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Gambling Commission [4]

T E S T I M O N Y

Presented by

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Before the

Committee on the Judiciary

of the

United States House of Representatives

on the proposed

National Gambling Impact and Policy Commission

Act (H.R. 497)

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Mr. Chairman, Members of the House Judiciary Committee, I am honored to appear before you today to testify on the issue of whether regulated casino gaming in America is accompanied by organized crime infiltration or an increase in street crime that is any different from that which is expected from the presence of a like number of people engaged in any other recreational activity.

Although for almost five years I have been a partner in the Chicago law firm of Altheimer & Gray, the perspective I bring to this committee is that of a person who has served eleven years as an Assistant United States Attorney and seven years as the Illinois Inspector General and Director of the Illinois State Police. I have investigated and prosecuted organized crime cases including gambling, official corruption, and loan sharking. My service with the Illinois State Police spanned the years that riverboat casinos were legalized, and their owners, operators and employees were investigated by our officers prior to licensure. A team of dedicated ISP officers now oversee 13 riverboat casinos in Illinois and a special agent is present on every cruise. From this perspective and with your permission, I would like to speak briefly about "the crime issue" and I will attempt to separate fact from fiction.

Street Crime

People often ask whether the presence of gaming in their community would cause an increase in street crime. The facts are these: Las Vegas, Nevada, the city that is synonymous with casinos, is among the safest cities in America. Illinois, the country's leading riverboat casino state has experienced no increase in crime in some riverboat towns and measurable reductions in crime in others.

Crime statistics in the United States are compiled by the FBI and reported annually for the preceding calendar year. The annual publication is titled Crime in the United States and consists of compilations of Uniform Crime Reports (UCR's) submitted by thousands of cities, towns, counties, and states in a format designed for this purpose by the FBI. Crimes reported include violent crimes (murder, rape, robbery, and aggravated assault) and property crimes (burglary, larceny, motor vehicle theft, and arson). The total number of crimes per jurisdiction (the crime index) is reported as is the crime rate per 100,000 inhabitants. Although the FBI's reports are largely no more than numerical tabulations and do not include any analysis of event, patterns, or changes in individual jurisdictions, the FBI has identified thirteen factors which it believes affect the volume and type of crimes reported. Those crime factors are:

- Population density and degree of urbanization with size of locality and its surrounding area.
- Stability of population with respect to residents' mobility, commuting patterns, and transient factors.

- Modes of transportation and highway system.
- Economic conditions, including median income, poverty level, and job availability.
- Cultural factors and educational, recreational, and religious characteristics.
- Family conditions with respect to divorce and family cohesiveness.
- Climate
- Effective strength of law enforcement.
- Administrative and investigative emphases of law enforcement.
- Policies of other components of the criminal justice system. (i.e., prosecutorial, judicial, correctional, and probational).
- Citizens' attitudes towards crime.
- Crime reporting practices of the citizenry.

Casino gaming is not listed as a crime factor, and, in fact, the nationwide proliferation of riverboat and casino gaming goes without mention in any of their reports. The fact that a community's crime patterns are the result of the complex interplay of the social and demographic crime factors identified by the FBI rather than by whether or not certain forms of legalized gaming are present, is best demonstrated by the example of Las Vegas, Nevada.

Las Vegas is the casino capital of the world. It is a city of approximately three quarters of a million people who live surrounded by cities and towns with legalized gaming. Casino drove its transformation from an obscure frontier town into a thriving tourist destination point. Casino gaming dominates the city's economy and culture although recent years have witnessed the emergence of family-style theme parks and other attractions in an effort to compete on a broader front for convention and tourist business. The city has almost 100,000 hotel rooms and more are currently under construction. Casinos are located throughout the city and rows of slot machines greet new arrivals at the airport. Despite this focus on casinos and gaming, Las Vegas is among the safest cities in America.

Las Vegas' crime rate is significantly lower than many other tourist and convention oriented cities such as Miami, New Orleans, Los Angeles, Atlanta, San Diego and San Francisco. It has a lower crime rate than college towns like Ann Arbor, Michigan and heartland towns like Lincoln, Nebraska and Lawrence, Kansas.

Significantly, it has a far, far lower crime rate than Orlando, Florida, the home of Mickey Mouse. As the attached statistical abstracts demonstrate (Exhibits 1, 2, and 3), Las Vegas ranked 82nd in 1990 and 80th in 1992 in crime rates per 100,000 inhabitants. These extremely low crime rates are also accomplished with one of the lowest ratios of police officers per 1000 inhabitants of any major city. The example provided by Las Vegas is the best evidence that the FBI was correct in not including legalized gaming in its list of crime factors.

Those who cite crime as a reasons to oppose legalized gaming tend to ignore the Las Vegas example and instead tend to focus on a misleading interpretation of crime statistics in America's other major gaming venue, Atlantic City. Atlantic City was a dying seaside resort town whose population numbered about 37,000 when casino gambling was introduced on the Boardwalk in 1978. Its population included a large number of unemployed and a large number of unemployables. The town was marked by poverty, welfare, crime and social misfortune. Between then and now, twelve casino/hotels (containing almost 10,000 guest rooms) were built, and a flood of visitors drawn form the most heavily populated region in the country enveloped the town. Atlantic City's visitor population quickly swelled to approximately 33 million per year. That the crime rate increased in the first three years that Atlantic City was inundated with tourists was hardly suprising, given the demographics of the city and the tens of millions of people that were present to commit or be victimized by crime regardless of the initial purpose of their visits. Those who raise the specter of an Atlantic City teeming with crime bred by casinos serving as a blueprint for a crime wave in any community that legalizes gaming obviously misunderstand (or intentionally misconstrue) the statistical realities in Atlantic City.

A number of points must be made. First, comparing the demographics of a problem-ridden pre-casino Atlantic City to the stable, family-oriented, economically sound and socially responsible communities now considering casinos is like comparing night and day. Sadly, Atlantic City's problems of unemployment, drug use, extreme violence, and substandard public housing long predate the advent of casinos on the Boardwalk.

Second, a clear understanding of how the FBI computes crime rates can prevent one from being misled by what on the surface appear to be alarming statistics, but in reality are quite reasonable numbers, which some people are anxious to take out of context. As mentioned above, the crime index is a tabulation of the total number of certain crimes reported by given jurisdictions. The crime rate is the number of crime per each 100,000 permanent residents (or a proportional number for smaller communities). Although crimes committed by or against visitors are reported in the total number of crimes, the FBI does not adjust its base population number when computing the number of crime per 100,000 residents. A normal number of business or personal visits to cities, towns, or even rural areas are taken as a given and no adjustments are made in the figures.

Austin, Texas and Kansas City, Kansas, for example, have similar permanent populations, and the crime rates of each are not adjusted for whatever variables in temporary visitor populations might exist. The figures as reported by the FBI show substantially higher crime rates for Kansas City, but slightly higher property crime rates for Austin. Neither city has an extraordinary number of visitors and researchers must examine the crime factors present in each to draw conclusions as to the root cause of the disparities. On the other hand, the city of Orlando, Florida, has experienced dramatic increases in the numbers of crimes reported since Disney World began to attract tens of millions of visitors to the area. Orlando's crime rates, however, are still measured against a relatively small permanent population of less than 200,000 and one can reasonably conclude that the increases were the result of the huge influx of population rather than an overnight change in the crime factors affecting the permanent residents. In a jurisdiction where there is an extremely large annual visitor presence, one can more accurately measure the actual percent chance that any individual will be victimized by crime by tabulating the total number of crime, and by measuring them against the number of people actually present rather than against the number who claim a local address. This is particularly true in Atlantic City, where the permanent population is tripled by the daily hordes of visitors.

The most exhaustive research on post casino crime in Atlantic city was conducted by the noted criminologist and sociologist Jay Albanese (*The Effect of Casino Gambling on Crime*, Federal Probation, 39-44, 1985). Albanese examined the increase in Atlantic City's crime rates between 1978-1982, but measured them against the increases that occurred during the same time period throughout the entire state of New Jersey. He also examined the crime rates in light of the dramatic changes in Atlantic City's average daily population. His correlation analyses observed that the increase in crime since the advent of casinos was more than offset by the increase in crime throughout the state generally and by the number of people present. He found that a higher percentage of crimes occurring were being reported because of the presence of casino related security personnel. He found that the individual risk of victimization in Atlantic City was actually less than it had been before the advent of casinos, and that crime rate for people actually present was less than it had been before visitors tripled the city's average daily population.

The Myth of the Casino Factor

In Illinois and in other jurisdictions that have implemented riverboat casino gaming, detractors have relied heavily on the theory and "research" of an admittedly anti-casino economics professor in New Orleans. The professor's uncommissioned work which included findings on a broad array of social, political, psychological and economic subjects included as a major tenet the discovery of a "casino factor" that could mathematically predict the amount of crime that would be caused by the operation of a single casino in New Orleans. The professor claimed that his formula could be applied to predict the amount of crime that would result from casino gaming

in any city in America. The professor's report argues that the mere presence of gambling in a jurisdiction causes an annual increase of 132 crimes per thousand residents and that each million dollars of increased visitor spending results in the annual commission of an additional .005805 crimes per 1,000 residents. It states that increased spending on police and corrections has a statistically insignificant impact on crime rates. The professor's "crime equation" is based upon his calculation of the impact of a variety of factors including race, income, employment, and a self-designated "gambling dummy variable". He purports to claim that this formula, when coupled with projections of visitor spending, can accurately predict the annual increase in criminal activity that will result from various allocations of casino size in square feet (because of the relative accuracy of casino revenue projections).

This theory became the evidence that casino opponents had been seeking and variations and amplifications of it soon permeated their rhetoric and writings across the country. The theory is a myth--it is flatly contradicted by all the objective evidence available!

Testing the casino factor theory against the actual experience of America's two gaming venues is illuminating . Most obvious is the gross contradiction between this theoretical model and the 1980-1990 empirical data which demonstrates an inverse relationship between casino revenues and crime rates in Las Vegas. A side by side comparison of Las Vegas' increasing gaming revenue and decreasing crime rates (relative to cities without gaming) directly contradicts the casino factor theory. As Chart 1 demonstrates, casino revenues in Las Vegas have risen every year since 1979. During the same years Las Vegas' crime rate relative to other cities has dropped consistently--from first in 1979 to eighty-second in 1990. This decrease in crime despite the growing number of visitors, casinos and gaming revenue, is exactly the opposite of what the professor's untested theory predicts.

CHART 1

The fluctuations in Atlantic City's crime rates make their inconsistency with the casino factor theory less obvious, but after analysis one reaches the same conclusion. As the professor's own projections for New Orleans indicate, the casino factor theory predicts crime increases directly proportional to casino square footage. The theory holds that increasing casino size proportionally increases crime. His study provides these projections:

Casino Size (sq. ft.)	25,000	100,000	300,000
New Crimes	956	3,802	10,817

The Atlantic City experience, however, is completely inconsistent with this conclusion. The number of casinos there increased 50% (from six to nine) between 1980 and 1981, yet only a minimal increase in crime was experienced. Between 1982 and 1987, casinos grew by 33% (from nine to twelve) yet crime remained fairly constant. Crime rates dropped measurably in 1984 and 1987, both of which were years in which additional casinos became operational. Between 1982 and 1990 gambling revenue in Atlantic City almost doubled from about \$2.5 billion to almost \$5 billion while crime remained relatively constant.

The casino factor theory, which was never validate by testing its equation against actual crime and visor spending figures of any specific jurisdiction (and it inconsistent with the experience of both Las Vegas and Atlantic City) is a generic model. It does not take into account the vast disparity in the specific crime factors that are present in different cities. Id does not address the question of what the likely impact on crime rates would be if an impoverished community like Atlantic City had its average daily population tripled by tourists, no matter how they spent their time and money upon arrival. It considers statistically insignificant the impact of police initiatives and performance and totally ignores what is perhaps them most important variable of all--the basic nature and decency of a people in a community. The theory, therefore, has as much to do with any community that allows or is considering gaming as it does with Las Vegas or Atlantic City; nothing.

The Illinois Riverboat Experience

The Illinois experience has surpassed all expectations and crime has, simply put, not been an issue at all. At the present time, nine Illinois towns have thirteen operational riverboat casinos. There is no better or more accurate way to say it; crime has not been a problem.

Joliet, Illinois is the most active of all Illinois riverboat communities. Its four boats, two on the outskirts of town and two in the heart of downtown, (shouting distance from City Hall) have almost 400,000 admissions and generate over \$30 billion

in gaming revenue per month. Shortly after the second boat became operational, Joliet Police Chief Joe Beazley and Will County Sheriff Tom Fitzgerald prepared the press release attached as Exhibit 3. On September 2, 1993 they jointly announced a 10.8% reduction in index crimes for the Joliet/Will County area for the first seven months of 1993. This decrease followed a 5.4% decrease in 1992. Joliet's number of index crimes since 1980 and the significant recent decreases that coincide with the advent of riverboat casinos is depicted in Chart 2. Perhaps the most significant is the fact that crime in the six block area around the downtown Joliet boat decreased approximately 12%.

Most other Illinois riverboat towns (Aurora, East Peoria, East St. Louis, Galena, Metropolis, and Rock Island) have also reported decreases in crime. Only two Illinois riverboat towns recorded crime increases. Peoria had a tiny increase, one that was much smaller than the increase that occurred in the year that preceded the opening of the riverboat. (East Peoria had a decrease in crime). Peoria officials attribute no particular problem to the boat. The sheriff does not believe the boat has caused crime. Alton, Illinois showed a modest increase in crime in 1992. Its police chief believes that the boat has caused a decrease in crime in the downtown area because of the number of people present and because of the better lighting which has been installed. The actual crime figures for these communities as reported to the Illinois State Police and FBI are set forth in Exhibit 4.

Anecdotally, chiefs, sheriffs, and line officers in riverboat towns are uniform in their belief that the boats have no effect on crime or because of improved lighting and the presence of crowds returning to once sparsely populated downtown areas, a positive impact. The most often heard remark is that riverboats are less of a police concern than local department stores.¹

Organized Crime

Probably no issue arouses more passion and poses more of a community concern than does the question of the potential involvement of organized crime in legalized gaming. Based upon a combination of history and Hollywood imagery, some people allege that organized crime will be able to infiltrate and exert control. Recent experience in Las Vegas and the total experience of Atlantic City and Illinois riverboats refute this belief.

Bugsy Siegal died in 1947. The Las Vegas that is still glorified in the movies is history. When Howard Hughes sold Trans World Airlines in 1966 for almost \$600 million, he earned the largest sum of money ever to come into a single person's possession at one time. With it he bought six properties generating 25% of the city's gaming revenue. Hughes' entry into Las Vegas gave the industry a newfound credibility and paved the way for investment by large and respectable publicly-traded corporations. From a regulatory standpoint, this change had significant advantages. First, the broad array of Securities and Exchange Commission and Internal Revenue Service disclosures served as a valuable backup to state regulations. Second, publicly-traded corporations are extremely sensitive about negative publicity and anything that might trouble stockholders, stock analysts, and investors. Third, such corporations tend to be extremely large and stand to lose a great deal should any misconduct be discovered which would jeopardize a license. Fourth, such corporations tend to have extensive and effective internal controls and the possibility of diverted revenue was further minimized.

¹ Names and telephone numbers of city, county, and state law enforcement personnel are available upon request.

For many years, organized crime has not been a factor in Las Vegas. Aggressive and thorough regulators, an ever vigilant FBI (whose retired agents continue that work throughout the gaming industry), and highly efficient and tightly-controlled publicly-owned companies have seen to that. In Atlantic City, organized crime never touched the casino industry. Starting with an effective system of licensing and regulation, New Jersey gaming authorities and the publicly-owned corporations doing business in Atlantic City have been completely effective in this regard. The Illinois riverboat experience has been equally successful.

While every jurisdiction that has recently considered or introduced gaming has had its share of doom sayers conjuring up images of The Godfather, it just isn't so. When retired (and much respected) U.S. District Court Judge Nicholas Bua chaired the City of Chicago Gaming Commission, he reported consensus among the United States Attorney, the Director of the Illinois State Police and the Assistant Special Agent in Charge of the Chicago FBI Division (the man who for over 10 years had had direct responsibility and supervision of all FBI organized crime investigations in Chicago), that if a land-based casino complex operated in Chicago, organized crime would not be a problem. The FBI spokesman in particular stated that "organized crime would probably not become a significant law enforcement issue." In the fall of 1993, Supervisory Special Agent Jim Moody, the man then in charge of the FBI's organized crime program at Bureau headquarters, testified before another House committee:

As legalized gaming spreads throughout the United States, we are seeing that those states with strong regulation and enforcement are not experiencing an influx of organized crime activity...

The gaming industry is a relatively closed industry. The individuals that manage and operate casinos will quickly recognize embezzlement or theft in their operations. Dishonest employees will be quickly identified and dismissed in casinos that are subjected to strong regulation and enforcement. Honest management will identify problem employees long before law enforcement. The vast majority of gaming operations are run as legitimate legal businesses. The gaming industry is very image conscious, profit driven, and has a vested interest in ensuring that the criminal element is kept out of the industry. With strict regulation, strong internal control, strong enforcement and constant vigilance, organized crime's infiltration can be impeded.

The FBI's observations are, of course, entirely consistent with the Illinois riverboat experience. There has not been a hint, not a wisp of an organized crime problem. Those who use glib rhetoric to raise the specter of organized crime like some bogeyman always fail to respond to this simple factual challenge:

Name an Atlantic City casino with an organized crime problem and specify the nature of the problem.

Name the Las Vegas casino that currently has an organized crime problem and specify the nature of the problem.

Name the Illinois riverboat with an organized crime problem and specify the nature of the problem.

These questions always go unanswered.

Conclusion

People have every right to debate the pros and cons of every manner of leisure activity; fishing, flying, off-roading, gaming and a thousand others. The use of misleading statistics and historical distortions to inject the bogeyman of crime into the discussion adds a great deal of heat but very little light.

EXHIBIT 1

STATISTICAL ABSTRACT

1990 Uniform Crime Report
1990 Total Part I Crimes (per 100,000 population)

1. Miami, FL	13,412	23. Fresno, CA	8,245	57. San Diego, CA	7,149
2. Odessa, TX	11,974	24. Charlotte, NC	7,954	58. Columbia, SC	7,133
3. San Antonio, TX	10,479	25. Topeka, KS	7,880	59. Seattle, WA	7,087
4. Dallas, TX	10,296	26. Savannah, GA	7,873	60. Pueblo, CO	7,086
5. El Paso, TX	10,286	27. Oklahoma City, OK	7,853	61. New Haven, CT	7,056
6. Atlanta City, NJ	10,136	28. Flint, MI	7,806	62. Tacoma, WA	7,052
7. Wichita Falls, TX	9,478	29. Bradenton, FL	7,789	63. Charleston, NC	6,976
8. Tucson, AZ	9,438	30. Waco, TX	7,715	64. Lincoln, NE	6,956
9. Ft. Worth, TX	9,381	31. Amarillo, TX	7,712	65. Detroit, MI	6,948
10. Albuquerque, NM	9,346	32. Jackson, TN	7,690	66. Newark, NJ	6,907
11. New Orleans, LA	9,302	33. Galveston, TX	7,674	67. Reno, NV	6,887.4
12. Jacksonville, FL	9,146	34. Ocala, FL	7,640	68. Oakland, CA	6,887.8
13. Austin, TX	8,919	35. Jersey City, NJ	7,634	69. Salt Lake City, UT	6,879
14. Fayetteville, NC	8,909	36. Memphis, TN	7,621	70. Jackson, MS	6,877
15. New York, NY	8,899	37. Beaumont, TX	7,536	71. Columbus, OH	6,833
16. Ft. Lauderdale, FL	8,847	38. Macon, GA	7,485	72. San Francisco, CA	6,829
17. Little Rock, AK	8,710	39. Los Angeles, CA	7,468	73. Shreveport, TX	6,803
18. Wilmington, NC	8,703	40. Sarasota, FL	7,458	74. Ann Arbor, MI	6,773
19. Corpus Christi, TX	8,687	41. Tyler, TX	7,447	75. Wichita, KS	6,761
20. Phoenix, AZ	8,683	42. Kansas City, MO	7,435	76. Muskegon, MI	6,778
21. Atlanta, GA	8,653	43. Boston Harbor, MI	7,426	77. Baltimore, MD	6,764
22. Yakima, WA	8,533	44. Tuscaloosa, AL	7,419	78. Huntsville, AL	6,760
23. Houston, TX	8,494	45. Melbourne, FL	7,413	79. Tulsa, OK	6,701
24. Laredo, TX	8,472	46. Littleton, CO	7,348	80. Greenville, SC	6,677
25. Baton Rouge, LA	8,399	47. Pine Bluff, AK	7,291	81. Monroe, LA	6,674
26. Orlando, FL	8,361	48. Toledo, OH	7,271	82. Las Vegas, NY	6,653
27. Stockton, CA	8,323	49. Burlington, VT	7,170		
28. Shreveport, LA	8,284	50. Daytona Beach, FL	7,150		

EXHIBIT 2

STATISTICAL ABSTRACT

1991 Uniform Crime Report

1991 Total Part 1 Crimes (per 100,000 population)

1. Miami, FL	12,786.1	29. Jackson, MS	8,417.0	57. Great Falls, MT	7,450.5
2. Odessa, TX	12,054.7	30. Stockton, CA	8,393.0	58. Beaumont, TX	7,386.3
3. Tallahassee, FL	11,353.3	31. Galveston, TX	8,370.8	59. Daytona Beach, FL	7,380.0
4. San Antonio, TX	10,453.0	32. Tucson, AZ	8,364.3	60. Columbia, SC	7,322.1
5. Atlantic City, NJ	10,242.3	33. Atlanta, GA	8,317.0	61. Jersey City, NJ	7,309.1
6. Ft. Worth, TX	10,143.4	34. Tampa, FL	8,267.9	62. Lawrence, KS	7,279.3
7. Dallas, TX	10,039.3	35. Houston, TX	8,188.7	63. Pine Bluff, AR	7,276.8
8. Wilmington, NC	9,771.9	36. Victoria, TX	8,180.7	64. Baltimore, MD	7,266.8
9. Lakeland, FL	9,715.8	37. Phoenix, AZ	8,179.4	65. Monroe, LA	7,245.9
10. Gainesville, FL	9,458.8	38. Tuscaloosa, AL	8,125.6	66. Florence, SC	7,213.2
11. Little Rock, AR	9,352.2	39. Oklahoma City, OK	8,048.0	67. Sacramento, CA	7,210.0
12. Jacksonville, FL	9,197.5	40. Charlotte, NC	8,035.9	68. Rockford, IL	7,208.4*
13. Fresno, CA	9,099.6	41. Shreveport, LA	7,968.8	69. Longview, TX	7,201.2
14. Albany, GA	9,083.7	42. Savannah, GA	7,951.2	70. Sarasota, FL	7,174.0
15. Fayetteville, NC	9,047.4	43. Bradenton, FL	7,907.8	71. Battle Creek, MI	7,170.2
16. Albuquerque, NM	8,984.8	44. Yakima, WA	7,871.6	72. Seattle, WA	7,153.8
17. Laredo, TX	8,966.7	45. Memphis, TN	7,798.6	73. Montgomery, AL	7,134.9
18. El Paso, TX	8,937.3	46. Flint, MI	7,733.9	74. Amarillo, TX	7,109.5
19. New Orleans, LA	8,839.5	47. Chicago, IL	7,727.5*	75. Texarkana, TX	7,108.6
20. Baton Rouge, LA	8,778.8	48. Los Angeles, CA	7,622.6	76. Brownsville, TX	7,092.4
21. Austin, TX	8,734.5	49. Lincoln, NE	7,612.5	77. Detroit, MI	7,056.4
22. Jackson, TX	8,704.1	50. Muskegon, MI	7,602.6	78. Toledo, OH	7,039.3
23. Corpus Christi, TX	8,685.9	51. Tyler, TX	7,577.0	79. Melbourne, FL	7,036.1
24. Wichita Falls, TX	8,582.5	52. Benton Harbor, MI	7,523.1	80. Las Vegas, NV	7,023.3
25. Topeka, KS	8,550.0	53. Wichita, KS	7,489.7		
26. Waco, TX	8,535.3	54. Kansas City, MO	7,478.5		
27. Ft. Lauderdale, FL	8,514.3	55. Oakland, CA	7,458.4		
28. New York, NY	8,484.4	56. Charleston, SC	7,454.4		

EXHIBIT 3

STATISTICAL ABSTRACT
1992 Uniform Crime Report

1992 Total Part I Crimes (per 100,000 population)

1. Miami, FL	12,336.4	29. Tyler, TX	8,086.1	57. Brownsville, TX	7,346.3
2. Tallahassee, FL	10,893.4	30. Tampa, FL	7,900.1	58. Savannah, GA	7,304.6
3. Gainesville, FL	10,757.6	31. Atlanta, GA	7,831.9	59. Waco, TX	7,151.9
4. Baton Rouge, LA	10,374.4	32. Tuscaloosa, AL	7,909.4	60. Memphis, TN	7,148.7
5. San Antonio, TX	9,488.3	33. Yakima, WA	7,809.3	61. Wichita Falls, TX	7,098.3
6. Jacksonville, FL	9,169.1	34. Odessa, TX	7,885.8	62. Anchorage, AK	7,056.1
7. Albany, GA	9,139.8	35. Oklahoma City, OK	7,836.9	63. San Francisco, CA	7,048.9
8. Atlantic City, NJ	9,154.3	36. McAllen, TX	7,802.9	64. Kansas City, MO	7,038.6
9. West Palm Beach, FL	9,078.3	37. Galveston, TX	7,768.6	65. Wichita, KS	7,014.1
10. Wilmington, NC	8,862.1	38. Charlotte, NC	7,733.8	66. Sumter, SC	7,007.5
11. Lakeland, FL	8,837.8	39. Orlando, FL	7,719.1	67. Yolo, CA	6,984.0
12. Corpus Christi, TX	8,767.8	40. Shreveport, LA	7,688.5	68. Sacramento, CA	6,958.8
13. Fresno, CA	8,736.9	41. Beaumont, TX	7,664.5	69. Houston, TX	6,947.7
14. Little Rock, AR	8,681.8	42. Panama City, FL	7,614.9	70. Columbia, SC	6,886.3
15. Jackson, TN	8,636.8	43. Victoria, TX	7,608.1	71. Nashville, TN	6,878.2
16. Ft. Lauderdale, FL	8,524.2	44. Lincoln, NE	7,578.7	72. Alexandria, LA	6,846.3
17. New Orleans, LA	8,512.9	45. Albuquerque, NM	7,556.3	73. Melbourne, FL	6,806.7
18. Ft. Worth, TX	8,491.5	46. Amarillo, TX	7,537.1	74. Seattle, WA	6,798.6
19. Dallas, TX	8,481.7	47. Monroe, LA	7,512.9	75. Billings, MT	6,788.1
20. Tucson, AZ	8,430.6	48. Sarasota, FL	7,479.8	76. Florence, SC	6,776.3
21. El Paso, TX	8,429.8	49. Laredo, TX	7,477.3	77. Ocala, FL	6,758.3
22. Myrtle Beach, SC	8,342.7	50. Phoenix, AZ	7,464.6	78. Tacoma, WA	6,755.9
23. Greenville, NC	8,354.5	51. Riverside-San Ber., CA	7,455.3	79. Boston Harbor, MI	6,753.6
24. Tampa, FL	8,339.6	52. Flint, MI	7,416.3	80. Las Vegas, NV	6,748.6
25. Fayetteville, NC	8,319.7	53. Los Angeles, CA	7,407.6		
26. Jackson, MS	8,173.1	54. Baltimore, MD	7,382.3		
27. Stockton, CA	8,172.0	55. Oakland, CA	7,363.8		
28. Austin, TX	8,131.1	56. Athens, GA	7,328.9		

In 1979 Las Vegas ranked 1st with 9,982.6 Part I Crimes per 100,000 population.

In 1980 Las Vegas was 3rd with 10,292.3

In 1981 Las Vegas was 4th with 10,297.0

In 1982 Las Vegas was 4th with 9,614.4

In 1983 Las Vegas was 8th with 7,994.1

In 1984 Las Vegas was 15th with 7,571.2

In 1985 Las Vegas was 35th with 7,328.3

In 1986 Las Vegas was 60th with 7,276.0

In 1987 Las Vegas was 60th with 7,271.2

In 1988 two states failed to report, so no ranking was possible.

In 1989 Las Vegas was 82nd with 6,717.1

In 1990 Las Vegas was 82nd with 6,655.3

In 1991 Las Vegas was 80th with 7,023.3

PRESS RELEASE

Joliet Police Chief Joseph Beazley and Will County Sheriff Tom Fitzgerald announce significant reductions in crime in the Will County/Joliet area. In the City of Joliet, for the first seven months of the year, Part I crimes (which include murder, criminal sexual assault, robbery, battery, assault, burglary, burglary to motor vehicle, theft, motor vehicle theft, and arson) declined by a total of 10.8%, compared to the same period last year. This decline is particularly encouraging in view of the fact that the City enjoyed a reduction of 5.4% during 1992.

In Will County, Part I crimes declined by 11.1% for this period. Will County had a decline in 1992 of 13.3% in Part I crimes.

Both Fitzgerald and Beazley indicated that fear of crime is a very significant problem, but they wish to present these statistics to allay unnecessary fears and to reinforce community crime prevention efforts. Sensational crimes and crimes in general are widely discussed and reported; however, crimes that do not occur cannot really be measured. Citizens and community groups, such as neighborhood watches, must be commended for their efforts along with the police officers who persevere to keep our communities safe. They cautioned against celebrating these declines since there is much yet to be done to reduce crime. However, they attribute any crime reduction to the better working relationship between the police and the community, and to the vigilance and hard work of citizens and law enforcement personnel. They further pointed to the better communications and cooperation between their departments. Credit was also given to multi-jurisdictional efforts such as MANS (Metropolitan Area Narcotics Squad), CPAT (Cooperative Police Assistance Team), and the Tri-County Auto Theft Unit. It is hoped that this working relationship will continue to grow with the further development of community-oriented policing in Will County and the City of Joliet.

9/02/93
A:PRESS

JOLIET POLICE DEPARTMENT

PART I CRIMES	1991 (1/01 - 12/31)	1992 (1/01 - 12/31)	DIFFERENCE	
			#	%
Murder**	23	18	(5)	(21.7)
Criminal Sexual Assault	69	64	(5)	(7.2)
Robbery	281	253	(28)	(10.0)
Battery	346	303	(43)	(12.4)
Assault	211	193	(18)	(8.5)
Burglary	1,363	1,310	(53)	(3.9)
Burglary to Motor Vehicle	1,419	1,208	(211)	(14.9)
Theft	3,091	2,993	(98)	(3.2)
Motor Vehicle Theft	1,170	1,169	(1)	(0.1)
Arson	58	90	32	55.2
TOTAL	8,031	7,601	(430)	(5.4)

(**) - Includes attempts. Actual murders for 1991 were 22, and for 1992 were 15.

JOLIET POLICE DEPARTMENT

PART I CRIMES	1992 (1/01 - 7/31)	1993 (1/01 - 7/31)	DIFFERENCE	
			#	%
Murder**	10	12	2	20.0
Criminal Sexual Assault	38	54	16	42.1
Robbery	139	136	(3)	(2.2)
Battery	191	174	(17)	(8.9)
Assault	121	90	(31)	(25.6)
Burglary	807	663	(144)	(17.8)
Burglary to Motor Vehicle	702	576	(126)	(17.9)
Theft	1,740	1,668	(72)	(4.1)
Motor Vehicle Theft	594	481	(113)	(19.0)
Arson	52	67	15	28.8
TOTAL	4,394	3,921	(473)	(10.8)

(**) - Includes attempts. Actual murders for both 1992 and 1993 through July were 5.



STATEMENT OF
RICHARD G. HILL, CHAIRMAN
NATIONAL INDIAN GAMING ASSOCIATION

Before the
United States House of Representatives
Committee on the Judiciary
Hearing on H.R. 497
The National Gambling Impact and Policy Commission Act

10:00 AM

September 29, 1995

Rayburn House Office Building, Room 2141

Washington D.C.

Mr. Chairman, my name is Rick Hill, Chairman of the National Indian Gaming Association.

NIGA's membership is composed of 140 Indian tribes whose tribal governments are involved in gaming enterprises to support their governmental operations and programs. NIGA was formed by the tribes to protect their sovereign governmental rights in this area, and to support their gaming interests in the Congress and elsewhere. We also have 43 associate members comprised of entities which have an interest in Indian gaming. On behalf of our member tribes, I want to express our appreciation to you for this opportunity to present our position on H. R. 497, the National Gaming Impact and Policy Commission Act.

GENERAL COMMENTS

Indian gaming represents only about 7% of the entire legal gaming industry in the United States. By way of comparison, Indian governmental gaming is dwarfed by the other form of governmental gaming, State lotteries and associated state-operated gaming, which comprises 37% of the industry. Commercial gaming, including casinos, horse and dog racing, OTB, and jai alai, represents 36% of the industry. The remaining 20% is composed of charitable gaming activities and miscellaneous gaming. Of the 550 Federally recognized Indian tribes in the United States, only 130, or less than one-fourth, have class III Indian gaming enterprises. These class III facilities are located in 25 states, as compared with the 37 states which have lotteries.

We understand that this bill, calling for a study of national gaming activity, may be opposed by the non-Indian commercial gaming industry, by State governments operating lotteries and other forms

of gaming, and by the national charitable gaming industry. We can understand, and sympathize, with that opposition because these groups can see the heavy hand of Federal regulation and taxation arising from such a study.

But, Mr. Chairman, despite unfounded allegations to the contrary, Indian gaming is the most regulated and scrutinized form of gaming in the United States. In 1988, Congress enacted the Indian Gaming Regulatory Act to protect gaming by Indian tribes "as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments". It was also passed to:

"(P)rovide a statutory basis for the regulation of gaming by an Indian tribe adequate to shield it from organized crime and other corrupting influences, to ensure that the Indian tribe is the primary beneficiary of gaming operations, and to assure that gaming is conducted fairly and honestly by both the operator and the player".

Out of the pre-existing power of tribal self-government, and Federal civil and criminal jurisdiction over aspects of tribal activities, and out of IGRA itself has arisen a complex, comprehensive web of regulations affecting Indian games.

Civil regulations and oversight of Indian gaming is maintained by tribal governments themselves, by the Bureau of Indian Affairs and the Secretary of the Interior, by the National Indian Gaming Commission, by the Internal Revenue Service, and by State governments under class III gaming compacts. Criminal jurisdiction over crimes directly related to, or growing out of Indian gaming,

is vested in the tribal law enforcement personnel, BIA law enforcement, the Federal Bureau of Investigation, the Justice Department, the Internal Revenue Service, and the States themselves in certain circumstances. What other form of legal gaming in this country is so infested with government regulation and control?

NIGA, in cooperation with the National Congress of American Indians, has formed a Indian Gaming Task Force to consider pending legislation and other actions affecting tribal gaming, and to develop a general position on such legislation and actions. On August 7, 1995, the Task Force agreed that, in regard to a proposed national study as envisioned by H. R. 497, consideration should be given to the application of Federal minimum standards to all gaming, whether conducted by or for the benefit of private, commercial, state, charitable or tribal governmental interests.

So, Mr. Chairman, while we may sympathize with the concerns of other segments of the gaming industry to the national study proposed by this bill, the tribes would have no objection to such a study if certain tribal concerns were addressed in the bill. First, any such study must remain a national study which will fairly and objectively look at every segment of the industry, including state government gaming activities. Second, as the bill requires that state interests be represented on the study commission by a governor, we insist that there also be an Indian tribal representative on the commission. Finally, the commission, in any consideration it gives to Indian gaming, should be required to consider such gaming in the context of the sovereign powers of tribal

government, and the government-to-government relationship between the United States and Indian tribes.

Why would we have no strong objection to this bill? Because, Mr. Chairman, our share of the gaming industry has already been subject to intense, often unfair and distorted scrutiny, by the press, the Congress, Executive agencies, by the several states, and by many anti-Indian gaming forces. For the last seven years, Indian gaming has been put under a public microscope. Reams of newspaper and magazine articles and comments have been written on our efforts, often with little or no objective journalistic investigation. Scores of national and local TV and radio programs and talk shows have focused on, and I quote, "the Indian gaming problem". Hours of House and Senate committee hearings have been allocated to congressional oversight of our efforts. What has all this attention to 7% of the legal gaming industry in this Nation shown?

From the very beginning of the growth of gaming as a means of raising tribal revenues, the opponents of Indian gaming, who perceived their economic interests to be threatened, have predicted a whole litany of evils which would result from Indian gaming. They have been quick to predict that organized crime would take over Indian gaming, and use Indian casinos for money laundering and skimming. Further, they asserted that un-organized crime, in the form of prostitution, robberies, and muggings would overwhelm the reservations and surrounding communities. Management companies would rip off the tribes, and corrupt tribal officials would embezzle all the profits.

It has been ten years since Indian gaming began to grow and seven years since enactment of IGRA. My own tribe, the Oneida of Wisconsin, has been involved in gaming for 20 years. To the chagrin of our opponents, the dire predictions they forecast for Indian gaming did not come true, and their scare tactics have not worked. Organized crime has not taken over Indian gaming. Witnesses representing the Justice Department and the FBI have appeared before Congressional committees on four occasions in the last four years, and expressly stated that they have no evidence of organized crime infiltration of Indian gaming, and only a few cases where some low level attempts may have been made. In those few cases where any semblance of organized crime has touched Indian gaming, it has been detected and eliminated, in most of those cases with initial action taken by the tribe itself.

There has been some small increase in local crime and community disruption which could fairly be attributable to the presence of tribal casinos. It would be surprising if that did not occur.

Economic success brings economic opportunism. In fact, Mr. Chairman, what tribes are experiencing is a net decrease in crime. This decrease comes in the areas of crimes of poverty: spousal and child abuse, domestic violence, small thefts, assaults and batteries, and other violations which spring from poverty, unemployment, alcoholism, and despair.

What did come true was the promise that gaming held for Indian tribes to provide a better future for their impoverished people, the promise that Congress sought to protect and foster in the enactment of IGRA. Several national and state-wide studies have already been made of the economic and social impact of Indian gaming. They have shown that about 290,000 jobs have

been created nationwide, with about 85% of those jobs held by non-Indians. Unemployment rates on and near reservations with Indian casinos have significantly decreased. Public assistance rolls and costs have dropped sharply. Small business activity has increased, and subsidiary businesses have been created. The tax base for city, county, state and Federal governments have gone up.

Attached to my statement is a representative list of the studies which have been conducted, and which set out in detail the results which I has discussed. The list includes studies done in Michigan, Wisconsin, Minnesota, Connecticut, New Mexico, and Washington. The studies were objective and conducted by highly regarded organizations or institutions, such as Deloitte Touche, Peat Markwick, and Coopers and Lybrand. The Deloitte Touche study was commissioned by NIGA to look at the national impact of Indian gaming.

As important as these studies have been in examining the social and economic impact of Indian gaming on the reservations and nearby non-Indian communities, the impact of Indian gaming can only be fully appreciated when viewed at the tribal government level. Indian gaming is not commercial gaming like the Trump Palace of New Jersey or the hundreds of casinos in Nevada. If Indian gaming, which is governmental gaming, must be compared, it should be compared with the gaming operations of state government, such as state lotteries.

Tribes use their gaming revenues to support tribal government, and a whole host of tribal government programs. Not only is this the reason tribes have gotten into this industry, it is a

requirement of Federal statute. IGRA, Section 11(a)(2)(B) provides that net revenues from Indian gaming may not be used for any purpose other than--

- (1) to fund tribal government operations or programs;
- (2) to provide for the general welfare of the Indian tribe and its members;
- (3) to promote tribal economic development;
- (4) to donate to charitable causes; and
- (5) to help fund operations of local government agencies.

To make the point of the impact and importance of gaming revenues on tribal government, it would be help to look at some actual examples of how tribal gaming revenue is expended.

The Sycuan Tribe of California has used its gaming revenue to build, among other things, a health center, a library, and a medical clinic, and to fund a fire department.

The Sandia Pueblo of New Mexico has built a wellness center, and the Miccosukee Tribe of Florida supports its own police department.

The Fort McDowell Indian Community of Arizona has built and funded new homes for their members, a health care center, a day care center, a day school, new police facilities, farm projects, legal services and many other benefits.

My own tribe, the Oneida Nation of Wisconsin, has used some of its gaming funds for the Oneida tribal elementary school; the Bay Bank, recently approved by the Federal Reserve Bank; a senior citizens center; and an industrial park with a Walmart, Sam's Wholesale Club, and other small retail shops.

In many cases, Mr. Chairman, tribes are using their net gaming receipts to meet critical needs of their governments and members in the areas of health, education, housing, welfare, economic development, and infrastructure. These are services which the United States has long had a trust responsibility to provide to tribes, and which it has uniformly failed to provide.

The very beneficial impact that Indian gaming has had on the social and economic conditions on the reservation and surrounding communities, and on the possibility of some degree of tribal self-sufficiency has not gone un-noticed by the general public. While there is a strong anti-Indian gaming force in the Congress and in other segments of the gaming industry, I think that your committee will be very surprised at the strong support for tribal gaming efforts among the general public. Surveys and public opinion polls have been conducted in several states on the question of Indian gaming. These polls include a national poll, and polls in the states of Washington, California, Arizona, Kansas, New Mexico, and Nebraska. Without exception, Mr. Chairman --- I repeat --- without exception, these polls show that the general public, while opposing the expansion of gaming in their states, strongly support Indian gaming. The range of support was from 58% in Kansas to 78% in Nebraska. While some politicians may not support Indian gaming because of pressure from special interest groups, the public does support Indian gaming because

they realize the importance of tribal gaming revenues in lifting tribes and their members from deprivation and poverty, and because they recognize Indian gaming as a recreational activity in which they would occasionally participate.

Finally, Mr. Chairman, I would like to address the issue of the morality of gambling. That issue will be raised in this hearing, and in any study which might be made of gaming. There are many citizens across this nation who view gambling and gaming activities as immoral, socially-corrupting activities. Some of the members of Indian tribes feel the same way. The citizens of the Navajo Nation, the largest Indian tribe in the country, recently voted to reject gaming as a source of revenue for their government programs, in large part, I suspect, because of the moral arguments. But I do not think, Mr. Chairman, that you and most of the members of the Congress have an understanding of the grinding poverty which has been the lot of Indian people for the last one hundred years. And I do not think that there is a good grasp among the members of Congress of the opportunity that gaming presents to tribes to begin to escape from such poverty and despair.

