gaming companies, and the impact of problem and pathological gamblers on the armed services, and the federal criminal justice system. The current rapid proliferation of opportunities to gamble makes it imperative that the federal government address the issue of problem and pathological gambling.

Problem and pathological gambling has a negative impact on our entire nation. In order to adequately address this issue with plausible solutions for treatment and preventative education, problem and pathological gambling requires the attention of the federal government. The National Council on Problem Gambling would be honored to be a part of, and could substantially contribute to a commission as is contemplated by House Bill 497.

The National Council is a not-for-profit agency dedicated to addressing the issue of problem and pathological gambling. The Council's activities include public awareness, advocacy, dissemination of information, public education, referrals, training of treatment professionals and research.

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# **EXECUTIVE SUMMARY OF THE NEED FOR A NATIONAL POLICY ON PROBLEM AND PATHOLOGICAL GAMBLING IN AMERICA**

## **Background**

The last--and only--national study of gambling behavior was completed in 1976 when lotteries were in their infancy and total annual wagering in America was only \$17.3 billion. Since that time, gambling has exploded across America. Over thirty states operate lotteries, four states permit casino gambling, six states permit riverboat gambling, and the federal government allows high-stakes bingo and/or casino gambling on Indian lands across the country. By 1992, the amount wagered legally in the United States had reached \$329.9 billion.

However, no study has yet been done to assess the impact of this rapid expansion of gambling on the American populace. Such a study is needed.

## **Defining Problem and Pathological (Compulsive) Gambling**

Most Americans are social gamblers who can participate in a gaming activity without harmful effects. Some gamblers cannot, however, and are referred to as problem or pathological (compulsive) gamblers.

The American Psychiatric Association first recognized pathological gambling as a mental disorder by its inclusion in the Diagnostic and Statistical Manual (DSM-III) in 1980. The essential features of the disorder are a continuous or periodic loss of control over gambling; a progression, in frequency and in amount wagered, in the preoccupation with gambling and in obtaining monies with which to gamble; and a continuation of the behavior despite adverse consequences.

## **Epidemiology**

The 1976 study for the Commission on the Review of the National Policy Toward Gambling showed a prevalence rate of 0.77% or 1.1 million "probable compulsive gamblers" (as they were then called) in the United States. Prevalence studies in thirteen states conducted since the advent of lotteries and other high-tech gambling innovations show combined prevalence rates for problem and probable pathological gamblers in individual states ranging from 1.7% in Iowa to 6.3% in Connecticut. On average, states with more legalized gambling have more problem and pathological gamblers. Demographically, males, non-whites, younger individuals and those with lower education appear to be at the greatest risk for developing gambling problems.

## **The Cost of Pathological Gambling**

Since there are no systematic studies of the financial or social impact of pathological gambling, assumptions on the costs to the nation must be made on existing surveys which show high costs to the individual (indebtedness, deteriorating relationships with family and friends, depression and suicide attempts); to the family (emotional turmoil, stress-related diseases, lack of financial support, neglect and divorce); and substantial costs to society (lost work productivity, monies stolen or embezzled, unpaid taxes, and bankruptcies as well as substantial costs to the criminal justice system).

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Available services for pathological gamblers rank well below those for other addictions. While there are over 13,000 programs for alcohol and other substance abuse problems, there are fewer than one hundred treatment programs for pathological gamblers. Only thirteen states provide any financial support for education or research for pathological gambling, and the federal government provides none.

### **Need for Concern and Involvement by the Federal Government**

While gambling regulation has historically been a prerogative of state governments, the federal government has become involved with gambling issues through legislation such as the Indian Gaming Regulatory Act, through the regulation of interstate commerce that now includes many gaming companies, and through the impact of problem and pathological gamblers on the armed services and on the federal criminal justice system. The recent rapid proliferation of opportunities to gamble makes it imperative that the federal government address the issue of problem and pathological gambling.

Problem and pathological gambling is national in scope and should thus be addressed on the national level by the federal government.

**Recommendations of the Public Policy Committee of the  
National Council on Problem Gambling, Inc.**

- Recognition of the severity of pathological gambling by the adoption of a national policy statement about problem and pathological gambling
- Inclusion of pathological gambling and substance abuse in a national health care plan
- A national survey of problem and pathological gambling to develop prevalence rates of problem and pathological gambling, a social impact study to determine the costs and benefits of legalized gambling, and an assessment of the impact of problem and pathological gambling on at-risk populations: youth, women, minorities and the medically indigent
- Funding of the National Council on Problem Gambling to provide public education, training, prevention, and intervention services
- Development of policies to address pathological gambling in the federal criminal justice system and among military personnel
- Ending discrimination against pathological gamblers through exclusion from protections afforded to those with other disabilities

## **THE NEED FOR A NATIONAL POLICY ON PROBLEM AND PATHOLOGICAL GAMBLING IN AMERICA**

### **Background**

In 1976 when the Commission on the Review of the National Policy Toward Gambling issued its final report, only thirteen states had lotteries, only one state had approved off-track wagering, and there were no casinos outside of Nevada. The Commission estimated that the total volume of money legally wagered on gambling in 1974 was \$17.3 billion.

By 1992, the amount had reached \$329.9 billion (Christiansen 1993)—a 1900% increase in just eighteen years. Today a person can make a legal wager of some sort in every state except Utah and Hawaii. Over thirty states and the District of Columbia operate lotteries, so that the majority of states not only actively promote gambling, but have become dependent on it for essential revenues. There is an increasing urgency by state lotteries to go beyond scratch-off tickets and weekly drawings to faster and more exciting games. Lottery keno offers a new game every five minutes. By 1993, eight states already had lottery keno in operation; twenty others had bills to introduce it. Right behind lottery keno are video lottery terminals (VLTs) and video poker machines. These are already allowed in four states and others are very interested in legalizing them.

Casino gambling, once confined to Nevada and Atlantic City, has spread rapidly across the country, partly in response to the need for additional revenues for local and state governments, but also as a result of the Indian Gaming Regulatory Act of 1988. This landmark legislation allowed Native American tribes to operate any form of gaming legally allowed in their state.

Since many states allow charities to have "Las Vegas nights," this opened the door to high-stakes casino gambling on Indian land. Tribes rushed in to take advantage. By 1993, there

were 153 high-stakes bingo halls and/or casinos operating in 27 states while gross wagering on Indian reservations had reached \$15 billion (Christiansen 1993; Connor 1993). The most successful of the Native American casinos is Foxwoods in eastern Connecticut which, with \$200 million in annual gross receipts, is the largest table games revenue-generating casino in the world. The addition of video machines could bring the total to \$500 million and make it arguably the world's largest casino.

Numerous tribes are now working with companies in the gaming industry to create Las Vegas-style casinos in several states. Since few of the profits from these Native American casinos go to the states in the form of taxes, it is only logical that some states have considered legalizing casino gambling in order to get in on the action.

Thus, casino-type gambling is rapidly spreading in some form across the country. By 1993, riverboat gambling had been legalized in six states--Illinois, Indiana, Iowa, Louisiana, Mississippi and Missouri--with other states seriously considering it. Riverboat gambling or dock-side gambling may be the wave of the future, as gaming interests find the concept easier to sell to reluctant legislators than land-based casinos. In Mississippi, for example, riverboats have already been liberally redefined so that they neither need to look like a boat nor move from shore.

Casino gambling has also been legalized in historical communities in Colorado and South Dakota and in urban areas such as New Orleans. Experts project that there will be some form of casino-style gambling in half of the states by 1995 (Rose 1992).

On the horizon are technological innovations which will make gambling even more accessible, while speeding up games to make them more involving for the participant and the exchange of money more efficient. Soon there will be "cashless" gambling in which wagering is done by insertion of a credit or debit card, home access in which cable television will bring satellite wagering into the home, and interactive television in which one can stop the action of a sporting event and wager on each aspect of the game. A cable television company has proposed televising gaming events twenty-four hours a day so that at-home participants can wager on gaming events around the world. Airlines have plans to offer interactive gambling during international flights.

To date, the innovation with the greatest impact has been the video gaming machine, commonly known as video poker. Like other technological advances in this field, video poker was introduced without any attempt to assess potential harm on the lives of participants. Widely-publicized remarks by one clinician calling video gaming the "crack cocaine" of gambling (Bulkeley 1992) and observations by hotline counselors who report an increasing frequency of calls from video poker players underscore the need for systematic impact studies of this form of gambling.

At what point will the American public have enough gambling? Comparisons with other countries suggest that saturation is a long way off. In the United States, expenditures per capita on legal gambling in 1991 was \$200 compared to \$400 in Australia (Williams 1992). Some American states have already equaled or exceeded Australia, most notably Minnesota with \$500 per capita and Nevada with \$1,000.

### **Defining Problem and Pathological (Compulsive) Gambling**

Most Americans are social gamblers. They gamble for entertainment and typically do not risk more than they can afford to lose. If they should "chase" their losses to get even, they do so briefly, there is none of the long-term chasing or progression of the pathological (compulsive) gambler

Clinicians tend to use the terms pathological and compulsive gambling interchangeably. This goes back to 1980 when the American Psychiatric Association first recognized compulsive gambling as a bonafide mental disorder and included it in its Diagnostic and Statistical Manual (DSM-III). However, they changed its name. Compulsive gambling was thought a misnomer (Moran 1970), since in the language of psychiatry, compulsive behavior is involuntary and "ego-dystonic" (externally derived or foreign to the self). Examples of a compulsion would include repetitive hand washing or the irresistible urge to shout an obscenity. Pathological gambling is more like an addiction. It is typically experienced in its early states as pleasurable.

*The essential features of the disorder (American Psychiatric Association, in press) are a*

*continuous or periodic loss of control over gambling; a progression, in frequency and in amount wagered, in the preoccupation with gambling and in obtaining monies with which to gamble; and a continuation of the behavior despite adverse consequences.* This is essentially the definition of an addiction.

Other similarities with alcohol and substance dependence have been noted (Levinson et al 1983; Miller 1980; Moran 1970). While money is important, most pathological gamblers say they are seeking "action", an aroused, euphoric state comparable to the "high" derived from cocaine or other drugs. Many will go for days without sleep and for extended periods without eating or relieving themselves. Clinicians have noted the presence of cravings, the development of tolerance (increasingly larger bets or the taking of greater risks to produce a desired level of excitement, [Lesieur 1977]), and the experience of withdrawal symptoms (Meyer 1989; Rosenthal & Lesieur 1992; Wray & Dickerson 1981). Some gamblers report a "rush", characterized by sweaty palms and rapid heart beat experienced during the period of anticipation of gambling. Other gamblers may exhibit different symptoms. For example, because many women gamblers gamble as an escape mechanism and are more passive in their gambling behavior, their physical reactions may differ from that of the action-seeking male gambler.

For both male and female gamblers there are distortions in thinking--notably denial, various superstitions and fixed beliefs, and an illusion of power and control (Rosenthal 1986). This latter sense of certainty or conviction about the future is born out of desperation. Trance-like or dissociative states have also been reported.

In order to be diagnosed as a pathological gambler, an individual must meet at least five out of ten diagnostic criteria established by the American Psychiatric Association. These criteria are based on solid research and have been shown to be highly reliable and valid. The ten criteria include: loss of control; tolerance; withdrawal; increasing preoccupation; gambling to escape problems and dysphoric feelings; chasing one's losses in an effort to get even; lying about one's gambling; jeopardizing family, education, job or career; serious financial difficulties requiring a bailout; and illegal activities to finance gambling or pay gambling debts (American Psychiatric As-

sociation, in press).

It is not poor luck or the loss of money that makes one a pathological gambler. Some individuals have sought help in the early stages of their gambling careers, when they were still winning. They were astute enough to become concerned about their intense physical reactions or the preoccupation with gambling which created problems at home or work. Others experience gambling problems without developing all the signs of pathological gambling, most notably the lack of progression or preoccupation with long term chasing. The term "problem gambling" (Rosenthal 1989; Lesieur & Rosenthal 1991) has recently been introduced to describe this group, which may represent an early stage of pathological gambling. The term is also used as a more inclusive category which encompasses pathological or compulsive gambling as one end of a continuum of problematic gambling involvement.

### **Epidemiology**

The only national prevalence study to date was conducted by the University of Michigan's Institute for Social Research under the auspices of the Commission on the Review of the National Policy Toward Gambling. The results were published by the Commission (1976) and as a separate report by the Survey Research Center (Kallick et al 1979). The authors concluded that, in the year of their inquiry (1974), there was a prevalence rate of 0.77% or 1.1 million probable pathological gamblers in the United States.

While most researchers contend this rate is low, only Nadler (1985) has published an extended critique of the study. He ends his analysis with what he considers to be three undeniable conclusions: (1) the methodology of the Michigan study renders its prevalence estimate equivocal (2) many social and clinical changes have occurred since the national study was completed and (3) a "national study is badly needed...to generate a valid and reliable estimate of pathological gambling which can serve as the basis for decision making in all affected realms of society." Eight years later, there is still no national study of the prevalence of pathological gambling.

Although there has been no recent national study, prevalence studies have recently been

conducted in thirteen states. While the results cannot be generalized into a national prevalence rate, some important conclusions can be drawn. Prevalence rates for probable pathological gambling range from 0.1% to 2.7%. Prevalence rates for problem gambling range from 0.6% to 3.6%. Combined rates range from 1.7% in Iowa to 6.3% in Connecticut. The data seem to cluster into two groups. States with fewer problem and probable pathological gamblers tend to be those, like Iowa prior to the beginning of riverboat gambling, with more homogeneous populations and less legalized gambling. At the higher end of the spectrum are states like Connecticut with heterogeneous populations and greater accessibility to legalized gambling.

In general, in states with more legalized gambling, the prevalence of problem and pathological gambling is about double what it is in states that have less legalized gambling (Ladouceur 1991; Volberg 1991, 1992, 1993a, 1993b; Volberg & Silver 1993; Volberg & Steadman 1988, 1989a, 1989b; Volberg & Stuefen 1991). These cross-jurisdictional results support the finding of the Commission (1976) that increases in legalized gambling create new gamblers and ultimately larger numbers of pathological gamblers.

Demographically, males, non-whites, younger individuals and those with lower education appear to be at greater risk for developing gambling problems. However, females, non-whites, lower income individuals and those under the age of thirty are under-represented in treatment programs (Volberg & Steadman 1988, 1992). They are also less likely to attend Gamblers Anonymous (Custer & Custer 1978; Nora 1984; Ciarrocchi & Richardson 1989) or to call gambling hotlines for help (Lorenz & Politzer 1990; Council on Compulsive Gambling of New Jersey 1992).

There is some evidence that gambling problems are more common among high school and college students than among the older adult population (Jacobs 1989). They are also more likely to be victims of child abuse than the general population (Lesieur & Rothschild 1989). Surveys among adolescents and young adults find rates that are three times higher than for adults. As with adult surveys, rates are higher for males and non-whites than for other demographic groups.

## **The Cost of Pathological Gambling**

There are no systematic studies of the financial or social impact of pathological gambling on this nation. However, based on what is known about pathological gamblers in treatment and/or attending Gamblers Anonymous, the following statements can be made:

*Cost to the Individual.* By the time he or she seeks treatment, a pathological gambler may have generated substantial financial debts and, as a result, may have withdrawn from work activities as well as from family and social life. As these relationships and activities deteriorate, there is a depression secondary to the guilt, shame, and helplessness over mounting problems. One out of five pathological gamblers attempts suicide (Moran 1969; Lesieur & Blume 1991; Livingston 1974; Custer & Custer 1978; McCormick et al 1984). This rate is higher than that for other addictive disorders and second only to rates for certain depressive conditions, schizophrenia, and a few hereditary neurological disorders.

There may be an exacerbation of other mental disorders, such as manic depressive illness, alcoholism and substance dependence, anxiety states, and various personality disorders. Pathological gamblers typically are at risk for a number of stress-related physical illnesses. Hypertension and heart disease are common.