We also realize that some moralists will raise the matter of problem gamblers and attempt to attribute all of those problems to legalized gambling. **We believe that one person with a gambling problem is too many.** Consequently, Tribes directly address that issue. For example, the Minnesota Indian Gaming Association recently won an award for its efforts to deal with problem gambling. The Mashentucket Pequot Tribe provided 100% funding to the Connecticut program dealing with problem gamblers.

So I will not comment on the morality question except to say this. In the 1988 decision in the Cabazon case, the Supreme Court of the United States made clear that Indian tribes may not engage in gaming activities within their own territory and jurisdiction unless the laws of the State in which they are located has made such gaming legal for its citizens. If a majority of the citizens of any state wish to shut down Indian gaming on moral grounds, they have the power at hand to do so. They can force their own State government to amend the law to criminally prohibit all gaming for all citizens of the state. A total of 48 of the 50 states have gaming in some form. Only Utah and Hawaii do not have gaming. Utah has Indian Tribes, but those Tribes cannot game because there is no legal authority under state law, and consequently, under IGRA. But, it is hypocritical and economic racism for any of the other states to oppose Indian gaming.

One of the greatest members of the House of Representatives and one of the greatest advocates for Indians to have served in the House was former Congressman Morris K. Udall. On July 6, 1988, Mo Udall made a statement on the floor of the House in defense of Indian gaming. I would like to quote from that statement. He said—

"While I am personally opposed to gaming and, in particular, government gaming, I'm afraid the time for moral outrage is past. Gambling as a source of government revenue and charitable funding is too well established to raise moral arguments against the Indians."

Mr. Chairman, Indian gaming is fulfilling the promised envisioned by Congress when it enacted IGRA in 1988. We invite members of your Committee to help us protect and preserve what has become known as "the new Buffalo", and not let it be virtually destroyed the way the old Buffalo was. We invite honest and fair discussion and study which helps to improve the industry. This is viewed as means to help protect and preserve the integrity of gaming.

SPECIFIC CONCERNS IN REGARD TO H.R. 497.

1) Section 3, Membership. The bill provides for a Commission composed of nine members, three appointed by the Speaker of the House, three appointed by the majority leader of the Senate and three appointed by the President. One Commissioner must be a Governor. Since Indian gaming is one area of study, it would be appropriate to require at least one Commissioner be a member of a Federally Recognized Indian Tribe with expertise and experience in Indian gaming.

2) Section 4. Duties of the Commission. There is no specific mention of Commission examination of state lotteries. We believe this is an unconscionable omission. If Tribal gaming, which is governmental gaming, is to be examined in the study purporting to examine all gaming, the study should not overlook state lotteries, which is also governmental gaming. State lotteries comprise 37% of the entire gaming market, substantially more than Indian gaming.

3) Section 4. Duties of the Commission. The bill provides that matters studied include the economic impact of gambling on the United States, States, political subdivisions of States, and Native American Tribes. (By the way, the preferred statutory language is "Indian Tribes.") This

provision should be amended to include positive uses of gaming revenue. Indian gaming revenue expenditures are limited, by statute, to governmental and charitable purposes. The economic and societal effect has been primarily positive for Indian Tribes. These effects should not be overlooked by the Commission, unless it is the intent of the legislation to prejudge that there are only negative effects emanating from gaming.

4) Section 4. Duties of the Commission. The bill provides that matters studied include a review of the costs and effectiveness of state and Federal gambling regulatory policy, including whether Indian gambling should be regulated by states instead of the federal government.

The authors of the bill are urged to review the legal history of Indian Tribes in the U.S. and the record of the Indian Gaming Regulatory Act. Tribes exercise inherent sovereignty which predated the existence of the U.S.. The authority exercised by the Federal government is based on the "government-to-government" relationship, which has evolved from the U.S. Constitution, treaties, statutes and U.S. Supreme Court decisions. This Federal-Indian relationship is acknowledged and validated by the U.S. Supreme Court in the Cabazon decision, which supported Tribal authority to operate gaming free from state control and invited the Federal government to regulate Indian gaming. State regulation is simply inappropriate. Since the 1969 Indian Civil Rights Act, no state may exercise jurisdiction over any Tribe without consent of the Tribe. This is an issue that simply is best dealt with by the appropriate Congressional committee of original jurisdiction.

State gaming and Indian gaming compete for the same dollar. Placing Indian gaming under jurisdiction of the states would be an invitation to destroy the Tribal opportunity to raise governmental revenues which displace the reliance on Federal funding. A large record has been developed on exactly this issue in the Indian Gaming Regulatory Act and proposed amendments. Perhaps, instead the study could focus on the efficacy of Tribe's regulation of Indian gaming.

The entire issue of regulation is a very comprehensive and complex issue. NIGA has been working with the Senate Indian Affairs Committee and House Subcommittee on Native American Affairs for three years on this issue. NIGA supports the development of Federal minimum regulatory standards for Indian gaming to preserve and protect the integrity of the games. There will not be sufficient time for the H.R. 497 Commission to accomplish anything but a cursory examination of this issue, given the other large duties of the Commission. A misdirected Commission, however, could potentially do a great deal of harm to three years of negotiation and cooperative efforts within the Senate Indian Affairs Committee and House Subcommittee on Native American Affairs on regulatory legislation.

NIGA is strongly opposed to his provision and requests that it be removed.

5) Section 4. Duties of the Commission. Report. The bill provides the final Commission Report provide recommendations for legislation and administrative actions. NIGA believes that such recommendations for Indian issues are best left to the Congressional Committees of original jurisdiction, i.e. the House Resource Committee and the Senate Indian Affairs Committee, which

have the expertise and experience to structure Commission findings within the framework of often complex, existing law.

In conclusion, the National Indian Gaming Association again thanks the House Judiciary Committee for the opportunity to testify on this important legislation. NIGA is available for further information, questions and concerns regarding this testimony and any issues dealing with Indian gaming.

T E S T I M O N Y

Presented by
Frank J. Fahrenkopf, Jr.
President and Chief Executive Officer
of
The American Gaming Association

Before the
Committee on the Judiciary
of the
United States House of Representatives
on the proposed
National Gambling Impact and Policy Commission
Act (H.R. 497)

September 29, 1995

I. Summary

Mr. Chairman and members of the Committee, thank you for the opportunity to present testimony on H.R. 497, the proposed establishment of a National Gambling Impact and Policy Commission. As president and CEO of the American Gaming Association, I appear before you today to express the opposition of our membership to the legislation. The American Gaming Association's membership includes most of the industry's largest publicly-traded gaming-entertainment companies and companies licensed to manufacture and distribute gaming equipment.

Proponents are saying a commission is needed to study the ramifications of the growth of gaming so the general public, elected officials and others can have the information they need to make decisions about gaming. While that sounds good at first blush, a close examination of the real intent of the proponents, as manifested in their own rhetoric, shows that their intent is the complete abolition, on moral grounds, of the gaming-entertainment industry.

I realize that as a member of this Committee it is always easy to support a study or commission. After all, who could possibly be against gathering more information? Who can argue with a study?

When opponents of gaming ask, as *The Washington Post* did recently, why gaming proponents are afraid of a study, I respond by saying look carefully at the motivation of the commission advocates. Frankly, it is a lot like someone telling you "we're going to appoint a special counsel to look into your tax returns and personal finances -- and you ought to welcome it. Because if you are innocent, it will clear the air."

Well, ladies and gentlemen of the Committee, such a proposal is outrageous and unfair on its face. And it is especially ridiculous when it is clear proponents of this commission see it as a first step toward their moral goal of abolition. Once that first step is taken, you have started down the slippery slope leading to a claim of Federal jurisdiction and control.

Putting aside for a moment the motivation of the legislation's proponents, there are two fundamental questions raised by this legislation: (1) Does the abolition of and/or regulation of gaming fall within the jurisdiction of the Federal government; and (2) is a study really necessary? The answer to both questions is clearly -- No. No, the Federal government clearly does not have jurisdiction over gaming in the states. And, no, there is no demonstrated need for such a study.

I will cover each of these questions in more detail later in this testimony, but to summarize:

A. Regarding Jurisdiction. It seems to me that the primacy of the states on this issue should never be more apparent than in this institution at this point in time. This Congress has made its mark by returning to the states the rights that have been abrogated by the Federal government over the past 40 years. You have recognized the mandate of the 10th Amendment to the United States Constitution that states:

The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the States respectively, or to the people.

Gaming has always been a matter of state jurisdiction. It has always been within the purview of the people of each state to determine the scope and extent of its legalization within their own borders.

It is incomprehensible that at the request of gaming opponents this Congress would reverse the course of history and allow the Federal government to insinuate itself into an area that has always been under the jurisdiction of the states.

B. Regarding Need. Forty-eight of the 50 states plus the District of Columbia and Puerto Rico have some form of legalized gaming. They have not taken that responsibility lightly. In some states, they have relied upon the legislative process; they have funded their own studies; and they have held hearings and made their own decisions. In other states, the people have expressed their will at the ballot box. The people and elected officials of each state know what is best for their own state.

Proponents of this new commission would have you believe there is a lack of information. We have submitted a list of more than 200 studies that are current and relevant. And these studies are a small percentage of the information available.

I have also taken time later in this testimony to address some of the issues gaming opponents, the primary sponsors of this legislation, raise when citing the need for more information. They bring up the old specter of organized crime, increased street crime, poor economic performance and problem gaming.

I am not here today claiming that the gaming-entertainment industry does not have problems. We do, but the problems we have are no different than those of any large visitor-dependent entertainment industry. The short answers to our critics are: (1) *There is no organized crime problem.* (2) *The street crime problems are not unique to gaming.* (3) *The economic benefits far outweigh costs.* (4) *The gaming industry is taking aggressive action to address the small percentage of people with a gambling problem.*

II. The Question of Jurisdiction

This is not the first attempt by opponents of gaming to use a study to further their cause. Some years ago, Congress created a national commission to study gaming. Interestingly enough, one of the Senate members of that commission was the late Senator John McClellan of Arkansas, who made his reputation during the historical Senate investigation of organized crime and racketeering.

The Commission on the Review of the National Policy Toward Gambling, after three years and three million dollars, drew a primary conclusion that remains valid today. I am filing a complete copy of the 1976 report with my written testimony, but I would like to read the key conclusion of that study:

Because it is a social issue, the Commission has determined that gambling policy is the proper responsibility of the government entity closest to the lives of citizens – the state. ...States should have the primary responsibility for determining what forms of gambling may take place within their borders.

The Commission supported its conclusion by further stating:

The Commission does not believe that the Federal Government, which represents the Nation as a whole, should substitute its judgment for that of the individual States in this area. Gambling has customarily been controlled by State agencies, which can be flexible and responsive to local demands: the Commission finds no public interest in preempting this authority by the imposition of binding national standards...States should be left the determination of what forms of gambling, if any, are to be permitted; how to operate or regulate those forms of gambling that are authorized ...[and]...From a purely pragmatic standpoint, this should result in the evolution of more efficient and representative gambling policies in the United States, as different States experiment with different approaches, discarding those that are successful and emulating those that have been effective in other States.

There is absolutely no need for Federal intervention today, because the individual states are perfectly capable of making their own judgments.

In fact, the primary sponsor of this legislation acknowledged as much when he introduced it last January. In his address to the House of Representatives, Congressman Frank Wolf said that New Jersey and Nevada have extremely effective regulatory structures. I accept the Congressman's acknowledgment that Nevada and New Jersey are

effectively handling gaming policy, and would suggest that there is no reason to believe other states are not doing or cannot do equally well.

The bottom line is: whether to have gaming or not is the responsibility of each state. The states take these responsibilities seriously. Every election year new gaming-entertainment initiatives are considered by the voters on a state-by-state basis. The industry wins some and loses some of those votes, but it is the people in the state, people who would be directly affected by the outcome, who decide. In fact, in the 1994 election cycle, state or local initiatives were on the ballot in 16 states, plus the Navajo Nation. After careful study and consideration, the people in 11 states and the Navajo Nation voted against gaming. In two other states, the outcome of local referenda was mixed.

Ladies and gentlemen, the system works. We can trust the people to make decisions that directly affect them.

III. No Study is Needed

I must say I cannot, nor would I, argue that Congress does not have the jurisdiction to conduct a study, but proponents of this commission see it as a first step toward total abolition of gaming. As I said earlier, once this first step is taken, you have started down the slippery slope leading to a claim of Federal jurisdiction. And for what? The bottom line is that there is no need to spend the taxpayer's dollars on a Federal commission to study a state issue with the expressed purpose of developing data that already exists to help solve a problem that does not exist.

Proponents of this legislation say the study is needed because there just isn't sufficient, accurate data for the people and for elected officials at the state and local level to use in their deliberative process. They say a Federal study is needed to gather this information. That argument makes three equally inaccurate assumptions.

The first assumption proponents make is that a Federal study would provide information that would be equally valuable and useful in every state. Nothing could be further from the truth. Individual states make decisions based upon state and local issues such as economic conditions, tax base, labor pool, work force training, unemployment rate and welfare burden, etc.

Circumstances in states such as Mississippi, Missouri, Indiana and Virginia are likely to be totally unlike circumstances in Minnesota, Wisconsin, Oregon or Illinois. Each state must study and do its own analysis and, based thereon, the voters or their elected officials can make the right decisions. And ladies and gentlemen, that is exactly what has been happening around the country. As I said, in 1994 alone, 16 states and the Navajo Nation considered gaming issues and 12 and the Navajo Nation rejected those initiatives.

Just across the District line the state of Maryland is considering the issue of casino gaming. They are going about it the right way. They have appointed a special commission to study the issues as they affect Maryland. Through hearings and research, the elected officials of Maryland will have the information they need to make the decision that is right for Maryland. That is as it should be. However, another state without a horse racing and horse breeding industry, for example, would not benefit from the Maryland study, as it would not be responsive to that state's particular condition or needs.

Which brings me to the second assumption proponents of legislation make -- that there is inadequate information.

There is no shortage of information and studies. In fact, the very people who say we need the study because we don't have enough information use studies to make their case. I have submitted with my written testimony a list of more than 200 studies. And I am certain we have captured only a fraction of all the research that exists. These are studies done by independent, reputable firms such as Andersen Consulting, Ernst & Young, KPMG Peat Marwick and Smith Barney, and by many state legislatures or state research institutions in such states as Illinois, Wisconsin, Massachusetts, New York and Minnesota. These studies contain ample data on the very issues the proposed commission would study.

Let me review just three of the existing studies. These should give you an idea as to the quality of the studies that have been done.

(1) Riverboat Gambling and Crime in Illinois, Illinois Criminal Justice Information Authority, May 1994

This study was done after riverboat gaming had been in existence for two years. It was prepared for the City of Joliet and the Illinois State Legislature in response to concerns about the impacts a riverboat casino can have on the crime and law enforcement activities in a particular community. The three major findings are: (1) Riverboats are viewed very positively by city officials and law enforcement personnel based upon their interaction with riverboat staff; (2) Riverboat security personnel and local law enforcement tend to have close, positive relationships; and (3) Overall patterns of service calls and crime incidents in the City of Joliet and other Illinois riverboat towns remained stable or even declined after the riverboats began service.

(2) Toward Expanded Gaming: A Review of Gaming in Massachusetts (September 1993); *Toward Gaming Regulation: Part I: Crime* (January 1994); and *Toward Gaming Regulation: Part II: Problem Gambling and Regulatory Matters* (March 1994); Commonwealth of Massachusetts, Senate Committee on Post Audit and Oversight

This three-part study included a series of public hearings and examined the social and economic impacts of gaming. The study suggests that the state expand the state gaming commission, limit and regulate lottery expansion, and legalize four casino

licenses based on strict requirements and regulations. The crime study found that there has been no increase in the number of public corruption cases in states which have legalized casino gaming, and that there is no statistical evidence proving that the introduction of gaming in a community will cause an increase in the crime rate. The third part of the study recommended that the state increase problem gambling education and treatment, using funds from the state lottery and the racing and gaming facilities.

(3) Staff Report on Casino Gaming Legalization, New York State Senate Finance Committee, Subcommittee on Racing, Gaming and Wagering, June 1994

This study is based on public hearings held throughout the state and on research by subcommittee staff. The report recommended that New York adopt and implement casino legislation. The staff also proposed strengthen further the regulatory, local referenda and licensing provisions contained in the legislative proposals. The report concluded that cooperative efforts with the racing industry, limited licensing, local referenda and public participation in development, along with specific enabling legislation, would lead to greater economic development potential for the state.

These are just three of the scores of studies that are already available. They not only demonstrate that such information exists, but that states are perfectly capable of conducting their own studies and reaching their own conclusions.

IV. Major Criticism of the Industry

I must conclude by commenting on four of the criticisms gaming opponents make of our industry.

A. The Question of Problem Gaming. The American Gaming Association has met with prominent leaders in the field who tell us that the vast majority of 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 compulsive gamblers. Prevalence studies conducted in fourteen states show that the percent of those with a problem ranges from 1.7% in Iowa to 6.3% in Connecticut. Our view is that one problem gambler is one too many, and as good citizens it is our responsibility to address the problem through public education, corporate training and basic research.

A number of our members have been working with state and national organizations for many years to develop proactive corporate policies, public service announcements, employee assistance programs, funding of hotlines, speaker's bureaus, and training of employees. The American Gaming Association will continue this effort. We have created an industry-wide task force to develop a long-range strategy to reduce gambling addiction, raise public awareness and provide models for early intervention and treatment. Working in partnership with public and private organizations, we will promote industry-wide training programs and public outreach techniques.

We have also established a national foundation to (1) research improved treatment methodologies, (2) hold national conferences and seminars, and (3) develop and fund 1-800 hotlines for those seeking assistance.

In addition to the AGA's efforts, numerous states have independently developed programs to address the issue of problem gaming. To cite a few examples:

- * The Mississippi Casino Operators Association and the local business community funded a public policy think tank to create a blueprint for the management of problem gaming in that state. Based upon think tank recommendations, the association will provide over \$500,000 annually to fund a 1-800 hotline.
- * New Jersey devotes the first \$600,000 in fines collected by the gaming commission to this problem annually.
- * Washington, Minnesota, Iowa and Missouri are among the states that have adopted policies and pledged resources to assist in public awareness and research activities.

The bottom line is that the vast majority of the public does not have a problem with gaming, and those who don't have a problem should have the opportunity to enjoy gaming if they choose to do so.

B. The Question of Organized Crime. It is time the organized crime issue was put to rest. There is no showing anywhere, be it FBI reports or other law enforcement reports, of organized crime activity in today's gaming-entertainment industry. To the contrary, gaming-entertainment today is owned by the same people who own other major industries -- stockholders. More than 75 publicly-traded companies, all under the stringent scrutiny of the SEC, own gaming interests. To give you an idea of who owns some of the major gaming companies, institutional investors own 80% of Caesars, 81% of Circus Circus, 37% of Hilton, 67% of Mirage and 72% of Harrah's.

In addition to the quality of ownership, no other industry has stricter regulation within the states. Nevada employs 372 regulators and spends \$19 million to see that only legitimate interests are involved in gaming. In Nevada, CEOs, chief accountants, secretaries, all officers engaged in gaming, directors with over 1% of stock, and shareholders who own more than 10% of the company must all be investigated and licensed by the gaming commission.

New Jersey has similar laws, employs more than 800 regulators and spends \$57 million to regulate its gaming.

Nevada and New Jersey are successful models other states are using in developing their own regulatory system. I will not argue that every state is doing the type of job Congressman Wolf agrees is being done in Nevada and New Jersey, but most of them have adopted stringent regulatory regimes, thereby demonstrating that states do not need Federal meddling to do a good job.

In fact, Jim Moody, supervisory special agent, FBI Organized Crime Program, in Congressional testimony in 1992 said, "As legalized gaming spreads throughout the United States, we are seeing that those states with strong regulations and enforcement are not experiencing an influx of organized crime activity."

C. The Question of Increased Street Crime. Critics and naysayers notwithstanding, there is absolutely no credible evidence that shows the introduction of legal gaming, because of the nature of the business, increases crime. An increase in the number of tourists in any community will bring more crime regardless of the venue. A perfect example of this is what has happened in Orlando, Florida. No one would argue that Mickey and Minnie Mouse cause more crime, yet according to the FBI, Orlando has a higher crime rate than Las Vegas (In 1992, Orlando experienced 7,719 crimes per one hundred thousand population compared to 6,749 for Las Vegas.) And when you consider the visitor-adjusted population, Orlando's crime problem exceeds both Las Vegas and Atlantic City (Visitor-adjusted 1992 crime statistics per one hundred thousand: Orlando, Florida--6,712; Atlantic City, New Jersey--6,576 and Las Vegas, Nevada--5,284.) (Source: WEFA Group, 1994.)

For example, in Illinois, State Police records indicate that overall patterns of service calls and crime incidents remained stable or even declined after the riverboats began service in the state. In fact, many communities with riverboat gaming, from Alton, Illinois to Davenport, Iowa to Gulfport, Mississippi, experienced decreased crime rates between 1990 and 1993. (Source: Ted Chiricos, Florida State University School of Criminology and Criminal Justice, 1993.)

D. The Question of Economic Benefits. Don't take my word for it. Ask the more than one million men and women whose jobs directly or indirectly support the industry about the economic benefits. Or ask the state and local governments that receive billions of dollars of tax revenues (\$1.4 billion from the casino industry alone in 1994). There is no question that, just as with any expanding industry, some areas of the country will do better than others, but in the overwhelming number of cases, gaming-entertainment has been a boon to the communities where it is established.

As I have said, ask the people of Tunica, Mississippi, the Quad City area of Iowa or, Alton, Illinois. Even *The Washington Post*, no friend of gaming, in a July 20, 1995 editorial acknowledged that Connecticut, Louisiana, Mississippi, Oregon, South Dakota and Nevada have "reaped large fiscal benefits from the spread of gambling."

In any economic situation there are businesses that succeed and some that do not, but the evidence in support of the economic benefits is overwhelming. The following are a few facts that demonstrate the economic impact of gaming:

- * In 1994, casinos paid \$6.8 billion in salaries.
- * Each \$100 *million* in casino revenues brings with it \$21.7 *million* in direct supply purchases, which generates 228 full & part time local jobs.
- * Between 1992 and 1993, Atlantic City casinos spent more than \$2 *billion* on supplier industries, 70% (\$1.42 *billion*) of that was spent within New Jersey; \$917 *million* of that in Atlantic County.
- * In 1994, Harrah's estimated spending on goods and services in Illinois was \$27.5 *million*, 61% going to local vendors.
- * Home prices rose faster on the Mississippi Gulf Coast than anywhere in the U.S. during 1994, primarily due to casino business.
- * After gaming was introduced, Bay St. Louis, Mississippi reduced (in 1992) property taxes by 85% and still increased its budget by \$2.5 million.
- * Between 1991-92, property values in Joliet, Illinois increased by 11%. When a second riverboat opened in 1993, values jumped another 12% over 1992-1993.
- * Local areas within 35 miles of the 17 Native American casinos in Wisconsin enjoy a \$400 million net economic gain from gaming revenue and new visitor spending.

In Atlantic City, it is true that the number of restaurants fell from 243 in 1977 to 146 in 1987, but when you look at the Atlantic City Metropolitan Statistical Area (MSA) which includes Atlantic County, the number of restaurants increased from 383 in 1977 to 848 in 1987, an increase of 120%.

Another culprit that opponents trot out is known as the "substitution theory." Somehow opponents argue every dollar spent on gaming, apparently unlike any other new industry, results in the loss of revenue somewhere else. That same logic for some reason isn't applied to money spent purchasing entertainment from theme parks, or movies, or baseball games. The "substitution theory" is highly controversial, to say the least.

The bottom line is there is a net increase in jobs and tax revenues, two positive economic indicators, when gaming-entertainment is introduced into a community. In other words, the economic pie gets bigger. We will take the facts over the theory any time.

V. Conclusion

We are not concerned with the outcome of an objective study. We have already seen what such a study will find (see the 1976 report). We are concerned with the manipulation of the process of the study and the final results by the proponents of this legislation -- lead by avowed, avid opponents of our industry.

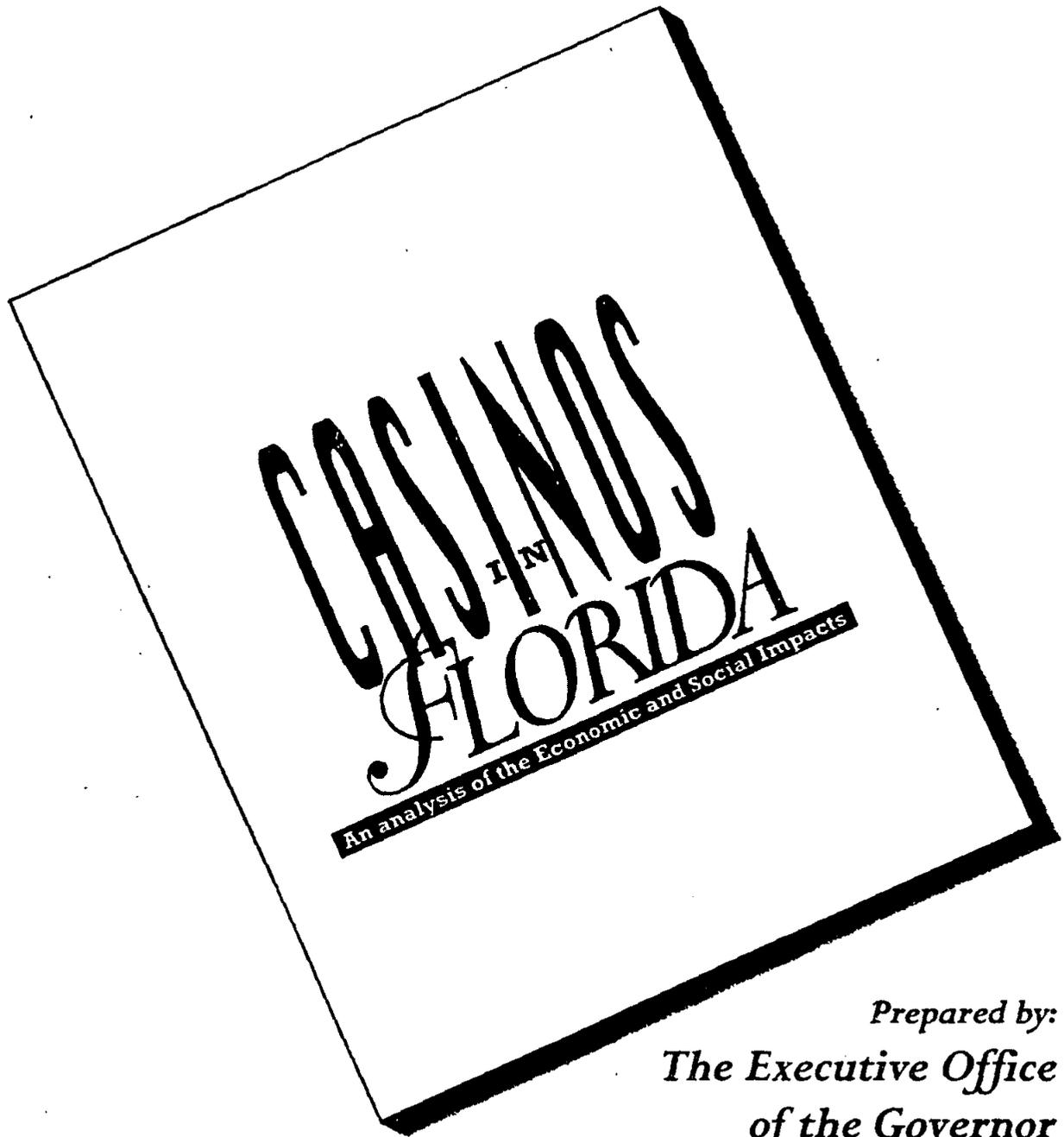
There is no need for such a commission. It would be an unnecessary expenditure of taxpayer dollars on an exercise that would only result in repetition of information already available.

Those who oppose gaming-entertainment have been very effective in making their case on a state-by-state basis and that is where the debate belongs.

Mr. Chairman, let me conclude by saying simply: A commission to study the issue sounds logical and safe, but it will be costly and serve no purpose. In short, there is no need for the proposed commission. Those who oppose gaming have every opportunity to take their case to the states where our founding fathers intended such decisions to be made. That is where the debate belongs.

CASINOS IN FLORIDA

An analysis of the Economic and Social Impacts



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CASINOS

Executive Summary

CASINOS

Casino industry officials promote the legalization of casino gambling as an incredible economic development tool, producing substantial revenues for government and growth in local economies. Research demonstrates this to be true - for small or isolated jurisdictions.

Gambling destinations appear to be successful, to the extent they can export their product. Traditional views of gambling picture tourists coming from all over the nation to participate in this unique experience. As gambling continues to spread across the nation, market saturation reduces the pool of potential tourists and forces casinos to rely upon local residents as patrons.

In examining the impacts of legalizing casinos in Florida, it was determined that:

1. State gaming tax revenues (at a rate of 16 percent on revenues) would range between \$324 million and \$469 million each year.
2. Existing annual pari-mutuel and Lottery revenue sources would decrease by at least \$14 million and \$85.5 million, respectively.
3. Recurring sales tax revenues would experience a net decrease of at least \$84.7 million as Floridians diverted some of their existing taxable spending to casinos.
4. Crime and social costs attributable to casinos would total at least \$2.16 billion annually.
5. When comparing annual projected state tax revenues to costs, the state would experience a substantial deficit each year.
6. 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.

Florida's substantial population and geographic size make it impossible for the state to export its casino problems to other areas while retaining revenues in state. This system works well for Atlantic City, New Jersey, which draws substantially off the gambling markets of New York City, Washington, D.C., Philadelphia and other heavily populated areas. It has also supported the City of Las Vegas which initiated casino gambling when there was relatively no other competition. Still, the City has required major adjustments to maintain its tourist market, such as appropriating a \$48 million tourism promotion account each year and developing Orlando-style theme parks.

Unlike Mississippi, which suffered from some of the most impoverished conditions in the nation, Florida has much to lose from casino gambling and, apparently, little to gain. The stakes are high and the payoff low.

CASINOS

Introduction

As voters prepare, for the second time in less than ten years, to decide the fate of casino gambling in Florida, they must have accurate information on which to base their decision. To this end, the Governor has authorized the Office of Planning and Budgeting, with input from several state agencies, to study the potential impacts of casino gambling on our state. The study is intended to provide information to public officials who will be reaching and communicating decisions to Florida voters, to public agencies preparing for potential casino impacts, to the Legislature for consideration in developing future legislation and to Florida residents through the media.

Section 186.006, Florida Statutes, states that the Executive Office of the Governor shall 1) identify and monitor on a continuing basis statewide conditions and trends which impact the state, 2) designate, and prepare or direct to be prepared, specific data, assumptions, forecasts, and projections for use by each state or regional agency in the preparation of plans, 3) provide such data and information to public and private agencies and to the public as it may have available. This study of the impacts of legalizing casino gambling in Florida assists the Governor in meeting his duties as chief planning officer and assists in the development of revenue forecasts necessary to generate the Governor's Recommended Budget for fiscal year 1995-96.

This study is composed of four primary sections: Florida's Current Gaming Environment, Economic and Tax Impacts, Crime and Social Impacts, and Conclusions and Recommendations. The first chapter examines the current condition of Florida's gaming environment, including the constitutional prohibition against casino gambling. Other states are examined as well as the various proposals circulated this year for possible constitutional amendment. This chapter clarifies Florida's present situation on Indian Gaming. A number of articles contend that Florida will have Indian gaming regardless of the success of the Constitutional amendment; in fact, Florida will only be required to negotiate Indian gaming compacts if the state legalizes gambling through passage of a constitutional amendment.

The economic and tax analysis contained in chapter three assesses conditions under the Proposition for Limited Casinos proposal, the only citizens' initiative scheduled to appear on the November 8 ballot. The chapter estimates potential casino gaming tax receipts, effects on Lottery and Pari-Mutuel revenues, substitution effects impacting sales tax, and local government tax receipts.

Regardless of the tax impacts identified, voters should be informed that casinos may not produce any new revenue for the state if voters simultaneously approve the tax cap amendment appearing on the same ballot.

When the 1994 Florida Legislature passed House Joint Resolution 2053, proposing a constitutional amendment relating to state revenue limitation, it did not contemplate revenues from casino gambling. If approved by the voters at the November 8, 1994 election, certain state revenue collections would be subject to limits based on revenue collections in the base year of 1994-95, and income growth over the most recent 5-year period. Each fiscal year, the revenue limit or cap would increase from the prior year's cap by the average annual growth rate in Florida personal income over the most recent 20-quarter period. The Legislature could increase the cap beyond this formula only by a two-thirds vote of each house.

If HJR 2053 is approved by the voters, there could be important implications for casino gambling in the state. The language of the Proposition for Limited Casinos proposal (the only proposal to achieve enough signatures for placement on the November ballot) requires that casinos would not be allowed to operate in Florida, and therefore, gaming taxes would not be collected, until after July 1, 1995. The implication is that any net new state revenues resulting from casino gambling will not be in the initial base for purposes of the revenue cap.

Any imposition of gaming taxes must take into account the limitations of a revenue cap. An extraordinary vote might be required initially, depending on available unused state revenue capacity. During the first two or three years of casino operations, net gaming tax revenues are likely to grow well in excess of the rate of state personal income growth used to calculate the revenue cap. The Legislature may elect to reduce existing tax sources in favor of a tax on casinos in order to meet the requirements of a revenue cap. Under this scenario, there would be no net gain in state revenues and, therefore, no additional revenues to mitigate casino impacts and provide necessary regulation and services.

Chapter three considers the societal impacts of casino gambling with special emphasis on costs. Crime, problem gambling behaviors and family impacts are considered along with the costs of incarcerating individuals.

The final chapter provides a summary of the total impacts of casino gambling. It also provides recommendations for consideration by the Legislature in the event a constitutional amendment is adopted by the voters. These recommendations will not mitigate the impacts described in the study but are designed to protect against uncertainties.

CASINOS
Florida's
Current Gaming
Environment



CONSTITUTIONAL PROHIBITION

Lotteries, broadly defined by Black's Law Dictionary to include any games of chance requiring a payment for the opportunity to win a prize, are expressly prohibited by Article X, section 7 of the Florida Constitution. Two exceptions to this constitutional prohibition on gaming exist.

First, pari-mutuel pools as authorized in chapter 550, Florida Statutes, are specifically allowed by Article VII, section 7 and Article X, section 7 of the Constitution. Currently, Jai Alai, horse racing, and dog racing are the only games that qualify to operate in Florida. The pari-mutuel industry here, as in most states where one exists, is heavily regulated. Oversight is provided by the Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering.

Second, a state-operated lottery is authorized in Article X, Section 15 of the Florida Constitution. Named the Florida Education Lotteries (FEL), the state lottery was proposed by citizen initiative in 1985, adopted by the voters in 1986, and enacted by the Legislature in 1988. The Department of the Lottery coordinates FEL activities. The proceeds derived from these activities are deposited into the State Education Lotteries Trust Fund, and are subsequently appropriated by the Legislature. To date, the FEL has generated approximately \$4.7 billion for the Education Enhancement Trust Fund at the Florida Department of Education.

FLORIDA'S CURRENT GAMING LAW

Legislative direction regarding gaming, penalties for non-compliance, and disposal of confiscated gaming-related property is detailed in Chapter 849, Florida Statutes. The chapter also further clarifies exceptions to the Constitutional prohibition on gaming. For example, while high-stakes card games cannot be conducted, certain "penny-ante" (less than ten dollar pot) games between adults conducted in a residence are permissible (s. 849.085, Florida Statutes). Additionally, exceptions are granted for charitable, nonprofit, veterans, mobile home and condominium associations to conduct bingo games, with restrictions (s. 849.0931, Florida Statutes), and for certain bowling tournaments to be allowed where the participants pay an entry fee and become eligible to win the tournament purse or prize (s. 849.141, Florida Statutes).

FLORIDA'S CONSTITUTIONAL AMENDMENT PROCESS

In order to be placed on the ballot for consideration, Article XI, section 3 of the Florida Constitution requires that initiative petitions bear signatures of at least eight percent of the electorate from at least twelve U.S. Congressional districts. The eight percent figure is based on the number of Floridians who voted in the most recent presidential election; for petitions to be filed by the Secretary of State for the 1994 ballot, this figure is 429,428. Article XI, section 5 of the Constitution further requires that more than 90 days elapse before an initiative petition can be submitted to the voters for consideration during a general election. This set the filing deadline for placement on the 1994 ballot at August 9, 1994.

Section 100.371, Florida Statutes, and Rule IS-2.0091, Florida Administrative Code, require that initiative petitions be submitted for verification to the supervisor of elections in the county in which they were circulated. These petitions must be submitted in a timely manner, as it is the local supervisors that certify the signatures to the Secretary of State by the August 9, 1994, deadline. Elections supervisors certify that the signature presented belongs to a registered voter in the county in which the petition was filed.

Before any signature is collected, section 100.371, Florida Statutes, requires the sponsor of the initiative to register as a political committee pursuant to section 106.03, Florida Statutes. The sponsor is further required to submit a sample of the petition to the Division of Elections for approval prior to the circulation of the proposed initiative to ensure that the form meets the statutory requirements regarding size and format of the proposal.

Once ten percent of the required signatures have been certified to the Secretary of State (42,943 signatures for the 1994 ballot), section 15.21, Florida Statutes, requires the Secretary of State to immediately submit the initiative petition to the Attorney General. Pursuant to section 16.01, Florida Statutes, the Attorney General has 30 days from the date of receipt of the proposed initiative from the Secretary of State to petition the Florida Supreme Court for an advisory opinion addressing whether the proposed initiative meets statutory and constitutional requirements. The Florida Supreme Court's jurisdiction in the initiative process is further clarified in sections 15.21 and 16.06, Florida Statutes.

CONSTITUTIONAL PETITIONS FILED

Five pro-casino initiatives attempted to win a place on the 1994 general election ballot by the August 9, 1994, deadline. Copies of these initiative petitions are located in Appendix A. Below is a brief description of each of the proposals.

Proposition for Limited Casinos:

This Tallahassee-based petition drive would legalize approximately 47 to 52 casino sites in Florida. These casinos would consist of twelve free-standing hotel or land-based casinos, one casino with each of Florida's pari-mutuel sites (those that have conducted a pari-mutuel meet in each of the two immediately preceding 12-month periods) and five riverboat casinos. Riverboat casinos are limited to those counties that do not have a land-based casino (excluding pari-mutuel casinos) and may not maintain a gaming area exceeding 40,000 square feet. No more than one riverboat can be located in any one county.

As of March, 1994, there were 31 open tracks and frontons with operating wagering permits and up to four additional non-wagering permits. A listing of current pari-mutuel permit holders is provided in Appendix B. Gaming areas in pari-mutuel facilities may not exceed 75,000 square feet.

Of the land-based casinos, one each is to be established in Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas counties; two in Broward County; and three in Dade County (two in Miami Beach, with one of those being in the South Pointe Redevelopment Area). This initiative

has been criticized for its connection to German industrialist Thomas Kramer, who owns the South Pointe Redevelopment Area. A square footage requirement is not specified for these land-based casinos.

The primary beneficiaries of this proposal are the pari-mutuel owners and large casino companies. Correspondingly, the primary financial contributors to this measure include sixty percent of the state's pari-mutuel interests and various casino companies, such as Hilton, Harrah's, Mirage, Rio, Hollywood, Station, and Lady Luck.

Florida Locally Approved Gaming:

This petition drive, based in Miami, would legalize hotel casinos of at least 1,000 guest rooms in counties with at least 500,000 residents and up to ten riverboat casinos in counties with at least 200,000 residents. Riverboats are defined as self-propelled, non-stationary, excursion vessels. The measure requires that each county and municipality have the right to accept or deny gaming activities within its jurisdiction.

The major backers and financial contributors for this initiative are Bally Manufacturing Company, one of the nation's largest casino companies, and Charles Fernandez, a Miami-based media consultant. The primary beneficiaries of locally approved gaming are casino companies, riverboat interests, and some large hotels.

The Safe Bet For Florida Committee:

Working out of Orlando, the Safe Bet initiative would allow up to 21 riverboat casinos to operate within the state. A cap of four riverboats per county is further established and each affected county and municipality is given the right to deny docking or shore privileges within its jurisdiction. Riverboat patrons must remain on the vessel for a minimum period of time established by legislative act and must depart the vessel after a maximum time period set by law. Gaming tax revenues are targeted for law enforcement, prisons, economic development and local government distributions.

The primary beneficiaries from the passage of this initiative are riverboat gaming interests. The largest financial contributors to this measure are the Florida Riverboat Corporation, Carnival Cruise Lines, and Hospitality Franchise Systems.

Proposition for County Choice Gaming:

Based in Miami, this initiative would allow individual counties to choose any combination or none of the forms of casino gaming, such as free standing casinos, hotel casinos, riverboat casinos, or casinos at live wagering pari-mutuel facilities. Revenues from casino gambling are targeted for crime prevention, education, senior citizens, and the State Tourism Trust Fund.

Florida Gaming Association:

This petition drive ran out of money and withdrew in July. It would have allowed casinos on pari-mutuel sites, riverboats and cruise ships, and in hotels in three designated gaming districts. Tax revenues generated under this amendment would have been directed to the general fund.

With 441,400 signatures verified by the Department of State, only the Proposition for Limited Casinos collected enough signatures to qualify as a citizen initiative by the 5:00 p.m. deadline on Tuesday, August 9, 1994. With 373,839 and 368,539 verified signatures, respectively, Florida Locally Approved Gaming and the Safe Bet for Florida Committee came close to the 429,428 signatures required. Rule 1S-2.0091, Florida Administrative Code, permits signatures collected to remain valid for four years from the date that the petition is signed. Consequently, the failed initiative organizers can potentially use these signatures again in 1996 and 1998.

In order to be placed on the ballot, the Proposition for Limited Casinos was required to pass scrutiny by the Florida Supreme Court. Oral arguments were presented on August 23, 1994. The Supreme Court does not rule on the merits of the issue, but on an initiative's compliance with constitutional and statutory requirements, primarily that the amendment embraces a single subject and contains a clear ballot summary understandable to the public.