*Cost to the Family.* There are multiple effects on the family, the most obvious of which are lack of financial support, neglect, and divorce. Pathological gamblers provoke a reactive form of violence in their spouses, 37% of whom have physically abused their children, while becoming more depressed themselves (Lorenz 1981). The spouse of the male pathological gambler is three times more likely than her counterpart in the general population to attempt suicide (Lorenz & Shuttlesworth 1983). There is also a high rate of stress-related physical illnesses in the spouse, notably hypertension, headaches, gastrointestinal disturbances, and backaches, which are eight times more common than in the general population (Lorenz & Yaffee 1986, 1988).

The children of pathological gamblers do worse in school than their peers, are more apt to have alcohol, drug, gambling or eating disorder problems and are more likely to be depressed. They attempt suicide twice as often as their classmates (Jacobs 1989; Lesieur & Rothschild

1989).

*Cost to Society.* Addictive disorders such as alcoholism, substance dependence and pathological gambling are major causes of illness, disability and premature death in the United States. The monetary burden on society of the most serious of these disorders can be estimated although some of the consequences, such as pain, suffering and family disruption, are not quantifiable.

While there is little information on the costs of pathological gambling to society, there are well-established parallels between pathological gambling and addictive disorders such as alcoholism. There are similar psychiatric criteria as well as similar demographic characteristics. The national estimate of the cost of alcoholism to society is \$11,532 per alcohol abuser (Rice et al 1991). If the cost of pathological gambling to society is similar, the economic benefits of legalized gambling could be diminished by its social costs.

In the work place, gambling problems can eventually result in lower productivity and inefficiency, absenteeism and theft. Research on Gamblers Anonymous members and on individuals entering treatment support these findings although further research is needed to determine more precisely the costs of pathological gambling in the work place. (Lesieur 1984; 1993).

The already-overburdened criminal justice system can be severely affected by pathological gambling. Studies have shown that two out of three pathological gamblers commit illegal acts in order to pay gambling related debts and/or to continue gambling. Such acts typically are turned out of desperation and occur late in the disorder (Lesieur 1984; Brown 1987; Rosenthal & Lorenz 1992). Some crimes committed by pathological gamblers involve violence or armed robbery, but most are non-violent crimes against property. Many involve embezzlement or fraud. A survey of Gamblers Anonymous members found that 47% had engaged in insurance fraud or thefts where insurance companies had to pay the victims (Lesieur & Puig 1987). The average amount of fraud was \$55,000. Pathological gamblers engage in an estimated \$1.3 billion in insurance-related fraud per year (Lesieur & Puig 1987).

The number of prison inmates who have gambling problems appears to be much greater

than that of the general population. In a study of prisoners (Lesieur 1987; Lesieur & Klein 1985), 30% were classified as probable pathological gamblers, and an additional 28% of the females and 23% of the males could be considered problem gamblers. The cost of arrest, prosecution, imprisonment and parole must also be figured into the total cost of problem and pathological gambling to society.

Some costs may be even harder to measure. For example, one out of four pathological gamblers was involved in an automobile accident during the desperation phase of their gambling. Almost half were speeding on their way to or from a gambling venue. Some of the more serious accidents were due to gamblers falling asleep behind the wheel after periods of prolonged play. Others may have been covert suicide attempts (Lesieur & Puig 1987).

#### **Availability of Treatment and Public Education Programs**

Less than one hundred outpatient and a dozen inpatient treatment centers provide treatment for pathological gamblers in the United States. In contrast, there are over 13,000 treatment programs for alcohol or other drug problems (National Drug and Alcoholism Treatment Unit Survey 1989). Most mental health and substance abuse treatment professionals have not been exposed to the subject of pathological gambling in their professional training and thus know little or nothing about treating clients with a gambling problem.

In some states that have funded treatment services for pathological gamblers and their families, there are long waiting lists--up to six months. There is also evidence (Lesieur 1988; Volberg & Steadman 1988, 1992) that the medically indigent, ethnic minorities and women are under-represented in treatment programs.

At present, thirteen states provide some financial support for education, treatment or research into pathological gambling. The amount of money involved tends to be small, ranging from \$20,000 to fund a hotline in Maryland to \$2 million annually in Texas. Most allocations are around \$100,000. Massachusetts and Iowa recently cut the budget devoted to gambling programs, and in 1992 the governor of New York proposed wiping out the state's annual appropria-

tion altogether while at the same time suggesting the legalization of sports betting to ease the state's fiscal crisis.

In the 1990-1991 fiscal year, New Jersey received \$783 million into the state treasury from gambling revenues, yet spent only \$260,000 for all problem and pathological gambling programs--0.03% of its revenues from gambling. The irony is that New Jersey allocates more than most states for pathological gambling programs (Lesieur 1992). In Nevada, where gaming taxes fund 45% of the state's budget, there is no appropriation at all for public education, research, training or treatment of pathological gambling.

That there are toll-free hotlines in fourteen states and a nationwide hotline where gamblers can call for help and counseling is primarily due to the efforts of a non-profit, largely voluntary organization, the National Council on Problem Gambling and its twenty state affiliates. The National Council serves as a referral and information source, conducts training programs for professionals, sponsors conferences and a refereed professional journal and recently initiated a certification program for gambling counselors.

For most people with gambling problems, help will mean Gamblers Anonymous. Begun in 1957, the second oldest of the twelve-step programs now has eight hundred chapters across the United States, most located in large and medium-sized cities. Unfortunately, there are no Gamblers Anonymous meetings in many parts of the country and some recovering gamblers must drive over one hundred miles to attend a meeting. Notably, Gamblers Anonymous meetings are rarely available in prisons, despite the large numbers of pathological gamblers who are incarcerated (Rosenthal & Lorenz 1992).

Even where Gamblers Anonymous meetings are most concentrated, there is a lack of meetings in languages other than English, and ethnic minorities, women and young people often have difficulty identifying with and feeling accepted by other members. Of even more concern is the lack of awareness among the general public. A survey of callers to the Texas Council on Compulsive Gambling's hotline revealed that of those seeking help with a gambling problem, more than half had never heard of Gamblers Anonymous.

A preliminary comparison of the prevalence data reported earlier and the resources available for treatment and/or participation in Gamblers Anonymous, leaves one with the sad conclusion that only about one in a hundred pathological gamblers is currently receiving help.

### **The Need for Concern and Involvement by the Federal Government**

Because of the rapid expansion of gambling activity in the United States and the problems that pathological gambling creates for society, there are a number of compelling reasons why the federal government should become involved in addressing pathological gambling issues:

(1) When the Commission on the Review of the National Policy Toward Gambling issued its Final Report (1976), no one could envision the new technologies that would bring about a qualitative change in gambling or the sheer amount of gambling and of problem and pathological gambling that exists today. The Commission report has long been outdated and there is presently no coherent national policy toward problem and pathological gambling.

(2) Gambling has become national in scope. While state governments have the primary responsibility of regulating gambling, much of the gaming industry is managed and/or conducted by large-scale interstate companies and thus fall under the jurisdiction of federal agencies. Players, meanwhile, win money in one state only to lose it in another. Cash is transferred from home state to host state. While the benefits of gambling (economic development, tourism, increased jobs and tax revenues) are local, the problems (criminal acts, family disruption, financial difficulties, etc.) are often exported to another state (Lesieur 1992).

(3) The Indian Gaming Regulatory Act of 1988 has directly and indirectly caused casino gambling to spread across the country. With this single act of the Congress, the federal government involved itself in the consequences.

(4) Congress has also interjected itself into the gambling debate by its enactment of laws banning certain gambling games (sports betting in 1992), permitting certain gambling activities (gambling ships) or making changes in existing games (interstate simulcasting of horse races). Even the idea of a national lottery is frequently raised on Capitol Hill.

Federal commissions also interject themselves into gambling issues, such as FCC rules on advertisements of gambling activities and IRS rulings on gambling wins/losses.

(5) The impact of problem gambling, and more especially pathological gambling, on the federal criminal justice system is severe. Yet treatment of underlying pathological gambling that leads to gamblers' crimes and subsequent imprisonment is ignored or neglected. While federal dollars are allocated for the education and rehabilitation of alcohol and drug offenders, nothing has been done for the person with gambling problems. There are virtually no Gamblers Anonymous meetings in the federal prison setting, and while prison rules prohibit on-site gambling, many observers believe prison officials often ignore the activity if it keeps inmates occupied (Rosenthal & Lorenz 1992).