Attorney General Bob Butterworth submitted an opinion to the Court (Appendix C) arguing against the constitutionality of the Limited initiative. The opinion states that including "limited casinos" in the title is misleading to the voters, who may not be aware that the measure authorizes nearly fifty gaming facilities. The Limited initiative was also accused of violating prohibitions against "log-rolling." Log-rolling, the practice of "rolling" more than one issue together and giving voters an all-or-none choice, is prohibited in Article XI, section 3, Florida Constitution, which requires that all proposed initiatives embrace only one subject.

The Supreme Court ruled that the amendment met the requirements prescribed in Florida's Constitution and may appear on the ballot for possible voter approval on November 8, 1994. Appeals were filed, requesting further review by the Supreme Court, paying particular concern to the preferential treatment provided to the Southpointe Redevelopment Area; however, the Supreme Court elected not to hear the appeals.

INDIAN GAMING

The Indian Gaming Regulatory Act was created by Congress in 1988. It allows tribes to participate in gaming activities on tribal lands meeting the requirements of the Act. The Act divides gaming into three classes:

Class I: Traditional, ceremonial tribal games;

Class II: Bingo, Keno, and games similar to these; and

Class III: All other gaming, such as casino gambling, pari mutuel wagering, video games, and the lottery.

Because Class III gaming encompasses the most lucrative and controversial forms of gambling, Congress requires a tribe to negotiate a tribal state compact before participating in Class III gaming on tribal land.

Currently, there are 318 federally recognized tribes within the United States. As of June, 1994, 84 tribes have signed almost 100 state compacts to participate in some type of Class III gaming on tribal land (Zelio, page 38). Tribal casinos are operated in Minnesota, Wisconsin, Connecticut, New York, Washington, Iowa, Louisiana, Michigan, Nebraska, North Dakota, South Dakota, and Mississippi. All but four of these states (Iowa, Louisiana, South Dakota, Mississippi) prohibit high stakes gaming on state land.

States are only required to enter into a compact when the state already allows that form of gaming. In Florida, the Seminole Tribe attempted to negotiate a compact with the state for casinos in 1991, although Florida clearly demonstrates a prohibitory public policy toward all forms of casino gaming. When the State refused to enter into a compact, the Tribe sued the state. It was concluded, however, that the Eleventh Amendment to the U.S. Constitution granted states immunity from such a suit.

While this decision was pending, the Florida Attorney General went forward in a lower Court (Southern District of Florida - Miami) to discuss the merits of this case in an attempt to expedite the legal process. The Court clarified, in what is known as the Marcus Opinion, that the State did not fail to negotiate in good faith, since the compact being requested by the Seminoles involved activities that were illegal in Florida. After this opinion, the aforementioned opinion on the Eleventh Amendment was released.

These opinions were a victory for the State of Florida. However, as a result, the Indian Gaming Regulatory Act was amended to omit the state from negotiating these compacts completely in certain situations. Indian tribes that fit into a small category can now go directly to the Secretary of the Interior. There is no guarantee that the Seminole Tribe will be allowed Class III gaming. In states such as Alabama and California, the State has been victorious in cases similar to the one pending between the Seminole Tribe and the State of Florida before the Secretary of the Interior.

The Seminole Tribe, however, installed video lottery terminals (a Class III game similar to slot machines) on their Hillsborough reservation. On June 20, the U.S. Supreme Court denied a plea by the Indian tribes to let them operate these video lottery machines without permission. Consequently, the U.S. Marshalls were authorized to physically remove the machines from the reservation. The final decision from the Secretary of the Interior regarding the issue of Class III gaming by the Seminole Tribe in Florida is pending.

CRUISES TO NOWHERE

Until recently, federal law barred American flag vessels from offering gaming activities. In Florida, numerous gaming operators ran foreign ships from shore to circumvent this law. In 1992, President Bush signed the U.S. Flag Cruise Ship Competitiveness Act which repealed this prohibition. As a result, cruise ship gaming revenues in 1992 totalled \$305 million. This represents a five percent increase over 1991.

Florida's Constitution defines the state's territorial waters as three leagues, approximately nine miles from shore. As ships pass this boundary, the provisions of chapter 849, Florida Statutes, no longer apply, and casino-style gambling is permitted. Similarly, Florida's legal drinking age of 21 no longer applies, and patrons of 18 years and older may gamble and consume alcoholic beverages.

GAMING IN OTHER STATES

Regulation and laws associated with gaming have proliferated since 1950. Where state and federal laws prohibited almost all forms of gaming before that time, today Hawaii and Utah are the only U.S. states or territories with outright bans on every form of gaming. In fact, of the states, twenty-four have authorized or operational casino gambling (only two are southern states), forty-four operate some form of pari-mutuel wagering, and all but twelve have implemented lottery games. A chart detailing gaming activity in the U.S. is located on pages 14-15. Listed below are brief descriptions of gaming activity in other states, including those used for comparison purposes in this report.

Colorado

Limited stakes gaming was authorized in a constitutional amendment approved by Colorado voters on November 6, 1990. Wagers of no greater than \$5 are allowed in the mountain towns of Black Hawk, Central City and Cripple Creek as a means of revitalizing these communities. As many as 75 casinos have operated at one time (September, 1992), but this number was reduced to 62 (as of October 1, 1993) due to market conditions.

After two years of gaming, Colorado casinos have paid \$54 million in state tax revenues which has been used for historic preservation, state and local mitigation of gaming impacts, and regulation of the industry. Gaming in Colorado, the state's Fact Book and 1993 Abstract, states "After two years, gaming in Colorado continues its growth and definition process. The gaming market continues to grow in terms of amounts wagered and revenues generated, but at the same time casinos are still refining their market processes to draw customers on a year-round basis to overcome seasonal cycles. Although the industry continues to grow, the number of casinos fighting for a share of the market continues to fluctuate as the market seeks to define its saturation point in terms of the number of casino operations and gaming devices."

Illinois

Two riverboat casinos were added downtown in Joliet, Illinois, and gambling is permitted in Aurora, Peoria Galena/East Dubuque and Alton. Another riverboat is expected in Eglin. Chicago residents provide the market for most of these casinos that are permitted to remain open 24 hours per day.

Public Act 86-1029 states that riverboat gambling "is intended to benefit the people of the State of Illinois by assisting economic development and promoting Illinois tourism." Riverboat gambling is authorized upon any navigable stream within the state other than Lake Michigan, provided that gambling is not conducted in a county with a population in excess of 3 million persons (Cook County). Riverboats must be self-propelled excursion boats.

The state is currently considering broadening its law to permit casino gambling in Chicago. A proposal by the Chicago Mayor and Illinois Governor would permit five "riverboat" casinos to be placed on the Chicago River. Riverboats are expected to be fixed-site barges.

Indiana

This state authorized riverboat gaming in 1993, pursuant to Public Law 277-1993. Riverboats are limited to counties contiguous to Lake Michigan, the Ohio River and Patoka Lake. Riverboats are self-propelled excursion boats. In granting licenses, the commission is permitted to consider economically depressed areas of Indiana and applicants presenting plans that provide for significant economic development over a large geographic area. Licenses may not be issued unless county voters have elected to approve gaming in their area; some cities can accept or reject gaming as well. The state has not yet finalized its rules and regulations.

Iowa

Iowa began riverboat gambling on April Fools Day of 1991. Market saturation set in immediately along the Mississippi, and riverboats in Dubuque and Fort Madison left the state for Biloxi. The state originally established limited stakes gaming of no more than \$5 per wager, but these limits may now be terminated by local option. State legislation requires riverboat casinos to cruise 100 days between April and October. Attendance at riverboats peaks during the summer and drops significantly during winter months.

According to the "Supplement to the 1992 Annual Report," four riverboats currently operate in the state, producing almost \$700,000 a year in admissions tax revenues and \$10 to \$12 million in other state tax revenues. Another \$700,000 is paid to city and county governments in local taxes.

Riverboats may serve patrons at dockside for substantial periods of time. Legal gambling age in Iowa is 21 years. Riverboats are required to pay 125 percent of minimum wage.

Louisiana

The 1992 session of the Louisiana Legislature yielded 15 riverboat licenses. Amendments in 1993 allowed dockside gambling in the Shreveport/Bossier area; riverboats in other areas of the state must cruise every three hours.

The State of Louisiana has competitively bid a state-owned facility on the waterfront in New Orleans. This facility is scheduled to open during the next year.

U.S. Gaming At a Glance

TABLE 2.1

						Lottery Games					Parimutuel Wagering									
	Bingo	Charitable Games	Card Rooms	Casinos	Gaming Devices	Video Lottery Terminals	Keno	Instant (or Pull-tab) Games	Lotto	Numbers	Puzzles	Greyhound	Jai Alai	Harness	Quarter Horse	Thoroughbred	Interstate Inter-track Wagering	Intra-state Inter-track Wagering	Off-track Betting	Telephone Betting
Alabama	●	×									●		◆	●	●	●				
Alaska	●	●																		
Arizona	●	●		×	×			●	●		●				●	●	●	●	●	●
Arkansas											●			◆	●	●				
California	●	●	●				×	●	●	■	●				●	●	●	●	●	●
Colorado	●	●	●	●	●		●	●		■	●				●	●	●	●	×	
Connecticut	●	●		×	×			●	●	■	●	●	◆	◆	◆	×		●	●	●
Delaware	●	●						●	●	■			●		●	●				
Florida	●	●						●	●		●	●	●	●	●	●	●	●	●	●
Georgia	●							×	×	×										
Hawaii																				
Idaho	●							●	●		●				●	●	●	●		
Illinois	●	●	◆	●	●		■	●	●	■				●	●	●	●	●	●	●
Indiana	●	●		◆	◆			●	●				◆	◆	◆	◆	◆	◆	◆	◆
Iowa	●	●	●	●	●			●	●		●			●	●	●	●	●	●	●
Kansas	●	●					×	●	●	×	●		■	●	●	●	●	●		
Kentucky	●	×						●	●				●	●	●	●	●	●	×	●
Louisiana	●	●		◆	×			●	●	×			■	●	●	●	●	●	●	●
Maine	●	●						●	●	■			●		■	×		×		×
Maryland	●	●	●		●		×	●	●	■			●		●	●	●	×	◆	◆
Massachusetts	●	●						◆	●	●	■	●		■	●	×	×			
Michigan	●	●	●	●			●	●	●	●			●	●	●	●				
Minnesota	●	●	●	●	●			●	●	●			■	■	■	■	◆			
Mississippi	●	●		×	×															
Missouri	●	●		◆	◆			●	●				■	■	■	◆	◆			
Montana	●	●	●	●	●		●	●					◆	●	●	●	●	●	●	
Nebraska	●	●		●				×	◆					●	●	●	●	●		
Nevada	●		●	●	●		●				■	■	■	●	●			●	●	●

TABLE 2.1

U.S. Gaming At a Glance

							Lottery Games					Parimutuel Wagering									
	Bingo	Charitable Games	Card Rooms	Casinos	Gaming Devices	Sports Wagering	Video Lottery Terminals	Keno	Instant (& Pull-Tab) Games	Lotto	Numbers	Passives	Greyhound	Jai Alai	Harness	Quarter Horse	Thoroughbred	Interstate Inter-track Wagering	Intra-state Inter-track Wagering	Off-track Betting	Telephone Betting
New Hampshire	●	●						●	●	●	■	●					●	●	●		
New Jersey	●	●	×	●	●			●	●	●	■			●		●	●	●	●	×	
New Mexico	●	●													●	●	●	●			
New York	●	●		×				●	●	●	■			●	■	●	●	●	●	●	●
North Carolina	●																				
North Dakota	●	●	●	●		●								●	●	●	●	◆	●		
Ohio	●	●						●	●	●	●			●	●	●	●	●	●		
Oklahoma	●	×												◆	●	●	●	×			
Oregon	●	●	●	●	●	●	×	×	●	●	●	■	●	●	●	●	●	●	●	●	●
Pennsylvania	●	●						●	●	●	■			●	■	●	●	●	●	●	●
Rhode Island	●	●					×	×	●	●	●		●	●	●	●	●	●	●	●	●
South Carolina	●				●																
Tennessee	●	●												◆	◆	◆	◆	◆			
Texas	●	●						×	×	×	■										
Utah																					
Vermont	●	●																			
Virginia	●	●						●	●	●				◆	◆	◆	◆	◆	◆		
Washington	●	●	×				×	×	●	●	●										
Wash., D.C.	●	●						●	●	●											
West Virginia	●	●						×	●	●	■	●		◆	◆	◆	●				
Wisconsin	●	●	●				●	●	●	×		●		◆	◆	◆	●				
Wyoming	●	●																			
Puerto Rico	●		●	●				●	●	●						●	●		●		

Source: "Gaming & Wagering Business", 11/15/93-12/14/93

Explanation of Symbols

- Legal and Operative
- ◆ Authorized but not yet implemented
- × Implemented Since July 1991
- Permitted by law and previously operative

Minnesota

Minnesota hosts 16 Indian reservation casinos within its boundaries. The Minnesota State Lottery commissioned a study through the St. Cloud State University System in February of 1994, entitled "Gambling in Minnesota, Who? What? Where?" The study examines the demographic characteristics of Minnesota gamblers in an effort to determine the most popular activities and their markets. Minnesota has the highest known per capita gambling expenditures of any state in the nation. Eighty-seven percent of Minnesotans have gambled in the past, and 71 percent of the state's adults reported placing a bet within the two months prior to the survey date (Minnesota State Lottery, page 5).

Sales at Minnesota supper clubs located within a 30-mile radius of their remote casinos are off between 20 to 50 percent, according to the Minnesota Restaurant, Hotel and Resort Association.

Mississippi

Of states recently enacting casino gambling, Mississippi appears to be reaping the greatest rewards. Authorizing riverboat gambling in some of the nation's poorest counties, Mississippi has developed the fastest growing casino market in the nation. Approximately 22,000 jobs have developed with an average annual salary of \$16,700. The average square footage for casinos in Mississippi is 34,899.

Tunica County, previously one of the most impoverished counties in the nation, has raised its per capita annual income from \$11,865 in 1992 to \$25,000 in 1994. The unemployment rate has dropped from 26.2 percent to 4.9 percent. According to Webster Franklin, the county's executive director, "there are more casino jobs in the county now than there were citizens in 1990" (Squires, 1994).

Riverboats in Mississippi are both excursion vessels and floating barges (which occasionally settle on the riverbed). Coastal counties and Mississippi River counties are permitted to establish casinos. Projected revenues for 1993 from casinos are \$300 million. The Center for Policy Research and Planning notes that "competition in the gaming industry is expected to intensify due to the legalization of gambling in Louisiana and other states. As a result, Mississippi's tax revenue growth could grow at the moderate rate, reach a plateau and then level off in a few years."

President Riverboat Casinos announced a loss of \$32 million in the fiscal quarter ending May 31, 1994. One of their boats, previously stationed at Tunica, will be moving to Carter Lake, Iowa. The company cited increased competition as the reason for quarterly revenues falling to \$12.8 million compared to \$23.7 million in the same quarter last year.

Rapid growth related to casinos has resulted in the need for additional interchanges on Interstate 10 and the widening of Highway 90 (Jackson, 1994). Legislation was presented to permit the issuance of bonds to finance these infrastructure improvements.

Missouri

Missouri's first riverboat casino began operation May 27 of this year, located just north of the gateway arch in St. Louis. This dockside facility is a long-term landmark that was renovated for gaming purposes. The Admiral riverboat casino maintains 70,000 square feet of gaming space. A \$2 admission charge is levied on weekdays and \$5 on weekends. Revenues are projected at \$70 million for fiscal year 1995. Local option referenda yielded approval of riverboats in five communities. Efforts to clarify legislation and permit additional games were defeated by voters earlier this year.

Nevada

Gambling is a significant part of life in Nevada, otherwise known as the "silver state." "Gaming Nevada Style," a publication produced by the Nevada Gaming Commission and the State Gaming Control Board, reports that gaming in Nevada dates back to at least 300 B.C. when early inhabitants would bet on footraces, ball games, and stick or rope games. Over 350 persons are employed by the Gaming Control Board which performs audits and investigations, collects taxes and fees, and develops standards for gaming control devices. The Nevada Gaming Commission acts on the Board's recommendations and may approve, deny, defer or condition a license. Taxable casino revenues in the state for calendar year 1992 were \$5.7 billion. Revenues from a particular license fee are directed to counties.

New Jersey

Casino gambling is permitted only in Atlantic City. While a cap is not placed on the number of casinos that may be authorized, market conditions have substantially regulated the number of casino licenses granted in the City (for example, the Atlantis filed bankruptcy shortly after Donald Trump opened the Taj Mahal.) Tax revenues are devoted to senior citizen and education programs.

Today, there are twelve operating casinos in Atlantic City with an average square footage of 66,430. The casinos maintain almost 600,000 square feet of convention space, 92 restaurants, and 14,532 theatre seats. Nearly 30,000 parking spaces are provided to patrons with over 8 million passengers arriving by casino-provided buses.

In 1993, casino revenues totalled \$3.3 billion. This produced over \$255 million in New Jersey casino revenue tax and \$10.8 million in corporate taxes. Property taxes paid to Atlantic City, Atlantic County and school districts totalled another \$106.4 million.

Casino gambling was approved as an economic development measure for an area with significant economic and social problems. "While the advent of legalized gambling did not add new social ills, it has also not improved the economic or social environment in Atlantic City since many of the jobs created are filled by out of county or out of state residents" (White, 1994).

South Dakota

Limited card games and slot machines are authorized within the city limits of Deadwood, the legendary town where Wild Bill Hickock was killed. Enabling legislation required that 60 percent of city voters approve of gambling prior to initiation. Tax revenues are directed to historic restoration and preservation, and wagers are limited to \$5. The state imposes an eight percent tax on the adjusted gross proceeds of gaming, but permits the state's casino commission to set taxes within a range of five percent to 15 percent. The commission may also elect to provide funds to the City of Deadwood for historic preservation. Gambling participants must be at least 21 years of age.

A chart of tax rates for the various states with authorized gambling institutions appears on page 40.

CASINOS

**Potential Tax and
Revenue Impacts
of Casinos**



The extent of the economic and tax impacts of casino gambling is usually the most widely debated issue whenever a state or a community considers legalization of casino gambling. Any effort to measure these impacts should account for both direct and indirect economic effects. Also, any displaced economic activity must be considered in order to obtain correct estimates of net gains in economic output, income, and employment. Several studies have attempted to quantify the economic gains in the context of the introduction of casino gambling in different parts of the country. Goodman (1994) summarized 14 such studies and concluded that most of the studies neglected to assess any of the social and fiscal costs of the introduction of casinos in a community. Ryan, Connor, and Speyrer (1990) estimated the impact of casino gambling in New Orleans and attempted to determine the cost of the increase in crime expected to accompany casino gambling. The New Orleans study also examined the general effect of casinos on the business climate of the area. This is an important issue since casino supporters contend that casinos will bring prosperity through stimulation of other businesses like hotels and restaurants. Casino opponents feel that casinos do not stimulate any business beyond their walls; therefore, their economic impact tends to be self-contained.

Two studies thus far have examined the potential economic impact of casinos on Florida. The Praschnik (1994) study was prepared for the Proposition for Limited Casinos and assumed the passage of that petition. This study finds that by 1997, personal income in Florida will increase by \$3.23 billion, total wages and salaries will increase by \$1,656 million, and employment will increase by 67,700. At a 12% gaming tax rate, the state is projected to receive \$418 million in gaming taxes. The incremental economic activity is expected to generate \$597, \$53 and \$70 million in additional tax revenues at the state, city and county levels, respectively. The Fishkind and Associates (1993) study was commissioned by the Riverboat Corporation and assumed that 18 riverboat casinos would be authorized in Florida. The study projects 28.5 passenger admissions per year for these floating casinos with a direct economic impact of \$3.0 billion annually. Employment was estimated to increase by 62,900 jobs which would lower the state unemployment rate by almost one full percentage point. Sales tax gains at the state and local level were estimated at \$4.3 million. Neither study considers the possibility of decreases in lottery sales or pari-mutuel tax revenues.

The first section of this chapter examines the general characteristics of the casino market and discusses the type of casino market Florida could become should gaming be legalized. The second section discusses the methodology used to calculate the economic impacts and provides estimates of the potential net increase in output, earnings, and employment due to the introduction of casinos. The impact of casinos on other businesses is also discussed. The third section presents estimates of potential gains/losses in state gaming, sales, and corporate taxes. The fourth section examines the effect casinos might have on pari-mutuel tax revenues. The fifth section analyses the potential impact of casinos on lottery sales revenues and educational funding, and the last section looks at selected local tax revenue effects.

SECTION 1

THE NATURE OF THE CASINO GAMING MARKET

In the last decade, Las Vegas and Atlantic City were the only prominent casino gambling locations that tourists visited. The situation has changed rapidly ever since Indian gaming casinos in Connecticut and Minnesota, along with riverboats in Mississippi and the midwest, entered the scene. The recent more liberal interpretation of the Indian Gaming Regulatory Act by the courts has led to rapid proliferation of Indian tribe casinos. Riverboats are now definitely the main source of growth in the non-Indian casino gaming markets. Along with Iowa and Illinois, Mississippi has led the way in setting up riverboat gambling. This expansion led to 21 new boats starting operation in the past year alone. The enormous expansion in the casino gaming industry has brought about some significant changes in the structure of the casino market.

National Overview

A recent industry review for investors (Rohs and Pinsk, 1994) suggests that the casino gaming market will evolve into three different types of markets - national destination, regional destination, and day trips. The only true national destination is Las Vegas which offers the total infrastructure of hotels, airports, convention space, and a friendly regulatory attitude. Las Vegas has succeeded in building a total entertainment package around the gaming activity much in the same way as Orlando has built its package around theme parks. Las Vegas, as well as new local casino markets, has been able to take advantage of the gradual acceptance of gambling as a legitimate form of entertainment. Once people become familiar with gambling, they are more likely to visit Las Vegas which is widely advertised to offer the ultimate gambling experience.

Reno/Tahoe, Laughlin, and Atlantic City are examples of evolving regional markets where two-thirds or more visitors come from contiguous or nearby states. These markets are likely to offer multiple casinos, adequate hotel facilities and other entertainment attractions. Regional destination markets can continue to do well in a period of proliferation, but are vulnerable to development of casinos in its main feeder markets. In regional markets like Atlantic City, a large number of visitors are day trippers residing within two to three hours driving distance and thus do not have to stay overnight in hotels.

Regional gaming centers are and will be vulnerable to proliferation and ensuing saturation to a much greater degree than Las Vegas. However, the regional markets should hold up much better than purely local visitor oriented markets which may easily be wiped out by market saturation in the 1990s. Proximity is important for visitors to such markets and proliferation will bring casino gambling closer to such visitors. One way to control market saturation in regional markets would be to limit the number of casino licenses granted. Mississippi has not placed limits on the number of riverboats (19 riverboats on-line and 44 additional license applications pending) and is likely to pay the price in terms of market saturation and subsequent fallout. While the incidence of gaming increases with easy availability of gambling, demand for gambling will ultimately be limited to a defined market area due to the regional nature of Mississippi type markets.

Even within the intensely competitive local markets, certain operators are expected to retain a competitive edge compared to others. The report suggests that 'winners' in the casino market have one or more of the following:

- A strong brand franchise (i.e., a well established casino company)
- A superior product (i.e., better casino/hotel facilities)
- A more convenient location, particularly to nearby major population centers
- More or better entertainment
- Better execution, usually a function of experienced and superior management.

The current outlook for casino gaming, according to Rohs and Pinsk (1994), includes a 7%-12% revenue growth rate for Las Vegas, flat or negative growth rate for Atlantic City, and rapid expansion among other casino segments. The fastest growth is expected to come from the riverboat segment with 20 new boats scheduled to become operational, primarily in Louisiana, Mississippi, and Missouri. Goodman (1994), offering a contrasting view, suggests that the casino gaming industry could see market saturation at the national level. Seven Las Vegas hotel casinos experienced solvency problems in 1990 while employment in the Reno casinos declined during the 1980s. One-third of the casinos in three Colorado mining towns closed down after only one year of operation. Almost 80% of the casinos in Deadwood, South Dakota turned out to be either unprofitable or only marginally profitable in 1992, two years after the legalization of gambling in that area.

Nature of a Potential Florida Casino Market

Rohs and Pinsk (1994) suggests that the Southeast has the potential to be a regional casino gambling destination with Georgia and/or Florida as the logical centers. This is because, unlike the Northeast, the Southeast does not have easy access to casinos at present. Petitions being circulated in Florida imply the location of a regional casino market in the southeastern part of the state due to the location of 11 of the 50 pari-mutuel facilities in the area. Smaller casino markets could evolve in the Volusia-Seminole-Orange area, Hillsborough-Pinellas area, Duval County, and Escambia-Bay area. These smaller markets are likely to get a significant proportion of the day trip type of visitors, especially in the Duval and Escambia-Bay county markets. The Duval market should see visitors from Georgia and South Carolina while the Escambia-Bay county market will compete with the Mississippi riverboat casino market. In fact, with the threat of possible saturation, casino companies may choose to shift their focus from Mississippi to Florida.

Five different casino petitions were circulated in Florida in 1994. Examination of these five petitions yielded the following elements:

- ✦ Three out of five called for casinos at all pari-mutuel facilities.
- ✦ All of them called for riverboat gambling in some form.
- ✦ Three of the five called for casino hotels while the others did not specifically disallow them.
- ✦ Three of the five specifically authorized casinos in Dade County.

Proposition for Limited Casinos was the only group which was successful in obtaining the required number of signatures and the necessary Supreme Court of Florida approval for placement of their petition on the November 8, 1994 ballot. The petition, if approved, would add subsection 7(b) to Article X of the Florida Constitution to allow casinos as follows:

The operation of a limited number of state regulated, privately owned gaming casinos would be authorized, but only:

- (1) at one facility each to be established within the present boundaries of Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas Counties; and
- (2) at two facilities to be established within the present boundary of Broward County; and
- (3) at three facilities to be established within the present boundary of Dade County, two of which shall be within the present boundary of the City of Miami Beach - with one of those two being in the South Pointe Redevelopment Area - the third facility shall be outside the present boundary of the City of Miami Beach; and
- (4) with each pari-mutuel facility which has been authorized by law as of the effective date of this amendment and which has conducted a pari-mutuel meet in each of the two immediately preceding twelve month periods; provided that no casino located with a pari-mutuel facility shall have a gaming area in excess of 75,000 square feet; and
- (5) at not more than five riverboat casino facilities having a gaming area not in excess of 40,000 square feet as the legislature may approve within the present boundaries of counties not identified in paragraphs (1), (2) and (3), provided that the legislature shall not approve more than one riverboat casino in any one county.

The above proposal implies a total of 47 casino facilities to be located all over the state and is meant to account for a maximum number of casinos that could open in Florida. Market forces, lack of local support, and cost of setting up casino facilities in some pari-mutuel facilities could dictate that a significantly smaller number of casinos would actually operate. Essentially, 47 casinos imply that supply constraints will not exist in the potential Florida casino market.

SECTION 2

ECONOMIC IMPACTS

Methodology

The basic methodology that will be used here is input-output analysis based on the U.S. Department of Commerce, Bureau of Economic Analysis regional input-output modeling system (RIMS II). This is the most commonly accepted method of calculating economic impacts and has been used by Trager (1990), Praschnik (1994), Economic Research Associates (1994), and Fishkind and Associates (1993), among others. The cornerstone of this approach is the estimation of the amount of net new spending in Florida by casino visitors. First, the number of casino visits and amount of per capita spending will be estimated separately. The next step will be the determination of the proportion of casino expenditures substituted from current expenditures on other entertainment choices. The substituted expenditures will be deducted to obtain the actual new spending. The total direct impact of casinos can then be obtained by multiplying the per capita new spending due to casinos by the number of casino visitors. The direct impact will be multiplied by RIMS II output, employment, and earnings multipliers to obtain the total economic impact in terms of output, jobs, and income.

The RIMS II multipliers capture the indirect and induced effects of any primary economic activity. A casino visitor spending \$20 in a casino would be a direct economic activity. Restaurants may sell more meals and add more staff as a result of casino visits. Such secondary economic activity would be classified as the indirect economic activity resulting from casino visits. Businesses benefiting from direct and indirect activity will generate induced economic activity by spending new earnings on a combination of goods and services based on their respective consumer preferences. Indirect and induced economic activity together make up the multiplier effect. The theoretical underpinnings of input-output and multiplier analysis are thoroughly discussed in Miller and Blair (1985). The RIMS II model provides the regional output, employment, and earnings multipliers for Florida that will be used in this study. The RIMS II multipliers are also available at the county level. Since the main objective of this study is to obtain state level economic and tax impacts, the use of state level multipliers is appropriate. A description and discussion of the RIMS II model is provided in the user handbook on RIMS II published by the U.S. Department of Commerce (1992).

Certain key assumptions drive the economic and tax impact analysis. The information on which these assumptions were based is discussed in the relevant sections of the text. The assumptions themselves are listed below for convenience:

- ◆ There will be a 0.5-1.5% increase in the number of Florida tourists from non-casino gambling states after the introduction of casinos,
- ◆ 40-60% of currently projected adult Florida tourists will gamble in the casinos,
- ◆ there will be no reduction in the currently projected number of tourists as a consequence of casinos conflicting with the family vacation spot image of Florida,

- ✦ annual trips by Florida residents to casinos are expected to equal from 85%-115% of adult Floridians (115% implies that 15% of Floridians will visit casinos twice annually),
- ✦ average gambling expenditures of auto and air tourists will be \$55 and \$81 per person per trip, respectively (based on 50% of Atlantic City and Las Vegas per capita gambling expenditure),
- ✦ average gambling expenditures of Floridians are expected to be \$99 per person,
- ✦ 90-70% of the gambling expenditures of tourists will be substituted out of current expenditures on non-gambling items,
- ✦ 100-80% of the gambling expenditures of Floridians will be substituted out of current expenditures on entertainment and restaurants, and
- ✦ the size, cost, and timing assumptions regarding the construction of riverboats, land-based casinos and casino facilities at pari-mutuel facilities are detailed in Table 3.11.

Tourism Impacts - Number of Casino Visits

The impact of gambling on tourism was addressed in a University of Minnesota (1993) survey which showed that gambling did not have a discernible net effect on tourism. The survey failed to identify any clear trends. There were no significant differences between gamblers and non-gamblers with regard to demographics and leisure dollar spending. There was a slight trend toward Minnesota natives preferring to gamble within the state. Only 14% of the Minnesotans surveyed stayed overnight in motels when they visited a casino.

The number of casino visitors will be the starting point for this economic impact analysis. All estimates will be on an annual basis using FY 1995-96, the earliest any of the petitions permit casino gaming in Florida. The casino visits will be estimated as a sum of the following four parts:

- ✦ the new visitors who will be induced to visit Florida due to the presence of casinos,
- ✦ the number of current Florida visitors who will visit casinos,
- ✦ the number of day trip visitors from nearby states such as Georgia, and
- ✦ the number of native adult Floridians who are expected to visit casinos.

The estimate of visitors who will visit Florida due to casinos is based on the total number of visitors to Florida broken down by state of origin. After netting out the visitors from states which are in close proximity to current casino markets, a percentage increase in the number of new visitors is calculated. Here, as in most parts of the analysis, ranges (low, medium and high) of estimates will be calculated. The percentage increases (0.5-1.5%) were selected keeping in mind that there is no clear

evidence that gambling will lure new visitors to an established vacation spot such as Florida. While it can be argued that the percentage increases should be higher, the rapid rate of casino proliferation implies that more people are likely to have access to casinos within a reasonable distance from their homes and, hence, will not need to travel to Florida for the purpose of gambling in casinos. National Travel Monitor (1994) found gambling to be a minimal tourist motivator. In a survey of American households, only 18% rated 'being able to gamble' as a very desirable attribute of a pleasure trip. In contrast, the following percentage scores were recorded for other activities:

- ✦ hiking and outdoor adventure (52%)
- ✦ shopping (48%)
- ✦ getting exercise (42%)
- ✦ participation in water sports (33%)
- ✦ golf (13%)
- ✦ tennis (11%)

In order to estimate the number of day trippers from nearby states, the populations of Alabama, Georgia and South Carolina were totaled to obtain the universe of such visitors. Following Ryan, Connor, and Speyrer (1990), the Las Vegas capture rate of populations within 350 miles is used to obtain the actual number of such visitors. The capture rate is simply the number of visitors within a specified radius as a percentage of total population. The capture rate is calculated based on visitor data provided in the Las Vegas Visitor Profile Study (1993). A range is used to account for possible differences with the Las Vegas market.

Tourists who currently visit Florida are expected to be an important source of casino visitors. The number of adult tourists expected to gamble is calculated after deducting the percentage of children from the Revenue Estimating Conference (1994) tourist count for FY 1995-96. The percentage of children is obtained from the Florida Visitor Profile Report (1993). The range of visitation used here (40-60%) is based on the 50% visitation rate used in the New Orleans study by Ryan, et al (1990). An adjustment to these figures may be necessary to account for a decrease in the number of current Florida tourists due to Florida losing its family vacation destination image with the advent of casinos. However, direct survey data are necessary to come up with any reasonable adjustment. Since such data are unavailable at present, no explicit quantitative adjustment has been made.

The other main source of visitors would be Floridians themselves. The number of adult Floridians in FY 1995-96 was obtained using Revenue Estimating Conference (1994) data. Ryan et al (1990) assumes that a number equal to 100% of all local residents will visit the casino in New Orleans. Given that Florida has a higher proportion of retirees, it is possible that a number of Floridians may visit the casinos more than once. On the other hand, some Floridians may not visit casinos at all. Keeping these possibilities in mind, a visitation range of 85-115% is used.

As presented in Table 3.1, total casino visitor estimates based on the assumptions explained above are expected to range from 25.6 million to 37.3 million. The high, medium and low estimates are obtained by summing the high, medium and low numbers for each of the four sections. Table 3.1 shows that the largest components of casino visitors will be current Florida visitors and Florida residents. The small number of day trippers reflects the relatively small population of neighboring states and the presence of riverboat casinos in Mississippi. It should be noted that these results vary significantly from those of the studies developed for the casino industry.

The Praschnik (1994) economic impact study prepared for Proposition for Limited Casinos, Inc. estimates the number of casino visits at approximately 44 million for a total of 47 casinos. Due to an inadequate description of the assumptions leading to the estimate, it is not

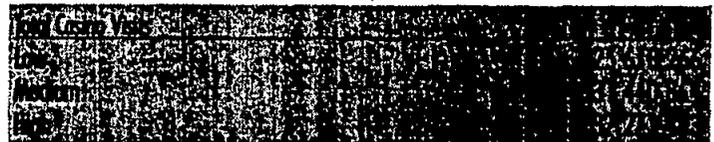
possible to compare methodologies. The study states that: "By 1997, we expect that casino gaming will attract 1,499,891 incremental tourists to the state. From the existing Florida tourist base, the resident population who live in the 0 to 50 mile radius around the casinos, and 50% of the resident population who live between a 50 to 100 mile radius around the casinos, we expect 43,018,174 casino visits."

The Fishkind and Associates (1993) study prepared for The Riverboat Corporation assumes 28 million visitors for 18 riverboats with an average size of 30,000 sq. ft. and 1,600 passenger capacity. Of these visitors, 21 million are assumed to visit Florida solely because of the introduction of casinos. Only 10% of current tourists and 14% of Floridians are assumed to visit casinos. The large proportion of assumed incremental visitors appears unlikely given the present availability of casino gambling in a number of states and the minimal effect of availability of gambling as a tourist motivator as revealed by the National Travel Monitor survey data.

Casino Visit Estimates

TABLE 3.1

1993 Tourist Counts excluding casino states		29,451,305
Above tourist counts grown to 95-96 (REC rates)		32,222,673
<u>Increase in number of Tourists due to casinos</u>		
Low - assume an increase of	0.50%	161,113
Medium - assume an increase of	1.00%	322,227
High - assume an increase of	1.50%	483,340
<u>Total Population for AL, GA, & SC - 1993</u>		
Adjusted for 95-96 using DRI nat. pop GR		14,490,000
<u>Number of Daytrippers from nearby states</u>		
Low - % of total pop. of AL, GA, & SC assumed	0.75%	110,772
Medium - % of total pop. of AL, GA, & SC assumed	1.00%	147,695
High - % of total pop. of AL, GA, & SC assumed	1.25%	184,619
<u>Total tourist count in 95-96 w/o casinos (REC)</u>		
Adult tourists (less 12% children - DOC data)		44,860,000
<u>Number of Above tourists who will visit casinos</u>		
Low - Assumed % of all adult tourists	40.00%	15,790,720
Medium - Assumed % of all adult tourists	50.00%	19,738,400
High - Assumed % of all adult tourists	60.00%	23,686,080
<u>Total Projected population of Florida in 95-96</u>		
Adult Floridians in 95-96		14,593,000
<u>Number of Floridians visiting casinos</u>		
Low - % of adults visiting casinos	85.00%	9,547,661
Medium - % of adults visiting casinos	100.00%	11,232,542
High - % of adults visiting casinos	115.00%	12,917,423



Tourism Impacts - Casino Visitor Expenditure Patterns

Visitor expenditures for casino visitors can be broken down into two broad categories - gambling and non-gambling expenditures. The non-gambling expenditures for Florida (Table 3.2) visitors are available from the Florida Visitor Profile Report (1993). These expenditure data include visitors who stayed with friends and/or relatives. The raw per party/day data were corrected for an error in the method of calculation of the average per party expenditures. This problem is documented in Trager (1990) and Espino (1986). The correction to the raw data in Table 3.2 is made on the basis of the percentage differences in the Trager study which also documents some of the shortcomings of the tourist data available for Florida. A complete correction would involve accessing the entire raw

Florida Tourist Expenditures					
TABLE 3.2		Per Person/Day	Per Person/Day	Per Person/Day	Per Person/Trip
		(Raw 1993)	(Corrected 1993)	(Adj. for 1995-96)	(1995-96)
	EXPENDITURE - Air Visitors				
	Transportation	5.91	5.41	5.57	30.64
	Gas	1.10	1.01	1.04	5.73
	Food (grocery)	3.27	2.99	3.08	16.92
	Food (restaurants)	12.38	11.34	11.67	64.18
	Lodging	17.07*	15.62	16.08	88.46
	Entertainment	5.28	4.83	4.97	27.35
	Gifts	4.52	4.14	4.26	23.43
	Other	3.91	3.58	3.69	20.28
	TOTAL	55.77	51.72	52.77	280.77
	EXPENDITURE - Auto Visitors				
	Transportation	0.40	0.37	0.38	2.40
	Gas	2.09	1.92	1.98	12.41
	Food (grocery)	3.58	3.30	3.39	21.28
	Food (restaurants)	6.06	5.58	5.75	36.03
	Lodging	10.22*	9.41	9.68	60.72
	Entertainment	3.71	3.41	3.51	22.04
	Gifts	1.92	1.77	1.82	11.40
	Other	1.55	1.42	1.47	9.20
	TOTAL	37.93	35.57	36.46	235.70

Source: Florida Department of Commerce.

(*) Includes visitors staying for free with friends and/or relatives.

dataset and recomputing the average per party expenditures. The correction on the basis of the percentage differences appeared to be adequate for the purposes of this study. The FY 1995-96 inflation adjustment was based on the implicit price deflator for consumption (excluding medical and financial services consumption) available as part of the Revenue Estimating Conference (1994) national economic forecast. The per person per trip figures were then obtained by taking the product of the per day expenses and the median trip lengths for air and auto visitors, respectively.

Determination of gambling expenditures by visitors is more problematic because of the absence of relevant data. Attempts were made to obtain data from the major gambling centers, Las Vegas and Atlantic City. Atlantic City does not appear to collect any public access data on gambling expenditures. However, the Atlantic City Convention and Visitor Authority publishes a report (The New Atlantic

City by the Numbers, 1994) which contains an estimate of the total number of visitors to Atlantic City. A separate report (New Jersey Casino Industry Impact Data, 1993) published by the Casino Association of New Jersey, contains total gross revenue figures for Atlantic City casinos. Dividing gross revenue figures by the total number of visitors gives us a rough estimate of \$109 per visitor gambling expenditures.

The Las Vegas Visitor Profile Study (1993) provides data on gambling expenses of Las Vegas visitors. According to the study, 52% of gamblers budgeted \$300 or less on gambling during their visit to Las Vegas and the average gambling budget for all visitors was \$445. The survey question regarding gambling expenditures asked for the gambling budget of the respondent which may not be the amount actually spent on gambling during the trip. The \$445 figure is far more than the \$183 per person per trip gambling expense used in Ryan et al (1990) which was described as what the typical Las Vegas visitor spends on gambling. The Ryan estimate of gambling expenditures was calculated from data provided by several Las Vegas casinos. The Reno-Sparks Visitor Profile Study (1993) puts the gambling budget for Reno visitors at \$408. Using gross gaming revenue data from Ernst and Young (1993) and visitor estimates provided by the Las Vegas Convention and Visitor Authority, the per capita gross revenue computes to \$162. This is more in line with the Ryan estimate than the gambling budget data in the Las Vegas Visitor Profile Study. The Atlantic City per capita gambling expenditure figure calculated is probably lower than the Las Vegas figure because of the large number of day trippers visiting Atlantic City. Day trippers can be expected to spend less money per person, since by definition they visit the casinos only for a day.

Given that current Florida air and auto visitors spend \$277 and \$176 per person per trip on non-gambling items (Table 3.2), additional gambling expenditures of more than \$400 per person per trip are highly unlikely. The per capita figures for gambling expenditure (i.e. \$109 and \$162) appear to be more plausible for new Florida tourists interested in gambling. Since Las Vegas per capita revenue demonstrates very little variation between 1989 and 1993, there does not seem to be any need to adjust the estimates for FY 1995-96.