(6) Gambling can also be a problem for the armed services. A 1992 study of military personnel found 2.1% of respondents scored as lifetime problem or probable pathological gamblers and suggested the need for further study of gambling problems among military personnel (Bray et al 1992).

While the treatment of pathological gambling was first begun in a Veterans Administration hospital, the lack of any federal policy toward pathological gambling, combined with the operation of video gaming machines on U. S. bases in foreign countries, suggests the need for education, intervention and treatment of pathological gambling in the military.

(7) While the federal government has traditionally provided leadership in research on issues of health and public safety through agencies like the National Institute of Mental Health, the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism, there is no agency mandated to research gambling problems, nor has there been any recommendation from existing agencies to fund programs in public education of problem and pathological gambling.

(8) Ignoring the effects of pathological gambling serves as a barrier to the rehabilitation of substance abusers. There is solid evidence of overlap between pathological gambling and other addictive and mental disorders in professional treatment programs as well as Gamblers Anony-

mous (Adkins et al 1985; Custer & Custer 1978; Linden et al 1986; Ramirez et al 1983). Substance abusers are also at risk of relapse as a result of gambling problems.

A recent survey of mental health and substance abuse treatment professionals in Montana found that 60% had treated one or more clients in the past year whose gambling problems coincided with other addictive disorders or with a mental illness (Volberg 1992). Other estimates of the number of substance abusers who are problem or pathological gamblers range from 10 to 30% (Lesieur et al 1986; Lesieur & Heineman 1988).

The federal government has taken a leading role in addressing the prevention and treatment of chemical dependency. The federal government could potentially improve the effectiveness of prevention and treatment efforts for substance abusers if it took a similar leading role in relation to problem and pathological gamblers.

(9) In part, the states' need to raise revenues from gambling has been a response to the dramatic drop in program dollars available from the federal government. Thus, the federal government has played a role in the rapid spread of legalized gambling by state governments.

In short, pathological gambling is national in scope and should be addressed on the national level by the federal government.

### **Recommendations**

Some experts have called for a moratorium on the further legalization of gambling (Thompson 1992). Others advocate a national initiative to address the issue of pathological gambling, such as a National Institute on Problem Gambling (Lesieur 1992) or another national commission to review policies toward gambling.

The recommendations of the Public Policy Committee of the National Council on Problem Gambling are a variety of cost-efficient and easy-to-implement steps:

- (1) Recognition of the severity of pathological gambling by the adoption of a national policy statement about problem and pathological gambling.
- (2) Inclusion of pathological gambling and substance abuse in the national health care plan.

(3) A national prevalence survey of problem and pathological gambling to develop prevalence rates of problem and pathological gambling, a social impact study to determine the costs and benefits of legalized gambling, and an assessment of the impact of pathological gambling on at-risk populations: youth, women, minorities and the medically indigent.

(4) Funding of the National Council on Problem Gambling to provide public education, training, prevention and early intervention services.

(5) Development of policies to address pathological gambling in the federal criminal justice system, including federal sentencing guidelines, treatment of pathological gamblers in the federal probation and/or prison system and continuing education for judges, prosecutors, probation officers, prison officials and others involved in the federal criminal justice system for identification, education and treatment of pathological gamblers.

(6) Ending the discrimination against pathological gamblers through exclusion from protection afforded to disabilities. Pathological gamblers should also be afforded the same inclusion in insurance coverage and all relevant federal legislation as are the chemically dependent.

### **Funding**

A priority of a national initiative on problem and pathological gambling should be the development of funding mechanisms to support programs. These revenues would provide the needed services of prevention, early intervention, treatment and research, including but not limited to, public education, toll-free hotlines, outreach to the medically indigent and those at special risk, and ongoing epidemiological studies.

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## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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**COLLECTION:**

Clinton Presidential Records  
 Counsel's Office  
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**FOLDER TITLE:**

Gambling Commission [3]

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### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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[001]

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# COMPULSIVE GAMBLING CENTER, INC.

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Written testimony to be presented to the House Committee on  
Small Business

HR 497 - National Gambling Impact and  
Policy Commission Act of 1995

September 29, 1995

Mr. Chairman and Members of the Committee:

Enclosed is a copy of my testimony to the House Committee on Small Business on September 21, 1994, on HB 497, to establish a national commission on gambling. I would like to present the same testimony, with further comments.

Since last September, with state government's and the casino industry's continued aggressive efforts to expand gambling, our office has been virtually bombarded on a daily basis by requests for information and requests for treatment assistance. Whereas in the past we would get one or two calls a week, we now get five to ten calls per day.

Calls from Louisiana, whether from health providers, teachers, or citizens typically start with "The gambling in Louisiana is completely out of control." Citizens groups throughout the nation are forming to protest casinos coming into their states or to repeal legislative action on existing gambling. Legislators are admitting they wished they had never passed lottery bills, but feel trapped now that state budgets have come to depend on lottery revenues.

In the past our Center would get perhaps eight to ten court cases a year involving compulsive gamblers who committed crimes to support their gambling addiction. Now our Center gets one or two criminal cases a week. The dollar amounts involved in these cases keep going higher (U.S. v. Roy Wm. Harris, embezzlement of over \$200 million), and the

COMPULSIVE GAMBLING HOTLINE - (410) 332-1112

clients are younger. Just this month I have interviewed six young men for criminal offenses related to gambling. The oldest was 28 at the time the offenses were committed, the average amount stolen was \$200,000 - all to support their gambling addiction.

Legal costs regarding compulsive gamblers and their crimes can escalate very quickly to astronomical figures in direct and indirect costs. It is not just the amount of money stolen to support the gambling addiction. Consider the costs of police officers filing the initial complaint, investigating all charges (compulsive gamblers may have defrauded a dozen banks, written 30 bad checks, or have 20 or more credit cards), often requiring several interviews for each charge, time to confer with their superiors, writing up all reports, conferring with the district attorney, testifying in court; costs of public defenders in meeting with the offender, case reviews, research, court filings, plea bargains; district attorney's time in filing, meetings, and testimony; court costs in indictments, pleas, and sentencing hearings, pre-trial investigation costs, prison costs, probation and parole costs.

Add to that the amount of money stolen and irretrievably lost to the casinos, bookies, race tracks, lotteries or machines, together with loss of employment, welfare costs and bankruptcy costs.

A 25-year old compulsive gambler, with a criminal record, released after one or two years in prison, with no treatment - what is his income potential? Indeed, what is his potential for relapse and recidivism into the criminal justice field?

Our warnings have always been that the easy accessibility of gambling will lead to an increase in compulsive gambling. That, sadly to say, has been proven true over the years. Our more recent concern is "What are we doing to our young people? Do we really want to breed a nation of gamblers? What is the consequence of that?"

Who will pay for the costs of compulsive gambling? There are no federal funds for that. Very few states have allocated funds for hotlines, prevention programs, treatment for gambler or family members, training of health professionals, or research. The industry's response has been niggardly. The casino industry's actions, promises and protestations are really subject to scrutiny.

State lotteries are expanding their games. The Maryland Lottery now has a daily lotto. Drawings are twice a day. Credit gambling and telephone betting is the not too far future. Race tracks are allying themselves with the casino industry. They, too, are extending credit and home telephone betting. There is no limit to the expansion and invasion of gambling.

In 1988 Congress made a fateful decision that led to Indian Reservation gambling. We are now seeing the consequences of that action. Where will all this current and proposed gambling lead? That is a question that a Commission, such as is proposed in HR 497, needs to explore.

I urge you to vote for passage of HR 497, with particular emphasis on compulsive gambling.

Thank you for your time and consideration.

V. C. Lorenz, Ph.D.  
Valerie C. Lorenz, Ph.D.

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## Statement of

VALERIE C. LORENZ, PH.D.  
before the

U. S. HOUSE OF REPRESENTATIVES  
Committee on Small Business

September 21, 1994

HR 497

Mr. Chairman and Distinguished Members of the Committee:

My name is Valerie Lorenz. I have specialized in the field of compulsive gambling for over twenty years. I am Executive Director of the Compulsive Gambling Center, Inc. (formerly National Center for Pathological Gambling, Inc.), a not-for-profit organization providing treatment, education, training, research, and program implementation in the field of compulsive gambling. The Center also operated the oldest national 24-hour Compulsive Gambling Hotline for seven years (discontinued in July 1994 for lack of funding). I served as Co-Chair of the 2-year Task Force on Gambling Addiction in Maryland, and have been Director of the Forensic Center for Compulsive Gambling, specializing in expert witness in testimony and forensic reports for over ten years. I have been a member of the editorial board of *The Journal of Gambling Studies* since 1985, and I have published extensively on the problems of compulsive gambling. I have testified numerous times in this area before state and federal legislative bodies, including the White House Conference on Families.

I am pleased to appear before this Committee today to answer your questions about the impact of casino proliferation. I applaud your asking such questions, and encourage this committee to expand this exploration into all types of legalized gambling. And I encourage this Committee to be the leader in establishing national policy on gambling.

COMPULSIVE GAMBLING HOTLINE - 1-800-332-0402

*The 24-Hour Compulsive Gambling Hotline is funded in part by the Maryland Department of Health and Mental Hygiene. The Compulsive Gambling Center, Inc. is a not-for-profit 501(c)3 tax exempt organization. Contributions are tax deductible.*

Let me make something very clear: ALL types of gambling can become addictive, regardless whether one gambles on or with machines, races, tickets or games. Fortunately, only certain people will become gambling addicts. However, the number of compulsive gamblers has been increasing at an alarming rate in the past twenty years - ever since the spread of casinos and state lotteries, which has turned this country into a nation of gamblers. These gamblers spent \$394 billion last year on gambling - money that was not spent in local shopping centers, pizza parlors or corner groceries, monies that in seven years could pay off our national debt.

Until the mid-1970s, the typical compulsive gambler was a white, middle-aged, middle-class male. A dozen years ago, a female compulsive gambler was a rarity. Lottery addicts were just beginning to surface. Teenage compulsive gamblers and senior citizens addicted to gambling were nonexistent.

The profile of today's compulsive gambler is truly democratic, all ages, races, religious persuasions, socio-economic levels and education. Sixteen or sixty, the desperation and devastation is the same.

The New Jersey Casino Control Commission regularly reports 25,000 or more teenagers being stopped at the door or ejected from the floors of Atlantic City casinos. One can only guess at how many teenagers do get in, gamble, and are served drinks. Today, research indicates that as many as 7% of teenagers may be addicted to gambling.

Adult gambling addiction has increased from .77% of the adult population (U.S. Commission on the Review of the National Policy Toward Gambling, 1975) to as much as 11% in some states in 1993. Why? Because our governments are saying, "Gambling is OK" and because gambling is now so readily available, with so very little regulation.

The formula is quite simple: Availability leads to more gamblers which leads to more compulsive gamblers. Casino gambling, now in 21 states, is particularly onerous because of the allure of escaping into fantasy, the fast action, and emphasis on quick money, all of which are basic factors in gambling addiction.

Gambling addiction increases socio-economic costs far greater than any amount of revenue generated for the government by the gambling industry. For instance, in 1990, the Maryland Task Force on Gambling Addiction found that Maryland's 50,000 compulsive gamblers cost the state \$1.5 billion per year in lost work productivity and monies that are abused (stolen, embezzled, state taxes not paid, etc.).

The total cumulative indebtedness of Maryland's compulsive gamblers is \$4 billion. That means a lot of small and large businesses are not getting paid, which means they will have to reduce their work force or close up shop.

Other costs resulting from compulsive gambling are broken homes, physical and mental health problems, increase in social and welfare services, indebtedness, bankruptcies, and crime. Each and every one of these are far-reaching, affecting neighbors, employers, entire communities, and generations to come. These direct and indirect costs are staggering.

Taking just the issue of crime alone, virtually all compulsive gamblers, sooner or later, resort to illegal activities to support their gambling addiction. After all, money is the substance of their addiction, and when legal access to money is no longer available, these addicts will commit crimes. The crimes are typically of a non-violent, financial nature, such as fraud or embezzlement or failure to pay taxes. About 25% of them are charged with criminal violations, and about 15% face incarceration. It costs about \$20,000 per year for the U.S. Bureau of Prisons to keep one young, healthy compulsive gambler in jail. This cost can escalate to \$50,000 for the ailing senior citizen. Then there are the costs for half-way houses, electronic monitoring, and supervised parole and probation.

While in jail, the gambling addict is neither gainfully employed nor paying federal or state taxes. The family may be surviving on drastically reduced income or be on welfare. Well-paying jobs for felons are hard to come by, which means the gambling addict will most likely be earning less in future years, after he or she is released from prison.

Further, compulsive gamblers tend to have a very high rate of civil violations, such as motor vehicle infractions. Probably as much as 90% of casino addicts resort to reckless driving, speeding, and falling asleep at the wheel, resulting in accidents, either to or from the casino. They are a menace on the highway, worse than drunk drivers. Yet what is being done about that, other than to raise the costs of law enforcement and medical care?

About two thirds of compulsive gamblers come from homes with an alcoholic parent. Some compulsive gamblers are alcoholics first, maintain sobriety but turn to another addiction, gambling. Other compulsive gamblers may be co-addicted to either alcohol, drugs, or both. Ironically,

while there are many education, prevention and treatment programs for the substance abuser, supported by state and federal monies, what is there for the individual who becomes addicted to a government licensed or sponsored activity, gambling? Pathetically little in a few states, nothing in most.

In 1988, Congress passed the Indian Reservation Gambling Act. Some 80% of incarcerated Native Americans have an alcohol problem. Yet what is being done to prevent gambling cross-addiction or co-addiction among them? And by whom? The casinos historically have failed to take any measure of responsibility for compulsive gambling, and only recently have a few Indian Reservations addressed this potential problem among their own people or among their customers. In short, the greed of the gambling industry is matched only by its lack of concern for its customers or the community in which it operates. That is not good business.

Maryland first recognized compulsive gambling to be a serious socioeconomic problem in its state in 1978, and funded the first public treatment program. (The first in the nation was established in 1971 at the Brecksville, Ohio VA Medical Center.) Today, the state does not allocate a single dollar to combat compulsive gambling. Why not? Because every legislative bill introduced to aid compulsive gamblers was fought by the gambling industry - the state lottery, the charitable casinos, the race track, tavern associations, fraternal clubs with video poker machines, and bingo parlors.

What is the end result of widespread casino gambling? Just look at the housing and poverty in Atlantic City, the lack of quality of life in Deadwood, South Dakota, or the alcoholism and crime rate in Las Vegas.

What must this government do to contain this national health problem, one that has been labelled The Addiction of the Nineties?

First of all, it must face the fact that the problem exists, instead of continuing to ignore it or minimize it. Secondly, it must stop believing the deceptions perpetrated by the gambling industry, that legalization of casinos or race tracks or lotteries are the answer to governments' fiscal woes, the answer to unemployment, or the way to stop tax increases.

This government needs to establish an office to look at the negative consequences of widespread gambling, and it needs to establish comprehensive policy: how much gambling, where, what hours, who will run the game, why, how much money is needed for law enforcement and crime prevention, what is the uniform minimum age, what research is needed, who will educate the public, business and industry, or train health providers, who will fund prevention and treatment programs?

State legislatures across the country are seeking to implement new forms of gambling. One riverboat quickly becomes thirty riverboats in one area. Yet there are less than a dozen professional inpatient treatment programs for compulsive gamblers. The maximum bed capacity is approximately one hundred.

The number of compulsive gamblers in this country today runs into the millions. Who will provide the treatment, and who will pay for it? Not the gambling addicts - they have neither the money nor the health insurance - that was spent at the casinos or on other gambling.

This country can ill afford to ignore the problems caused by the proliferation of gambling and the resultant increase in compulsive gambling. We do not need the economic ruin, broken homes and crime brought on by this industry, which encourages instant gratification, something for nothing, while making a mockery of family, work and community. This country needs your concern and your action.

Thank you for your attention.