Table 3.3 shows the assumed expenditures of the different types of casino visitors. The day trippers were assumed to spend the same amount as day trippers in Atlantic City, i.e. \$109. The non-gambling expenditures for these visitors are assumed to be \$13.42, obtained as the sum of the daily expenditures of current auto tourists (Table 3.2) on gas, groceries, food at restaurants, gifts, and miscellaneous (other category) items. New tourists expected to come to Florida with the intro-

Expenditures of Casino Visitors		
TABLE 3.3	Percentage of Auto Visitors in 1995-96	53.59%
	Percentage of Air Visitors in 1995-96	46.41%
	Non-Gambling Exp. of Daytrippers	\$13.42
	Non-Gambling Exp. of New Auto Tourists	\$175.47
	Non-Gambling Exp. of New Air Tourists	\$276.98
	Non-Gambling Exp. of 8.1% of Fl. Resident Visitors	\$78.82
	Non-Gambling Exp. of 91.9% of Fl. Resident Visitors	\$9.14
	Gambling Exp. of Daytrippers	\$109.20
	Gambling Exp. of New Tourists (Air & Auto)	\$121.28
	Gambling Exp. of Current Tourist (Auto)	\$54.60
Gambling Exp. of Current Tourist (Air)	\$80.85	
Gambling Exp. of Florida Residents	\$98.50	

Total Gross Gambling Exp. (Day Trippers)	\$11,911.80
Total Gross Gambling Exp. (New Auto Tourists)	\$24,580.56
Total Gross Gambling Exp. (New Air Tourists)	\$38,811.72
Total Gross Gambling Exp. (8.1% of Fl. Resident Visitors)	\$6,384.36
Total Gross Gambling Exp. (91.9% of Fl. Resident Visitors)	\$888.54
Total Gross Gambling Exp. (All)	\$82,576.98

duction of casinos were assumed to spend \$162 on gambling. Given that current Florida auto tourists are estimated to spend \$176 per person per trip (Table 3.2), it is unlikely that they will spend \$162 on gambling alone. Furthermore, the Las Vegas and Atlantic City gambling expenditure figures are the consequence of gambling being the main entertainment. It is more realistic to assume 50% of Atlantic City average gambling expenditures for Florida auto tourists (i.e. \$55) and 50% of the Las Vegas average gambling expenditures (i.e. \$81) for Florida air tourists.

Florida residents who visit casinos were assumed to spend \$99 per trip on gambling. This figure was calculated based on the University of South Dakota survey (Volberg and Steufen, 1994) on gambling participation. The average amount spent in casinos by South Dakota residents was adjusted for the difference in per capita disposable income between South Dakota and Florida. The per capita disposable income data were obtained from the U.S. Statistical Abstract (1993). Also, 8% of Florida resident casino visitors were assumed to spend one night in hotels and 100% of them were assumed to be eating out for a day. Using the average per day expenses (Table 3.2) for Florida auto tourists (\$9.68 for lodging and \$9.14 for food), the assumptions stated above imply non-gambling expenditures of \$18.82 for 8% and \$9.14 for the remaining 92% of Florida resident casino visitors.

Table 3.3 shows the gambling and non-gambling expenditures of the new visitors, and gambling expenditures for current as well as new visitors which were derived as explained above. Non-gambling expenditures range from \$277 for new tourists arriving by air to \$9 for Florida residents who make day trips to casinos. Gambling expenditures are highest for day trippers who come with the sole purpose of gambling (\$109) and lowest for current Florida tourists traveling by car (\$55). The new non-gambling expenditure totals at the bottom of Table 3.3 were obtained by multiplying the expenditure by the number of visitors by category and then summing across categories. The total new non-gambling expenditures range between a low of \$132 million and a high of \$238 million. The total gambling expenditures across all categories of visitors are calculated in a similar manner. Casinos visitors from amongst current Florida tourists are broken up into auto and air categories using current REC (1994) percentages for 1995-96 shown at the top of the table. Total gambling expenditures range from \$2 billion to \$2.9 billion.

Substitution of Current Tourist and Resident Expenditure

Table 3.4 demonstrates the relative stability of the length of stay of Florida visitors. Given the stability of the length of stay, it can be logically deduced that Florida tourists who visit casinos will substitute part or whole of their current vacation expenditures. The categories of expenditure data (Table 3.2) suggest that the entertainment, gifts, and other categories are the most likely to be substituted by gambling expenditures. These are discretionary categories of expenditures which can be shifted when tourists are offered a fresh entertainment choice. In addition, Sternlib and Hughes (1983) point out that Caesar's and Bally in Atlantic City provide free of charge approximately one-third of their rooms, half of their food, and a

Median Lengths of Stays for Florida Tourists

Year	Median Number of Nights-	Median Number of Nights-
	Air Visitors	Auto Visitors
1993	5.5	6.3
1992	5.5	6.5
1991	5.9	6.1
1990	5.5	6.6
1989	5.8	6.4

Source: Florida Department of Commerce

third of their beverages as promotional efforts to attract gamblers. This would suggest that a portion of the lodging and food (restaurants) categories of expenditure may be indirectly substituted by gambling expenditures. The sum of the expenditures in the entertainment, gifts, and other categories, and 35% of the expenditures on lodging and food at restaurants gives \$124.50 (air) and \$76.50 (auto), respectively, could be regarded as a rough approximation of the universe of the visitors' expenditures that may be substituted. Based on this approximation and that the current U.S. savings rate is at a low 4.1% (Rec, 1994) it is possible that a very high percentage of current tourist gambling expenditures (\$81.90 for auto and \$121.28 for air visitors) may be substituted out of current non-gambling expenditures.

Consumer expenditure survey data (Bureau of Labor Statistics, 1993) show that 2.1% of household income before taxes is spent on entertainment fees and admissions as well as entertainment supplies, equipment and services in the South. Another 5.7% of household income before taxes is spent on food away from home. After adjusting for income growth, the data imply that on average Florida residents can be expected to spend \$802 and \$2,176 on entertainment and food away from home, assuming that expenditure patterns in the South provide a rough approximation of Florida resident spending preferences. Given these high levels of expenditure, it is conceivable that all of the gambling and non-gambling expenditures of Florida residents shown in Table 3.3 will be substituted out of current entertainment and restaurant expenditures.

On the basis of the above discussion, substitution percentages of 90% (low, new expenditure - 10%), 80% (medium, new expenditure - 20%) and 70% (high, new expenditure - 30%) were assumed with respect to the gambling expenditures by current tourists. Florida residents were assumed to substitute 100% (low new expenditure - 0%), 90% (medium new expenditure - 10%) and 80% (high new expenditure - 20%) of their gambling expenditures from current entertainment and restaurant expenditures.

TABLE 3.3			Net New Expenditure of Casino Visitors	
	New Non-Gambling Exp. - Low			132,080,834
	New Non-Gambling Exp. - Medium			185,155,002
	New Non-Gambling Exp. - High			238,229,170
	Gambling Exp. of Daytrippers			\$109.20
	Gambling Exp. of New Tourists (Air & Auto)			\$121.28
	Gambling Exp. of Current Tourist (Auto)			\$54.60
	Low - Net new exp with % substitution of current exp. of	90%		\$5.46
	Medium - Net new exp with % substitution of current exp. of	80%		\$10.92
	High - Net new exp with % substitution of current exp. of	70%		\$16.38
	Gambling Exp. of Current Tourist (Air)			\$80.85
	Low - Net new exp with % substitution of current exp. of	90%		\$8.09
	Medium - Net new exp with % substitution of current exp. of	80%		\$16.17
	High - Net new exp with % substitution of current exp. of	70%		\$24.26
	Gambling Exp. of Florida Residents			\$98.50
	Low - Net new exp with % substitution of current exp. of	100%		\$0.00
	Medium - Net new exp with % substitution of current exp. of	90%		\$9.85
	High - Net new exp with % substitution of current exp. of	80%		\$19.70
	Net New Gambling Exp. (total) - Low			137,089,366
	Net New Gambling Exp. (total) - Medium			429,482,144
	Net New Gambling Exp. (total) - High			807,794,127

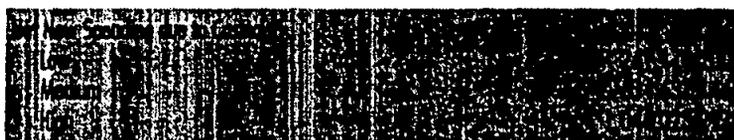


Table 3.5 shows the net new expenditures using the substitution percentages discussed above and the total gambling and non-gambling expenditures presented in Table 3.3. The non-gambling expenditure numbers are the same as in Table 3.3 and have been reproduced for convenience. No substitution percentages were applied to new tourist (day trippers and new auto/air tourists) gambling expenditures since these expenditures do not exist at present. Substitution percentages of 90-70% (implying 10-30% new expenditure) are applied to the gambling expenditure of current tourists by air and current tourists by auto. Similarly, substitution percentages of 100-80% were applied to Florida residents' expenditures on gambling. Once the range of new gambling expenditures (net of substitution) was obtained, total net new gambling expenditures were calculated by multiplying the expenditures by the total number of auto and air tourists and adult Florida residents, respectively. Total net new gambling expenditures range from \$137 million to \$808 million. Totaling up the new non-gambling and net new gambling expenditures gives the net new spending that will occur because of casinos. The total new spending ranges from \$269 million to \$1,046 million as shown at the bottom of Table 3.5.

RIMS Total Impact Multipliers For Florida - Selected Industries

TABLE 3.6

	Output	Earnings	Employment (\$ 1989)	Employment (\$ 1994)	Employment (\$ 1994 - FTE)
Transportation	1.9557	0.7125	32.2	27.9	26.1
Other Amusements	1.7989	0.5493	36.6	31.8	25.5
Eating and Drinking	2.0010	0.6037	45.5	39.5	34.1
Retail Trade	2.0508	0.8108	49.7	43.1	35.1
Hotel & Lodging Places	1.9439	0.6249	39.4	34.2	27.4
New Construction	2.1260	0.6829	35.1	30.5	28.7

1. Output refers to change in total output for all industries for \$1 of output for given industry.
2. Earnings refers to change in total earnings for all industries for \$1 of output for given industry
3. Employment refers to jobs created in all industries for every additional \$1 million of output in given industry.

Output, Employment and Earnings Impacts of Casino Spending

The net new casino visitor expenditures will affect the output in certain sectors of the Florida economy. The RIMS multipliers for the relevant sectors are presented in Table 3.6. The selection of the sectors is based on the categories of the tourist expenditure data (Table 3.2). Output multipliers are to be interpreted as estimates of the total (direct and indirect) changes in output that take place in Florida's economic sectors for each additional dollar of output that the particular industry delivered to final demand. Earnings multipliers show the earnings that the given industry pays, both directly and indirectly, to Florida households employed in Florida industries in connection with the delivery of a dollar of output to final demand. Employment multipliers for a given industry show the number of full and part-time jobs that regional industries provide, both directly and indirectly, in order for the given industry to deliver \$1 million of output to final demand. These definitions are provided in the RIMS user handbook published by the U.S. Department of Commerce (1992).

The employment multipliers have to be adjusted twice before they can be used. The first adjustment is an inflation adjustment to account for the fact that the RIMS multipliers are based on 1989 dollars. The CPI for urban consumers was used to make this adjustment since it is the most commonly used measure of inflation. The second adjustment is necessary to convert full and part-time jobs in the employment multipliers to full-time equivalent (FTE) jobs. This adjustment is made using FTE to full and part-time employment ratios for the relevant industries averaged over 1988-1992. These ratios were derived from employment figures by

TABLE 3.7

Casino Spending by RIMS Categories (excluding Constr.) \$ MILLIONS			
	Low	Medium	High
Transportation	2.5	5.0	7.5
Other Amusements	141.0	437.4	819.6
Eating and Drinking	63.4	81.3	99.1
Retail Trade	43.3	59.0	74.7
Hotel & Lodging Places	18.9	32.0	45.1
Total	\$289.2	\$814.6	\$1046.0

industry in Tables 6.4c and 6.5c of the National Income and Product Accounts (NIPA). The third column of employment multipliers shows the final multipliers that will be used in this analysis.

Table 3.7 shows the net new annual spending due to casinos broken down by the five RIMS sectors which will experience increased economic activity. Construction is excluded here since it is discussed separately below. As can be expected, the largest category of direct spending is the 'other amusements' category which contains all of the gambling expenditures. The retail trade expenditures have to be adjusted for cost of goods sold (which leak out of Florida) before the multipliers are applied. The NIPA personal consumption expenditure data were used to construct gross margins (sum of the transportation costs and trade margins) for all durable and nondurable retail goods. A ratio of 9:1 of nondurable to durable retail goods was assumed to obtain the weighted average gross margin of 53.1% for all retail goods. The retail goods multipliers were applied to the product of the retail goods expenditure and the gross margin. The balance of the retail expenditure is expected to leave the state as cost of the goods sold.

One of the limitations of input-output analysis is its static nature. In general, the greatest proportion of the multiplier effect can be expected to work its way through the economy within eighteen to thirty-six months. For most multipliers, the direct effects account for about 60% of the total effects of the multiplier while the remaining 40% comprise the indirect and induced effects. All of the direct effects will occur in the first year. Assuming that another 15% (out of the 40% of induced and indirect effects) of secondary effects occur in the first year, it is safe to say that approximately 75% of the total effects will take place in the first year. In practical terms, the first year effects will be lower since only a limited number of casinos will have the organization and facilities in place to open up at the beginning of the first year. Also, some time will be needed to set up a regulatory agency for casinos in Florida. Riverboats and temporary facilities (if allowed under implementing casino legislation) are the likely candidates to begin operation around July 1, 1995, should casinos in Florida be approved.

Tables 3.8 through 3.10 summarize the total annual output, earnings and employment impacts obtained by multiplying the total net new expenditures by category (Table 3.7) by the output, earnings, and employment multipliers (Table 3.6). The output ranges between \$451.6 million and \$1825.7 million, the household earnings between \$141 and \$563.6 million, and the employment ranges between 6,843 and 26,558 FTE jobs. In all three scenarios, the average earnings per FTE job are greater than \$21,000. It should be noted that the number of jobs is the number of net new jobs, i.e. number of casino jobs less number of jobs lost due to substitution of expenditures in other amusement sectors. It is quite possible that all of the employment, excluding transportation employment, could be concentrated in casinos since typically casinos will have restaurants, hotels (some), and retail sales outlets.

TABLE 3.8
Total Output by RIMS Categories
 (excluding Constr.) \$ MILLIONS

	Low	Medium	High
Transportation	4.9	9.8	14.7
Other Amusements	253.7	786.8	1,474.4
Eating and Drinking	127.0	40.0	50.6
Retail Trade	29.3	59.0	74.7
Hotel & Lodging Places	36.8	62.2	87.7
Total	\$451.6	\$1,061.4	\$1,825.7

TABLE 3.9
Total Earnings by RIMS Categories
 (excluding Constr.) \$ MILLIONS

	Low	Medium	High
Transportation	1.8	3.6	5.3
Other Amusements	77.5	240.3	1450.2
Eating and Drinking	38.3	49.1	59.8
Retail Trade	11.6	15.8	20.0
Hotel & Lodging Places	11.8	20.0	28.2
Total	\$141.0	\$308.8	\$563.6

TABLE 3.10
Total Employment by RIMS Categories
 (excluding Constr.)

	Low	Medium	High
Transportation	65	131	196
Other Amusements	3,593	11,141	20,878
Eating and Drinking	2,165	2,772	3,380
Retail Trade	502	685	867
Hotel & Lodging Places	518	878	1,237
Total	6,843	23,707	26,558

Construction Expenditures and Their Timing

Riverboats are likely to be the first of the three different types of casino gambling establishments to become operational in Florida since they are cheaper to construct. These floating casinos are often moved around and, given that Florida will be a serious competitor for the Mississippi casino market, it is possible that riverboats may be moved from Mississippi.

The following riverboat cost of construction figures were used in the respective reports:

STUDY/REPORT	SIZE OF RIVERBOAT (SF)	COST OF CONSTRUCTION	COST PER SQUARE FOOT
Preschnik (1990)	40,000	\$70 million	\$1,750
Fishkind (1995)	50,000	\$15 million	\$300
Promus/Hartsh (1994)	25,000	\$60 million	\$2,400

The monthly Dodge construction data for Florida show a wide variety of hotel/motel cost per sq. ft. Between 1988 and the present, the lowest and highest cost per sq. ft. were \$40.84 and \$873.63, respectively. Taking into account all of the above information, a \$1,000 cost per sq. ft. of gaming space was assumed for riverboats. This figure exceeds the most expensive hotel cost as revealed by the Dodge data by more than \$100 and is twice what was assumed for the Fishkind study.

The Praschnik (WEFA) study assumes that a land-based casino with 60,000 square feet of gaming space costs \$105 million. One casino company, when contacted, said that based on their New Jersey experience a 60,000 sq. ft. land-based casino could cost between \$300 and \$500 million. A \$1,500 cost per sq. ft. of gaming space was assumed for land-based casinos and pari-mutuel facilities based on the average cost/square foot for the three studies shown above. Land-based casinos, which typically have multiple restaurants, cocktail lounges, theaters, convention and hotel facilities, can be expected to cost substantially more than riverboats. Industry sources have suggested that the cost of hotel rooms can range anywhere from \$40,000 to \$120,000 per room, depending on the type of materials used to finish the rooms. The construction cost assumptions could benefit from more reliable construction cost data from casino companies. A \$50,000 per hotel room construction cost was assumed to account for such additional facilities for all land casino construction, including pari-mutuel facilities. This assumption was based on 125% of the \$40,000 minimum cost of a hotel room mentioned above. The extra 25% is meant to account for the additional facilities such as cocktail lounges, restaurants, etc.

The construction expenditure, size of each type of facility, and the timing of the expenditure are summarized in Table 3.11. The total construction cost to be incurred over 2 years totals \$3.2 billion, \$1.3 billion of which is assumed to be spent in FY 1994-95. The balance of \$1.9 billion is assumed to be spent during FY 1995-96. Riverboats are assumed to be 40,000 sq. ft. in size since that is the maximum allowed size under the provisions of the limited casino petition. The pari-mutuel facility casinos are assumed to average 35,000 sq. ft., since that is the average size of the smaller casinos in Atlantic City. Land-based casinos are assumed to be 60,000 sq. ft. based on the average size of larger casinos in Atlantic City, excluding the Trump Taj Mahal which has 170,000 sq. ft. of gaming space.

Construction Expenditure and Timing			
	Riverboat Casinos	Hotel Casinos	Pari-Mutuel Casinos
Size (sq. ft)	40,000	60,000	35,000
Cost Per Sq. Ft.	\$1,000	\$1,500	\$1,500
Cost Per Htl. Rm.	0	\$50,000	\$50,000
No. of Htl. Rms.	0	400	50
Tot. Cost per Fac.	\$40,000,000	\$110,000,000	\$55,000,000
No. of Facs.	5	12	30
Total Constr. Exp.	\$200,000,000	\$1,320,000,000	\$1,650,000,000
% Exp. in 1994-95	75%	25%	50%
% Exp. in 1995-96	25%	75%	50%
Exp. in 94-95	\$150,000,000	\$330,000,000	\$825,000,000
Exp. in 95-96	\$50,000,000	\$990,000,000	\$825,000,000

Short-term Construction Expenditure Economic Impacts

The economic impact of the construction activity in connection with casinos is assumed to be limited to two fiscal years - FY 1994-95 and FY 1995-96. The output, earnings and employment impacts will be calculated in essentially the same manner as for casino spending. However, these impacts are non-recurring since construction activity occurs only once instead of annually. The only additional factor is the degree of leakage of construction spending outside Florida. The extent of the leakage depends on how many of the projects are contracted out to non-Florida firms who may or may not use local construction labor. Since it is impossible to predict the distribution of construction contracts between in-state and out-of-state construction firms, a 30% to 50% range of leakage was assumed. Table 3.12 lays out the relevant multipliers, leakage percentages, and the total construction expenditure which is broken out in Table 3.11. Construction activity is estimated to generate between 18,720 and 26,207 jobs in FY 1994-95 and 26,753 to 37,454 jobs in FY 1995-96. Output and earnings are estimated to be between \$1.4 billion and \$1.9 billion and \$446 million and \$624 million, respectively in FY 1994-95. In FY 1995-96, output and earnings are expected to be in the ranges of \$2.0 billion to \$2.8 billion and \$637 to \$892 million, respectively.

Short Term Construction Related Economic Impacts				
TABLE 3.12	In-State Construction Spending Percentages:	Low 50%	Medium 60%	High 70%
	Construction RIMS Multipliers	Output 2.1260	Earnings 0.6829	Emp. 28.7
	Construction Spending (\$ millions)	FY 94-95 1,305	FY 95-96 1,865	
	FY 1994-95 (Output & Earnings in \$ millions)	Low	Medium	High
	Output	1,387.2	1,664.7	1,942.1
	Earnings	445.6	534.7	623.8
	Employment	18,720	22,464	26,207
	FY 1995-96 (Output & Earnings in \$ millions)	Low	Medium	High
	Output	1,982.5	2,379.0	2,775.5
	Earnings	636.8	764.2	891.5
Employment	26,753	32,103	37,454	

Impacts on Other Businesses

Goodman (1994) discusses the cannibalization of dollars from existing businesses to gambling. This economic analysis accounts for such diversions by means of the substitution percentages used to generate the net new expenditures in Table 3.5. While it is difficult to estimate the exact extent of the diversion of dollars from specific categories of businesses, it is safe to say that restaurant and entertainment businesses will suffer the consequences of the substitution of current expenditures in favor of casino gambling. Madden, Volberg, and Steufen (1991) in their South Dakota study found that while there was no appreciable statewide decline in total sales tax, categories such as recreation services, business services, auto dealers, clothing stores, business services, and service stations showed significant declines.

Current Florida tourists are likely to divert their expenditures on amusement parks, restaurants, and hotels to casino gambling. Diversion from restaurants and hotels will occur because it is a current industry practice for casino operators to offer highly subsidized food and lodging in order to attract people to the tables and slot machines. Allmendinger (1992) compares this practice to dumping in international trade, which is defined as the practice of selling a product below fair market value or even below cost of production. Atlantic City casinos were estimated to have given away \$234 million worth of food and beverage as promotions in 1991. In Minnesota, restaurant business within a 30-mile radius of casinos with food service reportedly fell by 20 to 50%. Food is often heavily discounted in casinos even if it is not free. For example, Oleck (1992) reports that an all-you-can-eat buffet with prime rib, veal and seafood was priced at \$10.95 in a Las Vegas casino. The threat of business loss due to casinos led to a statewide lobbying effort by a restaurant trade association in Louisiana. As a result, the number of restaurant seats in a single casino in New Orleans is limited by state law. Oleck (1992) reports that Dr. Timothy Ryan, a University of New Orleans economist, estimated that \$62 million will be diverted from all retail businesses excluding hotels as a result of the operation of a single 100,000 square feet casino in New Orleans.

The average expenditure on hotel rooms in Las Vegas was \$48.43, excluding those who did not spend anything on lodging according to the Las Vegas Visitor Profile Study (1993). The Reno Visitor Profile Final Report (1993) reports a similar figure of \$49 as the average cost of lodging. Hotel industry data from Florida suggest that the average cost of a hotel room in Florida was \$78 in 1993. Assuming that there are no significant differences in the quality of the rooms, the above data suggest that hotel room prices are likely to fall with the advent of casinos which will offer cheaper room rates in hopes of getting visitors' gambling business.

The effect of casinos on theme park attendance may not be dramatic given that these parks attract family vacationers for the most part. Theme parks usually charge a single admission fee instead of separate tickets for each ride and, hence, should not lose admissions revenue if visitors cut short their stay in the park to make time for casinos. However, it is possible that parks will lose food and beverage revenues should trip lengths be curtailed. This is a distinct possibility given the subsidized food and drink at casinos and the relatively expensive food visitors buy inside theme parks.

Information gathered from three cruise ship companies by the Florida Department of Commerce suggests that casino gambling is a major component of the day cruise operations of these companies. An estimated one million passengers travel on such day cruises which can cost anywhere from \$29 to \$129. Cruises average approximately 50% Florida residents and 50% out-of-state tourists. On board revenues are estimated to be in the \$49 to \$59 range on a per passenger basis, of which 70% is believed to be derived from casino expenditures. Since gambling is the main business of these cruise ships, a severe impact on their revenues can be expected if casino gambling is legalized in Florida. Taking an average cruise cost of \$79 and average on-board expenditure of \$54, potentially an estimated \$133 million is at stake. Whatever is lost from the cruise industry in terms of employment, earnings, and output, is likely to be directly substituted into the casino gambling industry since the jobs would be similar in nature. In effect, a sizable percentage of the cruise ship business would be absorbed into the casino industry.

The expected positive spillover effect of casinos has generally been stressed by some of the proponents of casino gambling. There does not appear to be any clear evidence of such effects in the states which have adopted casino gambling. Anecdotal evidence suggests that when people go to casinos for entertainment they will very seldom spend money on outside restaurants or retail establishments. An admission to that effect was made by Steve Wynn, a well known casino developer, in a *New York Times* article (Judson, 1992):

“ . . . 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 . . . ”

As mentioned earlier, casinos offer discounted food and drinks to keep visitors from going elsewhere and spending their money. A regular expensive restaurant suffers in contrast to the glittery interior of a casino where high quality food is cheap.

Based on the above discussion, Florida’s tourism industry can generally be expected to experience loss of business as a result of the introduction of casino gambling, though the impact on individual sectors like eating and drinking establishments or hotel and lodging is hard to gauge. If casinos are legalized in Florida, the substitution assumptions discussed earlier imply that all the tourist-oriented sectors taken together are expected to experience a total shift of \$2.0 to \$2.5 billion which will show up as gambling revenue for the casino industry. The total substituted amount is obtained as the difference between the total gambling expenditures shown in Table 3.3 and the net new expenditures on gambling shown in Table 3.5

SECTION 3

STATE TAX IMPACTS - GAMING, SALES AND CORPORATE

Gaming Tax Revenue

Gaming revenue is usually calculated as a percentage of the gross gambling revenue which is defined as the amount paid to the casino by gamblers less the amount paid out to gamblers as winnings. Tax rates and gross gambling revenues are summarized for casino states in Table 3.13 below.

Several other states have Indian tribes which run gambling activities of various types. Revenue information was not available for any of these Indian casinos.

The economic impacts discussed in the previous section provide the basis for the calculation of tax impacts. The gross gambling revenue figures calculated (Table 3.3) constitute the tax base for the gaming tax. A 16% flat gaming tax rate is assumed for the purposes of this study based on House Regulated Industries committee discussions regarding the rate during the 1994 regular legislative session. Additional discussion of this tax rate appears in chapter 5. Gaming tax revenue ranges from \$324 million to \$469 million as shown in Table 3.14. This

simple calculation could change based on the type of legislation that would pass should casinos be approved in Florida. An adjustment to the gross revenue could be allowed based on the expected percentage of bad debts. Such an adjustment would lower the amount of revenue the state would collect. The definition of revenues could be expanded to include all revenue earned by casinos, gambling and non-gambling. Non-gambling revenue could be defined to include all earnings from hotel, restaurant, and merchandise sales within the confines of the casinos. Such a modification of the tax base would increase the amount of tax revenue due to the state.

Gambling Tax Rates Across States

TABLE 3.13

State	Tax Rate	1993 Total Gross Gambling Revenue (millions)
Colorado	Variable rate of 2% to 8%	\$260
Connecticut (Indian only)	Not taxed since Indian gaming	\$253
Illinois	Flat rate of 20%	\$606
Indiana	Flat rate of 20%	Not operational
Iowa	Variable rate of 5% to 20%	\$45
Louisiana	Variable rate of 18.5% to 25%	Not operational
Mississippi	Variable rate of 4% to 8%	\$790
Missouri	Flat rate of 18%	Not operational
Nevada	Variable rate of 3% to 6.25%	\$6,248
New Jersey (Atl. City)	Flat rate of 8%	\$3,301
North Dakota (Non profit org.)	Variable rate of 5% to 20%	Not available
South Dakota	Flat rate of 8%	\$43

Total State Tax Revenue Impact of Casinos
\$ MILLIONS

TABLE 3.14

	Low	Medium	High
Recurring Net Sales Tax Revenue Impact	-84.7	-79.5	-67.0
Impact of Spending by New Tourists	10.0	14.1	18.2
Gambling Induced Sales Tax Effects	3.4	10.4	19.5
Impact of Taxable Sales Subst. by Gambling	-98.1	-104.	-104.7
Gaming Tax Revenue	324.3	396.8	469.3
Corporate Income Tax Revenue Impact	15.9	19.4	22.9
Lottery Revenue Impact	-85.5	-106.9	-128.3
Pari-Mutuel Revenue Impact	-14.0	-17.5	-21.0
NET TOTAL RECURRING ANNUAL STATE REVENUE IMPACT	111.3	112.3	111.5
Non Recurring Construction Related Sales Tax Revenue	101.1	121.3	141.5

Sales Tax Revenue

The net recurring sales tax impact shown in Table 3.14 is the sum of three separate effects. The first component is the sales tax effect of the non-gambling expenditure of additional tourists expected to come to Florida as a result of the introduction of casinos. This was obtained by calculating the non-gambling expenditure of new tourists after backing out the amount spent on groceries and gas which is not currently subject to sales tax. The total output of this expenditure (direct, indirect, and induced) was then obtained by multiplying the different expenditure categories by the appropriate RIMS multiplier (as was done to obtain the impact of all casino related expenditures in Table 3.8). Fifty percent of the induced and indirect spending was assumed to be taxable since that is currently the approximate ratio of taxable sales to personal income in Florida. The tax revenue was computed using the statewide 6% sales tax rate on the total output figures less fifty percent of the indirect and induced effects for the low, medium, and high scenarios. The gain in sales tax revenue from non-gambling expenditures of additional tourists ranges between \$10 and \$18 million.

The second component is the sales tax revenue derived from the indirect and induced effects of gambling expenditures. There is no direct sales tax impact because there is no sales tax on gambling revenue (the 16% gaming tax is applied). The output effect due to indirect and induced effects of gambling expenditures is calculated by deducting output due to non-gambling expenditures (accounted for above) and the direct gambling expenditures from total output shown in Table 3.8. Fifty percent of the secondary spending generated by gambling expenditures was assumed to be spent on sales taxable goods even though the initial expenditures are not subject to sales tax. The gain in sales tax revenue from this source ranges between \$3.4 and \$19.8 million.

The third component is the negative effect of the substitution of current expenditures on sales taxable expenditures by expenditures on gambling. Part of the substitution will be out of money spent on lottery tickets and pari-mutuel gambling. The amount of substituted gambling expenditures is obtained from Table 3.5. The amount substituted out of lottery and pari-mutuels is then calculated by dividing the loss figures for lottery and pari-mutuel revenues by the appropriate tax rates. A 38% tax rate is used for the lottery since that is the percentage of lottery revenues appropriated for education. The average tax rate for pari-mutuels is calculated as the percentage of total tax revenues (excluding admissions) over total gross revenues of all facilities (48.5%). The residual amount substituted into gambling was assumed to have come entirely out of sales taxable expenditures (entertainment and restaurant expenditures). The loss in sales tax revenue from substitution of current expenditures on sales taxable expenditures by expenditures on gambling ranges between \$98 and \$105 million. The sum of the three separate recurring sales tax effects gives sales tax losses ranging from -\$89 to -\$70 million.

The non-recurring sales tax impact of casino construction activity is assumed to last for two years, FY 1994-95 and FY 1995-96. Table 3.14 shows the impact for FY 1995-96. Fifty percent of construction expenditures is assumed to go toward labor costs which are not subject to sales tax. Hence 50% of the initial expenditures will not have sales tax effect. Also, 50% of the indirect and induced spending was assumed to be non-taxable based on historical census construction cost data. Thus, the non-recurring effect is calculated on the basis of 50% of the total output shown in Table 3.12. The total non-recurring sales tax effect from construction ranges between \$101 and \$142 million and can be expected to be spread over two to two-and-half years.

Corporate Income Tax Impact

Rohs and Pinsk (1994) provides financial data for four different casino companies. Using these data, the ratio of income before taxes to total revenue was calculated for each of the firms, giving an average ratio of 16.9%. This ratio was then applied to the total gross gambling revenue amounts shown in Table 3.3 to obtain an estimate of the taxable profits of the casino companies. The corporate income tax impact was then calculated as 5.5% of the total profits figure to give a range of \$16 million to \$23 million of corporate income tax gain. This method of calculation only provides a rough approximation of the corporate income tax revenues. The 16.9% figure is understated since total revenues for the casino companies include their revenue from food, beverage, and hotel rooms. The tax amount itself is overstated because various adjustments and credits are allowed for corporate income tax under current law. Also, if companies are not organized as C corporations, they would not be liable for corporate income tax under current law.

SECTION 4

STATE TAX IMPACTS - PARI-MUTUEL REVENUES

This section is based on the Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering's analysis on the impact of casinos on pari-mutuel revenues.

The negative impact of casino gambling on pari-mutuels is a nationwide trend. Already suffering from the effects of state lotteries and other competing sources for entertainment dollars, pari-mutuel tracks and frontons around the country have recognized that competition with casinos could be the death knell to the industry, and are clamoring in several states to provide casino gambling at pari-mutuel facilities. However, no states currently have casinos located at the facilities as proposed under this scenario, and Florida would be unique in this area.

Current Law Estimate of Pari-mutuel Revenue

The impact on pari-mutuels is the combined estimated impact of casino gambling on each of the four different types of pari-mutuel tax. Initially, revenues from each of the taxes are estimated based on current law to determine the amount of tax projected to be collected without casinos. A description of each tax type and the method of projecting future collections follows.

Tax on Handle -

Pari-mutuel handle is the total amount bet by patrons for a pari-mutuel performance, which consists of 12-15 races or games. Handle may be from live races or games (those which are conducted at the facility) or intertrack races or games (those which are broadcast to a facility from another Florida track or fronton). Both live and intertrack handle are projected based on industry (greyhound, jai alai, and horse racing) trends, facility trends, and the amount of performances requested by each track or fronton. Tax rates are set by statute, and are different for live and intertrack handle and for each industry. Projected tax revenue is derived by multiplying the projected live and intertrack handle for each industry by the statutory tax rates.

Tax on Admissions -

Florida law taxes each patron attending a live race or game in the amount of 10 cents or 15% of the admission charge. The number of entrants into each facility is projected based on the same trends as handle. Projected admissions tax is the number of entrants multiplied by the average tax per patron.

Tax on Breaks -

This is the amount equal to the cents leftover after rounding down winnings to the nearest nickel. Breaks on live handle at greyhound tracks are statutorily required to be remitted to the state by greyhound tracks. Because they are a function of handle, revenue from breaks is projected based on the same trends as those used for handle.

Daily License Fees -

Florida law levies a fee for each race or game, which is specific to each industry. Daily license fee projections are based on the current requested number of performances indicated on each facility's pari-mutuel license.

Collections of pari-mutuel tax were projected under the above methodology then compared to an estimate of pari-mutuel tax collected under the hybrid casino proposal. The resulting difference is the impact of casino gambling.

Estimate of Pari-mutuel Revenue under Casino Proposal

Currently, no state has casinos operating under a similar scenario as proposed in Florida; therefore, specific data were unavailable to determine the impact of casinos under the casino proposal in which casinos are located on or in close proximity to pari-mutuel premises. Because of the lack of data, this study focused on the impact of casinos on pari-mutuels in states or jurisdictions where fledgling casinos are competing with established pari-mutuel industries. Jurisdictions with the closest similarities to Florida's pari-mutuel industry were chosen, and the impact experienced by them was applied to live and intertrack handle to determine a low impact on handle. To determine the medium and high impact, additional percentages were added to factor in the location of the casinos at the pari-mutuel facilities under the assumption that such close proximity will result in a greater "cannibalization" of pari-mutuel handle. The additional percentages were based on the decline in live handle per performance after the advent of intertrack wagering in Florida, which directly competed for live handle at the facilities. Table 3.15 depicts the percentages applied to handle for the low, medium and high impacts.

Impact of Casinos on Pari-Mutuel Taxes and Fees							
TABLE 3.15	Pari-Mutuel Taxes and Fees without Casino Gambling	Pari-Mutuel Taxes and Fees with Casino Gambling			Impact of Casinos on Taxes and Fees		
		Low	Medium	High	Low	Medium	High
		Geryhound Racing	\$65.3	\$55.0	\$52.3	\$49.7	-\$10.3
Jai Alai	10.8	8.9	8.5	8.1	-1.9	-2.3	-2.7
Horse Racing	17.1	15.3	14.9	14.4	-1.8	-2.2	-2.7

The low impact assumes that Florida will likely see a decline in live handle per performance at greyhound tracks of -18.4%, the decline experienced by the greyhound industry in Mobile, Alabama as a result of competition with Mississippi river boats. The decline in live handle for jai alai is projected to be -20.4%, which was the decline Connecticut's jai alai industry suffered as a result of Indian casino gambling. Illinois was chosen for the projected percentage decline in horse racing of -13.4% based on its experience with river boat gambling. These particular jurisdictions were chosen because they have an established pari-mutuel industry, have begun casino gaming recently, and have at least two years of casino gaming activity.

The impact of casinos on intertrack handle is more difficult to ascertain because states with intertrack wagering have varying reporting methods, often combining intertrack handle with that of simulcast or off-track betting. Of the states where data were available, competition with casinos had a lesser impact on intertrack handle than on live handle. The projected decline in intertrack handle of -10.8% for the greyhound and jai alai industries and -8.2% for horse racing is an average of the decline experienced by pari-mutuels in those states.

Projected tax on admissions and breaks tax under the hybrid casino proposal was determined using the same factors as used for handle. The study assumed that the number of races and games would remain unchanged under the proposal since that is what happened in the jurisdictions used to assess the casino effect. This implies a zero impact on daily license fees. The 1994 regular legislative session changes in the jai-alai tax rates have been taken into account in this analysis.

Table 3.16 depicts the impact to the combined pari-mutuel taxes for each industry and in total. The impact ranges between a low of \$-14.0 million, which is a 15% decline in pari-mutuel tax collected assuming no casinos, and a high of -\$21 million, which is a decline in pari-mutuel tax of 29%.

Impact of Casinos on Pari-Mutuel Handle				
Industry and Handle Type	Low	Medium	High	
	Greyhound			
Live	-18.4%	-24.2%	-30.0%	
Intertrack	-10.8%	-10.8%	-10.8%	
Jai Alai				
Live	-20.4%	-24.7%	-28.9%	
Intertrack	-10.8%	-10.8%	-10.8%	
Horse Racing				
Live	-13.4%	-17.8%	-22.3%	
Intertrack	8.2%	-8.2%	-8.2%	

SECTION 8

STATE TAX IMPACTS - LOTTERY SALES REVENUES

This section is based on the findings of the Florida Department of Lottery's analysis of the impact of casinos on state lotteries.

Effect of Gaming Competition on other State Lotteries

Tables 3.17 and 3.18 summarize the sales performance of lotteries with and without significant gaming competition.

Effect of Mississippi Casinos on Florida Lottery Sales

Lottery retailers along the Florida/Alabama border, located near Mississippi's exploding riverboat casino industry, have experienced a steep decline in sales. Analysis of the sales patterns of the past two years of five retailers located near Alabama (in the Pensacola sales district) shows a sales decline

TABLE 3.17

Lottery States With Significant Gaming Competition

State	Gaming Competition	Sales Performance
Arizona	Class III Indian Gaming	Average annual sales growth of 3% over last 3 years after Indian gaming was introduced, compared to sales prior to gaming.
Colorado	Casinos	Sales growth of 46% prior to casinos. Growth rate of 10% after casinos.
Connecticut	Class III Indian Gaming - Racebooks	Annual average growth of 2% before casinos. Flat sales since casinos.
Idaho	Class II & III Indian Casinos	Three year average annual sales growth of -4%.
Illinois	Riverboat Casinos	Sales growth of 4% prior to casinos. Post-casino growth of 5% to 10% (est).
Iowa	Riverboat Casinos	Average 3 year growth rate of -1%. Grew at 25% after departure of several riverboats.
Maine	Off-track Pari-mutuel Betting	Three year average sales growth of 8%. Flat growth since OTB was introduced.
Michigan	Class II & III Indian Gaming	FY growth rate of 7% in FY 92. Flat growth in FY 93 - Indian gaming effect?
Mississippi	Class II Indian (Class III) Casinos	High flat revenue in FY1 followed by 7% growth after growth of casinos.
Montana	Video Gaming	Average growth of 20% despite proliferation of video gaming. Video gaming sales are much higher than lottery sales.
Nebraska	Casinos with pari-mutuel betting	18% growth in FY 92 followed by flat growth in FY 93 after expansion of pari-mutuel and introduction of pari-mutuel betting at casinos.
South Dakota	Casinos	24% growth of lottery mainly from video lottery. Casino and lottery sales both expanded at the expense of pari-mutuels.
Washington	Charitable and Class II Indian Gaming	Average annual growth of 14% over last three years.
Wisconsin	Class III Indian Gaming	19% average annual growth rate over past three years with Indian casinos.

of 42% in FY1992-93 over FY1991-92. Over the same period, the Pensacola district as a whole and the entire state experienced a sales decline of 10% and 1%, respectively. Both on-line and instant ticket sales have been impacted by the casinos. The five retailers showed a decline of 46% in on-line sales while Pensacola and the state showed declines of 18% and 7%, respectively. Statewide instant ticket sales have shown a healthy growth rate of 24% between FY1991-92 and FY1993-94. The Pensacola district shows only a 12% growth rate over the same period while the five retailers show a 31% decline over the same period.

Effect of Casinos on Illinois Lottery

Craig Johnson (1994), a management consultant, examined the effect of casinos on the Illinois lottery. Johnson's analysis shows that while the Illinois gaming market enjoyed tremendous growth as a result of the introduction of riverboats (\$1.4 billion in 1992 to \$2.7 billion in 1993), the Lottery's market share shrunk from 27% in 1992 to 13% in 1993. Pari-mutuel market share dropped from 22% to 12% while the riverboats grabbed 75% of all revenues. Illinois lottery sales showed a decline of 10% over the period. The lotto revenues showed a steep decline of approximately 17%. Johnson concluded that the introduction of casino gambling in a state could reduce lottery revenues anywhere between 10 to 15%.

Results of Florida Lottery Survey on Gaming

During the months of June and July, 1994, the Florida Lottery commissioned a marketing research study to measure the experience of Florida residents with different forms of gaming, including the Florida Lottery. The primary purpose of the study was to supplement information that is collected

Lottery States Without Significant Gaming Competition

TABLE 3.18

State	Sales Performance	Special Factors
Alabama	3 year average growth rate of 7%	Keno in FY93
Delaware	3 year average growth rate of 11%	Better lotto sales
Washington D.C.	34% increase in FY93 after 3 years of flat growth	Better lotto and instant sales
Florida	3 year average growth rate of 1%	None
Indiana	3 year average growth rate of 10%	None
Kansas	48% increase in FY93 after 3 year average growth of 4%	Keno in FY93
Kentucky	3 year average growth of 40%	High payout instant games
Maryland	9% growth in FY93 after 2 years of flat growth	Keno in FY93
Mississippi	3 year average growth rate of 14%	High payout instant games
Missouri	3 year average growth rate of 5%	None
New Hampshire	3 year average growth rate of 5%	None
New York	3 year average growth rate of 5%	None
Ola	3 year average growth rate of 7%	None
Oregon	3 year average growth rate of 45%	Video lottery and keno started
Pennsylvania	3 year average growth rate of -2%	None
Rhode Island	114% growth rate in FY93 following 2 years of -2%	Video lottery & keno in FY93
Vermont	3 year average growth rate of 6%	None
Virginia	3 year average growth rate of 24%	Lotto in FY91
West Virginia	3 year average growth rate of 20%	Video lottery and keno

during the regular quarterly player tracking surveys, in which Lottery player attitudes and opinions about the Lottery and its products are measured. The study also included questions about how Lottery player behavior might change given the existence of casino gambling in the State of Florida.

The gaming study indicated that proximity to a certain form of gambling influences the extent to which people engage in that activity. For example, individuals in the Miami area were much more likely to say that they had made wagers on cruise ships in the past two months than people in other Florida markets. On the other hand, Pensacola residents, in closest proximity to the riverboat casino operations of Mississippi, were more likely to say they had participated in that form of casino gaming than those in other parts of the state.

The implication is that the proliferation of casinos in Florida will cause consumers to switch at least a portion of their gaming budgets to casino gambling. Given that consumers have a finite amount of discretionary income with which to make wagers, the switch to casinos would necessarily come at the expense of the Lottery and other forms of wagering. Of the survey respondents who indicated they had had gambling experiences within the past two months, approximately 8% indicated they had wagered at traditional casinos, such as in Las Vegas or Atlantic City. 8% indicated they had wagered on dog races, 7% said they had wagered on horse races, 6% said they had wagered on casino cruise ships, 5% wagered on jai alai, 3% wagered at an Indian bingo facility and 2% said they wagered at riverboat casinos. Most of the respondents, over 89%, indicated they had wagered on Florida Lottery games.

Approximately 54% of respondents who had made Florida Lottery wagers in the past two months indicated they had visited a casino at some time in the past. When asked how much they typically wager on a casino visit, 53% indicated they spend \$50 or less, 29% said they spend between \$50 and \$200, and 11% indicated they spend between \$200 and \$5,000. Many respondents indicated that the existence of casinos in the state would cause them to be less likely to play Florida Lottery games if casino gambling were allowed in Florida. Among active bettors, more than 12% of horse race bettors said they would be less likely to play the Lottery. More than 10% of the respondents who had wagered recently at land-based casinos or on casino cruises also indicated the likelihood that their Lottery play would diminish.

Respondents who engaged in non-lottery wagering in the past two months generally said they would spend more at casinos than on Florida Lottery games. Bettors likely to spend more at casinos than on the Lottery included those who had recently wagered:

- ◆ at a traditional Las Vegas-type casino (76%)
- ◆ on dog races (65%)
- ◆ on horse races (81%)
- ◆ on casino cruises (65%)
- ◆ on jai alai (74%)
- ◆ on dice (70%)
- ◆ on Indian bingo games (76%)
- ◆ at riverboat casinos (81%)

Potential Fiscal Impact on Education Funding

Based on the results of the Johnson (1994) study and the indications of the gaming survey, it would be safe to say that casinos will have a substantial impact on lottery sales revenues. An approximate measure of this potential impact on the Florida lottery can be obtained by applying the 10-15% loss percentage range indicated by the Johnson study. The REC (1994) estimate of lottery revenues in FY 1995-96 totals \$2,250 million. Assuming a low level of impact at 10%, a medium level impact at 12.5%, and a high level impact of 15%, the sales revenue lost would be \$225 million, \$282 million and \$338 million, respectively. Under current law, 38% of all sales revenue is required to be transferred to the Educational Enhancement Trust Fund (EETF) of the Department of Education. Thus, the EETF could lose a low of \$86 million, a medium of \$107 million, and a high of \$129 million.

SECTION 6

LOCAL GOVERNMENT TAX IMPACTS

Introduction and Overview

The discussion in previous sections indicates that there will be important changes in the size and composition of output, income, and spending in Florida as a result of casinos. It could be further expected that local tax bases would experience some changes, both positive and negative. In what follows, estimates of the impact of casinos on local property taxes, sales surtaxes, state shared sales taxes, and tourist development taxes will be presented by county and for the entire state. Other local tax sources will also be discussed, though no estimates will be provided. An explanation of the estimation methodologies will be detailed as well.

The local tax estimates are subject to some caveats which should be explained before going further. The tax impacts mirror local economic effects. They are the consequence of complex interactions among numerous factors that are not very well quantified. The impacts on different localities in the state will, to a great extent, reflect the size and locations of casino facilities, the size and geographic distribution of new tourist flows into the state, and the extent to which current tourists and Florida residents shift their spending patterns toward gambling. Given the complexity of the real-world phenomena to be modeled, and the paucity of helpful information, a great deal of simplification is inevitable. Furthermore, because accurate prediction of the geographic distribution of changes in tourist and resident spending is impossible, the estimates presented herein are useful as indicators of the likely direction and order of magnitude of local tax impacts, but should not be viewed as precise estimates.

A summary of estimated impacts on property taxes, sales surtaxes, shared sales taxes (i.e., the "half-cent sales tax distribution") and tourist development taxes is shown in Table 3.19 on pages 38 and 39. By far the largest recurring annual impact is in property taxes, at \$70.4 million statewide. This is well above the losses of -\$4.7 million in sales surtaxes and -\$7.3 million in shared sales taxes and the \$1.0 million gain in tourist development taxes. Note also that there will be a construction-induced, non-recurring positive effect of \$18.9 million in sales surtaxes and shared sales taxes combined, spread across three or four years. There are several aspects of these estimates worth noting.

Generally, it is not surprising that the group of 24 counties with casinos will have positive recurring revenue impacts totaling \$63.3 million, largely attributable to property tax gains. In fact, Table 3.19 shows that the only counties to have positive revenue impacts, recurring or not, are those with casinos. The remaining 43 counties can expect to experience some recurring losses in sales surtax and shared state sales tax revenues, totaling -\$3.8 million statewide. These counties should not have any noticeable non-recurring gains.

Regarding property taxes, the \$70.4 million gain is relatively small, representing only about 0.8% of property tax levies in 1993-94 in counties expected to have casinos. Of this amount, about \$28.3 million (40%) will go to school districts, and \$21.7 million (31%) will go to county operating budgets. In the table, only those counties that are assumed to have casino facilities are shown to have any property tax effects. Only the value of construction of casinos and hotels was considered. However,

Summary of Local, Full Implementation Tax Impacts

\$ millions

TABLE 3.19

Casinos	County	Recurring Annual				Total	Non-Recurring Sales Surtax & 1/2-cent
		Ad Valorem	Sales Surtax	1/2-cent Sales Tax	Tourist Dev.		
	ALACHUA		-0.10			-0.10	
	BAKER		-0.01	-0.01		-0.02	
1	BAY	0.62	-0.42	-0.23	0.03	0.01	0.40
	BRADFORD		-0.02	-0.01		-0.03	
1	BREVARD	2.23		-0.23	0.04	2.05	0.40
6	BROWARD	9.80		-0.70	0.07	9.17	1.33
	CALHOUN		-0.01	-0.01		-0.02	
	CHARLOTTE			-0.08		-0.08	
	CITRUS			-0.06		-0.06	
1	CLAY	0.88	-0.06	-0.03	0.00	0.79	0.47
1	COLLIER	0.58		-0.12	0.01	0.48	0.14
	COLUMBIA		-0.07	-0.04		-0.11	
8	DADE	12.72	-0.79	-0.80	0.12	11.31	3.24
	DESOTO		-0.02	-0.01		-0.04	
	DIXIE		-0.01	-0.01		-0.02	
2	DUVAL	3.67	-0.26	-0.29	0.00	3.20	1.10
2	ESCAMBA	2.47	-0.20	-0.11	0.04	2.20	1.19
	FLAGLER		-0.07	-0.04		-0.11	
	FRANKLIN			-0.01		-0.01	
	GADSDEN		-0.03	-0.02		-0.05	
	GILCHRIST		-0.01	-0.01		-0.01	
	GLADES		-0.01	*		-0.01	
	GULF			-0.01		-0.01	
	HAMILTON		-0.01	-0.01		-0.02	
	HARDEE		-0.02	-0.01		-0.03	
	HENDRY		-0.03	-0.02		-0.04	
	HERNANDO			-0.06		-0.06	
	HIGHLANDS		-0.10	-0.05		-0.15	
3	HILLSBOROUGH	5.70	0.28	-0.31	0.12	5.22	1.47
	HOLMES			-0.01		-0.01	
	INDIAN RIVER		-0.18	-0.10		-0.28	
	JACKSON			-0.03		-0.03	
1	JEFFERSON	1.12	0.10	0.05		1.27	0.54
	LAFAYETTE		*	*			
	LAKE		-0.18	-0.10		-0.28	
2	LEE	3.11		-0.18	0.04	2.97	0.55

there will almost certainly be some negative effects on property values that, due to their complexity and lack of information, have not been estimated here. Such effects were estimated to have occurred in Atlantic City (Buck, Hakim, and Spiegel, 1991). As a result, the property tax impacts shown in Table 3.19 are probably biased upward.

TABLE 3.19

Summary of Local, Full Implementation Tax Impacts
\$ millions

Casinos	County	Recurring Annual			Total	Non-Recurring Sales Surtax & 1/2-cent
		Ad Valorem	Sales Surtax	1/2-cent Sales Tax		
	LEON		-0.23	-0.13	-0.36	
	LEVY		-0.03	-0.02	-0.04	
	LIBERTY		*	*	*	
	MADISON		-0.01	-0.01	-0.02	
	MANATEE		-0.29	-0.16	-0.45	
1	MARION	1.91		0.0494	1.86	0.32
	MARTIN			-0.08	-0.08	
1	HONROE	0.42	-0.23	-0.13	0.03	0.29
	NASSAU		-0.04	-0.05	-0.09	
1	OKALOSA	0.66		-0.12	0.01	0.55
	OKEECHOBEE			-0.02	-0.02	
1	ORANGE	3.86		-0.74	0.08	3.20
	OSCEOLA		-0.24	-0.13	-0.37	
3	PALM BEACH	5.08		-0.50	0.08	4.66
1	PASCO	0.87		-0.10	0.02	0.79
3	PIEDMONT	1.80	0.74	0.41	0.04	2.99
	POLK			-0.23	-0.23	
	PUTNAM			-0.03	-0.03	
	SANTA ROSA		-0.24	-0.13	-0.37	
1	SARASOTA	2.11	0.02	0.01	0.03	2.17
3	SEMINOLE	1.95	0.15	0.07	0.04	2.19
1	ST. JAMES	0.83		0.17	0.02	0.98
1	ST. LUCIE	1.00		0.05	0.03	1.08
	SUMTER		-0.04	-0.02	-0.06	
	SUWANNEE		-0.02	-0.01	-0.03	
	TAYLOR		-0.02	-0.01	-0.03	
	UNION		-0.01	*	0.01	
1	VOLUSIA	2.67		-0.28	0.07	2.46
	WAKULLA		-0.01	-0.01	-0.02	
	WALTON			-0.02	-0.02	
1	WASHINGTON	1.01	0.0136	0.0065	0.01	1.03
STATE TOTAL:						
ALL COUNTIES		70.42	-4.69	-7.26	1.01	18.91
CASINO COUNTIES		70.42	-4.69	-7.26	1.01	18.91
NON-CASINO COUNTIES			-1.98	-1.84		

* - Indicates an impact of less than \$10,000

As with property taxes, the sales surtax consequences are relatively small, with annual losses of -\$4.7 million, amounting to only about -1% of amounts currently collected. Also, it is not surprising to see a negative total impact, given the negative state sales tax impacts discussed in earlier sections. Among the 42 counties with local option sales surtaxes, 39 can expect to lose sales tax revenues.

Jefferson, Seminole, and Washington counties are the exceptions. In general, the negative impacts arise because substitution of spending by county residents away from sales-taxable transactions to gambling more than offsets new taxable spending due to the influx of new tourists or gambling Floridians from elsewhere in the state. In Jefferson, Seminole, and Washington counties, though, the county populations are small relative to the expected influx of gamblers, so there is a net positive impact. As a group, casino counties can expect to have larger surtax losses than non-casino counties, reflecting the larger populations in the former.

The -\$73 million in recurring losses via the half-cent sales tax have a pattern comparable to that for the sales surtax, and occurs for the same reasons. All counties, except for Jefferson, Seminole, and Washington could well lose shared sales tax from the state. Note, however, that the losses for casino counties as a group are over twice as high as for non-casino counties, reflecting the bigger population and sales tax bases in casino counties.

Counties in which casinos are located will likely have some increase in overnight visitors, and therefore in tourist development taxes. Table 3.19 shows that about \$1.0 million in additional taxes will be generated statewide, amounting to about 0.7% of current collections. No counties are shown to have negative impacts, but this is certainly a possibility if current tourists decide to spend more time in casino counties.

The non-recurring gains in sales surtaxes and shared sales taxes result from the construction of casinos and hotels. The total effects shown in Table 3.19 are spread over two to four years before they completely dissipate.

The construction and operation of casinos in Florida will certainly have some effect on local revenue sources other than those mentioned above. It is likely, though, that the impacts are not large enough to warrant trying to estimate. This assumption seems reasonable, given the small relative size of the estimates already presented for revenue sources that will be most directly affected.

The sections that follow detail the methodologies and assumptions used to generate the estimates in Table 3.19. Central to the revenue analysis are the estimates of geographic distribution of casino gambling activity around the state. This will be presented first, to be followed by sections specific to property taxes, sales surtaxes, shared state sales tax, and tourist taxes.

Geographic Patterns

The conceptual starting point for this analysis is the assumption that there is a certain amount of demand, in aggregate, for casino gambling in Florida. Demand is defined here as the number of visitors to casinos. Derivation of the local tax impacts requires some distribution of this aggregate demand into geographic market areas around the state.

Broadly, geographic distribution of casino visitors involves several steps. First, the "casino counties" need to be defined. These are counties in which at least one casino facility is located. Second, the "market area" for each casino county needs to be determined. The market area consists of the core casino county and surrounding counties (or portions thereof), that are close to the core county relative to other casino counties. Delineation of the market areas determines the size of the

resident and current tourist populations from which the core casino county will draw gamblers. With the use of some assumptions about mobility and propensities to gamble, resident and current tourist visitors to the core counties can be estimated. A third step is to distribute to the various casino counties any new tourists drawn to Florida by casino gambling.

Casino County Determination -

The location of casinos is largely, but not entirely, determined by the language of the proposal being considered. Casinos will be allowed at active pari-mutuel facilities. According to the Annual Report 1992-93 of the Division of Pari-Mutuel Wagering, Department of Business and Professional Regulation, there were 30 such facilities in fiscal year 1992-93. Note that, because of recent inactivity, the facility in Washington County may drop from the group eligible to host casinos. In addition to casinos at pari-mutuel sites, the proposal allows 12 casino/hotel sites in selected counties. The remaining question is where will the five riverboat casinos be located?

It is generally assumed that the riverboats will tend to gravitate to high population and/or high tourism, coastal counties. As it turns out, most of the counties that will have land-based casinos also have the largest populations and tend to be the most common tourist destinations in the state. However, there are three high-tourism counties that are not eligible for land-based casinos. Bay, Monroe, and Okaloosa counties are among the top ten destinations for either auto or air tourists. These counties are assumed to have one riverboat each. One other county, Collier, which is neither a high-population nor high-tourism county, was assumed to have a riverboat because of that area's large and wealthy retirement community. Finally, Pasco County was assigned a riverboat because of its relatively large population among the remaining non-casino counties and its proximity to the Tampa-St. Petersburg area.

At this stage, the "casino counties" are set, which will allow the market areas to be defined and "demand" for casino gambling in each area to be estimated.

Table 3.20 lists the casino counties and the types and number of facilities in each. As the table shows, the 47 casino facilities contemplated in this study will be spread among 24 counties. Dade County would have the most, with eight, followed by Broward with six. Of the remaining 22 casino counties, four will have three casinos each, three will have two casinos each, and 15 will have just one casino. Unsurprisingly, with over one-third of Florida's counties having a casino, such gambling activity will be spread throughout the state, easily accessible to the entire population.

Market Area and Current Population Demand Determination -

Definition of the casino market areas is not a precise process. The general method is to use a ruler to draw, on a map of Florida, lines approximately equidistant between core casino counties. This effectively divides the state into sub-regions to which estimates of casino visitors from each county can be assigned. The simple rationale for this approach is that current residents or tourists that want to gamble will tend to gravitate to the closest casino facilities, if for no other reason than to minimize transportation expense and time. Table 3.20 shows the non-casino counties included in each core county's market area.

Casino Location and Market Areas

TABLE 3.20

Core Casino County	# of Casino Facilities			Other Counties in Market Area
	Pari-Mutuels	Casino Hotels	River Boats	
BAY			1	(Calhoun, Franklin, Gulf, Holmes, Jackson, Liberty, Walton) x 50%
BREVARD	1			Indian River x 25%, Osceola x 50%
BROWARD	4	2		
CLAY	1			(Bradford, Union) x 50%
COLLIER			1	
DADE	5	3		
DUVAL	1	1		Baker, Columbia, Nassau, (Bradford, Union) x 50%
ESCAMBIA	1	1		Santa Rosa
HILLSBOROUGH	2	1		(Hernando, Pasco) x 25%, Polk, Sumter x 33%
JEFFERSON	1			Gadsden, Hamilton, Lafayette, Leon, Madison, Suwannee, Taylor, Wakulla
LEE	1	1		Charlotte, Glades, Hendry
MARION	1			Alachua, Citrus x 25%, Dixie, Gilchrist, Levy, Putnam, Sumter x 33%
MONROE			1	
OKALOOSA			1	
ORANGE		1		Lake x 34%, Osceola x 50%, Orange x 70%, Sumter x 34%
PALM BEACH	2	1		Martin x 50%
PASCO			1	(Pasco, Citrus, Hernando) x 75%
PINELLAS	2	1		
SARASOTA	1			DeSoto, Hardee, Manatee, Highlands x 50%
SEMINOLE	3			Lake x 33%, Orange x 30%
ST. JOHNS	1			
ST. LUCIE	1			Indian River x 75%, Okeechobee, (Highlands, Martin) x 50%
VOLUSIA	1			Fogler, Lake x 33%
WASHINGTON	1			(Calhoun, Franklin, Gulf, Holmes, Jackson, Liberty, Walton) x 50%

The general method does not always work cleanly, especially when core counties are adjacent to each other or the equidistant lines bisect or trisect a county. The following assumptions had to be made in such cases:

- ◆ the casino counties of Bay and Washington are adjacent, so casino visitors from the several surrounding counties were split evenly among Bay and Washington counties,
- ◆ the casino counties of Pasco and Hillsborough are adjacent, so assigned to Pasco County was 75% of the visitors from Pasco and Hernando counties; 25% of the visitors from these counties were assigned to Hillsborough.

- ◆ the non-casino county of Citrus is approximately equidistant from the casino counties of Pasco and Marion, to which each is assigned one-half of visitors from Citrus County,
- ◆ Polk County falls between the casino counties of Hillsborough and Orange; all of the visitors from Polk were assigned to Hillsborough because the geographic center of population within Polk is closer to Hillsborough,
- ◆ the non-casino county of Sumter is approximately equidistant from the casino counties of Hillsborough, Marion, and Orange, to which each is assigned one-third of visitors from Sumter County,
- ◆ Manatee County falls between the casino counties of Hillsborough and Sarasota; all of the visitors from Manatee were assigned to Sarasota because the geographic center of population within Manatee is closer to Sarasota,
- ◆ the non-casino county of Lake is adjacent to the three casino counties of Volusia, Seminole, and Orange, so the visitors from Lake County were assigned in thirds to each,
- ◆ the casino counties of Orange and Seminole are adjacent, and Seminole is expected to have three casinos whereas Orange is expected to have one; it is assumed that 30% of the visitors from Orange County will gamble in Seminole County,
- ◆ the casino counties of Orange and Brevard are adjacent to each other and to Osceola County, so 50% of the visitors from Osceola County are assigned to each,
- ◆ the non-casino county of Highlands is approximately equidistant from the casino counties of Sarasota and St. Lucie, to which each is assigned one-half of visitors from Highlands County,
- ◆ the non-casino counties of Bradford and Union are either adjacent to or in close proximity to the adjacent casino counties of Clay and Duval, to which each is assigned one-half of the visitors from Bradford and Union counties,
- ◆ the non-casino county of Indian River is located between the casino counties of Brevard and St. Lucie; the visitors from Indian River County are assigned 25% to Brevard and 75% to St. Lucie counties,
- ◆ the non-casino county of Martin is between the casino counties of St. Lucie and Palm Beach, to which each is assigned 50% of the visitors from Martin County.

After the market areas are defined, the number of casino visitors to the core counties from the base of current resident and tourist populations can be estimated. The estimates for each market area are benchmarked to sum to the statewide totals outlined in earlier sections of this report.

The number of casino visitors from the resident population in each county is estimated by multiplying (a) the statewide number of Floridians visiting casinos by (b) the percent of a county's population of the state total estimated for April 1, 1996 (Florida Economy Consensus Estimating Conference, January 1, 1994). It is further assumed that in non-casino counties, 40% of these visitors will take overnight trips to the core casino county, with the remainder taking day trips. There is no

Current and New Tourist Locations: Percent Distributions

TABLE 3.21

County	Current Tourists		New Tourists		
	Auto	Air	Non-Day Trippers		Day Trippers
			Auto	Air	
ALACHUA	1.0%	0.3%			
BAKER	0.0%				
BAV	8.8%	2.7%	9.4%	2.8%	8.6%
BRADFORD	0.1%				
BREVARD	4.5%	8.3%	5.5%	4.4%	
BROWARD	4.0%	14.0%	4.0%	14.0%	
CALHOUN	0.1%				
CHARLOTTE	0.8%	0.5%			
CITRUS	0.7%	0.7%			
CLAY	0.2%	0.2%	0.2%	0.2%	14.3%
COLLIER	1.8%	1.8%	1.8%	1.8%	
COLUMBIA	0.8%	0.1%			
DADE	2.5%	1.2%	2.5%	1.2%	
DESOTO	0.2%				
DIXIE	0.1%	0.0%			
DUVAL	4.4%	3.3%	6.1%	3.8%	28.7%
ESCAMBIA	2.8%	1.8%	5.1%	2.8%	10.0%
FLAGLER	0.7%	0.3%			
FRANKLIN	0.2%	0.1%			
GADSDEN	0.0%	0.1%			
GILCHRIST	0.1%				
GLADES	0.1%				
GRIF	0.2%	0.1%			
HAMILTON	0.1%	0.0%			
HARDEE	0.1%	0.0%			
HENDRY	0.1%	0.1%			
HERNANDO	0.2%	0.3%			
HIGHLANDS	0.8%	0.3%			
HILLSBOROUGH	1.6%	3.7%	1.1%	1.0%	
HOLMES	0.2%				
INDIAN RIVER	0.9%	1.4%			
JACKSON	0.3%	0.1%			
JEFFERSON	0.0%	2.1%	0.9%	14.0%	
LAFAYETTE	0.0%				

factual basis for this assumption from other sources. While there will certainly be overnight trips by residents, the extent to which this occurs is purely a matter of conjecture at this point. All resident visitors from casino counties are assumed to take day trips only.

The number of casino visitors from the current tourist population in each county is estimated for auto and air tourists separately, though using the same technique.

Current and New Tourist Locations: Percent Distributions

TABLE 3.21

County	Current Tourists		New Tourists		
	Auto	Air	Non-Day Trippers		Day Trippers
			Auto	Air	
LAKE	1.3%	0.3%			
LEE	2.7%	3.2%	3.7%	3.7%	
LEON	1.5%	0.7%			
LEVY	0.2%	0.0%			
LIBERTY	0.0%				
MADISON	0.0%	0.0%			
MANATEE	1.2%	1.2%			
MARION	2.0%	0.5%	3.9%	1.0%	
MARTIN	0.8%	0.2%			
MONROE	1.8%	3.4%	1.8%	3.4%	
NASSAU	0.7%	0.4%			
OKALOOSA	4.2%	0.7%	4.2%	0.7%	5.7%
OSCEOLA	0.2%	0.1%			
ORANGE	13.1%	12.1%	10.5%	9.3%	
OSCEOLA	1.3%	1.3%			
PALM BEACH	3.7%	9.9%	4.1%	10.3%	
PASCO	1.1%	0.7%	1.2%	1.0%	
PINELLAS	4.5%	5.5%	4.5%	5.5%	
POLK	2.5%	0.3%			
PUTNAM	0.4%	0.1%			
SANTA ROSA	2.6%	1.9%			
SARASOTA	1.0%	0.8%	2.9%	2.6%	
SEMINOLE	0.4%	0.2%	4.0%	2.9%	
ST. JOHNS	2.2%	3.0%	2.2%	3.0%	14.3%
ST. LUCIE	0.2%	0.2%	2.2%	2.2%	
SUMTER	0.4%	0.0%			
SUWANNEE	0.1%	0.1%			
TAYLOR	0.1%	0.0%			
UNION					
VOLUSIA	8.1%	3.0	9.2%	3.4%	
WAKULLA	0.1%	0.0%			
WALTON	0.3%	0.1%			
WASHINGTON	0.1%	0.0%	0.7%	0.2%	0.7%
	100%	100%	100%	100%	100%

Unfortunately, for purposes of this study there are no centralized, direct estimates of tourist counts, length of stay, and other characteristics by county. The only easily accessible, county-level indicators of the number of tourists are from monthly survey data collected by the Florida Department of Commerce. Specifically, the department queries visitors to the state, arriving by motor vehicle or air, as to their planned destinations in Florida. Tables are produced to show the number of survey responses in a given quarter that indicated a particular county as a destination. Note that a single respondent can name several different destinations, all of which will be tabulated by the department.

The above Department of Commerce data are used to distribute among the counties (and casino market areas) statewide estimates of current tourists that will visit casinos. For each county, the statewide estimate is multiplied by the percentage of total survey responses indicating that county as a destination between April 1993 and March 1994. This is done for auto and air tourists separately. All current tourists visiting casinos are assumed to take only day trips on such visits. Table 3.21 shows, in the "Current Tourists" column, the percent distributions produced by the methodology.

Destination Counties of New Tourists -

A certain number of new tourists are expected to be drawn to Florida by casino gambling. Statewide estimates have already been presented. The next step in the local revenue impact analysis is to assign portions of the new tourist flows to different casino counties throughout the state.

There are two types of new tourists considered here. "Day trippers" will come only for the day, only to gamble. Others will come for multiple days, primarily to gamble, but also to take in other recreational opportunities offered by the state. It is assumed that day trippers will be drawn only from Alabama, Georgia, and South Carolina because of their proximity to Florida. Mississippi is not assumed to contribute any day trippers because that state already has casino gambling. Only casino facilities in the northern part of the state are expected to attract day trippers from outside the state. The following assumptions are made about the percent of day trippers attracted from the three states:

- ◆ of the day trippers visiting Florida from Alabama, 30% will go to Bay County, 35% will go to Escambia County, 20% will go to Okaloosa County, and 15% will go to Washington County,
- ◆ of the day trippers visiting Florida from Georgia, 17.5% will go to Clay County, 35% will go to Duval County, 30% will go to Jefferson County, and 17.5% will go to St. Johns County,
- ◆ of the day trippers visiting Florida from South Carolina, 100% will go to Duval County.

These assumptions result in the distribution shown in Table 3.21 in the column headed "Day Trippers." These percentages will be applied to the statewide total number of day trippers from nearby states estimated elsewhere.

The distribution to each casino county of non-day tripper, new tourists is simply the sum of the percentages calculated for current tourists for the counties in each market area (with appropriate proportions applied). Separate calculations are made for auto and air tourists. The estimates are shown in Table 3.21 in the columns headed "non-Day Trippers." These proportions are applied to the statewide total number of tourists due to casinos estimated elsewhere.

Geographic Patterns Summary -

The end result of the three steps described above is the pattern of casino visitors shown in Table 3.22. The table shows the 24 casino counties in order of market size. The counties are segregated into three groups—large, medium, and small markets. The eight casino counties with the largest markets—Dade, Broward, Orange, Hillsborough, Palm Beach, Duval, Volusia, and Pinellas—account for almost 58% of total annual casino visitors. These are also all among the ten largest counties in the state in terms of resident population. This fact emphasizes the importance of current residents as the primary source of demand for casino gambling in Florida. Current tourists also contribute significantly to some of the counties in the large group. These counties tend to rank high as destinations for either

TABLE 3.22

Casino Visitors to Core Casino Counties

Large Markets	New From Other States	From Other Counties (**)	Total Visitors From Core County (**)	Total	%
DADE	23,944		3,045,524	3,069,468	9.8%
BROWARD	27,892		2,783,787	2,811,679	8.9%
ORANGE	22,413	331,420	2,167,299	2,521,132	8.0%
HILLSBOROUGH	20,815	856,354	1,574,815	2,451,984	7.8%
PALM BEACH	22,612	126,388	2,071,808	2,220,808	7.1%
DUVAL	58,484	316,821	1,345,306	1,720,611	5.5%
VOLUSIA	20,892	225,446	1,456,173	1,702,511	5.4%
PINELLAS	15,952		1,671,291	1,687,243	5.4%
	213,004	1,856,429	16,116,004	18,185,438	57.8%
Medium Markets					
BAY	33,187	132,849	1,284,737	1,450,772	4.6%
BREVARD	16,014	281,279	1,132,123	1,429,416	4.5%
SEMINOLE	23,679	1,028,530	138,280	1,190,489	3.8%
LEE	11,977	287,722	883,627	1,183,326	3.8%
ESCAMBIA	28,257	452,817	671,306	1,152,380	3.7%
MARION	8,270	532,449	437,362	978,080	3.1%
SARASOTA	8,987	629,209	315,152	953,347	3.0%
ST. LUCIE	6,909	495,152	354,652	856,714	2.7%
	137,279	3,840,008	5,217,238	9,194,525	29.2%
Small Markets					
ST. JOHNS	29,483		748,178	777,661	2.5%
OKALOOSA	16,622		626,514	643,136	2.0%
JEFFERSON	25,468	578,502	12,149	616,119	2.0%
PASCO	4,456	261,616	332,482	598,554	1.9%
MONROE	8,184		567,971	576,156	1.8%
COLLIER	5,723		502,258	507,981	1.6%
CLAY	21,816	20,449	130,005	172,270	0.5%
WASHINGTON	7,886	132,849	28,289	169,024	0.5%
	119,639	993,416	2,947,847	4,060,901	12.9%
TOTAL	469,722	6,889,853	21,281,089	31,440,664	100%

(*)—Includes current residents and current tourists.

current auto or current air tourists. Furthermore, as a group these counties are expected to draw over 45% of new tourists attracted to Florida by casino gambling. Duval County is expected to benefit the most from new tourists, by capturing over 29% of day trippers, over 6% of new overnight auto tourists, and almost 4% of new overnight air tourists from out-of-state.

The second tier of casino markets, with the core counties of Bay, Brevard, Seminole, Lee, Escambia, Marion, Sarasota, and St. Lucie, account for almost 30% of total annual casino visitors. Annual visits range from a low of 0.9 million in St. Lucie County to a high of 1.5 million in Bay County. Not surprisingly these counties tend to have moderate sized resident and current tourist populations. This logic can be extended to the third tier of markets, with the core counties of St. Johns, Okaloosa, Jefferson, Pasco, Monroe, Collier, Clay, and Washington. These eight counties account for just under 13% of total estimated casino visitors. Annual visits range from a low of about 170,000 in Washington County to a high of almost 800,000 in St. Johns County.

Property Taxes

The estimates of property tax impacts of casinos are partial at best. Only the most direct impacts, those from construction of casino facilities themselves, are considered. Not considered is any appreciation in land value at casino sites or possible property value declines in areas surrounding casinos. Some studies from Atlantic City suggest that the latter can be significant. A combination of increased crime and a weakened economic base could cause such effects. It is quite possible that the property tax estimates presented here are biased upward.

The limited scope of the estimates allows for a simple methodology. For each casino county, an estimate of the increase in taxable value is multiplied by an aggregate millage rate to yield the increase in property taxes for the county.

The increase in taxable value is simply the construction value of casinos and new hotels. Standard assumptions, set forth in an earlier phase of the study, about the square footage of different types of casino facilities, cost per square foot, number of hotel rooms associated with different types of casinos, and cost per room are multiplied by the number of facilities to derive total construction costs in a county. Several exceptions are made to the standard assumption that casino hotels will have 60,000 square feet and pari-mutuel facilities will have 35,000 square feet of gambling area. These exceptions were made as a partial attempt to align or equalize physical gambling capacity with market size measured as gambling expenditures. Even though exceptions are made for individual facilities, the statewide total square footage is the same as set forth in earlier sections of the analysis. For casino hotels the following exceptions were made:

- ◆ 50,000 sq. ft. in Dade County,
- ◆ 30,000 sq. ft. in Escambia County,
- ◆ 110,000 sq. ft. in Orange County,,
- ◆ 70,000 sq. ft. in Palm Beach County.

With respect to gambling areas at pari-mutuel facilities, the following exceptions were made:

- ◆ 75,000 sq. ft. in Brevard and Volusia counties,
- ◆ 25,000 sq. ft. in Broward, Dade, and Seminole counties,
- ◆ 30,000 sq. ft. in Clay and Lee counties,
- ◆ 60,000 sq. ft. in Marion and Sarasota counties.

The aggregate millage rate is calculated as the total ad valorem tax collections in a county across all taxing jurisdictions divided by the county taxable value. Data from the Department of Revenue Florida Ad Valorem Valuations and Tax Data, December 1993 were used.

The annual statewide property tax impacts are estimated to be about \$70.4 million (see Table 3.19), representing only about 0.8% of property tax levies in 1993-94 in counties expected to have casinos. Of this amount about \$28.3 million (40%) will go to school districts, and \$21.7 million (31%) will go to county operating budgets. These amounts are distributed among the casino counties only. There is a wide range, from a high of \$12.7 million in Dade County to a low of \$0.6 million in Collier County. The average property tax impact is \$2.9 million. It should be emphasized that only the most direct property tax impacts have been estimated here. There will likely be secondary, possibly significant, impacts in areas surrounding casino sites. Evidence from New Jersey suggests that such effects could be negative (Buck, Hakim, and Spiegel, 1991).

Local Sales Surtaxes

The general approach to estimating the local sales surtax impacts involves two steps. First, the statewide state sales tax impact, estimated elsewhere, is distributed among the counties. This provides an estimate of changes in each county's sales tax base. The second step is to apply the appropriate sales surtax rate to these changes.

Allocation of the state sales tax impacts among the counties is done separately for (a) impacts of spending by new tourists and substitution away from sales-taxable spending by current residents and tourists, (b) gambling induced effects, and (c) construction-related sales tax.

For the first category, various geographic flows need to be modeled. Most obvious is the inflow of new tourists drawn to the state by casinos. These new tourists are assumed to go directly to casino counties, remain there while in Florida, and spend not only on gambling, but also on lodging, food, and other entertainment. The most significant geographic flows relate to current tourists and residents. Current residents and tourists in non-casino counties will leave those counties, typically for a day, to gamble in the core casino counties. They will remove from their "home" county's sales tax base a day's worth of non-gambling spending as well as the spending being substituted to gambling. In the core county's sales tax base, they inject only the non-gambling spending that would have otherwise occurred in their home county. Residents and current tourists already in the casino counties are not expected to add anything to the sales tax base in those counties. They are assumed to divert taxable sales into gambling expenditures.

To calculate the state sales tax impacts, the number of visits from various categories of casino visitors described previously are multiplied by the sum of non-gambling taxable expenditures per trip and gambling expenditures substituted from otherwise sales-taxable spending per trip (see Table 3.23). This calculation yields the change in taxable sales for each county. Each county's proportion of the statewide total change in taxable sales calculated in this way is then applied to the previously estimated total state sales tax impact due to

Casino Visitor Sales-Taxable Spending Assumptions

TABLE 3.23

Visitor Type	AVERAGE EXPENDITURES PER TRIP		Substituted From Sales Tax	
	Non-Gambling	Gambling		
Florida Residents:	Day Trippers	\$9.14	\$83.23	\$74.91
	Over-night	\$18.82	\$83.23	\$74.91
Current Tourists (all day trips):	Auto	\$12.43	\$54.60	\$43.68
	Air	\$12.43	\$80.85	\$64.68
New Overnight Tourists	Auto	\$160.66	\$121.28	\$0.00
	Air	\$271.25	\$121.28	\$0.00
New Day Trip Tourists		\$12.43	\$109.20	\$0.00

spending by new tourists and substitution of gambling from sales-taxable spending (see Table 3.14). The result is a county-level estimate of state sales tax impact.

Allocating among the counties the state sales tax impacts due to gambling induced effects is much simpler. The allocation is based on gambling expenditures expected to occur in each casino county. The number of visitors to a county is multiplied by the appropriate per visitor total gambling expenditures (see Table 3.23) to yield the total gambling expenditures for each casino county. Each county's proportion of the statewide total is then multiplied by the statewide total state sales tax impacts due to gambling induced effects (see Table 3.14), yielding a county level estimate of the gambling induced sales tax effect.

The method for allocating among the counties the state sales tax impacts due to construction is similar to that just described. The combined casino/hotel construction expenditures (see Table 3.12) are proportioned among the casino counties. These proportions are then applied to the statewide construction-related state sales tax impact to yield county level estimates.

To calculate local sales surtax impacts the three state sales tax impacts determined for each county as described above are multiplied by the ratio of each county's sales surtax rate (Florida Advisory Council on Intergovernmental Relations, 1994) to the state sales tax rate. Note that the construction-related effects are non-recurring.

Statewide, the estimated recurring sales surtax consequences are -\$4.7 million (see Table 3.19). This is relatively small, amounting to only about -1% of amounts currently collected. Among the 42 counties with local option sales surtaxes, 39 can expect to lose sales tax revenues, with an average loss of -\$0.11 million. Dade and Pinellas counties are expected to have the largest absolute recurring losses, at -\$0.7 million for each. Only Jefferson, Seminole, and Washington counties are expected to

have recurring sales surtax gains. In general, the negative impacts arise because substitution of spending by county residents away from sales-taxable transactions to gambling more than offsets new taxable spending due to the influx of new tourists or gambling Floridians from elsewhere in the state. In Jefferson, Seminole, and Washington counties, though, the county populations are small relative to the expected influx of gamblers, so there is a net positive impact. As a group, casino counties can expect to have slightly larger surtax losses (-\$2.7 million) than non-casino counties (-\$2.0 million), reflecting the larger populations in the former.

There will be about \$7.8 million in non-recurring sales surtax gains attributable to construction of casino facilities. This amount will be spread among 12 casino counties that also have sales surtaxes, with an average gain of \$0.6 million. The impacts range from a high of \$1.6 million in Dade County to a low of \$0.3 million in Bay and Monroe counties.

Half-cent Sales Tax Distribution

The "half-cent sales tax distribution" impacts to counties depend directly on the state sales tax impacts. Calculation of the half-cent distribution impacts is simply a matter of multiplying the state sales tax changes in each county, estimated at an earlier stage, by the appropriate share factor. The share factor used here is 0.0915, which is the statutory share of 9.653% adjusted for the 5% distribution to General Revenue and the 0.2% distribution to the Solid Waste Management Trust Fund, both of which are made from total sales tax prior to any other distributions.

The pattern of losses via the half-cent sales tax is comparable to that for the sales surtax, and occurs for the same reasons. Recurring losses are estimated at -\$7.3 million (see Table 3.19), which is less than 1% of amounts currently distributed. All counties, except for Jefferson, Seminole, and Washington are expected to lose shared sales tax from the state. The average recurring loss would be about -\$0.1 million. The largest negative impact would be about -\$0.8 million in Dade County. Jefferson, Seminole, and Washington counties would have very small gains, probably less than \$100,000. Note, that the losses for casino counties as a group are almost three times as high as for non-casino counties, reflecting the bigger population and sales tax bases in casino counties.

Non-recurring gains of about \$11.1 million will result from construction of casino facilities. Spread among the 24 casino counties, the average gain would be about \$0.5 million. The gains would range from a high of \$1.7 million in Dade County and a low of \$0.1 million in the five counties assumed to have riverboats.

Tourist Development Taxes

Often referred to as "bed taxes," tourist development taxes are local option taxes on the rental of temporary room and board, such as hotels and motels. The first step in estimating the casino impacts on these taxes is to multiply, for each casino county, the estimated overnight visitor counts by the appropriate lodging expenditure assumptions (see Table 3.24), both of which are formulated at an earlier stage of the study. The product, net new transient rental expenditures, can then be multiplied by the tax rates (Florida Advisory Council on Intergovernmental Relations, 1994) applicable to each county.

Counties in which casinos are located will likely have some increase in overnight visitors, and therefore in tourist development taxes. Table 3.19 shows that about \$1.0 million in additional taxes will be generated statewide, amounting to about 0.7% of current collections. This amount, distributed among the casino counties, averages less than \$50,000 per county. No counties are shown to have negative impacts, but this is certainly a possibility if current tourists decide to spend more time in casino counties.

Casino Visitor Lodging Expenditure Assumptions

TABLE 3.23

Visitor Type	Average Expenditures per Visit
Florida Residents: Over-night	\$9.68
New Overnight Tourists: Auto	\$60.72
Air	\$88.46

CASINOS

Crime and Social Costs



PROBLEM GAMBLING AND RELATED CRIMES

Problem gambling behavior is one of the most significant, but least often considered, costs associated with casino gambling. Pathological gambling, the most severe form of problem gambling, was first recognized as a mental disorder in 1980 by its inclusion in the American Psychiatric Association's Diagnostic and Statistical Manual. 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.

According to psychiatrist Richard J. Rosenthal, most gambling addicts "are seeking 'action,' an aroused, euphoric state comparable to the 'high' derived from cocaine and other drugs" (Worsnop, page 250). Counselors Arnie and Sheila Wexler of New Jersey state "most dual-addicted cocaine addict/compulsive gamblers will tell you gambling gives them the bigger high. Some drug addicts, who are also gambling addicts, will sell their drugs for gambling money." (Worsnop, page 250).