V. Q. Worley (RW)

**National  
Coalition  
AGAINST  
Legalized  
Gambling**

**Testimony of  
Tom Grey, Executive Director  
National Coalition Against Legalized Gambling**

**before the  
U.S. House Judiciary Committee  
September 29, 1995**

**Chairman Hyde and distinguished Members of the Committee:**

**A battle is raging across our country. Ambitious gambling promoters have been invited into our communities by some state and local officials under the guise of prosperity, economic development, jobs, and a painless new source of government revenue.**

**Armed with unlimited capital and hidden political connections, these gambling promoters insist that gambling is productive, that it meets the desires of the public, and that the growth of gambling throughout America is inevitable. They pledge that by the year 2000, every American will live within a two-hour drive of a gambling casino.**

**Ladies and gentlemen, these gambling interests are wrong.**

**The recent, rapid spread of gambling was never the result of a popular movement. Rather, it was driven by self-interested gambling pitchmen with money, high-priced lobbyists, and pie-in-the-sky promises. Cash-starved municipalities and legislatures, eager for a way to increase revenue while avoiding voter backlash, were vulnerable to the prospect of something-for-nothing.**

**Individual citizens questioned whether this "free lunch" program could rationally achieve its promise. And as the guarantees of economic prosperity evaporated, state and local groups spontaneously sprang up across the nation to oppose the further spread of gambling. In 1994, these varied citizen groups created the National Coalition Against Legalized Gambling (NCALG).**

**What is the National Coalition Against Legalized Gambling**

NCALG is a grassroots movement. Our members span the entire political spectrum from conservative to liberal. Our coalition encompasses both business and labor, both religious and secular, with concerned citizens in every state.

Our arguments against the expansion of legalized gambling are based on public policy, sound economics, and quality of life within our communities, not on personal morality.

I have attached to my written testimony references to objective, academic studies showing that the expansion of gambling is bad for families and businesses. These studies show that:

- gambling enterprises cost more jobs than they create;
- gambling misdirects prudent government investment away from sound economic development strategies;
- gambling sucks revenues from local economies;
- gambling establishments tend to attract crime; and
- gambling addiction destroys individuals, undermines families, and weakens our business community.

If the members of NCALG were to base our opposition to gambling on personal morality, we would lose in the political arena. After all, a majority of Americans gamble. But because our arguments are based on cold, hard facts, our organization and its affiliates have consistently beaten the gambling interests on ballot questions and in state legislatures over the past year – winning fifteen major battles and only narrowly losing the remaining two.

**Turning the political tide**

In November 1994, the issue of gambling was on more state ballots than any other issue. Of ten statewide referenda, NCALG won six at the ballot box (Colorado, Florida, Minnesota, Oklahoma, Rhode Island and Wyoming) and two in the courts (Arkansas and New Mexico). Most of our victories were by landslide margins.

After their November debacle, the casino companies targeted legislatures in seven states. But this year we completely shut them out. The casinos lost major battles in Alabama, Illinois, Maryland, Pennsylvania, Texas, Virginia and West Virginia.

**Testimony of Tom Grey**  
**Page 3**

Virginia illustrates the dynamics of the current gambling debate. In Richmond this year, over a dozen casino companies pushed to legalize riverboat gambling. They hired more than 50 lobbyists, bought newspaper ads, and even aired television commercials. While the casinos spent over \$800,000 on direct lobbying in Richmond and millions more on indirect lobbying across the state, thousands of citizens, armed with the facts, mobilized at the grassroots level against the casinos. When the smoke cleared, the gambling bill was crushed in committee.

The political tide has turned. What had been forecast as inevitable has now become undesirable. But why?

The tide turned not simply because all of the major conservative Christian groups oppose the expansion of gambling, although they do. It is not simply because mainline churches – liberal, conservative and moderate – are almost universally opposed to more gambling, although they are. Resistance to government-sponsored gambling is growing because voters from every walk of life recognize that legalized gambling is, based on the facts, poor public policy.

**Gambling feeds voter cynicism**

For the past three years, I have traveled across the nation and talked to countless thousands of Americans about this issue. You know that voters are angry and cynical about government. Let me tell you, the expansion of legalized gambling has fed that anger and cynicism.

To many Americans, government's promotion of gambling is a cop-out and a double-cross. We see public officials sacrificing our communities to a predatory enterprise -- for money. Citizens see government living off gambling profits, taken from the poorest and weakest of our citizens, instead of facing up to rational choices regarding budgets and taxes.

We see massive amounts of money pumped into pro-gambling lobbying efforts. Public officials have been answering to these outside monied interests while ignoring the voices of their own constituents. This leaves citizens to wonder who government really represents.

Worse, people see scandals like the one unfolding in Louisiana, where lawmakers are being investigated for taking bribes from gambling promoters. The payoff was made not merely to usher in gambling, but to prevent a voters' referendum to keep gambling out.

**Testimony of Tom Grey**  
**Page 4**

When the right of the people to be heard is bought and sold, we become convinced that the bedrock foundation of democracy – a government of the people – is under attack.

Now, I believe strongly in democracy. I fought for it as an infantry Captain in Vietnam, and I continue to protect it as an active member of the Army Reserve. But in order for democracy to work, you as elected officials have to win back the trust of average citizens. And you can start here.

**Enact H.R. 497**

H.R. 497 is a very modest measure. Twenty years ago – when the contagion of casino gambling was quarantined to two geographic areas – a federal commission conducted a study of legalized gambling. An enormous amount has changed since then – the contagion has spread. It's time for a fresh inquiry.

The National Coalition Against Legalized Gambling supports H.R. 497, as well as S. 704, because we believe that a national study will allow citizens to make an informed decision about the expansion of gambling in America.

And frankly, we are astonished by the opposition to this bill by the American Gaming Association. If they believe that the spread of gambling enhances our national economy, then what is it about an objective study that makes them afraid?

When everyone is fully informed, we're glad to let this issue be decided the good, old-fashioned American way, at the ballot box.

Mr. Chairman, thank you.

## **LEGALIZED GAMBLING HAS RAPIDLY EXPANDED**

With gross revenues now exceeding \$30 billion per year, legalized gambling is one of the fastest growing industries in the United States.

High-stakes gambling used to be largely confined to Nevada and Atlantic City, New Jersey. But just since 1988, 19 new states have legalized commercial gambling casinos. There are now over 500 legal casinos in the U.S., more than double the number there were five years ago. Ten states have recently legalized video slot and/or poker machines at racetracks and literally thousands of bars. Altogether, 48 states now permit some type of legal gambling.

One could say that gambling has become the new national pastime. In 1993, Americans made more trips to casinos than they did to Major League ballparks. If the trend continues (as the gambling industry expects), by the year 2000 there will be a casino within a 3-4 hour drive of nearly every person in the country.

Gambling interests are pushing for expansion.

Right now, gambling interests are pushing for expansion. During the next fourteen months, it is expected that:

- The casino companies will propose state legislation to legalize or expand casino gambling in Alabama, Alaska, Arkansas, California, Colorado, Florida, Hawaii, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Virginia, West Virginia, Wisconsin and the District of Columbia.
- The gambling entrepreneurs will try to legalize interactive gambling on cable television and/or on the Internet, so everyone can wager from their homes.
- The gambling enterprise, in an effort to influence federal and state legislation, will become one of the biggest contributors to political campaigns in the nation.

The pro-gambling initiatives must be stopped before our nation's economy, and its social fabric, are irreparably harmed.

**National  
Coalition  
AGAINST  
Legalized  
Gambling**

## **GAMBLING IS BAD FOR BUSINESS**

The expansion of legalized gambling is a major threat to business in the United States. The gambling enterprise cannibalizes existing businesses, stealing their customers and revenues. At the same time, gambling establishments bring new social costs that are inevitably paid by business.

### ***Cannibalization in Atlantic City:***

In Atlantic City, casinos were legalized in 1976. Four years later, the number of retail businesses in the city had declined by one-third. The number of restaurants in Atlantic City declined from 243 in 1977, the year after casinos were legalized, to 146 in 1987. Only about 10% of the businesses nearest to the casino locations in 1976 are still open today. Instead, just off the beach, there are dozens of pawn shops for losing gamblers to sell their jewelry for cash.