Several studies have been conducted in an attempt to quantify the costs of problem gambling behaviors. In 1994, Rachel Volberg reported that the average individual pathological gambler cost the public \$13,600 each year (in 1981 dollars). This includes income that would have been earned for those who lost their jobs, costs of prosecuting and incarcerating individuals for crimes caused by their gambling behavior, and bailout costs, such as family gifts. Other problems include lost job productivity, impaired judgment at work, lost productivity of spouses, divorces, unemployment compensation, depression, physical illness related to stress, and suicide.

A Maryland Department of Health and Mental Hygiene task force determined that its 52,000 adult gambling addicts cost citizens \$1.5 billion in lost work productivity, monies stolen and embezzled, bad checks and unpaid taxes (Worsnop, 1990, page 644). The cost per individual compulsive gambler exceeds \$28,846 and significantly increases when related costs for social services, health care, bankruptcies, legal and correctional fees are considered. Maryland is the only state to attempt a cost analysis of this problem (Florida Council on Compulsive Gambling, 1994).

The American Insurance Institute estimates that 40 percent of all white-collar crime has its roots in both legal and illegal gambling. Problem gamblers are responsible for an estimated \$1.3 billion worth of insurance-related fraud per year. Insurance companies paid fraud victims an average of \$65,000 (Lesieur, page 45). Table 4.1 lists the results of a survey conducted by

Problem Gamblers and Insurance Related Fraud

TABLE 4.1

TYPES OF CLAIM, FRAUD OR THEFT	PERCENT ADMITTING BEHAVIOR
Made a false claim after auto accident	32%
Stole something insurance company had to pay for	21%
False claim other than fire or theft	16%
Staged claim other than fire or theft	15%
Fake business or home burglary or property theft	15%
Took part in or profited from arson	11%
Created or staged an accident	8%
Caused loss to insurance company in which you were bonded	8%

Source: Henry Lesieur, Ph.D. and Kenneth Puig, M.A. (1987), *Journal of Gambling Behavior*, 3.

Henry Lesieur in 1987 regarding insurance related fraud. Of the survey respondents, 31 percent had engaged in more than one of these behaviors and 13 percent had engaged in four or more.

In New Jersey, compulsive gamblers have accumulated \$514 million in yearly debt, excluding bankruptcy proceedings. Eighteen percent of men and eight percent of women who sought treatment for problem gambling had declared bankruptcy as a result of their gambling debts (Goodman, page 60). The mean gambling debt of people in compulsive gambling therapy ranged from \$53,000 to \$92,000, not including debts paid. Again, these figures reflect both legal and illegal gambling activity.

As many as 10-17 people may be innocent victims of each compulsive gambler (Lesieur, 1984), including spouses, children, parents, other relatives, employers, co-workers and friends. Two out of three compulsive gamblers will commit illegal activities in order to pay gambling related debts and to continue gambling. Common crimes of pathological gamblers in prison are noted in Table 4.2.

One out of every four problem gamblers have been involved in an auto accident during the worst of their gambling. Almost half of those surveyed were speeding on their way to gamble or on the drive back (Florida Council on Compulsive Gambling). Today, the Florida Council on Compulsive Gambling reports that the cost to the nation is \$75 billion annually.

A great deal of research has been conducted on prevalence rates of problem gambling behavior and pathological gambling. The National Council on Problem Gambling reports that studies in thirteen states show prevalence rates for problem gambling in individual states ranging from 1.7 percent in Iowa to 6.3 percent in Connecticut.

Pathological Gamblers in Prison

TABLE 4.2

Common Crimes			
Selling Drugs	54%	Selling Drugs	54%
Hustling Pool, Golf, Bowling	51%	Hustling Pool, Golf, Bowling	50%
Hustling at Cards/Dice	50%	Check Forgery	56%
Con Games	50%	Fencing Stolen Goods	42%
Burglary	47%	Prostitution	39%

Source: Henry Lesieur, Ph.D. and Robert Klein, Ph.D. (1985), "Prisoners, Gambling and Crime" (Paper submitted to Academy of Criminal Justice Sciences).

Problem and Pathological Gambling

TABLE 4.3

Current and Lifetime Prevalence Rates		
Current Pathological	0.6%	0.5%
Current Problem	0.8%	0.7%
Lifetime Pathological	1.0%	0.9%
Lifetime Current	1.8%	1.4%

Source: The Promus Companies, Inc. (1994), Response to Robert Goodman's "Legalized Gambling as a Strategy for Economic Development."

Promus, an associated firm of Harrah's, offers Table 4.3 to compare current and lifetime prevalence rates of problem and pathological gambling based on South Dakota residents in 1991 and 1993. The chart reveals decreases that are not statistically significant, demonstrating that prevalence rates have remained relatively stable (Promus, page 4.)

In New Jersey, Gallup discovered that five percent of residents felt they would like to stop betting money but didn't think they could, and three percent report they often gamble to escape from their problems (Gallup, page 3). New Jersey residents also report that 28 percent know of someone who gambles too much (Gallup, page 4.)

These trends are evident nationwide. According to Von Brook, 39 percent of respondents gamble for enjoyment while 27 percent said they gamble in order to get rich (Von Brook, 1990). Of individuals in this poll, 62 percent felt that legalized gambling encourages people to gamble beyond their financial means.

Poor and working people spend a disproportionate share of their incomes on gambling (Goodman, page 8). As a result, state gambling revenues come disproportionately from lower income residents, causing a regressive form of taxation. Problem gambling behaviors are highest among the poor and minorities (Goodman, page 17).

In addition to the economic consequences of problem gambling behaviors, there are a number of societal impacts for which a price tag cannot be established. For example, pathological gamblers were shown to have a suicide rate five to ten times higher than the rest of the population (Lesieur, 1992, page 46).

On average, states with more legalized gambling have more problem and pathological gamblers (National Council on Problem Gambling, page 2). This supports Goodman's assertion that there is a direct increase in the numbers of people with pathological gambling problems as a result of increases in legalization (Goodman, page 8). Promus and casino proponents dispute this claim noting that there is no empirical evidence to demonstrate the existence of a causal relationship. They point to a 1994 Senate Committee report which states "problem gamblers gamble regardless of the legal status of a venue." But Promus also states "Statistical evidence supported by the Yankelovich Monitor Study of consumer behavior tells us that when the availability exists, people will participate in casino entertainment." (Promus, page 4).

A 1993 Gallup survey revealed that 66 percent of New Jersey residents agree that gambling encourages people who can least afford it to spend money gambling, and 57 percent agree that it can make compulsive gamblers out of people who would not participate in illegal gambling (Gallup, 1993, page 3).

Casino gambling can present special problems for the state's youth and senior citizens.

Youth

In 1990, the Christian Science Monitor reported that gambling is the fastest growing teenage addiction, with the rate of pathological gambling among high school and college students about twice that of adults.

A 1985 random sample of 332 students at an Atlantic City high school found that 64 percent of the students had gambled illegally at local casinos. Over 40 percent had gambled in casinos before the age of 14. During the 1980s, approximately 29,000 underage potential gamblers were ejected from or kept from entering Atlantic City gambling establishments each month. The rate of minors prevented from entering by casino personnel has dropped 38 percent since 1988, and the number of minors ejected dropped 48 percent (Promus, page 17). Still, New Jersey casino security ejected 21,838 persons under the age of 21 from casinos in 1991 and prevented another 196,707 from entering.

According to Goodman, there may already be as many as 9.3 million adults and 1.3 million teenagers with some form of problem gambling behavior in the United States (Goodman, page 17). An estimated five percent of adults and eight percent of teenagers exhibit some form of problem or pathological gambling behavior (Goodman, page 94).

Another study focused on college students in New York, New Jersey, Nevada, Oklahoma and Texas. Eighty-five percent of the students surveyed had gambled, and 23 percent gambled once a week or more. Poker, slot machines, card games, and casino games were at the top of the list of most popular forms of wagering for the students. Fifteen percent reported problems in connection with gambling, such as interference with social relationships, jobs and school (Promus, page 16).

Children whose parents gamble excessively are more prone to adjustment difficulties (Florida Council on Compulsive Gambling). A study of four California high schools revealed that:

1. Children of problem gamblers have higher levels of use of tobacco, alcohol, illicit drugs and overeating during the year prior to their test period than their peers.
2. 75 percent of problem gamblers' children reported their first gambling experience before 11 years of age, compared to 34 percent of their classmates.
3. Children of compulsive gamblers experienced almost twice the incidence of broken homes due to separation, divorce, or death of a parent before they had reached the age of 15 (37 percent).
4. When compared to their classmates, children of problem gamblers rated themselves as more insecure, emotionally down and "unhappy with life and myself" while reporting poorer school and work performance.
5. These children also acknowledged suicide attempts at twice the rate of their classmates (12 percent). (Jacobs, 1989).

Senior Citizens

According to Harrah's Survey of U.S. Casino Entertainment, retirees account for 34 percent of all casino gamblers who visit casinos more than four times each year. As retirees, this age group has significantly more time to spend in casinos, yet most rely on fixed incomes.

According to the most recent revenue estimating conference, Florida maintains a senior citizen population of 3,227,848. Chapter 3 estimated that up to 12,917,423 Floridians would visit casinos (including repeat visits). This means that 4.39 million of these visits could be by Florida retirees, many on fixed incomes.

Costs of Problem Gambling Behaviors in Florida

The Florida Council on Compulsive Gambling estimates that there are 400,000 probable pathological and problem gamblers in this state; this represents a 3.0 percent prevalence rate. This rate falls approximately midway in the range specified by the National Council on Compulsive Gambling. The Florida Council on Compulsive Gambling joins the National Council in their belief that prevalence rates increase as gambling opportunities increase. Conversely, Promos reports that prevalence rates remain stable. It is possible that, while a portion of these individuals may currently participate in Lottery, pari-mutuel wagering or illegal gambling activities, a substantial portion of these individuals are presently unaware of their tendencies to problem gambling behaviors. As noted in the analysis by the Florida Lottery, proximity to gambling influences the extent to which people engage in that activity. By exposing potential problem gamblers to legal casino gambling, a number of these individuals will experience problem gambling behaviors which may have otherwise remained dormant.

While the Volberg study referenced earlier provides significant insight into the costs of legalized gambling, an examination of specific circumstances in Florida is necessary before these results are applied to our population. In order to evaluate the accuracy of the Volberg study, the following facts and assumptions were used:

1. As noted by Lesieur, two out of three problem gamblers will commit a crime in order to support illegal gambling activities. This means that 266,667 individuals in Florida will commit crimes such as burglary, larceny, theft, forgery or fraud. While not all of the individuals will be convicted, they will likely continue to commit crimes. Some will be convicted more than once.
2. The average sentence length of a person convicted of burglary in Florida is 5.7 years; theft, forgery and fraud 4.2 years; and robbery 8.8 years. First time offenders and non-violent offenders will likely serve probation or community control rather than prison time.
3. Of these categories, 41.3% will likely be convicted of burglary; 36.8% for theft, forgery or fraud; and 21.9% for robbery based on current incarceration rates.

4. By 1995, Florida inmates will be serving at least 75 percent of their sentences. This is based on recent appropriations and proposed construction schedules.
5. The average cost of incarceration per day is \$40.16, including educational costs; probation is \$3.37 per day; and community control is \$4.74 per day. Per diem for administrative control release and other postsecondary release programs is \$3.19.
6. Of problem gambler law breakers, 52.8% will be sentenced to probation for 2.5 years; another 16% will be sentenced to community control for 3.1 years; and, the remaining 31.2% will be sentenced for each of burglary; theft, forgery and fraud; or as noted under number 3. These individuals will be assigned to a postsecondary release program for one year after incarceration.
7. Without therapy, problem gamblers will continue to commit crimes until sentenced in one or more of these ways. Although it is possible for a problem gambler to be incarcerated numerous times, for purposes of validating the Volberg study, incarceration costs are considered as a one-time cost.

Based on these assumptions, and cost figures provided by the Florida Department of Corrections, incarceration and supervision costs for Florida's problem gamblers are estimated in Table 4.4.

Incarceration and Supervision Costs	
For Florida's Problem Gamblers (Estimated)	
Probation	\$432,977,600
Community Control	\$228,836,348
Incarceration (75% avg.)	\$5,329,836,016
Postsecondary release supervision	\$96,873,920

Not counting costs of prosecution, resti-

tution or other related costs, incarceration and supervision costs alone for problem gambler criminal incidents could cost Florida residents \$6.08 billion.

By adding 83,200 prisoners to the state system, construction of additional prison beds becomes necessary. At the average cost of \$20,000 per prison bed, Florida's problem gamblers related to casinos would require \$1.66 billion in prison construction costs.

Florida's incarceration and prison construction cost estimates demonstrate that the annual cost figures developed by Rachel Volberg may be reasonable.

Using the estimated cost to society developed by Volberg, if all compulsive gamblers in the state were active, they would cost Florida residents \$5.44 billion annually. Again, this figure represents lost wages, prosecution and incarceration costs, and family bailouts. Since the cost per individual problem gambler was developed from 1981 data, this figure may require adjustment for present value. In order to determine the proportion of social costs attributable to casino gambling, the following assumptions are made:

1. The estimated market share for casinos, if legalized, is expected to be 70 percent of the legal gambling market, based on the data provided in chapter three. This provides the basis for the high-end estimate of the expected increase in active problem gamblers in Florida resulting from casino gambling at 280,000.
2. The Florida Council on Compulsive Gambling received 5,536 non-casino related calls in fiscal year 1993-94. The National Council on Problem Gambling estimates that only one in 100 problem gamblers are receiving help. This means that approximately 153,600 or 38 percent of Florida's probable problem gamblers are currently active. That means that an increase of 236,400 active problem gamblers is expected from the legalization of casino gambling which forms the basis for the medium estimate of increased active problem gamblers in Florida.
3. The National Council on Compulsive Gambling asserts that all 400,000 estimated problem gamblers in Florida are currently active. The Council reports that Connecticut's prevalence rate nearly doubled when casinos began operating in that state and estimates that Florida's number of problem gamblers would increase to 600,000. This net of 200,000 new problem gamblers forms the low-end estimate.

Applying the Volberg per person societal cost figure of \$13,600 to the high, medium and low estimates, the social cost results are, respectively, \$3.8 billion, \$3.22 billion and \$2.72 billion. Still the Volberg study does not take into account the potential positive effects of casino gambling, such as changes in employment rates, changes in per capita income or reduction of poverty conditions. In chapter three, the maximum annual wages created as a result of casino legalization are estimated at \$563 million. Deducting these positive social effects from the estimated social costs results in a high, medium and low estimate of \$3.25 billion, \$2.65 billion and \$2.16 billion in net social costs, respectively.

While it cannot be stated that all of the possible positive social effects are included in this analysis, it is also helpful to remember that annual state tax revenues, adjusted for expected losses in Lottery and pari-mutuel receipts, were estimated at \$155 million to \$276 million, while collective local revenues were estimated at \$59.48 million. The enormity of this deficit demonstrates that economic benefits stemming from the legalization of casinos are not sufficient to address the resulting social costs.

Approaching this analysis from a different perspective, in state fiscal year 1994-95, the state was able to address only a portion of the estimated need in most of its social programs. For example, the Department of Health and Rehabilitative Services was appropriated funds to address 35 percent of its alcohol, drug abuse and mental health estimated needs. It is reasonable to expect that Florida will need the estimated \$155 to \$276 million generated by casinos in net state tax revenues to meet a similar percentage of casino-related social needs.

Other Crime

There are already 1.1 million victims of crime each year in Florida (FDLE, 1994, page 3). The Florida Department of Law Enforcement, the Florida Violent Crime Council, and the Florida Sheriffs' Association have expressed strong opposition to the legalization of casinos as a crime risk overwhelming potential economic benefits.

Crime has commonly been used as a reason to prohibit casino gambling, with organized crime topping the list. Organized crime was a major player in the development of Las Vegas' tourism market. The first Las Vegas "strip" casino, the Flamingo, reportedly was built by Benjamin "Bugsy" Siegel in 1946. The Desert Inn was built by a Cleveland syndicate headed by Moe Dalitz, and Meyer and Jake Lansky assisted in the financing of the Thunderbird (Worsnop, 1990). The Tropicana and Stardust were also linked to organized crime in the early '50s.

While many believe that legalizing gambling activities will decrease illegal gambling, an examination of dollars gambled does not support this belief. Dr. Vicki Abt, a sociologist at Pennsylvania State University, says legalization "has not decreased the dollar amount of illegal gambling; what it has done is decrease [illegal gambling] relative to legal gambling. Whereas 75 percent or so was wagered illegally before the 1960s, now about 75 percent is wagered legally. But the total amount went up in the meantime." (Worsnop, page 643).

Reported incidents of organized criminal behavior or severe increases in crime or law enforcement needs are reported below. It should be noted that local law enforcement officials in the State of Iowa reported no increases in crime due to the legalization of limited stakes casinos and pari-mutuel wagering facilities.

Atlantic City

Atlantic City's crime rate has exceeded the state rate ever since casinos were authorized in 1978. Between 1978 and 1981, the crime rate tripled. In just three years following the opening of its first casino, Atlantic City went from 50th in the nation in per capita crime to first (Goodman, page 58). Crime spilled over into neighboring communities that received no measurable economic benefits from casinos. Atlantic City's crime rate rose 230 percent during the first three years of casino operations, over 25 times the growth rate of 9

Crime Rate Comparison

TABLE 4.5

AREA	RAPE	ROBBERY	AGGR. ASSAULTS	LARCENY
Atlantic City	156.0	159.0	316.0	451.0
New Jersey	50.0	76.0	77.0	8.0
Miami	62.3	228.0	156.9	76.2
Tampa	45.4	163.6	185.5	61.6
Florida	32.4	123.3	61.6	19.5
Nation	62.0	55.0	97.0	35.0

percent for the rest of the state (FDLE, 1994, page 3). It should be noted that Atlantic City's population decreased by 20 percent during the same time period. Florida's crime rate rose by 30 percent during these same years.

The Florida Department of Law Enforcement provided the comparison of crime rates in Atlantic City and New Jersey following legalization and several Florida jurisdictions and nationally in Table 4.5.

During this same time period, Atlantic City increased its ratio of officers to residents. The crime-related budget for Atlantic City has grown five times faster than the New Jersey county average (FDLE, page 5).

The New Jersey Governor's Advisory Commission on Gambling noted that while organized crime had been kept out of casino ownership, it had infiltrated the businesses and labor unions serving the casinos. "By giving better odds and non-taxable payouts, organized crime, far from being eliminated from gambling, has remained an active provider of gambling products with its own market niche. According to some experts, legalization has increased the number of people who gamble, providing organized crime with access to a larger customer pool" (Goodman, page 89). In testimony to the Chicago Gaming Commission, William Jahoda, a former operator of gambling ventures for organized crime in the Chicago area said "there always existed one solid constant - any new form or expansion of legal gambling always increased our client base" (Goodman, page 90). Jonathan Boulware, an executive at the Mirage casino in Las Vegas, believes the expansion of casinos nationally has helped his casino. "We encourage that kind of thing because it exposes people to casinos who've never been exposed to casinos before" (Goodman, page 91).

Despite efforts to control syndicated gambling, Congressional hearings and research reveal that gambling is still the largest single source of income for organized crime (Van Brook, 1990).

New Orleans

A New Orleans feasibility study concluded that the criminal justice system would require almost \$5 million in additional budget authority to cover prosecutions due to the land-based casino opening. This does not include the cost of incarcerating individuals upon conviction.

New Orleans estimates that crime-related costs will be just under \$5 million for a single casino. Widespread gambling could add an additional 10,000 new crimes at a cost to the city of an additional \$14.1 million.

Louisiana was recently the site of one of the largest indictments related to legal gambling in the nation. In early June, 17 individuals with links to organized crime were charged with plotting to skim profits from some of the 13,256 video poker machines appearing in bars and truck stops around the state.

Colorado

Central City, Colorado has increased its police force from two full-time and one part-time officer to 16 full-time officers in 1994 (Worsnop, page 256) to keep pace with its "skyrocketing incidents" of disorderly conduct, assaults and DUIs. Calls for assistance increased 423 percent between 1991 and 1992 as casinos opened their doors (FDLE). Similarly, the number of city employees has increased from eight to 40 during the last four years (Worsnop, page 256).

Mississippi

George G. Payne, Chief of Police in Gulfport, Mississippi, released a report comparing the first six months of 1993 (when casinos were just coming on line) with the first six months of 1994. Results are listed below.

1. During the first six months of 1993, there were only 22 robberies in Gulfport; during the first six months of 1994, there were 70. This represents a 218 percent increase.
2. The number of rapes tripled.
3. Vehicle theft was up 166 percent, from 53 stolen cars during the first half of 1993 compared to 141 this year.
4. Arson cases increased 150 percent.
5. Burglaries doubled.
6. Assaults are up 66 percent.
7. Vehicular accidents are up 62 percent.
8. In total, excluding vehicular accidents, there were 1,597 crimes committed in the first six months of 1993, compared to 3,248 in the first six months of this year. This represents a total increase in crime of just over 100 percent.

Illinois

Illinois estimated that between \$41 million and \$100 million in increased criminal justice costs related to a proposed casino complex in Chicago would be generated annually. This was based on a projection that the Cook County crime index would increase from 2.4 to 5.8 percent.

Florida

The Florida Department of Law Enforcement states, "It is certain that casinos will have a definite negative effect on this state's anti-crime efforts. Casinos will complicate, and likely worsen, our already serious crime problems in all regions and jurisdictions - from Miami to Pensacola" (FDLE, 1994, page 3)

CASINOS

**Conclusions and
Recommendations**



CONCLUSIONS

As directed by Governor Chiles, the Office of Planning and Budgeting has attempted to isolate potential state and local tax revenues to be produced by the opening of a large number of casinos in this state as well as potential costs. The study does not consider the costs of regulation, assuming that the industry would pay for regulation through license fees, application fees and other charges. Although industry financed, regulation will add approximately \$122 million in expenditures to the state's \$38 billion budget. Understanding that casinos are often major developments, this study does not include infrastructure or other growth related costs that would be necessitated by any large development.

Since state tax revenues (adjusted for pari-mutuel and Lottery revenue losses) are estimated to range between \$155 million and \$276 million while annual crime and social costs are estimated at a minimum of \$2.16 billion annually (and up to \$3.8 billion), it appears that casino costs significantly outweigh the benefits of legalization. Additional revenues would be necessary to cover infrastructure, local law enforcement needs, prosecution costs, and other unidentified needs. Casino taxes may be difficult to impose if the tax cap amendment appearing on the same ballot is adopted by the voters.

According to University of Nevada professor of Public Administration William Thompson, casinos generate significant new tax revenues "only if they can export their product. The local economy doesn't benefit if only local people are gambling." Florida's substantial population reduces its opportunities for exporting taxes as well as crime and social impacts. Communities such as Atlantic City (which draws from a substantial northeastern population base residing outside of New Jersey) and Las Vegas (located in a desert state with few residents) can attract sufficient visitors to overcome the negative impacts casinos have on local residents.

Florida, on the other hand, would not be able to export its costs and would draw significantly from existing residents. This is largely because southern states in 1993 produced a lower share of casino gamblers than any other region, despite the presence of gambling opportunities in Mississippi and Louisiana. Georgia is one of the few states that did not generate more than one million household visits to casinos in 1993, and the City of Atlanta did not produce more than 500,000 household casino visits (Harrah's, 1994).

As noted in chapter 4, if casinos were implemented in Florida in the form and number prescribed in the Proposition for Limited Casinos, the state would experience at least a substantial deficit. Annual projected state tax revenues related to casinos are sufficient to address only 8 to 13 percent of annual projected costs related to casinos.

RECOMMENDATIONS

In the event a casino amendment petition is adopted by the voters of Florida, the following recommendations are offered to the Legislature for consideration in developing implementing legislation.

1. *Use of tax proceeds*

FINDING: "Funding specific state programs with gambling revenues has tended to make them gambling dependent. It has also tended to make those groups who benefit from them part of pro-gambling political constituencies" (Goodman, page 18).

RECOMMENDATION: It is recommended that state revenues derived from legalization of gambling in Florida be directed to the General Revenue Fund rather than earmarked for a specific purpose.

2. *Complimentary activities*

FINDING: "As a way of enticing players to stay on the premises, casino owners generally include a variety of low priced food services and restaurants within their casino/hotel complexes. Food prices are often subsidized or 'comped' - that is, given free to the more avid gamblers. As a result, independent restaurants close by having difficulty competing with those in the casinos" (Goodman, page 53-54).

In its 1993 Annual Report, Caesars World, Inc. reports that it expended over \$54.5 million on food and beverage promotions alone. Caesar's total reported promotional allowances and complimentary rooms and entertainment provided to guests are provided below by corporate fiscal year.

\$106,613,000 in 1993

\$103,727,000 in 1992

\$101,335,000 in 1991

Atlantic City casinos reportedly offered free or subsidized food and beverage totalling \$234 million in 1991 (Restaurant Business, 1992).

RECOMMENDATION: It is recommended that gifts of alcohol and/or food be strictly controlled. Restrictions on restaurant square footage or number of restaurant seats available per casino should reduce impacts on neighboring restaurants. Drink prices may also require regulation.

3. *Tax Rates*

FINDING: Casino activity is most similar to Florida's existing Lottery operations which produce a 38 percent yield for education. While it appears advantageous to set a casino tax rate that is similar in nature, research demonstrates that any increase of casino tax rates beyond 20 percent has been shown to decrease demand and resulting revenues. One study reveals that areas which tax video lottery terminals at a rate of 30 percent collect no more revenues than those which affix a 15 percent tax rate (Longman, page 65).

RECOMMENDATION: In order to compete with national and regional interests while securing the highest possible revenues for Floridians, it is recommended that the State of Florida consider the use of a 16 percent tax on handle in the event that casino gambling is authorized. As noted earlier, this tax rate will not generate sufficient revenues to address casino-related costs, but appears to be the highest feasible tax rate for efficiency and competitiveness reasons.

4. *Development Approvals*

FINDING: The Department of Community Affairs reports that most casino developments will be located in concurrency exemption areas. The Department of Transportation estimated the number of trips expected for the Safe Bet for Florida proposal (21 riverboats) and found that each facility would generate 6,765 new vehicle trips per day.

RECOMMENDATION: It is recommended that casinos be specifically addressed as a separate land use in the comprehensive plan pursuant to section 163.3177, F.S. This would give local governments the opportunity to address the impacts associated with casinos when the plan is amended and enhance their ability to address transportation and other needs. In addition, it is recommended that casinos be required to contribute to a reduction in the level of service of the state highway system.

5. *Riverboats*

FINDING: Fixed site riverboats appear to offer greater economic stability for the following reasons:

- A. Construction of fixed site riverboats can realistically be expected to occur in Florida while traditional boats may be assembled in another state or location. Florida maintains a significant boat construction industry; however, conversations with current gambling vessel owners reveal that a large number of boats are purchased out of state.
- B. Navigable riverboats can be moved to other more profitable locations, reducing revenues for Florida and corresponding local governments after dependency on this source has been established. Competition from other areas could also lead casino businesses to seek subsidies and regulatory relief from Florida's governmental entities in exchange for retaining jobs. The ability to relocate also reduces the owners' incentive to participate in local charitable or community development efforts.
- C. Fixed site riverboats tend to accept greater responsibility for necessary support services, such as docks, parking facilities and external security.
- D. Navigable riverboats represent significant regulatory problems unique from other casinos, such as waste disposal, security and route regulation. Dependent upon the legislative definition established, riverboats may not be taxable for ad valorem purposes. Complications of admiralty law may also reduce local government regulatory abilities.

RECOMMENDATION: It is recommended that the state adopt a strict definition of "riverboats" to restrict the mobility of these vessels.

6. *Regulation*

FINDING: Regulatory budgets can be expected to approximate \$60 to \$130 million. New Jersey's Division of Gaming Enforcement had a budget of \$36 million in 1991, while the Casino Control Commission was nearly \$26 million, to regulate 12 casinos. The Florida Department of Law Enforcement developed a potential budget request of \$45 to \$50 million during the most recent legislative session based on the inception of 34 casinos. This was intended to cover background checks and on-site security investigations similar to New Jersey's Division of Gaming Enforcement. It was anticipated that traditional licensing and audit functions would be conducted by a separate entity.

Adequate competition must be assured in all support services. Casino management can be placed in a compromising position by organized crime through the control of supplies of food, labor, beverages, hotels, waste, vending machines, linens, construction, maintenance and other necessary support services.

RECOMMENDATION: It is recommended that the casino industry bear all costs of regulation through the payment of license and application fees and other charges. Licensing of support activities to screen for criminal histories and control the existence of a monopoly is recommended to protect against organized crime infiltration.

7. *Local Government Revenues*

FINDING: As noted in chapter three, certain local government jurisdictions may experience lost revenues upon the legalization of casino gambling. Reduced half-cent sales tax distributions, changes in local option sales tax receipts and decreased property values may result from the opening of casinos in nearby counties.

RECOMMENDATION: The state may wish to consider directing a portion of state casino tax revenues to local governments experiencing revenue losses as a result of the legalization of casinos. As an alternative, the enactment of local option tax sources such as a local casino admissions tax may be used to offset losses.

CASINOS

**Appendix A-
Initiative Petitions
Filed**



PROPOSITION FOR LIMITED CASINOS

TITLE: LIMITED CASINOS

SUMMARY:

Authorizing a limited number of gaming casinos in Broward, Dade, Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas Counties, with two in Miami Beach; and limited-size casinos with existing and operating pari-mutuel facilities; and if authorized by the legislature up to five limited-size riverboat casinos in the remaining counties, but only one per county. Mandating implementation by the legislature. Effective upon adoption, but prohibiting casino gaming until July 1, 1995.

I am a registered voter of Florida and hereby petition the Secretary of State to place the following amendment to the Florida Constitution on the ballot in the general election.

Name _____
(please print information as it appears on voter records)
 Street Address _____
 City _____ Zip _____
 County _____ Date Signed _____
 Precinct _____ Congressional District _____



SIGN AS REGISTERED

FULL TEXT OF PROPOSED AMENDMENT:

Section 1.

Section 7 of Article X is amended to revise its title to read "Lotteries and Limited Casinos," and to designate the existing text as subsection "(a)".

Section 2.

Subsection 7(b) of Article X is created to read:

The operation of a limited number of state regulated, privately owned gaming casinos is authorized, but only:

- (1) at one facility each to be established within the present boundaries of Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas Counties; and
- (2) at two facilities to be established within the present boundary of Broward County; and
- (3) at three facilities to be established within the present boundary of Dade County, two of which shall be within the present boundary of the city of Miami Beach – with one of those two being in the South Pointe Redevelopment Area – and the third facility shall be outside the present boundary of the City of Miami Beach; and
- (4) with each pari-mutuel facility which has been authorized by law as of the effective date of this amendment and which has conducted a pari-mutuel meet in each of the two immediately preceding twelve month periods; provided that no casino located with a pari-mutuel facility shall have a gaming area in excess of 75,000 square feet; and
- (5) at not more than five riverboat casino facilities having a gaming area not in excess of 40,000 square feet, as the legislature may approve within the present boundaries of counties not identified in paragraphs (1), (2) and (3); provided that the legislature shall not approve more than one riverboat casino in any one county.

Section 3.

By general law, the legislature shall implement this section, including legislation to regulate casinos, to tax casinos, and to license casinos to pari-mutuel permit holders and at the other authorized facilities.

Section 4.

This amendment shall take effect on the date approved by the electorate; provided however, that no casino gaming shall be authorized to operate in the state until July 1, 1995.

104.185 - It is unlawful for any person to knowingly sign a petition or petitions for a particular issue or candidate more than one time. Any person violating the provisions of this section shall, upon conviction, be guilty of a misdemeanor of the first degree, punishable as provided in s.775.082 and s.775.083.

MAIL COMPLETED PETITION FORMS TO: 205 South Adams Street, Tallahassee, FL 32301
 (904) 561-1194 Fax: (904) 561-1093

Paid Political Advertisement: PROPOSITION FOR LIMITED CASINOS, INC.

CONSTITUTIONAL AMENDMENT PETITION FORM

FLORIDA LOCALLY APPROVED GAMING

Title: **FLORIDA LOCALLY APPROVED GAMING**

Summary:

This amendment authorizes gaming at twenty casinos; authorizes casinos aboard riverboats and in hotels of one thousand rooms or more; determines the number of casinos in individual counties based on the resident population of such counties; provides that gaming shall not be authorized in any county or municipality unless approved by the respective county or municipal governing body; provides for licensing, regulation and taxation of gaming; and provides definitions and an effective date.

I am a registered voter of Florida and hereby petition the Secretary of State to place the following amendment to the Florida Constitution on the ballot in the general election.

Name _____
please print information as it appears on voter records

Street Address _____

City _____ Zip _____

Precinct _____ Congressional District _____

County _____ Date Signed _____

 Sign as Registered

Full Text of Proposed Amendment:

Section 16 of Article X is created to read:

Section 16. Local Option Gaming.—

- (a) Twenty state-regulated, privately owned casinos are hereby authorized. Of such twenty casinos:
- (1) All shall be located either aboard riverboats or in hotels;
 - (2) One casino aboard a riverboat may be located in every county with at least 200,000 residents, provided that there shall be no more than ten casinos aboard riverboats statewide; and
 - (3) One casino in a hotel shall be located in every county per each 500,000 residents in such county.
- (b) Each county, but only as to the unincorporated area within its boundary, or municipality, by a vote of its governing body, may at any time after the effective date of this section authorize gaming within its jurisdiction as provided by this section.
- (c) The following terms shall have the following meanings:
- (1) "casino" means a licensed gaming facility aboard a riverboat or located in a hotel.
 - (2) "gaming" means playing or engaging in, for money or any other thing of value, baccarat, blackjack or twenty-one, craps, keno, poker, roulette, electronic gaming machines, slot machines or such other games of skill or chance as may be authorized by the legislature.
 - (3) "hotel" means a land-based hotel having at least 1,000 guest rooms.
 - (4) "riverboat" means a self-propelled, nonstationary excursion vessel which operates regularly within the state and its territorial and adjacent waters.
- (d) By general law enacted no later than July 1, 1995, the legislature shall implement this section with legislation to license, regulate and tax gaming.
- (e) If any portion of this section is held invalid for any reason, the remaining portion or portions of this section, to the fullest extent possible, shall be severable from the void portion and be given the fullest possible force and application.
- (f) This amendment shall take effect on the date approved by the electors, provided that no casinos shall be authorized to operate before July 1, 1995.

"It is unlawful for any person knowingly to sign a petition or petitions for a particular issue or candidate more than one time. Any person violating the provisions of this section shall, upon conviction, be guilty of a misdemeanor of the first degree, punishable as provided in s. 775.082 or s. 775.083." § 104.185, Fla. Stat. (1993).

Mailed Completed Petition Form to: **FLORIDA LOCALLY APPROVED GAMING, INC.**
 P.O. BOX 8008
 Fort Lauderdale, Florida 33310-8008

Paid Political Adv. by Florida Locally Approved Gaming, Inc.

FLORIDA CONSTITUTIONAL AMENDMENT PETITION FORM
**AUTHORIZATION FOR AND REGULATION OF STATEWIDE SYSTEM OF
 LIMITED-ACCESS RIVERBOAT GAMBLING CASINOS**

FILED
 FEB 12 PM 3:09
 SECRETARY OF STATE

**PROPOSED FLORIDA
 CONSTITUTIONAL AMENDMENT**

FULL TEXT OF PROPOSED AMENDMENT:

Section 1.
 Section 16 of Article X is hereby created to read: Limited-Access Riverboat Gambling Casinos.

Section 2.
 Subsection 16(a) is created to read:

(a) There is hereby established a statewide system of limited-access privately-owned riverboat gambling casinos to operate on navigable waters of the state. The maximum number of limited-access riverboat gambling casinos statewide is twenty-one (21) and no more than four (4) shall be based in any one county.

(1) Limited-access riverboat casinos shall have an appropriate local theme, be newly constructed, and be designed and operated in compliance with laws protecting the state's environment, including manatees and other marine life and the quality of its navigable waters.

(2) In order to promote wholesome tourism and avoid the possible deleterious side effects of conventional casino gambling activities, riverboat gambling casinos shall be limited-access which is defined to require the following: (i) patrons shall pay an admission charge to board each riverboat gambling casino; (ii) patrons who board a riverboat gambling casino must remain for a minimum time period set by law; and (iii) patrons must depart the riverboat gambling casino after a maximum time period set by law.

(3) Gambling and the use of gambling devices, which include those defined under Florida law on the effective date of this amendment, as well as card games, dice games, roulette, slot machines and video gaming devices, are authorized and shall take place exclusively on limited-access riverboat gambling casinos authorized under this amendment. Provided, nothing herein shall be construed to prohibit others from engaging in those gambling devices or activities permitted under Florida law prior to the effective date of this amendment.

Section 3.
 Subsection 16(b) is created to read:

(b) Any county, or municipality, through a vote of its governing body prior to July 1, 1995, may forbid the establishment of docking or shore facilities for limited-access riverboat gambling casinos within the unincorporated area of the county, or within the municipality's geographic boundaries, respectively.

Section 4.
 Subsection 16(c) is created to read:

(c) Schedule — Gambling tax revenues derived from the operation of limited-access riverboat gambling casinos shall be collected by the state for law enforcement, prisons, economic development, and for distribution to local governments, to be appropriated by the Legislature. This schedule may be amended by general law.

Section 5.
 Subsection 16(c) is created to read:

(c) The Legislature shall implement this Amendment by general law, including legislation to regulate and tax the operations of limited-access riverboat gambling casinos.

Section 6.
 This Amendment shall take effect upon approval by the electorate.

Section 7.
 If any portion of this measure is held invalid for any reason, the remaining portion of this measure, to the fullest extent possible, shall be severed from the void portion and given the fullest possible force and effect.

NAME _____
 (Same as registered to vote)

STREET ADDRESS _____

CITY _____

COUNTY _____

ZIP _____ PHONE _____

CONGRESSIONAL DISTRICT PRECINCT NUMBER

Pol. Adv. Pd. for by THE SAFE BET FOR FLORIDA COMMITTEE
 Mail completed petitions to:
 P.O. Box 255
 Tallahassee, FL 32302

**Ballot Title: AUTHORIZATION FOR
 AND REGULATION OF STATEWIDE
 SYSTEM OF LIMITED-ACCESS
 RIVERBOAT GAMBLING CASINOS.**

SUMMARY: Authorizes regulated gambling casinos exclusively on statewide system of twenty-one limited-access privately-owned riverboats on state's navigable waters. Maximum four based in one county. County and municipal governments may vote before July 1, 1995 to prohibit docking or shore facilities within unincorporated areas of county or within municipality, respectively. Unless changed by law, gambling tax revenues go to law enforcement, prisons, economic development, and local governments. Effective upon voter approval.

**YOUR SIGNATURE ONLY PUTS THE
 PROPOSED AMENDMENT TO A VOTE**

I am a Florida registered voter. I petition the Secretary of State to place this ballot title, summary and proposed constitutional amendment on a general election ballot.

CONSTITUTIONAL AMENDMENT PETITION FORM
PROPOSITION FOR COUNTY CHOICE GAMING

**TITLE: CASINO AUTHORIZATION,
TAXATION AND REGULATION**

SUMMARY:

This amendment prohibits casinos unless approved by the voters of any county or Tourist Development Council district who may authorize casinos on riverboats, commercial vessels, within existing pari-mutuel facilities and at hotels. It mandates legislative implementation and requires net license and tax proceeds to be appropriated for crime prevention and correctional facility construction, education, senior citizens' services and state tourism promotion. The amendment becomes effective upon adoption, but prohibits casino gaming before July 1, 1995.

I am a registered voter of Florida and hereby petition the Secretary of State to place the following amendment to the Florida Constitution on the ballot in the general election.

Name _____

Please print information as it appears on voter records.

Street Address _____

City _____ Zip _____

Precinct _____ Congressional District _____

County _____ Date Signed _____



SIGN AS REGISTERED

FULL TEXT OF PROPOSED AMENDMENT:

Section 1.

Section 16 of Article X is created to read:

SECTION 16. CASINO AUTHORIZATION, TAXATION AND REGULATION. -

- a.) Casino gaming is prohibited in this state except in those counties or established local option Tourist Development Council Districts of the counties where the electors have authorized the conduct and operation of casino gaming pursuant to an initiative referendum to the extent authorized and then only in state regulated and taxed, privately owned gaming facilities:
- (1.) within pari-mutuel facilities authorized by law as of the effective date of this amendment, which have conducted live pari-mutuel wagering events in each of the two immediately preceding twelve month periods, for so long as the facilities continue to operate live pari-mutuel wagering events as authorized by the legislature; and
 - (2.) on board stationary and non-stationary riverboats and U.S. registered commercial vessels; and
 - (3.) at transient lodging establishments licensed by the state.
- b.) The types of gaming permitted in a casino shall be baccarat, blackjack or twenty-one, craps, keno, poker, roulette, slot machines and electronic gaming machines. Other types of gaming may be authorized by general law.
- c.) By general law, the legislature shall implement this section, including legislation to license casinos, tax casinos and regulate casinos.
- d.) Net proceeds derived from the license fees and taxation of casino gaming shall be appropriated to a state trust fund designated the State Crime Prevention, Education, Senior Citizens' and State Tourism Trust Fund to be appropriated by the legislature for crime prevention and correctional facility construction, education, senior citizens' services and state tourism promotion. Such appropriation shall increase and not reduce current funding appropriated to the aforementioned.

Section 2.

If any subsections of this amendment to the Florida Constitution are held unconstitutional for containing more than one subject, this amendment shall be limited to SECTION 16, subsections (a.), (b.) and (c.).

Section 3.

This amendment shall take effect on the date approved by the electorate; provided however, that no casino gaming shall be authorized to operate in the state until July 1, 1995.

* 183 - It is unlawful for any person to knowingly sign a petition for a particular issue or candidate more than one time. Any person violating the provisions of this section shall, upon conviction, be guilty of a misdemeanor of the first degree, punishable as provided in s. 775.082 and s. 775.083.

MAIL COMPLETED PETITION FORMS TO: Proposition for County Choice Gaming, Inc., 200 W. College Avenue, Tallahassee, FL 32301
Phone: (904) 425-1100 Fax: (904) 222-3462

Paid Political Advertisement: PROPOSITION FOR COUNTY CHOICE GAMING, INC.

Constitutional Amendment Petition Form

104.185 - It is unlawful for any person to knowingly sign a petition or petitions for a particular issue or candidate more than one time. Any person violating the provisions of this section shall upon conviction be guilty of a misdemeanor of the first degree, punishable as provided in s.775.082, s.775.083 or s.775.084.

Name: _____
Please print name as it appears on voter registration records.

Street Address _____ City _____

Precinct No. _____ Congressional District _____ County _____

I am a registered voter of Florida and hereby petition the Secretary of State to place the following amendment to the Florida Constitution on the ballot in general election.

Title: **LIMITED GAMING AND CASINOS**

Summary: **AUTHORIZES: SHIPBOARD CASINOS,
THREE GAMING & CASINO DISTRICTS,
LIMITED SIZE CASINOS AT
EXISTING PARI-MUTUELS**

FULL TEXT OF PROPOSED AMENDMENT

SECTION 1. Subsection 7 Article X is amended to revise the title to read "LOTTERIES, LIMITED CASINOS, RIVERBOAT CASINOS, GAMING AND CASINO DISTRICTS" and to designate the existing text as subsection "A".

SECTION 2. Subsection 7(b) of article X is created to read:

1. The operation of a limited number of State Regulated, privately owned Gaming Casinos. 2. Gaming Casinos on State Regulated, privately owned Riverboats and on U.S. registered commercial vessels. 3. Three State Regulated, privately owned Gaming and Casino Districts, is authorized, but only: (A) Gaming and Casinos, one in each Pari-Mutuel facility which has been authorized by law as of the effective date of this amendment and which has conducted Pari-Mutuel wagers in each of the two immediately preceding twelve month periods, provided that no Casino located within a Pari-Mutuel facility shall exceed 75,000 square feet; (B) on board stationary and non-stationary Riverboats and U.S. registered commercial vessels in counties where the electors have authorized pursuant to an initiative referendum the conduct and operation of State Regulated, privately owned shipboard Gaming Casinos; (C) Three Gaming and Casino Districts including but not limited to Gaming and or Casinos in all transient lodging facilities within said districts, (a) that area of Dade and Broward County Florida, bounded on the East by the Atlantic Ocean, on the West by the nearest body of water or 660 feet west of the centerline of State road "A1A" as designated on April 8, 1994 to the centerline of 5th Street (U.S. #41) and also bounded on the West by the nearest, the nearest body of water or 1320 feet west of the centerline of Collins Avenue from its intersection with 5th Street southerly to Biscayne Street and the southerly prolongation of the centerline of Collins Avenue to an intersection with the centerline of Government Cut; bounded on the South by the centerline of Government Cut; and all land north of the point where A1A intersects with the most northerly point of Dania Beach Blvd. bounded on the east, west and north by the nearest bodies of water, and (b) two 1/8th mile by 1/2 mile Gaming and Casino Districts located as the legislature may approve.

SECTION 3. By general law the Legislature shall implement this section, to include legislation to require and to tax all forms of Gaming including Casinos, the proceeds of license fees and taxation shall become part of the general fund and shall be used to protect and serve the needs of the PEOPLE of the State of Florida.

SECTION 4. July 1, 1995 shall be the earliest date Gaming or Casinos may be operated in the State. This amendment shall take effect on the date approved by the electorate.

Date Signed _____ Signature _____

pd. pol. adv. paid for by:
Please mail signed form to:

THE FLORIDA GAMING ASSOCIATION
6979 COLLINS AVE. MIAMI BEACH, FL. 33141
(305)-866-1500

FILED
94 APR 20 AM 9:07
SECRETARY OF STATE

CASINOS

Appendix B: Pari-Mutuel Permit Holders



**Listing of Pari-Mutuel Permits
March, 1994**

31 Open tracks & frontons with operating wagering permits:

- 4 Thoroughbred
- 1 Harness
- 1 Quarter horse
- 18 Greyhound
- 7 Jai Alia

3 Additional operating wagering permits at existing tracks and frontons, representing a 2nd permit at that facility:

- 1 Thoroughbred (Tropical at Calder)
- 1 Jai Alia (Summer at Miami Jai Alia)
- 1 Jai Alia (Summersport at Dania)

3 Additional non-operating wagering permits at existing tracks and frontons, representing a 2nd permit at that facility:

- 1 Quarter horse (Gulfstream)
- 1 Quarter horse (Tampa Bay Downs)
- 1 Quarter horse (Pompano Park)

3 Non-operating wagering permits at existing tracks and frontons (closed facilities):

- 1 Greyhound (Gadsen Jai Alia, Inc., at a former Jai Alia facility)
- 1 Greyhound (North American Racing Association, Inc.)
- 1 Jai Alia (Volusia)

1 Non-operating wagering permit without a facility:

- 1 Quarter horse (Osceola Park)

4 Non-wagering permits:

- 1 Quarter horse (Suwannee Valley Racing Association, Inc.)
- 2 Harness (FL standardbred Breeders' and Owners' Association, and Pasco Trotting & Pacing Association)
- 1 Arabian (Ocala Ars Sabian Breederociety)

**Appendix C:
Florida Attorney
General Opinion**





STATE OF FLORIDA

OFFICE OF ATTORNEY GENERAL

ROBERT A. BUTTERWORTH

FILED

COURT CLERK

JUN 22 1994

CLERK SUPREME COURT
By

Chief Deputy Clerk

June 22, 1994

The Honorable Stephen Grimes
Chief Justice, and
Justices of The Supreme Court
of Florida
The Supreme Court Building
Tallahassee, Florida 32399-1925

Dear Chief Justice Grimes and Justices:

In accordance with the provisions of Article IV, Section 10, Florida Constitution, and Section 16.061, Florida Statutes, it is my responsibility to petition this Honorable Court for a written opinion as to the validity of an initiative petition circulated pursuant to Article XI, Section 3, Florida Constitution.

On June 3, 1994, the Secretary of State, as required by section 15.21, Florida Statutes, submitted to this office an initiative petition seeking to amend Article X, Section 7, of the Florida Constitution. The full text of the proposed amendment provides:

Section 1. Section 7 of Article X is amended to revise its title to read "Lotteries and Limited Casinos," and to designate the existing text as subsection "(a)".

Section 2. Subsection 7(b) of Article X is created to read:

The operation of a limited number of state regulated, privately owned gaming casinos is authorized, but only:

- (1) at one facility each to be established within the present boundary of Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas Counties; and
- (2) at two facilities to be established within the present boundary of Broward County; and

(3) at three facilities to be established within the present boundary of Dade County, two of which shall be within the present boundary of the city of Miami Beach--with one of those two being in the South Pointe Redevelopment Area--and the third facility shall be outside the present boundary of the City of Miami Beach; and

(4) with each pari-mutuel facility which has been authorized by law as of the effective date of this amendment and which has conducted a pari-mutuel meet in each of the two immediately preceding twelve month periods; provided that no casino located with a pari-mutuel facility shall have a gaming area in excess of 75,000 square feet; and

(5) at not more than five riverboat casino facilities having a gaming area not in excess of 40,000 square feet, as the legislature may approve within the present boundaries of counties not identified in paragraph (1), (2) and (3); provided that the legislature shall not approve more than one riverboat casino in any one county.

Section 3. By general law, the legislature shall implement this section, including legislation to regulate casinos, to tax casinos, and to license casinos to pari-mutuel permit holders and at the other authorized facilities.

Section 4. This amendment shall take effect on the date approved by the electorate; provided however, that no casino gaming shall be authorized to operate in the state until July 1, 1995.

The ballot title for the proposed amendment is "Limited Casinos."
The summary for the proposed amendment provides:

Authorizing a limited number of gaming casinos in Broward, Dade, Duval, Escambia, Hillsborough, Lee, Orange, Palm Beach and Pinellas Counties, with two in Miami Beach; and limited-size casinos with existing and operating pari-mutuel facilities; and if authorized by the legislature up to five limited-size riverboat casinos in the remaining counties, but only one per county. Mandating implementation by the legislature. Effective upon adoption, but prohibiting casino gaming until July 1, 1995.

BALLOT TITLE AND SUMMARY

Section 16.061, Florida Statutes, requires the Attorney General to petition this Honorable Court for an advisory opinion as to whether the proposed ballot title and summary comply with Section 101.161, Florida Statutes.

Section 101.161, Florida Statutes, prescribes the requirements for the ballot title and summary of a proposed constitutional amendment, providing in part:

Whenever a constitutional amendment or other public measure is submitted to the vote of the people, the substance of such amendment or other public measure shall be printed in clear and unambiguous language on the ballot The substance of the amendment or other public measure shall be an explanatory statement, not exceeding 75 words in length, of the chief purpose of the measure. The ballot title shall consist of a caption, not exceeding 15 words in length, by which the measure is commonly referred to or spoken of.

This Court has stated that "section 101.161 requires that the ballot title and summary for a proposed constitutional amendment state in clear and unambiguous language the chief purpose of the measure." Askew v. Firestone, 421 So. 2d 151, 154-155 (Fla. 1982).

The ballot title, therefore, must be "clear and unambiguous" and not mislead voters as to the content of the proposed amendment. It must give "fair notice" of the proposed amendment's purpose. Advisory Opinion to the Attorney General--Limited Political Terms in Certain Elective Offices, 592 So.2d 225, 227 (Fla. 1991).

The proposed initiative petition is entitled "Limited Casinos." The term "limited" is subjective and could, in the context of this proposal, potentially mislead voters as to the scope and purpose of the amendment's impact. The proposed amendment authorizes a casino to be operated at "each pari-mutuel facility which has been authorized by law as of the effective date of this amendment and which has conducted a pari-mutuel meet in each of the two immediately preceding twelve month periods[.]" In fact, this provision alone would authorize the establishment of more than thirty casinos in addition to the twelve casinos designated for the enumerated counties and the five riverboat casinos which may be located in counties in which casinos are not

otherwise authorized.¹ The proposed amendment thus authorizes nearly fifty casinos in as many as twenty-four counties within this state, a number substantially greater than what could be inferred by at least some voters from the title "Limited Casinos."²

In addition, the ballot title may confuse voters as to the purpose of the amendment in that the proposed amendment does not seek to limit casinos in the State of Florida; rather it would for the first time authorize the operation of a number of casinos. The title, as written, presupposes that the voter possesses the knowledge that casinos are presently prohibited. Recently arrived citizens of Florida especially might lack that knowledge and, as a result, mistakenly conclude that the proposed amendment would restrict the expansion of casinos in this state.

While the ballot summary is not required to explain every ramification of the proposed amendment, see, Advisory Opinion to the Attorney General--Limited Political Terms in Certain Elective Offices, supra at 228 (Fla. 1991), it may not be misleading. Although the ballot summary lists the counties in which casino gaming is authorized and states that two of the three casinos located in Dade County must be in Miami Beach, it fails to inform the voters that one of the two casinos located in Miami Beach must be in the South Pointe Redevelopment Area.

Moreover, although the summary notes that the proposed amendment provides for the establishment of casinos at certain pari-mutuel facilities, the voter may not be aware of the location of such casinos. For example, while the proposed amendment states that one casino shall be located in Escambia County, two casinos would

¹ The Division of Pari-Mutuel Wagering of the Department of Business and Professional Regulation has advised this office that 35 active permitholders are located within the following counties: Brevard, Broward, Clay, Dade, Duval, Escambia, Hillsborough, Jefferson, Lee, Marion, Palm Beach, Pinellas, St. Johns, St. Lucie, Sarasota, Seminole, Volusia, and Washington.

² While the proposed constitutional amendment authorizes casino gaming at a "pari-mutuel facility," it does not define that term. Several facilities host more than one permitholder. In addition some permitholders hold nonwagering races. It is not clear whether the proposed constitutional amendment would authorize each permitholder to conduct casino gaming at such facility or whether the nonwagering nature of some permitholders would preclude operation of casino gaming at those facilities.

appear to be authorized for that county because of the existence of an active pari-mutuel facility within that county.

The Court, therefore, may wish to consider whether the ballot title and summary comply with the provisions of Section 101.161, Florida Statutes.

SINGLE SUBJECT LIMITATION

Section 16.061, Florida Statutes, requires the Attorney General, within 30 days after receipt of the proposed amendment to the Florida Constitution by citizens' initiative, to petition this Honorable Court for an advisory opinion as to whether the text of the proposed amendment complies with Article XI, section 3, of the Florida Constitution.

Article XI, Section 3, Florida Constitution, reserves to the people the power to propose the revision or amendment of any portion of the Constitution by initiative. It requires, however, that any such revision or amendment "embrace but one subject and matter directly connected therewith." Evans v. Firestone, 457 So. 2d 1351, 1352 (Fla. 1984). This Court has stated that a proposed amendment meets this single subject requirement if it has "a logical and natural oneness of purpose[.]" Advisory Opinion to the Attorney General--Limited Political Terms in Certain Elective Offices, 592 So. 2d at 227 (Fla. 1991), quoting, Fine v. Firestone, 448 So. 2d at 990 (Fla. 1984).

As this Court recently stated in Advisory Opinion to the Attorney General--Save Our Everglades Trust Fund, Case No. 83-301 (Fla., filed May 26, 1994), the single-subject requirement also guards against "logrolling," a practice in which several separate issues are rolled into one initiative in order to secure approval of an otherwise unpopular issue. "Logrolling" does not give the voters an opportunity to express their approval or disapproval on each of the several issues but rather has "the purpose of aggregating for the measure the favorable votes from electors of many persuasions who, wanting strongly enough any one or more propositions offered, might grasp at that which they want, tacitly accepting the remainder." Advisory Opinion to the Attorney General--Save Our Everglades Trust Fund, *supra*, quoting Adams v. Gunter, 238 So. 2d 824, 831 (Fla. 1970).

Recently, this Court struck down a proposed amendment in Advisory Opinion to the Attorney General--Restricts Laws Related to Discrimination, 632 So. 2d 1018, 1020 (Fla. 1994), as violative of single subject in that

it enumerates ten classifications of people that would be entitled to protection from discrimination if the amendment were passed. The voter is essentially being asked to give one "yes" or "no" answer to a proposal that actually asks ten questions. . . . Requiring voters to choose which classifications they feel most strongly about, and then requiring them to cast an all or nothing vote on the classifications listed in the amendment, defies the purpose of the single-subject requirement of article IV, section 3 of the Florida Constitution.

The proposed amendment seeks to amend Article X, Section 7, Florida Constitution. While the proposed amendment addresses the issue of permitting casinos in this state, it does so in a manner that specifies the geographic locations in which such casinos may be operated. In light of the Court's recent comments in Advisory Opinion to the Attorney General--Save Our Everglades Trust Fund, supra, and Advisory Opinion to the Attorney General--Restricts Laws Related to Discrimination, supra, this Court may wish to consider whether the proposed amendment, which requires voters to accept or reject all of the specified locations at which casinos are authorized, may constitute a form of "logrolling" in that a voter who may favor casinos in one geographic area would be forced to accept casinos in the other specified areas. Further, those voters who may approve of riverboat casino gaming have no option for disapproving casino operations at local pari-mutuel facilities.

In Advisory Opinion to the Attorney General--Restricts Laws Related to Discrimination, supra at 1020, this Court struck down a proposed constitutional amendment because it encroached on municipal home rule powers and on the rulemaking authority of executive agencies and the judiciary. The proposed constitutional amendment mandates the location of casinos in certain counties, regardless of local zoning and land use regulations. The Court, therefore, may wish to consider whether the proposed amendment, by specifying the location of most of the casinos authorized therein, encroaches upon the powers of local and state government by substantially preempting the regulatory or land use functions of both state and local government.

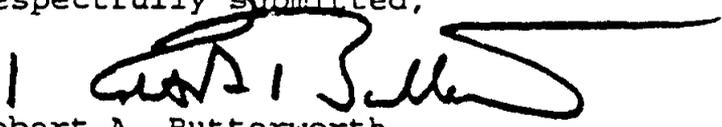
This Court stated in Advisory Opinion to the Attorney General--Save Our Everglades Trust Fund, supra, that "although a proposal may affect several branches of government and still pass muster, no single proposal can substantially alter or perform the functions of multiple branches[.]" Slip Op. at 6. Thus, this

The Honorable Stephen Grimes
Page Seven

Court may wish to consider whether the proposed amendment by mandating the location of casinos violates single subject by encroaching upon the powers of both state and local government.

Therefore, I respectfully request this Honorable Court's opinion as to whether the constitutional amendment, proposed by initiative petition, complies with Article XI, Section 3, Florida Constitution, and whether the proposed title and substance comply with Section 101.161, Florida Statutes.

Respectfully submitted,



Robert A. Butterworth
Attorney General

RAB/tgk

Enclosures

cc: The Honorable Jim Smith
Secretary of State
The Capitol
Tallahassee, Florida 32399-0250

Mr. Patrick C. Roberts
101 East College Avenue
Tallahassee, Florida 32301

CASINOS

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

September 7, 1995

COMMITTEE ON APPROPRIATIONS
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GOVERNMENT
FOREIGN OPERATIONS-EXPORT
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COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

Crime and Casinos Need a Study

Dear Colleague:

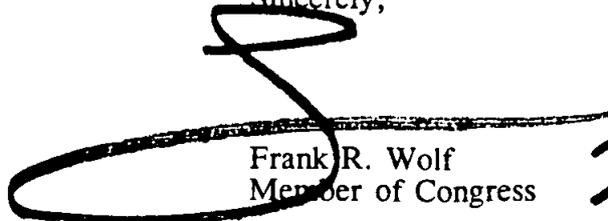
While Congress was in recess, The Washington Post reported that Federal law enforcement agents are investigating possible political corruption in Louisiana tied to gambling. I have reprinted the article on the reverse for your reference.

This type of activity is nothing new. In the last couple of years there have been many news accounts about crime, corruption, and casinos. Here are a few:

- ◆ 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 was sentenced to five years and 10 months in prison on his pleas of guilty to five counts of public corruption and one count of taking a bribe from racing interests.
- ◆ In 1994, a West Virginia lottery director was sentenced to federal prison for rigging a video lottery contract.

I have introduced H.R. 497, legislation which would establish the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States and will look at the issue of crime and casinos. If you are interested in becoming a cosponsor of this legislation, please contact William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

(Over)

*I would appreciate
your cosponsoring
this legislation*

FBI Probes

Louisiana Gambling

Truck Stop Casinos Suspected of Bribery

By Tyler Bridges

Special to The Washington Post

NEW ORLEANS—When Louisiana rushed headlong into legalized gambling in the early 1990s, critics warned that the combination of casino money and the state's let-the-good-times-roll tradition of politics would prove a dangerous brew.

After all, Gov. Edwin W. Edwards (D), who is finishing his fourth term, is a noted high-roller who bets thousands of dollars per throw of the dice on frequent forays to Las Vegas—and who, in a 1985 bribery trial, admitted paying off \$500,000 in gambling debts with a suitcase stuffed with cash at the governor's mansion.

And it was scandals involving crooked Louisiana lawmakers during the 1890s that caused the repeal of lotteries nationwide, a ban that lasted for 70 years.

So when the FBI alleged last week that gambling interests in Louisiana had corrupted a group of powerful state legislators through bribes and illegal gifts, many people were not surprised.

Intercepted phone calls suggest that owners of mini-casinos in highway truck stops throughout the state conspired to bribe lawmakers who oversee gambling matters—in return for the legislators' support in blocking bills that would permit public referendums on the repeal of laws allowing the mini-casinos.

The FBI released documents alleging that state Sen. Larry Bankston (D), who chairs the committee that hears gambling legislation, schemed with the owner of a truck stop casino to pay off fellow legislators. He also rented a beachfront condominium he owns in Alabama to gambling lobbyists for \$1,000 per week, even when the lobbyists didn't stay there. Bankston is captured on tape calling the lobbyists "travel-less" renters.

State Sen. B.B. "Sixty" Rayburn, another powerful Democratic legislator who was a protege of then-Gov. Earl K. Long during the 1940s and 1950s, secretly owned a stake in one of the truck stop casinos with his

THE WASHINGTON POST

lege. Tommie Jean Rayburn, one of Rayburn's daughters and his top legislative aide, was "hyperventilating" over the windfall of \$7,000 to \$8,000 a month, according to an FBI agent's report.

A third legislator, state Rep. Raymond "La La" Lalonde (D), who chairs the House committee that oversees gambling, told one truck stop casino owner that he wanted campaign contributions to be disguised in small amounts of \$250 or \$500 and given in the names of owners' children or cousins, the FBI alleges.

"Arrogance, greed, money and power are a combustible mixture in a legislative environment, and it finally exploded," said state Sen. John L. "Jay" Dardenne, a Baton Rouge Republican and leading gambling opponent. "My reaction was not one of surprise—we suspected this was going on. Gambling has dominated the legislature over the last four years. But I was shocked at the depth and breadth of what was revealed in the affidavits."

It was Dardenne who helped lead the fight during this past legislative session to permit public referendums on the mini-casinos. The casinos have mushroomed throughout the state since a 1991 law permitted every truck stop to install up to 50 video

poker machines in outlets that previously only sold gasoline and food.

Polls show that truck stop owners had reason to fear Dardenne and his allies might succeed. A majority of the public wants to ban the machines because they create few jobs and are highly addictive—opponents call them the "crack cocaine" of gambling. But the effort to restrict them was stymied by Bankston and the truck stop owners, who can net more than \$1 million a year from a single roadside gambling emporium.

Louisiana's lawmakers legalized video poker—along with riverboat casinos in 1991 and a single land casino in New Orleans in 1992—without giving the public a direct vote on the issue. Most other states that have legalized gambling in recent years have authorized public referendums first.

The FBI allegations come at a bad time for legislators, who face primary elections in less than two months. They also come at a time when polls show voters are deeply cynical about and angry with elected officials. In a survey done recently for a citizens watchdog group, pollster Frank Luntz found that voters in this state are probably more dissatisfied than those in any other.

The latest blow came last month

when the Times-Picayune of New Orleans, after winning a court order, published a list of students who in recent years have been awarded tuition waivers by legislators to study at Tulane University. Under an 1884 agreement, every state lawmaker is permitted to award a one-year scholarship to Tulane every year. The list showed that many legislators awarded the tuition waivers to children of relatives, judges, doctors and lawyers, and that many parents of recipients were campaign contributors. The public reacted with outrage.

"The good news is that the Tulane scholarship story is off the front page," one legislator joked privately to another this week. "The bad news is that because of the truck stop scandal, we're all going to jail."

No one has been charged, and all of the legislators who have come under suspicion this week have denied guilt. U.S. Attorney L.J. Hymel in Baton Rouge said he expects indictments this fall or early 1996.

Nearly 20 of the 144 members of the legislature are identified in the FBI affidavits as recipients of payments from the truck stop owners. Most of them are Democrats and allies of Gov. Edwards. The corruption probe has not implicated Edwards

himself, a Democrat who is a strong supporter of gambling and has had more than a few brushes with the law during his colorful political career.

The scandal also has tarnished the Louisiana Democratic Party. The affidavits quote transcripts of intercepted phone calls in which Bankston is heard telling a truck stop owner that one way to get around state campaign finance laws—which limit contributions made directly to candidates and require that all contributions be reported—is to give the money to the party, which in turn would pass it along to the candidate. This practice, known as earmarking, is illegal under state law because it allows lawmakers to hide the original source of the contribution.

Along with raiding Bankston's office last week, the FBI searched the home and office of Lynn Berry and Joe Wood, a husband-and-wife lobbying team that represents the truck stop owners. In a subpoena issued to pro-gambling legislators last week, authorities asked whether they had received free meals, hotel rooms, golf rounds and equipment from Berry and Wood. During the legislative session, the couple operates the "Green House," a small private club within walking distance of the state Capitol where legislators eat for free.

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FINANCING AND RELATED PROGRAMS
COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

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

September 6, 1995

Crime and Casinos Need a Study

Dear Colleague:

While Congress was in recess, the Associated Press reported that Federal law enforcement agents are investigating possible political corruption in Louisiana tied to gambling. I have reprinted the article on the reverse for your reference.

Crime, corruption and casinos are an old and ongoing saga. As casino and riverboat gambling proliferates throughout the country, crime does the same. Here are some facts:

- ◆ The Florida Department of Law Enforcement (FDLE) studied the possible crime problems that gambling could bring to Florida. They opposed any form of legalized casino gambling. Their report concluded that **"[c]asinos will result in more Floridians and visitors being robbed, raped, assaulted, and otherwise injured. Casinos are not worth the gamble."**
- ◆ The FDLE anticipated that introduction of casino gambling in Florida would spur a rise in robberies, rape, theft, drug abuse, aggravated assault, counterfeiting, youth gangs, profit skimming, prostitution, credit card scams, loan sharking, card cheats, and street level narcotics.
- ◆ Organized crime and casinos are historically linked. **"[G]ambling itself ... is probably the biggest producer of money for the American La Cosa Nostra [that] there is."** --Jim Moody, chief of the Organized Crime Section, FBI, (60 Minutes Interview).
- ◆ 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."** The destruction of these young lives must be avoided.
- ◆ 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.

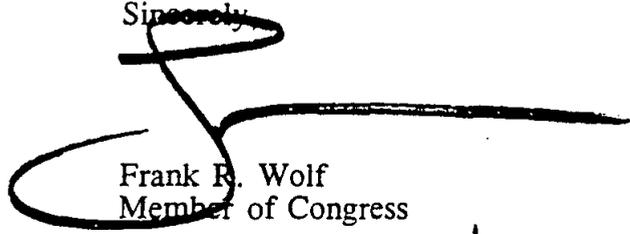
(Over)

- ◆ Larceny has increased 451 percent in Atlantic City, versus 8 percent statewide, and aggravated assault has increased 316 percent versus 77 percent statewide.

I have introduced H.R. 497, legislation which would establish the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States. One of the duties of the Commission would be to make a detailed assesment of the relationship between gambling and crime.

If you are interested in becoming a cosponsor of this legislation, please contact William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

I would appreciate you
co-sponsoring HR 497. Thank you.

Gambling probe targets legislators

BATON ROUGE, La. (AP) — The FBI is investigating the chairman of a state Senate gambling committee and other legislators on suspicions they were part of a scheme to personally profit from protecting the gambling industry.

The information came in affidavits signed by FBI agents and filed Monday in federal court by U.S. Attorney L.J. Hymel.

Mr. Hymel has refused to comment on the nearly yearlong investigation that came to light last week when a number of state legislators received subpoenas for their financial records. Justice Department officials would not say if indictments are coming.

The names in the affidavits read like a Who's Who of the Legislature. Most notable among them is

state Sen. Larry Bankston, a Democrat and chairman of the Senate Judiciary Comm, which handles all gambling legislation.

The affidavits were needed to get permission to search for documents in offices, including Mr. Bankston's law office. Agents said they are investigating possible fraud, mail fraud, conspiracy, attempted extortion, money laundering and public bribery.

Mr. Bankston and other legislators repeatedly have refused to comment on the investigation. Messages left at Mr. Bankston's home Monday were not immediately returned.

The affidavit said the investigation began last September when federal agents were approached

by a close friend and associate of Mr. Bankston's who agreed to tape conversations with the senator. The friend is referred to only as "C.W.," or confidential witness.

The agents obtained court permission to tap Mr. Bankston's phone calls to gather information on truck-stop owners who run video poker machines.

"A 'core group' of legislators ... would manipulate the legislative process to promote and protect the financial interests of existing owners" and would receive "concealed financial interests in various video poker truck stops throughout Louisiana," an affidavit says.

By law, bars and restaurants are limited to three of the electronic gambling machines, but truck stops can have 50.

FRANK R. WOLF
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Congress of the United States
House of Representatives
Washington, DC 20515-4610

September 5, 1995

COMMITTEE ON APPROPRIATIONS
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GOVERNMENT
FOREIGN OPERATIONS-EXPORT
FINANCING AND RELATED PROGRAMS
COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

Crime and Casinos Need a Study

Dear Colleague:

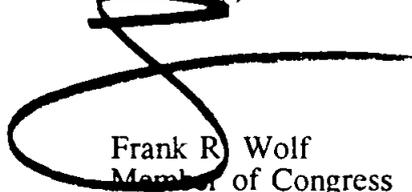
While Congress was in recess, The New York Times reported that Federal law enforcement agents are investigating possible political corruption in Louisiana tied to gambling. I have reprinted the article on the reverse for your reference.

This type of activity is nothing new. In the last couple of years there have been many news accounts about crime, corruption, and casinos. Here are a few:

- ◆ 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 was sentenced to five years and 10 months in prison on his pleas of guilty to five counts of public corruption and one count of taking a bribe from racing interests.
- ◆ In 1994, a West Virginia lottery director was sentenced to federal prison for rigging a video lottery contract.

I have introduced H.R. 497, legislation which would establish the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States and will look at the issue of crime and casinos. If you are interested in becoming a cosponsor of this legislation, please contact William Moschella of my office at x55136.

Sincerely,


Frank R. Wolf
Member of Congress

(Over)

THANK YOU

Louisiana Officials Tied to Gaming Bribes

By ADAM NOSSITER

NEW ORLEANS, Aug. 22 — Federal agents listening in on conversations between some of Louisiana's most powerful legislators and owners of roadside gambling establishments have described a scheme in which payoffs to politicians were to be exchanged for favorable legislative votes.

The agents, from the Federal Bureau of Investigation, heard about thousands of dollars changing hands, according to affidavits unsealed on Monday in connection with what the authorities describe as a large-scale investigation of public corruption in the state. No charges have as yet been filed in connection with the investigation.

If the picture holds up in court, it would confirm the worst fears of many that as gambling establishments, and in particular, video poker truck stops, have proliferated in Louisiana, some of the state's major politicians may have tailored their votes to the desires of those in the gambling industry.

"It's a long time coming," said C. B. Forgotston, a New Orleans lawyer who has led local anti-gambling forces. "I've been wondering where they've been."

Referring to the spread of gambling, Mr. Forgotston added: "It's one of the things we were worried about in the beginning, that it would totally corrupt our political system. People would just laugh and say our system is already corrupt. But you've never seen anything like this."

Among the legislators implicated in the documents are State Senator Larry Bankston, a Democrat who is chairman of the Judiciary Committee, which controls all gambling legislation in the legislature's upper chamber, as well as State Senator B. B. Rayburn, one of the last surviving members of the late Gov. Earl K. Long's entourage and a legendary figure in Louisiana politics. At least nine other legislators are named in the hundreds of pages of documents, several of whom are described as receiving payoffs.

The documents paint a picture of legislators eagerly cooperating with lobbyists and owners of truck stops where video poker machines had been installed, all "involved in a criminal scheme to manipulate the legislative process in Louisiana," according to one affidavit.

At the center of the picture, according to the documents, is Mr. Bankston. Late last year, according to the affidavit of special agent Larry Jones of the Federal Bureau of Investigation, he met in his law office in Baton Rouge with Fred Goodson, the owner of a large video poker truck stop in the New Orleans suburb of Slidell.

They discussed a scheme, the affidavit says, involving a "core group" of legislators who would manipulate the legislative process in order to promote and protect the financial interests of existing owners and operators of video poker truckstops." In exchange, the legislators would get hidden financial interests in various video poker truckstops throughout the state, the affidavit said.

The men discussed ways the legislators were to get their money, it said, and the \$5,000 monthly payments being made to Mr. Rayburn's daughter Tommie Jean in exchange for Mr. Rayburn's help in protecting Mr. Goodson's interests. In another affidavit, Ms. Rayburn is described as "hyperventilating" over her monthly windfall.

The affidavit said Mr. Bankston assured Mr. Goodson: "There's no piece of legislation passed period. Nothing." The remark seemed to

refer to to keep legislation adverse to video poker stalled in committee.

When the Legislature convened for its 1995 session this spring, there was considerable popular sentiment for holding local votes on eliminating some of the video poker establishments that had mushroomed all over Louisiana's roadsides. The State House of Representatives passed a bill that would have allowed such votes, but Mr. Bankston's committee decided not to put the bill on the Senate's agenda. Mr. Bankston himself was the author of a successful bill allowing local votes on future gaming operations, but protecting existing establishments.

The Jones affidavit goes on to describe one way in which Mr. Bankston is said to have profited from his chairmanship. It reports that he bought a seaside condominium in Alabama, and in order to help pay for it, rented it to people with business before his committee. Some of these "renters" paid the \$1,000-a-week fee, but did not stay in the condominium, the affidavit says.

The agents spent much time listening to Mr. Goodson, and they are said to have heard him talk about numerous checks in the offing for legislators. In March, according to another affidavit, he said he had given two checks to a powerful Democratic legislator, State Representative John Alario, one of them blank.

The United States Attorney in New Orleans, Eddie Jordan, declined to comment today. A number of legislators, including Mr. Bankston, Mr. Alario and Mr. Chabert, could not be reached. Mr. Rayburn said, "I'm going to wait until I see the allegations before I make a comment."

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

July 19, 1995

Casino Interests Spent Record \$820,000 Lobbying in Virginia

Your State Could Be Next

Dear Colleague:

Gambling interests during the last year spent more money than any other special interest in Virginia history by pouring over \$820,000 into an effort to convince lawmakers to legalize riverboat gambling in the Commonwealth. This is more than double the \$359,000 those same interests spent the year before.

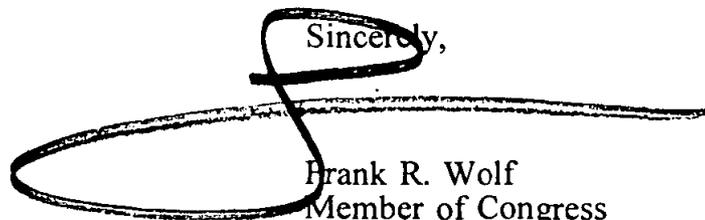
Their unprecedented lobbying effort entailed employing nearly 50 of the top high-priced and politically connected lobbyists in Virginia. They spent money on radio advertising, polling, and entertainment for state legislators. Virginians don't want gambling in their state but the casino interests are intent on forcing it down their throats.

According to the Washington Post article reprinted on the reverse, casino interests spent more money than the Walt Disney Co. spent trying to win approval for its proposed Disney America theme park. Virginians Deserve Better, a grassroots organization opposed to legalized riverboat gambling, spent only \$31,384.

Be forewarned. Casino interests have spent millions in Florida, California, Illinois, Louisiana, Virginia and other states to convince legislators to bet on casino gambling. When this type of pressure is brought to bear in your state, it may be too overwhelming. Gambling interests have the wherewithal to commission studies, which, according to a survey by a prominent economist, are almost always written from the gambling industry's perspective. The hire well healed lobbyists to entertain lawmakers and convince them their state needs gambling.

Because I am concerned that elected officials are not receiving the information they need to make informed decisions, I have introduced H.R. 497 which would establish the National Gambling Impact and Policy Commission. This blue ribbon panel would study the factual and legal consequences of legalized gambling so that policymakers are informed about gambling's impact on families, crime, and other established businesses. I urge you to contact William Moschella of my staff at x55136 to cosponsor H.R. 497.

Sincerely,


Frank R. Wolf
Member of Congress
(Over)

THANK YOU

Casino Interests Anted Up a Record Pot in Va. for Lobbying

By Peter Baker
Washington Post Staff Writer

RICHMOND, July 12—Gambling interests poured more than \$820,000 during the last year into a multimedia campaign to win permission for riverboat casinos in Virginia, the most ever spent on a single lobbying effort in state history.

According to newly filed disclosure forms, the industry employed nearly 50 lobbyists, conducted its own polls, aired radio advertising and even entertained state lawmakers aboard riverboats in what so far has been a futile effort to get legislation through the General Assembly.

The combined operations of companies from as far away as Dallas and Las Vegas greatly overshadowed previous records in Richmond. The National Rifle Association spent \$522,000 in 1993 in an unsuccessful attempt to ward off gun control, while the Walt Disney Co. shelled out \$444,000 last year to win a hefty state subsidy for its since-abandoned theme park in Northern Virginia.

"We are talking about huge amounts of money," said Julie Lapham, executive director of Common Cause of Virginia, a government watchdog group. "It's quite incredible, [even] mind-boggling for the average individual who perhaps earns \$20,000 or \$30,000 a year to

support a family. . . . Industries that are okay with spending that money are clearly thinking they're going to reap benefits. Otherwise they wouldn't be investing it."

And yet, for all the cash that flowed into the state, it has been a losing bet so far. The riverboat casino bill didn't even get out of committee during this year's legislative session.

"The result, of course, was disappointing, but I think the money itself was well spent," said Anthony F. Troy, a lobbyist for Hollywood Casino Corp., which wants to dock a boat in Hampton. "The [future] efforts will obviously depend on the outcome of the No-

vember [legislative] election, but a lot of polling data demonstrates that . . . it can be done."

Yet David L. Bailey Jr., an organizer of a grass-roots opposition group called Virginia Deserve Better, said casinos ought to take heed. "They went from 36 lobbyists [last year] to 48 lobbyists and they didn't get their message across any better," he said.

The riverboat expenses helped break a variety of Virginia records this year. In the months ended April 30, a total of 823 businesses, unions and other groups registered 1,583 lobbyists and spent more than \$7.4 million.

See LOBBYING, B5, Col. 1

Casino Interests May Hedge Their Bets

LOBBYING, From B1

lion trying to influence state policy, the highest numbers ever recorded in any of those categories.

Of every \$10 spent by every lobbyist in Richmond during the last year, more than \$1 came from a casino company or related interest. The costly campaign involved at least 18 companies and ad-hoc groups, which chipped in at least \$821,166, more than twice as much as the previous year, when casinos spent about \$359,000 in Virginia.

Lining up on the other side were horse-racing interests, which oppose casinos because of the competition, and groups that object on moral grounds. Virginians Deserve Better spent \$31,384, while the Maryland

Jockey Club spent \$84,325 and the Colonial Downs/Stansley Racing Corp. spent \$55,537.

Lobbyists for casino interests also were among the biggest spenders during the 90-day Maryland General Assembly session this year. No legislation resulted from their efforts there, but a special commission was appointed to make recommendations before the next session.

Because of that, some casinos are refocusing their efforts on Maryland and may forgo Virginia next year.

"It's just too early to make a decision," said Steven David Stone, a lobbyist for Station Casinos Inc. "If nothing changes, then I think you're going to see a lot less activity and a lot less lobbying. . . . There are more cost-effective states in which to participate."

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

MAY 18, 1995

ILLINOIS CITY FUNDS GAMBLING ADDICTION PROGRAM

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

Printed on the reverse is a Chicago Tribune article which explains how the Elgin City Council is ready to approve \$50,000 on local gambling addiction programs. Gambling addiction, according to the article, is often accompanied by drug and alcohol dependencies, problems that can harm family life, job stability and health and it also spurs criminal activity. Suicide rates are also high among compulsive gamblers.

Many cities and towns across America are faced with the problems which arise from compulsive and pathological gambling; however, most cities don't have plans to address these problems. Because many local governments need information about problems associated with gambling, I urge you to cosponsor H.R. 497, legislation establishing the National Gambling Impact and Policy Commission, so policymakers can address these issues in an informed way. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States. Issues regarding the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,

Frank R. Wolf
Member of Congress

(Over)

*Does the
Congress care?*

Chicago Tribune, 5-11-95

Elgin to put cash on gambling help

City may be first in Illinois to fund addiction program

By Phil Borchmann
SPECIAL TO THE TRIBUNE

When talks began more than three years ago to bring a floating casino to Elgin, elected officials compiled a short list of demands to accompany the deal.

Aside from logical provisions such as street improvements and more police, City Council members included the condition that treatment become available for compulsive gamblers likely to patronize the Grand Victoria riverboat.

On Wednesday, City Council members are expected to fulfill that promise by giving preliminary approval to spend almost \$50,000 on a local gambling addiction program. It apparently would make Elgin the first riverboat city in Illinois to directly finance such a program.

"I have not heard of anybody else willing to do that. It demonstrated that they have a social conscience. I think it's great," said Christopher W. Anderson, executive director of The Illinois Council on Problem and Compulsive Gambling Inc.

Elgin's action coincides with other efforts—and warnings—to address problems associated with wagering, given the increased opportunities for gambling.

Currently, only Proctor Hospital in Peoria offers in-patient treatment for gambling addicts—and

it's financed by the local Par-A-Dice floating casino, Anderson said. Otherwise, people can attend Gamblers Anonymous meetings, one of which is at St. Joseph Hospital in Elgin.

Meanwhile, state legislation is pending that would require gaming outlets, such as riverboats, horse-racing tracks and lottery ticket vendors, to provide information about assistance for problem gamblers. The measure was passed by the Illinois House in mid-April and is being considered by the Senate.

"One of the key issues in addiction is access. The greater the accessibility, the greater the number of problem gamblers there is going to be," said Joseph Rosenfeld, executive director of Elgin's Renz Addiction Counseling Center, which will receive city funds to run the new program.

The arrangement calls for Renz, which mainly handles patients with chemical dependencies, to hire another counselor to oversee the gambling program, which would include treatment, public outreach and community education, said Diane Flynn, Renz associate executive director.

Gambling addiction is much like—and is often accompanied by—drug and alcohol dependencies, problems that can harm family life, job stability and health, Flynn said. It also spurs criminal activity, she said.

"The suicide rate is 100 times higher among compulsive gamblers, and spouses have a higher rate too," Flynn said. "[And] there's got to be a rise in the rate of theft [by problem gamblers] from employers."

Flynn can cite many recent examples of problems caused by gambling addiction, including the man who committed suicide in the Grand Victoria Casino parking lot last year after he lost nearly \$50,000 while gambling inside; or a Renz client who charged \$42,000 on his credit card and has been trying to keep it from his wife. Then there was the McHenry County Sheriff's officer who was accused in early March of stealing \$200 in department funds each week for six months to support his riverboat habit.

The Elgin City Council long ago heeded the Rosenfeld group's warnings of those types of scenarios and pledged to address them.

"One of the things we discussed, with the boat coming, was to provide for treatment of people with gambling problems," said council member Robert Gilliam.

While Elgin would be the first city to establish a gambling addiction program, most Illinois casino boats are taking some responsibility by contributing money to compulsive gambling programs and posting information about them on their premises.

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

May 17, 1995

DR. JAMES DOBSON SUPPORTS H.R. 497

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

Because **Dr. James Dobson, president of Focus on the Family**, is concerned about the negative impact of gambling on the family, he recently wrote me in favor of legislation I introduced--H.R. 497, the "National Gambling Impact and Policy Commission Act." I have reproduced a copy of his letter on the reverse for your reference.

Pathological and problem gambling can be as destructive as drug or alcohol addiction. I urge you to cosponsor H.R. 497, legislation establishing the National Gambling Impact and Policy Commission, so policymakers can address these issues in an informed way. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States, including Indian gaming. Issues regarding the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,

Frank R. Wolf
Member of Congress

THIS ISSUE WILL NOT GO AWAY.