### ***Cannibalization in Minnesota:***

In Minnesota, where Indian casinos are found across the state, restaurant business has fallen by 20% to 50% within a 30-mile radius of casinos with food service.

### ***Cannibalization in South Dakota:***

A study conducted for the State of South Dakota found that, after casino gambling was legalized in 1989 within the town of Deadwood, business declined significantly at nearby restaurants, clothing stores, recreation services, business services, and auto dealers. Within two years, legalized gambling constituted one of the leading causes of business and personal bankruptcies among South Dakota residents.

### ***Gambling leads to lower employee productivity:***

According to professor John Warren Kindt: "Traditional businesses in communities which initiate legalized gambling activities can anticipate increased personnel costs due to increased job absenteeism and declining productivity. The best blue-collar and white-collar workers, Type-A personalities, are the most likely to become pathological gamblers. A business with 1,000 workers can anticipate increased personnel costs of \$500,000 or more per year – simply by having various forms of legalized gambling activities accessible to its workers."

**Gambling is Bad for Business**  
**Page 2**

**What the experts say: Gambling revenues come at the expense of business.**

*"People will spend a tremendous amount of money in casinos, money that they would normally spend on buying a refrigerator or a new car. Local businesses will suffer because they'll lose customer dollars to the casinos." Donald Trump, casino owner, told to the Miami Herald.*

*"The riverboats don't necessarily stimulate demand for entertainment; they replace something else...\$100 slipped into a slot machine is \$100 that won't be spent on dining out or a movie, not money that would have gone into a savings account." Margo Vigrola, Entertainment Analyst for Salomon Brothers.*

*"New gambling ventures have negative effects on existing economies, many of which are already very fragile, by diverting a huge portion of discretionary consumer dollars. This process of cannibalization is most pronounced in the restaurant and entertainment industries, movie theaters and sports events, but it is also felt in other sectors of the economy such as clothing and furniture sales." Professor Robert Goodman, author of the United States Gambling Study, sponsored by the Ford Foundation.*

*"Get it straight...there is no reason on earth for any of you to expect for more than one second that just because there are people here, they're going to run into your store, or restaurant, or bar...It is illogical to expect that people who won't come to Bridgeport and go to your restaurant or your store today will go to your restaurants and stores just because we happen to build this [casino] here." Steve Wynn, casino owner, told to small businessmen in Connecticut.*

## **GAMBLING ESTABLISHMENTS ATTRACT CRIME**

Last year when their state was considering legalized casino gambling, the Florida Department of Law Enforcement, Florida Sheriffs Association and Florida Police Chiefs Association issued a joint report which concluded, "Casino gambling will mean...that crime rates will go up. It means the community will see--and have to confront--more vagrants, prostitutes, domestic violence, and gambling addiction. It means our communities will be less safe and secure." Why that conclusion?

### ***Gambling attracts street criminals:***

Violent criminals target the patrons of gambling establishments, because they tend to carry cash. Loan sharks and prostitutes follow gambling, and do a brisk business.

### ***Pathological gamblers feed their addiction:***

The American Insurance Institute estimates that 40% of all white-collar crime is caused by those who have serious gambling problems. Pathological gamblers tend to engage in forgery, theft, embezzlement and property crimes to pay off gambling debts. They are responsible for an estimated \$1.3 billion worth of insurance-related fraud per year.

### ***Organized crime infiltrates legal gambling:***

According to a study by the Better Government Association of Chicago, "Law enforcement officials agree that the mob usually infiltrates ancillary services to the casinos. New Jersey law enforcement officials believe that organized crime has infiltrated legitimate businesses such as those which provide the casinos with ancillary services including limousines, linen, meat, and vending machines." The investigation and prosecution of John Gotti uncovered some of the mob's casino-related enterprises.

### ***State and local governments pay the price for this crime:***

Increased crime costs state and local governments not only the salaries of more police officers, but prosecutors, judges, court personnel, court facilities, and prisons. The State of Florida's Office of Planning and Budgeting estimated that if casinos were legalized "incarceration and supervision costs alone for problem gambler criminal incidents could cost Florida residents \$6.08 billion. And that doesn't even begin to count the costs to the victims of crime.

## **Gambling Establishments Attract Crime**

### **Page 2**

#### ***Increased crime in Atlantic City.***

In the first three years of legalized casino gambling in Atlantic City, that city went from 50th in the country in per capita crime to 1st. Atlantic City's crime rate rose an incredible 230% during those three years, even though the city's population decreased 20% during the same period. A dozen years after casino gambling began, the city's police budget had tripled.

#### ***Increased crime in South Dakota.***

Casino gambling was legalized in Deadwood, South Dakota in late 1989. The local state's attorney reported that, after three years: felony crimes increased by 40%, child abuse was up 42%, domestic violence and assaults rose 80%. Police costs doubled.

#### ***Increased crime in Mississippi.***

According to the Chief of Police in Gulfport Mississippi, just one year after casinos opened, rape and robbery tripled while burglary, larceny and car theft doubled. Similarly, the Sheriff of Hancock County reported that burglaries doubled, and auto theft, assaults and larceny nearly tripled 1½ years after casinos opened in his county.

**Percentage  
Increase in  
Crime Rates  
Between 1977  
and 1990**

<b>Crime Category</b>	<b>Atlantic City</b>	<b>Nation</b>
<b>All Crimes (FBI Index)</b>	<b>230%</b>	<b>15%</b>
<b>Assault</b>	<b>316%</b>	<b>97%</b>
<b>Larceny</b>	<b>451%</b>	<b>35%</b>
<b>Robbery</b>	<b>159%</b>	<b>55%</b>
<b>Rape</b>	<b>156%</b>	<b>62%</b>

## **GAMBLING IS BAD FOR FAMILIES**

### ***Legalized gambling triggers addiction:***

Legalized gambling triggers the mental disorder of pathological (or "compulsive") gambling. Pathological gambling destroys the lives of thousands of Americans and devastates their families, friends and employers. The most common argument in favor of gambling expansion is that it will yield government revenues which can be used for programs to "help" people. But helping some people by exploiting and destroying others is bad social policy, and simply unethical.

It is important to understand that gambling addiction is just as real, and its consequences just as tragic, as alcohol or drug addiction. The American Psychiatric Association recognizes pathological gambling as a diagnosable mental disorder. The self-help organization Gamblers Anonymous has more than 650 chapters and is growing rapidly.

Individuals who become gambling addicts accumulate debts averaging \$35,000-\$92,000 before they seek treatment, are arrested, or commit suicide. Family savings are lost, marriages end, children go unsupported. A majority of pathological gamblers turn to some form of crime to support their addiction.

### ***Direct link to accessibility and acceptability:***

Experts on pathological gambling believe that the prevalence rate of this disorder is linked to the *accessibility* and *acceptability* of gambling. In short, the more legalized gambling a state makes available, the more pathological behavior is triggered. And fast-paced gambling that maximizes the number of wagering opportunities (like casinos and video gambling machines), also maximizes gambling addiction.

In Atlantic City, for example, after pathological gamblers lose all their cash, empty their ATM accounts from teller machines inside the casinos, and can borrow no more, they walk outside the casinos to sell their jewelry and other valuables. Selling jewelry is such a big business in Atlantic City that there are dozens of "Cash for Gold" stores along Pacific Avenue, near the entrances to the Boardwalk casinos.

Any expansion of legalized gambling is likely to trigger thousands of new victims of gambling disorders. For example, in a state like Maryland, if ten casinos are built around the state (as proposed), it is estimated that as many as 50,000 residents will become pathological gamblers. And the problems of each of those pathological gamblers will harm many others, especially spouses and children.

## **Gambling is Bad for Families**

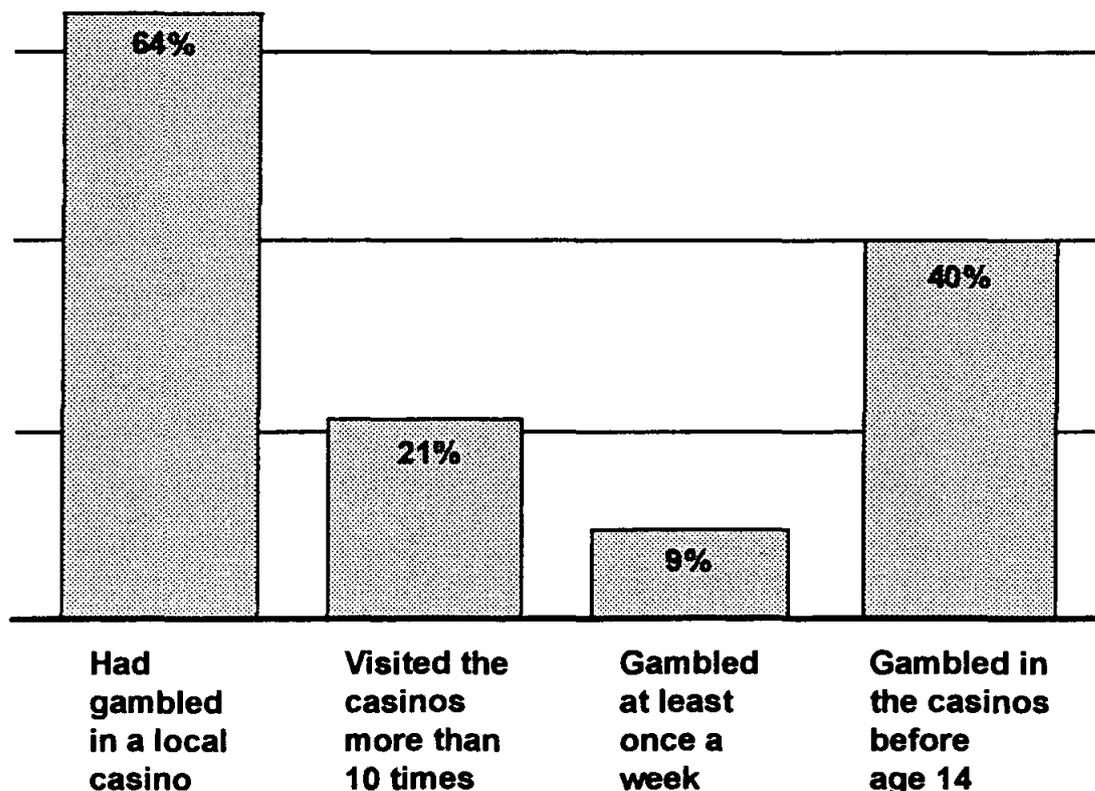
### **Page 2**

#### ***Creating a generation of problem gamblers***

Researchers now call gambling the fastest growing teenage addiction, with the rate of pathological gambling among high school and college-age youth about twice that of adults. According to Howard J. Shaffer, Director of the Harvard Medical School Center for Addiction Studies, "There is an emerging body of evidence suggesting that illicit gambling among young people is increasing at a rate at least proportional to the opportunity to gamble legally." R. Goodman, *Legalized Gambling as a Strategy for Economic Development*, 1994.

For example, despite laws in Atlantic City restricting the casinos to persons twenty-one years or over, a survey of teenagers at Atlantic City High School revealed 64% of the teenagers had gambled in a casino. In 1991, Atlantic City casino security ejected over 21,000 persons under 21 from casinos, and prevented nearly 200,000 others from entering.

**Survey of Teens from Atlantic City High School  
On Gambling in the Local Casinos**



## **MAJOR STATE BATTLES OVER GAMBLING, 1994-95**

**Alabama** - Legislation in the state legislature to authorize eight land-based casinos and a state lottery was killed.

**Arizona** - The Governor announced that he would not negotiate any more Indian compacts.

**Arkansas** - In 1994, casino gambling proponents tried to petition two amendments on to the ballot but they were struck down by the state's highest court.

**California** - A pro-gambling group in Palm Springs hopes to spend \$10 million on a petition drive next year to amend the state constitution to legalize ten Nevada-style casinos around the state.

**Colorado** - In 1994, anti-gambling forces, by the landslide margin of 92% to 8%, defeated an initiative referendum which sought to allow slot machines at Colorado airports and allow casinos in the town of Manitou Springs.

**Connecticut** - In October 1995, state legislators will meet in a special session to decide whether to authorize a casino in Bridgeport.

**Florida** - The casino industry suffered its biggest defeat of 1994 after spending over \$16 million on a statewide referendum designed to legalize at least 47 casinos. The referendum lost 62% to 38%. Recently, the state Supreme Court approved a constitutional amendment called "Florida Locally Approved Gaming" or "FLAG," backed by Bally's casinos, which could be placed on the 1996 ballot.

**Hawaii** - In the 1995 legislature, there were numerous bills to legalize all types of gambling. All were defeated.

**Illinois** - Casino advocates have tried since 1992 to legalize a complex of five dockside casinos in Chicago, with five more boats elsewhere. Once again in 1995, the pro-casino bills have been blocked in the state legislature.

**Indiana** - Riverboat casinos are scheduled to open this year.

**Kansas** - In the 1995 legislature, a bill to reauthorize the state Lottery was amended in the House to provide slot machines at dog tracks. However, the Senate would not concur with the slot machine amendment and it was stripped from the final bill.

## **Major State Battles Over Gambling, 1994-95**

### **Page 2**

**Maryland** - In the 1995 session of the General Assembly, the gambling industry proposed five bills to legalize riverboat, dockside and/or land-based casino gambling. These bills were defeated in committee.

**Michigan** - Governor John Engler announced that he opposed off-reservation Indian casinos.

**Minnesota** - In 1994, a referendum intended to legalize video poker machines was defeated.

**Missouri** - In April 1994, the casino advocates lost a referendum to legalize "games of chance" by 1,261 votes out of more than a million cast. The same referendum was placed on the November ballot and won by 54% to 46% after the casino industry outspent their opponents by \$7 million to \$90,000.

**Nebraska** - 1995 legislation to permit video gambling machines in restaurants and bars was defeated in the Unicameral.

**New Mexico** - The gambling industry won a November 1994 referendum 54% to 46% to establish a statewide lottery and permit video poker machines. The results were overturned by the state's highest court because the referendum violated the constitution's one-subject rule. The court has also invalidated a series of Indian casino compacts signed by the Governor.

**New York** - The state legislature approved a constitutional amendment in the 1995 session to legalize casinos in upstate New York. The measure has to pass the legislature again next year and then be approved by the voters in November 1997 in order to take effect. The legislature also legalized the "Quick Draw" Keno game, to be administered by the lottery commission. However, the new Keno law is being challenged in court.

**Ohio** - Governor George Voinovich announced that he strongly opposes the legalization of casinos.

**Oklahoma** - In 1994, a referendum to establish a regular state lottery was defeated.

**Pennsylvania** - Legislation to legalize up to 25 riverboat casinos was stopped when Governor Tom Ridge has pledged not to approve casinos without a statewide referendum.

## **Major State Battles Over Gambling, 1994-95**

### **Page 3**

**Rhode Island** - In a statewide referendum in November 1994, voters rejected slot machines at the state's pari-mutuel facilities. On the local level, five townships held referenda and voted down casinos proposed for their jurisdictions.

**South Carolina** - In November 1994, 30 counties approved and 8 counties disapproved video slot machine gambling.

**South Dakota** - After state courts ruled video gambling machines unconstitutional, a November 1994 constitutional referendum reauthorized those machines by a margin of 53% to 47%. Gambling opponents have filed to petition this issue back onto the ballot in November 1996.

**Texas** - In 1995, the state legislature defeated legislation to legalize casinos.

**Vermont** - In May 1995, the citizens of Bennington defeated a referendum for casino gambling by a margin of only 56 votes. The Governor was among those who opposed the casinos.

**Virginia** - In 1995, the gambling industry hired over 50 lobbyists and spent millions of dollars lobbying for riverboat casinos. They were crushed in committee.

**Washington** - There is a referendum on the 1995 ballot to allow wide-open Indian casinos.

**West Virginia** - In 1995, the casino industry tried and failed to pass legislation legalizing riverboat gambling.

**Wisconsin** - In April 1995, a referendum to permit a statewide sports lottery was defeated 64% to 36%.

**Wyoming** - In 1994, a referendum to legalize video poker machines was defeated 69% to 31%.

**National  
Coalition  
AGAINST  
Legalized  
Gambling**

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