(Over)



April 27, 1995

MAY 15 1995

The Honorable Frank Wolf
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Wolf:

I thank you for your efforts in introducing H.R. 497, which would establish a National Gambling Impact and Policy Commission. I heartily endorse this important bill. Such legislation is long overdue.

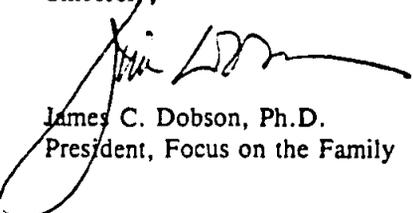
I am deeply troubled by the rapid expansion of legalized gambling in this country, primarily because of the devastation it has already wrought on millions of families. A few years ago when gambling was illegal in most parts of the nation, only a handful of Americans were addicted to gambling. Now, by legalizing gambling in almost every state, we have created millions of new gambling addicts. The rates of divorce, child abuse and neglect, bankruptcy, job loss, attempted suicide and other destructive behaviors among these individuals is astronomical. I am all too familiar with this sad fact, since a number of our friends at Focus on the Family have shared with us heart-rending stories of how their own marriages and families have been damaged or destroyed by a gambling addiction in the family. It is inconceivable to me that in a day in which we have finally reached a cultural consensus that the traditional family unit is the bedrock of society, state and local governments are actively promoting an activity that rips families apart.

I am also profoundly disturbed by the way in which legalized gambling is harming America's youth. We are sending the wrong message to our children. Instead of promoting the traditional American values of diligence, hard work, and faithfulness, we are telling our youth that those values are passe, that if they just play the lottery or the slot machines they can "strike it rich." Sadly, many of our young people have bought this false and harmful message -- and they are paying the price. At least a million are already addicted to gambling. We have sown the seeds of destruction in these young lives, and we will reap the damage for years to come.

There are many pressing social concerns that I believe the 104th Congress must address. H.R. 497 would address one of those issues that is causing the greatest harm to America's families. It is time that our nation's leaders take a hard look at what the continued proliferation of legalized gambling would mean to America's families. I am firmly convinced that it would spell disaster.

I hope that our other friends in the House who care about the family will get behind this critical piece of legislation. Congress can no longer ignore this grave problem; millions of families are at stake. Thank you again for your efforts in this regard.

Sincerely,



James C. Dobson, Ph.D.
President, Focus on the Family

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

May 16, 1995

COMMITTEE ON APPROPRIATIONS

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COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

Support the National Gambling Impact and Policy Commission

Dear Colleague:

Gambling is one of the fastest growing industries in the nation and is becoming America's pastime. In 1993, Americans made more trips to casinos than they did Major League ballparks. Casinos operate in 23 states and 95 percent of all Americans are expected to live within a three- or four-hour drive of one by the year 2000.

As the Wall Street Journal article reproduced on the back indicates, casinos are planning on reaching into the public's pocket by wiring personal bank accounts through the internet. The proliferation of gambling into every home has far reaching detrimental consequences.

Negative impacts on state and local economies, small businesses, and families can no longer be ignored. Crime and social problems related to gambling could add to already overburdened criminal justice and social welfare systems. This is an issue of national economic importance, and I believe the new Congress should examine it closely over the coming months.

I invite you to become a cosponsor of H.R. 497, legislation establishing the National Gambling Impact and Policy Commission and invite you to become a cosponsor. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States. If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,

Frank R. Wolf
Member of Congress

(Over)

New On-Line Casinos May Let Americans Bet, Skirting U.S. Law

New On-Line Casinos May Thwart U.S. Laws

By WILLIAM M. BULKELEY

Staff Reporter of THE WALL STREET JOURNAL

Two companies are setting up on-line betting emporiums in Caribbean countries to skirt U.S. laws that bar interstate gambling from home.

ON-LINE

The cyberspace casinos, which will be available on the Internet, won't have Paul Anka, scantily clad showgirls or cigar smoke. But they will offer a chance to win or lose money from the comfort of the bettor's own keyboard, using credit cards or money predeposited with the house.

The Justice Department says cyberspace casinos are illegal. But the companies' offshore venues may protect them. And authorities will have a tough time detecting who's actually betting because many other people will be playing the same games for free.

Internet gambling could be immensely popular. "If regulatory obstacles were put aside, gambling would be huge on the Internet," says Adam Schoenfeld, an analyst with Jupiter Communications, a New York market researcher. Jason Ader, an analyst with Smith Barney, says legalized on-line betting could be a \$10 billion-a-year industry.

Antigambling activists fear that addicted gamblers and children using credit cards will bankrupt themselves from their PCs. Rachel Volberg, president of Gemini Research, Roaring Spring, Pa., who studies problem gambling, says the young, affluent males who populate the Internet are people "we know from research are probably most likely to develop difficulties related to gambling."

Nonetheless, Warren B. Eugene, a 34-year-old Canadian, says he will open the Internet Online Offshore Electronic Casino this month using computers in the tax

Continued From Page B1

several calls a week from people investigating the legal status of on-line gambling. He says Mr. Eugene's theory may be right: "If you are a foreign national sitting in a foreign country, there's a question whether the U.S. law would apply to you." He adds that "there may be a way to do it on an Indian reservation" as well.

Mr. Eugene styles himself as the Bugsy Siegel of cyberspace, harking back to the mobster who helped build Las Vegas into a gambling mecca. And his Electronic Casino is like the early Las Vegas casinos — a big flashy sign fronting a tiny drab facility. The casino's main screen, known as a home page in Internet parlance, is an enticing graphic display of a pirate chest full of booty. For now, only the blackjack game is operating.

Mr. Eugene says he is negotiating with an accounting firm to certify the legitimacy of his games and his bankroll. He says he has a \$1.5 million line of credit with a bank in St. Maarten, a Dutch island in the Caribbean, but he declines to name the bank. Mr. Eugene adds that casino authorities in St. Maarten "have the right to review our books. It's a new area. They said 'until you violate it, we like you. We trust you.'"

If nothing else, Mr. Eugene's Internet Casino plan shows how easily small operators can establish themselves in cyberspace. After he issued a news release in March, he received publicity from newspapers and TV stations in the U.S., England and Canada. "I became a multinational overnight," he says. Already, he adds, some 2,000 people have preregistered their interest in gambling at the Internet Casino.

Mr. Eugene says players will be able to wire funds to individual offshore bank accounts that the casino will establish or send cash through such companies as First Virtual Holdings Inc., of Arlington, Va., one of several companies trying to set up a secure payment system for the Internet.

First Virtual lets people establish credit-card accounts and use personal code numbers to perform transactions that are confirmed by messages back and forth to the owner's computer. One advantage of First Virtual is that it permits very small transactions, so Internet Casino will be able to operate even nickel slot machines. "Internet gambling is a very important, very interesting experiment," says Thomas Feegel, vice president, marketing, at First Virtual.



Internet home page for planned gambling business

haven of the Turks and Caicos islands. Mr. Eugene, who says his business experience is in video games, already has a page on the Internet's World Wide Web where bettors can play blackjack with play money. "This can be a trillion-dollar world-wide business," he says.

Mr. Eugene predicts there will someday be a virtual Strip with dozens of different casinos offering different games, different odds and varying amenities such as direct deposit of winnings in offshore accounts and the acceptance of virtual checks. He's offering to sell the casino software he has developed to other would-be gambling tycoons for \$250,000 and a 15% cut of the profits.

Meanwhile, Kerry Rogers, a 38-year-old Las Vegas computer expert, is working on WagerNet, a sports bet-

ting service that plans to locate its computers in Belize. WagerNet is awaiting enabling legislation there, but Mr. Rogers is optimistic. "This is a way for a country to make revenues off of gambling," he says. "Imagine the millions of dollars bet world-wide on the World Cup" in soccer.

WagerNet is designed as a kind of gambler's Nasdaq, matching people who bet on sporting events rather than setting a line and taking bets. A bettor, who must deposit \$1,000, will put a proposition on the computer, and other bettors can take the bet if they want. WagerNet will charge a 2.5% transaction fee (far less than the 10% vig-orish that Mr. Rogers says current sports books get), and it may bar U.S. gamblers if the legal risk is too great.

The planned betting parlors face huge obstacles in gaining consumer confidence. After all, if a bettor wins big, the cyberspace casino may disappear. And bettors will have little assurance that unregulated electronic roulette wheels aren't rigged.

U.S. laws prohibit people in the gambling business from transmitting by wire any wager information "in interstate or foreign commerce." Violations are punishable by two years in prison and possible forfeiture of assets under organized crime statutes. Some states, such as California, have laws prohibiting individuals from placing bets by wire.

Mr. Eugene says that as a Canadian citizen whose business is in a foreign country, he isn't subject to U.S. laws, even if his biggest market turns out to be U.S. gamblers. After he starts the real casino, he promises to keep taking play-money bets so that U.S. wiretappers won't be able to tell which players are actually gambling.

I. Nelson Rose, a gambling law expert and law professor at Whittier School of Law in Los Angeles, says he gets

Please Turn to Page B8, Column 2

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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COOPERATION IN EUROPE

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

May 15, 1995

Support the National Gambling Impact and Policy Commission

Dear Colleague:

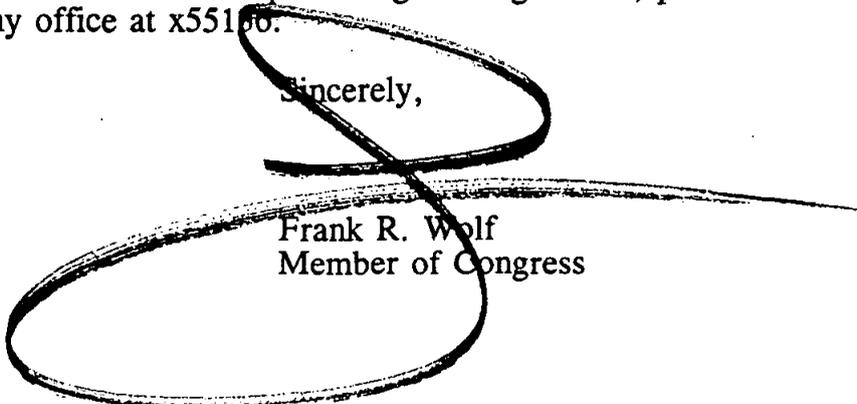
On the reverse, I have reproduced the letters to the editor published in Sports Illustrated regarding the harmful effects of compulsive gambling. These letters are short stories about lives destroyed by the gambling addiction.

If you are concerned about teenage gambling and gambling on college campuses, I urge you to cosponsor H.R. 497, legislation establishing the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States.

Negative impacts on state and local economies, small businesses, and families can no longer be ignored. Crime and social problems related to gambling could add to already overburdened criminal justice and social welfare systems. This is an issue of national economic importance, and I believe the new Congress should examine it closely over the coming months.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55166.

Sincerely,



Frank R. Wolf
Member of Congress

(Over)

I still remember how fast my heart beat when one foul shot could win or lose a lot of money for me.

K. STEIN, MERION, PA.

Campus Gambling

It was wonderful to see SI address the issue of compulsive gambling (*Bettor Education*, April 3, *Book Smart*, April 10 and *You Bet Your Life*, April 17). For years I have been speaking to high school and college youths and have heard similar stories over and over again. I hope that college administrators across America, after reading this series, will understand how prevalent gambling is on their campuses and take action before gambling becomes a full-blown addiction for some students.

ARNIE WEXLER
Bradley Beach, N.J.

How many nights have I sat in my room and cried after North Carolina failed to cover the spread? How many times have I wondered where the money would come from? How many times have I let the answering machine pick up the phone so that I wouldn't have to listen to my bookie's threats? How many nights have I gone to bed promising myself, This is it, only to mull over the spreads the next morning in class. I need help. I know it, yet I keep sinking. I know there must be thousands more like me. Maybe your series will wake up some people.

NAME AND ADDRESS WITHHELD

In 1973 I went to college, pledged a fraternity and entered the world of sports betting. Our fraternity was typical: We bet around \$12,000 per week with a bookmaker at another fraternity house. In addition to the betting you describe, I remember one night when we started wagering among ourselves on games. One

guy bet \$20 that the Rams wouldn't make a touchdown in the next three plays. There was a \$50 bet that the 49ers would make a first down on the next play. I cannot recall anyone in our house who ended up making money by betting on sports. Gambling losses sent several students into the military. It sent me into delivering pizzas for six months. Our state does not yet have casino gambling or a lottery, and I am firmly opposed to both.

NAME AND ADDRESS WITHHELD

College gambling is huge! So is gambling in junior high. In my eighth-grade class kids actually bet on college sports with our teacher. What kind of an example are children getting?

NAME AND ADDRESS WITHHELD



The line on sports gambling on campus: rampant and risky.

I can speak from experience about the harmful effects of gambling. I am a compulsive gambler. My addiction can be traced back to the eighth grade, when I learned to read the *Daily Racing Form* and placed bets at Santa Anita. It intensified through high school, when I handled bets and published parlay cards, and in college, where I felt incomplete if I didn't make my weekly jaunt to Las Vegas.

I continued to gamble after graduation. My addiction reached the point where I wasted an education, lost my job, lost a wife and child, embarrassed my family and, most of all, lost my freedom. I'm a long way from home and the bright lights of Vegas. I've been incarcerated for 29 months now, with another 17 to do, for being too creative financially to help sustain my addiction. I hope college

students who think gambling is harmless will read your series and learn that gambling, when out of control, can be as harmful as drugs or alcohol.

MARCELINO HERNANDEZ, *Colorado City, Texas*

In a letter to his nephew Bushrod Washington, George Washington advised against participating in gaming. He wrote: "This is a vice which is productive of every possible evil; equally injurious to the morals and health of its votaries. It is the child of avarice, the brother of iniquity, and the father of mischief." To our detriment, modern America has disregarded President Washington's sage advice. Because I am concerned about the issues raised in your series, I have introduced legislation that would establish the National Gambling Impact and Policy Commission. This commission will conduct a study of gambling in the U.S. to help determine whether we should heed Washington's admonition.

FRANK R. WOLF (R., Va.)
House of Representatives
Washington, D.C.

I'm confused. Was Part II of campus gambling an exposé? It sure read like a "how to" article to me.

RICHARD HAFFNER
Ypsilanti, Mich.

Was I alone in noting that in the same issue that Part II of your report on campus gambling appeared you wrote in *SCORECARD* defending newspapers that publish college basketball point spreads. Your contention that newspapers should not be condemned for running point spreads because gamblers could easily find them elsewhere is the logical equivalent of listing cocaine dealers' phone numbers in the Yellow Pages.

JOHN SAMERJAN, *East Rutherford, N.J.*

FRANK R. WOLF
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Congress of the United States
House of Representatives
Washington, DC 20515-4610

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COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

May 10, 1995

SUPPORT A COMMISSION TO STUDY GAMBLING

Dear Colleague:

I recently introduced H.R. 497, legislation to establish the National Gambling Impact and Policy Commission, and invite you to cosponsor. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States.

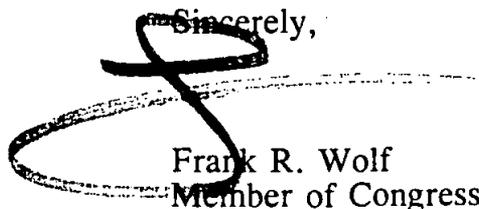
One of the duties of the Commission would be to make a detailed assessment of the economic impact of gambling on other businesses. As gambling proliferates, job-creating wealth is shifted from savings and investment to gambling which creates no useful product. Income spent on gambling is not spent on movies, clothes, recreation services or other goods or services. Gambling is known to cannibalize other businesses such as restaurants. For example, the number of restaurants in Atlantic City declined from 243 in 1977, the year after casinos were legalized, to 146 in 1987.

Also, because most Americans will live within a three or four hour drive of a casino by the year 2000, the competition among them will increase and the novelty as an experience will decline. In a September 29, 1992, press release, Illinois Gov. Jim Edgar expressed what would occur if another form of gambling were introduced in Chicago. "Based on estimates by Mayor Richard M. Daley's gambling commission . . . the addition of casinos would have zero or a negative tax effect on Illinois' economy because the market would be saturated."

Because gambling proponents will surely continue to ask legislators to authorize more gambling initiatives, a comprehensive study is needed to give policy makers the tools to make well-informed decisions about the future of gaming in their jurisdiction. On the reverse is a list of the current cosponsors of H.R. 497.

If you are interested in becoming a cosponsor of this legislation, please contact William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

Will the Congress act on this?

COSPONSORS OF H.R. 497

Tony Beilenson

Ken Calvert

Pete Geren

Gil Gutknecht

Tony Hall

John LaFalce

Donald Manzullo

Eleanor Holmes Norton

Owen Picket

Tim Roemer

Chris Shays

Cliff Stearns

Enid Waldholtz

Glen Browder

Helen Chenoweth

Bob Goodlatte

Tom Davis

Walley Herger

Bob Livingston

Buck McKeon

Ron Packard

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Jim Saxton

Charles Stenholm

Roger Wicker

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

April 14, 1995

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

Printed on the reverse is an opinion article written by William Safire which appeared in the April 10, 1995, New York Times. William Safire calls state-sponsored gambling "a banana-republic abomination that undermines national values."

Support national values by cosponsoring H.R. 497, legislation establishing the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States, including Indian gaming. Issues regarding the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely

Frank R. Wolf
Member of Congress

**GAMBLING IS HURTING OUR YOUNG
PEOPLE AND THE CONGRESS DOES NOTHING.**
(Over)

April 10, 1995, New York Times.

Essay

WILLIAM SAFIRE

Gambling Fever

HARPERS FERRY, W.Va.

At the age of 14, I was standing on a landing in the stairwell at Joan of Arc Junior High School in Manhattan, watching a crap game, when I felt the heavy hand of a teacher on my shoulder.

My protest that I didn't even have a bet down was unavailing; four of us, all seniors, were branded as gamblers. The shaming punishment: though permitted to be graduated, I was refused a place at commencement and denied a diploma.

That was back when gambling was viewed as wrong; when bookies and numbers racketeers were considered the scum of society; and when a lust for something-for-nothing was looked upon as a weakness of character.

Today, state-sponsored gambling is the national pastime. Nearly 100 million casino visitors, video gamblers and sports bettors wager close to a half-trillion dollars — with \$40 billion going to the "house."

And today, aboriginal Americans are exploiting those of us who followed in neon casinos on their reservations. The tribes are becoming a nation of croupiers, in league with national gambling interests, while pretending ill-gotten profits are used primarily to educate their children.

The "gaming industry" — none of its pious proponents call it the gambling racket — is the source of the greatest sustained, bipartisan political hypocrisy of our time.

Liberals, professing a horror of regressive taxation, turn a blind eye to the way state-sponsored gambling redistributes income upward, and how new casino permissions snatch welfare checks to fatten per-share earnings of casino stockholders.

Conservatives, ostensibly upholders of public morality, approve government advertising campaigns to entice citizens to gamble in lotteries and play the ponies at off-track betting parlors.

Gullible voters were sold this notion: since many people liked to gamble anyway, why not turn gambling's profits to public benefit?

But the result is the gambling epidemic, with its associated money laundering by criminals, corruption of public officials and "cannibalization" of local economies. Thanks to the public blessing of gambling by government, the moral stigma was removed and the high roller has become a folk hero.

The media cannot escape their share of the blame. From the hysterical hype of the Publishers Clearing

House to the front-page and prime-time publicity given sweepstakes winners (nobody covers the losers), we have glorified the pernicious philosophy of something-for-nothing.

Nothing is for nothing. Crime always goes hand-in-hand with gambling. Here in the relatively poor state of West Virginia, a former governor confessed to taking bribes from racetrack operators and a lottery director was jailed for rigging a video lottery contract. Disgusted, church groups recently leaned on legislators to reject riverboat gambling, and the pols suddenly realized that a pro-casino vote could be a loser.

Now the media are at last awakening. Gee-whiz stories touting the craze are out and hard reporting of the spreading addiction is in.

The Economist cast into doubt the claim that gambling salvages local

A disease spread by government.

economies. USA Today headlined: "Nation raising 'a generation of gamblers,'" focusing on the ring corrupting schools in suburban Nutley, N.J. The best reporting was in Sports Illustrated's detailed exposé of the gambling addiction rampant in the nation's colleges.

But television news is still gambling's friend. With young gamblers relying heavily on the sports ticker that runs at the bottom of CNN's Headline News, that network has a special responsibility to show how the lives of many students are being ruined by the compulsion its ticker helps feed. A "Gambling is for suckers" crawl among the scores would do for starters.

Will the pols sense the coming voter revulsion at the "painless" revenue source that failed? Representative Frank Wolf of Virginia has introduced a bill to establish a "National Gambling Impact and Policy Commission"; let's see if the casino lobby can buy the votes to avert scrutiny and restigmatizing.

The yen to gamble is a personal weakness, but state-sponsored gambling is a banana-republic abomination that undermines national values. My gratitude goes to that tough teacher at Joan of Arc who stopped me before I started. □

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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

April 20, 1995

GEORGE WASHINGTON AND GOV. CAYETANO AGREE

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

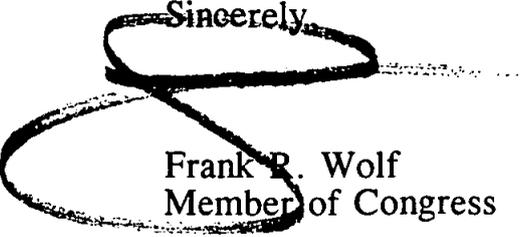
In a letter to Bushrod Washington, George Washington advised against participating in gaming. He wrote: "This is a vice which is productive of every possible evil; equally injurious to the morals and health of its votaries. It is the child of avarice, the brother of iniquity, and the father of mischief." To our detriment, modern America has disregarded President Washington's sage advice.

As you may know, only Hawaii and Utah prohibit all forms of wagering; however, the pressure is on those states to allow lotteries and casinos. Benjamin J. Cayetano, governor of Hawaii, recently wrote me in favor of legislation I introduced--H.R. 497, the "National Gambling Impact and Policy Commission Act." I have reproduced a copy of his letter on the reverse for your reference.

Pathological and problem gambling can be as destructive as drug or alcohol addiction. I urge you to cosponsor H.R. 497, legislation establishing the National Gambling Impact and Policy Commission, so policymakers can address these issues in an informed way. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States, including Indian gaming. Issues regarding the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,


Frank R. Wolf
Member of Congress

(Over)



EXECUTIVE CHAMBERS

HONOLULU

MAR 20 1995

March 10, 1995

BENJAMIN J. CAYETANO
GOVERNOR

The Honorable Frank R. Wolf
United States House of Representatives
104 Cannon Building
Washington, D.C. 20515-4610

Dear Representative Wolf:

Thank you for your letter of January 25, 1995, notifying me of the introduction of House Resolution 497, the "National Gambling Impact and Policy Commission Act." As you noted, efforts to legalize gambling are increasing; so too, are efforts to keep Hawaii as only one of two states which prohibit wagering.

Research on the economic and social impacts of gambling is sparse. As such, I support your efforts to establish a blue ribbon panel to conduct a comprehensive legal and factual study of gambling in the United States.

Thank you again for your letter.

With warmest personal regards,

Very truly yours,


BENJAMIN J. CAYETANO

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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Congress of the United States
House of Representatives

Washington, DC 20515-4610

May 1, 1995

H.R. 497 is "Timely and Critical"

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

Printed on the reverse is a letter I received from Jeffrey L. Amestoy, Attorney General of Vermont, who writes in support of H.R. 497, the "National Gambling Impact and Policy Commission Act."

In his letter he says that this initiative is "timely and critical." It is timely and critical because gambling is rapidly becoming Americans' most favorite pastime while destroying the lives of millions of our citizens. Pathological and problem gambling can be as destructive as drug or alcohol addiction and studies suggest that 7 percent of teenagers have gambling problems.

AG Amestoy also reported that "[m]ore money has been spent on lobbyists for the gambling interests than on any other measure currently before the Vermont Legislature." Because most reports about gambling are commissioned by gaming interests, the National Gambling Impact and Policy Commission's report will enable policymakers to address these issues in an informed way. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States because the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

AG Amestoy concluded his letter by observing: "It is difficult to think of another issue that so fundamentally impacts the quality of America and has been so ignored by the United States Government." If you agree that the time is now for Congress to address these important issues, I urge you to cosponsor H.R. 497 by contacting William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

(Over)

JEFFREY L. AMESTOY
ATTORNEY GENERAL

J. WALLACE MALLEY, JR.
DEPUTY ATTORNEY GENERAL

WILLIAM E. GRIFFIN
CHIEF ASST. ATTORNEY GENERAL



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OFFICE OF THE ATTORNEY GENERAL
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MAR 06 1995

February 24, 1995

The Honorable Frank R. Wolf
104 Cannon Building
Washington D.C. 20515-4610

Dear Congressman Wolf:

Thank you for your letter of February 13, 1995 and your enclosure of H.R. 497, the "National Gambling Impact and Policy Commission Act."

Your initiative to "establish a blue ribbon panel charged with conducting a comprehensive legal and factual study of gambling in the United States" is timely and critical. In Vermont, for example, as I write this, our Senate is about to vote on a proposal to establish casino gambling in Vermont. More money has been spent on lobbyists for the gambling interests than on any other measure currently before the Vermont Legislature.

As you may know, the National Association of Attorneys General (NAAG) have been very active in attempting to alert other policy makers, and particularly the federal government, of the extraordinary social, criminal, and economic costs that are a corollary to the explosion in legalized gambling. It is difficult to think of another issue that so fundamentally impacts the quality of America and has been so ignored by the United States Government.

Please do not hesitate to call on me if I can assist in your efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey L. Amestoy".

JEFFREY L. AMESTOY
Attorney General

JLA/mb

cc: Congressman Bernie Sanders

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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

March 24, 1995

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Woman gambles away family's savings, kills self

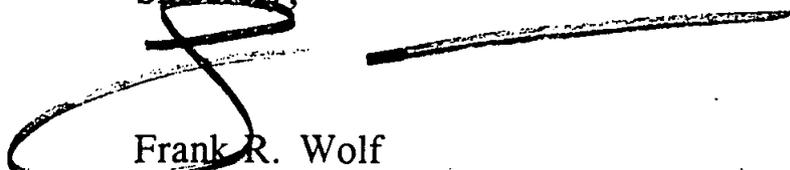
Dear Colleague:

As the above headline from an article written by a Kansas City Star reporter indicates, gambling addiction, like drug or alcohol addiction, can destroy families. The article reproduced on the reverse side describes how gambling addiction led a mother of two to kill herself because she gambled the family savings and house away on Illinois casino riverboats.

You can help address the problems caused by gambling by cosponsoring H.R. 497, legislation establishing the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States so that states can intelligently address this important issue.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

(Over)

Woman gambles away family's savings, kills self

By Diana Alitchson
Kansas City Star

COLLINSVILLE, Ill. — The phone call came at 11:15 a.m.

"You need to come home," the police officer told Steve, who was at work at an oil refinery.

It had to be one of two things. Either his wife, Kate, had been in a car accident or some "dope head" had broken into his house again.

When he rounded the corner in his quiet neighborhood that Wednesday morning, he saw a moving van in front of his ranch-style house. Its ramp was down. Squad cars waited in the driveway.

"I'm sorry, Steve," a detective friend said, "your wife is dead. But you better call a lawyer. Now. Not tomorrow. Not in an hour. Right this minute."

The detective told Steve two things: His mortgage was 17 months behind. And the sheriff, there to evict him, had found Kate's suicide note.

Nobody said a word about the casino boats. But they had their suspicions.

Steve thought he knew his wife of 16 years. She was a devoted mother of two — a girl, 9, a boy, 11. She tatted lace, knitted winter scarves, collected pig figurines. She was a volunteer at the Lutheran church.

What he didn't know was that she was a compulsive gambler who secretly spent the family savings and mortgage money.

"I had no idea what was going on," said Steve, who, to protect his children, asked that the couple's last name not be used. "It hit me like a ton of bricks. First my wife is gone — then my house."

Steve started to go through his family's financial records, which Kate had always handled.

Instead of \$8,000 in the savings account, he found \$830. The \$5,000 tax refund was gone. Then he found the check stubs.

Cash withdrawals in amounts of \$150 and \$200, one after the other. Savings withdrawals for \$1,200.

Steve found his first clue to Kate's troubles in a W-2 tax form. Taxes his wife paid on a \$1,200 win at the casino boat. He found more papers and brochures from a nearby riverboat casino. The Alton Belle and River Queen were less than 15 minutes from their home.

"I couldn't believe it," he said. "She was the master of deceit."

The only time he went to a casino with Kate was in October, for her 40th birthday. Kate insisted. They agreed to spend \$40 each.

"She seemed fine to me," said Steve, 45. "Of course whether she spent more money I don't know. She said, 'You play that slot over there and I'll play over here.'"

But a police officer said the combination of suicide and heavy debt suggested to him that gambling

was probably behind this tragedy.

Steve found a paper trail that read like a diary of Kate's hidden life aboard the gambling boats. She pawned her wedding rings. His ring. And all she had to show for it was debt.

How much debt is yet to be determined. Taylor expects more creditors to appear.

Court records show a bank process server tried to reach her husband 10 times. Ten times Kate, who years ago worked at a finance company finding people with bad credit, held them at bay.

She was notified that on Feb. 1, the court-ordered process server and officers from the Madison County Sheriff's Office would move the family out of the house.

That morning, she drove her children to school. At home, she took a Smith and Wesson .357-caliber Magnum from a basement desk drawer. She wrote a note "To Whom it May Concern." In it, Kate said her husband knew nothing of the house repossession and told how to contact him at work. She taped the letter to the front door and left.

Kate drove to a nearby mall parking lot. She crawled into the back seat of her 1983 Oldsmobile. She aimed the gun behind her right ear and fired.

"The shame and embarrassment was too much for her," Steve said. "She couldn't face me or our minister, or anybody about it."

Steve has enough worries now. At night, his son is inconsolable. His daughter still hasn't cried.

Any minute his attorney, John Rekowski of Collinsville, could call.

Rekowski has been negotiating with the bank to let Steve and his children keep the house.

Steve is sure he can make back payments with his salary as a boiler maker. His co-workers passed a hat and raised \$2,000. And Rekowski set up a fund to help recover the estimated \$9,000 to \$12,000 needed in back mortgage payments and bank repossession fees.

It is a quiet home, in a quiet neighborhood about five miles from the bright lights of the Casino Queen.

Slung over the back of a chair hangs Kate's black leather handbag. The day the coroner handed it over, Steve felt a little sneaky. He opened it almost thinking Kate might come flying around the corner to snap at him.

Inside, he found her wallet, a brush, hairpins, some makeup and the checkbook. Many checks were made out to cash. Perhaps an indication that Kate tried furiously to win back the \$6,000 she needed to keep her house.

On Jan. 24, the last check was written, for \$200.

A week later, Kate died with \$2.58 in her wallet.

Court records show a bank process server tried to reach her husband 10 times. Ten times Kate — who years ago worked at a finance company finding people with bad credit — held them at bay.

"I had no idea what was going on. It hit me like a ton of bricks. First my wife is gone — then my house."

**— Steve
husband of woman who
gambled away their savings,
then committed suicide**

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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

April 18, 1995

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES
TRANSPORTATION
TREASURY—POSTAL SERVICE—GENERAL
GOVERNMENT
COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

TEENAGE GAMBLING IS ON THE RISE

***Support the National
Gambling Impact and Policy Commission***

Dear Colleague:

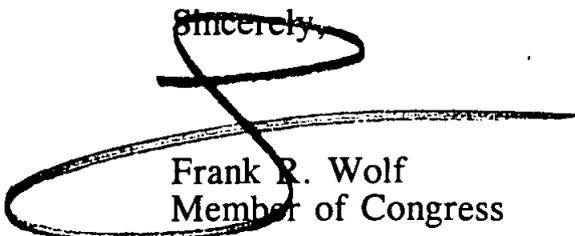
Printed on the reverse is a Washington Post article which explains how law enforcement authorities uncovered "a sophisticated betting operation run by student bookies who not only mimicked the Mob, but also worked with it." The article details how three New Jersey high school students "forced a 14-year-old 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."

Teenage gambling addiction is skyrocketing. Some estimates indicate that over seven percent of teenagers have a gambling problem. Over the last three weeks, Sports Illustrated ran a series of stories explaining that gambling has infiltrated college athletics and is destroying young lives.

Pathological and problem gambling can be as destructive as drug or alcohol addiction. I urge you to cosponsor H.R. 497, legislation establishing the National Gambling Impact and Policy Commission, so policymakers can address these issues in an informed way. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States, including Indian gaming. Issues regarding the negative impact on state and local economies, small businesses, families, crime, and social welfare can no longer be ignored.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,


Frank R. Wolf
Member of Congress

(Over)

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."

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TREASURY—POSTAL SERVICE—GENERAL
GOVERNMENT
COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

March 10, 1995

Support the National Gambling Impact and Policy Commission

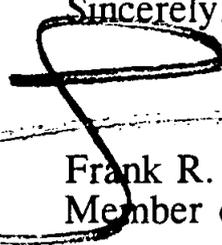
Dear Colleague:

If you saw the Washington Post article on the reverse side, you must agree that Indian gaming is expanding out of control. Congress never intended a national lottery result from passage of the Indian Gaming Regulatory Act. If Congress does not address this issue soon, we will be abdicating our responsibility.

You can help address the proliferation of gambling by cosponsoring H.R. 497, legislation establishing the National Gambling Impact and Policy Commission. This blue ribbon panel will conduct a comprehensive legal and factual study of gambling in the United States so that Congress can intelligently address this important issue.

If you are interested in cosponsoring this legislation, please contact William Moschella of my office at x55136.

Sincerely,



Frank R. Wolf
Member of Congress

NEED YOUR HELP. THANK YOU

(Over)

Idaho Indian Tribe Unveils Plans for National Lottery

State Lotteries Likely to Challenge Venture in Court

By Tom Kenworthy
Washington Post Staff Writer

A small northern Idaho Indian tribe yesterday announced what might be the most audacious venture yet in the rapidly expanding world of Indian gaming: a weekly lottery that will be available in 36 states and the District of Columbia in which players can phone in their numbers and pay by credit card.

Officials of the Coeur d'Alene tribe, promising an aggressive marketing campaign for what they are calling the National Indian Lottery, predicted the game would draw in hundreds of millions of dollars in revenues annually and would feature an initial weekly jackpot of \$50 million.

Jackpots would be paid in lump sums, not in annual annuity payments stretched over 20 years as is common with many large state lotto games and Powerball, an existing multi-state lottery that operates in 17 states and the District. Residents of all states that currently allow lotteries could participate in the Coeur d'Alene tribe's venture.

The 1,300-member tribe, whose ancestral lands once stretched from western Montana to eastern Washington, announced the new lottery yesterday at a colorful news conference at the National Press Club preceded by tribal dancing and other ceremonies featuring members of the tribe in traditional garb.

In a sometimes emotional recitation of the tribe's history and drive to become self-sufficient, Coeur D'Alene gaming manager David J. Matheson said the lottery would enable tribe members "to live a life of dignity and pride."

"We are going to spend the money to our benefit," he said. "There is no pride in the welfare line. Our people know what that feels like. We deserve something better. . . . We want to pull ourselves back up by our bootstraps."

Matheson and other officials said the proceeds from the potentially huge lottery would go to fund educational, health and other social programs at the tribe's 345,000-acre reservation near Coeur d'Alene Lake in northern Idaho.

A long-term goal is the purchase of thousands of acres of ancestral lands taken from the tribe during the 1800s and the early part of this century. Much of that land has been polluted by runoff of heavy metals from decades of mining for silver, lead and zinc. Over the past few years, the Coeur d'Alene tribe has fought aggressively in court and in Congress to get the land restored.

"Indian tribes are looking to preserve their lands," said Coeur d'Alene tribal chairman Ernest L. Stensgar.

Although the tribe plans to launch the lottery by this fall, it is likely to face legal challenges from other lotteries that could delay the opening. Tony Cooper, head of the District of Columbia lottery system and chairman of the legal and legislation committee of the North American Association of State and Provincial Lotteries, said he expects the national lottery will face a court challenge.

State lotteries are concerned, said Cooper, because a nationally run lottery conducted by telephone could not be regulated by individual states. "The citizens of D.C. would be able to play, and it would be unregulated by D.C.," said Cooper, one of a large crowd of gaming industry officials who attended yesterday's news conference.

Art Rosenberg, chief financial officer of a company called LottoFone, which is trying to negotiate arrangements with a number of state lotteries that would allow in-state ticket purchases by phone and credit card, predicted stiff opposition to the national lottery from state governments reluctant to lose potential gaming revenues to an out-of-state entity. "The states are clearly going to come out and fight," he said.

Bill Bergman, executive director of the North American Association of State and Provincial Lotteries, noted that many states prohibit gambling by phone or by credit card, but that Indian tribes have broad gaming rights. "The question is, and I don't have the answer, can Indian gaming activities supersede the consumer protections of the states?" he said. "They [Indian tribes] have some pretty broad latitudes."

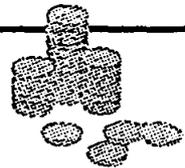
Indian gaming, now estimated to generate revenues of about \$3 billion a year, is regulated by the Indian Gaming Regulatory Act of 1988. As required by that law, the Coeur d'Alene tribe has a gaming compact with the state of Idaho that authorizes it to run a lottery and other games. The tribe already has a bingo hall on its reservation.

The tribe has contracted with Unistar Entertainment Inc. of Denver to manage the lottery, an arrangement that has been approved by the National Indian Gaming Commission. "It complied with all our requirements," said Michael D. Cox, the commission's general counsel.

Players in the National Indian Lottery would choose six numbers between 1 and 49 and place their minimum \$5 selections by telephone by calling an 800 number that would be available only in participating states. Tribal leaders said there would be extensive security arrangements to prevent credit card fraud, including the registration and use of Social Security and personal identification numbers. Orders would be confirmed by mailgram.

The *Question* of Casinos in Florida

**Increased Crime:
Is it Worth the Gamble?**



**Florida Department of
Law Enforcement**

August 15, 1994

James T. Moore, Commissioner

THE QUESTION OF CASINO GAMBLING IN FLORIDA *Increased Crime: Is it Worth the Gamble?*

I. BACKGROUND--THE QUESTION OF CASINO GAMBLING:

AS A RESULT OF SEVERAL STATEWIDE petition drives it is possible that Florida voters will, in November 1994, decide whether (and in what form) casino gambling enterprises will be allowed in the State of Florida. Certainly, this decision will have a significant and long-term impact on Florida's future and could profoundly affect its businesses, economy, tax structure, social services, criminal justice system, and overall infrastructure. Because of the critical nature of this issue, Governor Lawton Chiles recently instructed the Florida Department of Law Enforcement (FDLE) and other appropriate agencies to develop and report findings and conclusions regarding the anticipated impact of casino gambling. This effort by the Governor was intended to provide a compilation of facts, *not* sales tactics, which would serve as an information source for the public prior to the November ballot. This report summarizes the projected impact of casino gambling on Florida's *crime problem* and presents FDLE's formal position on this matter.

The statewide debate surrounding the issue of casino gambling in Florida consists of a number of crucial questions concerning its potential impact on the State of Florida. Among these are:

1. *What would be the effect of casino gambling on the economy of Florida?*
2. *How would the social and mental well being of Floridians be impacted by casino gambling and its inherent addictive aspects?*
3. *What impact would casino gambling have on Florida's crime problem?*
4. *What impact would casino gambling have on state and local infrastructure?*
5. *What impact would casino gambling have on state and local revenue?*
6. *Would anticipated revenue from casino gambling be sufficient to pay for increased local and state costs?*
7. *What impact would casino gambling have on Florida Lottery funding for education.*
8. *What additional governmental services would be necessary as a result of casino gambling?*
9. *How might the anticipated problems resulting from casino gambling be controlled?*

All of these questions are vitally important--especially the impact on our communities and families by an industry that may not prove to be economically rewarding or, as some argue, actually detrimental to existing Florida businesses. Although that issue is perhaps the *key* issue in this debate, this report is limited to information and commentary related to the projected impact of casino gambling on *crime in Florida*. While the issue of economics may receive most attention, the issue of crime is extremely important, considering Florida's current standing at the very top of national crime rankings.

This summary report of information was developed from meetings and telephone contacts with various representatives of state and local agencies from jurisdictions in which legalized gambling currently exists. In addition, contact was made with many local criminal justice agencies in Florida which would be impacted by casino gambling. Information was also extracted from existing reports and articles which have empirically studied the effects of gambling on selected communities. This report also contains commentary relative to this issue based upon informed and official criminal justice experience and opinions although the report may not represent the position of *all* Florida criminal justice agencies.

II. THE FDLE POSITION:

WHILE IT IS CLEAR that a *small* number of enterprises would gain from casino gambling, it would *not* benefit the majority of Floridians. From our perspective, casino gambling is indicative of the "quick fix" mentality that would prove extremely counterproductive to anti-crime efforts. This mentality has contributed to many of our current serious crime problems and is a fundamental factor in the escalating rate of crime in this State. It is vitally important that current, highly financed efforts to "stimulate" Florida's economy through casino gambling *not* overshadow the overwhelming concerns relative to street crime and traditional and nontraditional organized crime. Casinos will complicate, and likely worsen, Florida's already serious crime problems in all regions and jurisdictions--from Miami to Pensacola. As this report reflects, it has been clearly demonstrated in other jurisdictions that a significant *increase in crime* and its consequences accompanies casino gambling. FDLE joins a large number of other criminal justice entities in opposition to any form of legalized casino gambling.

The well-documented explosion of crime which has been experienced in the gambling city of Atlantic City, New Jersey is most interesting and extremely telling. 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%. This excessive rate of crime was more than 25 times the single digit growth rate of 9% reported from the remainder of the State of New Jersey and has required the City to increase its police department's budget by 300%. Florida's crime rate increased a total of 30.2% during this same period.

Clearly, casinos will severely strain local and state criminal justice resources at a time when those resources are already greatly stressed. For many years, the ratio of law enforcement officers to population has remained static--currently 2.1 officers per 1,000 residents. This ratio has been maintained in spite of the rapid growth in crime. Because of this situation, FDLE and many local law enforcement agencies are greatly concerned about contending with the inevitable growth in crime casinos would bring. While the individual level of impact on different communities may vary, the overall effect would be extremely negative. The multitude of serious crime problems which would arrive along with casinos far outweigh any of the highly-questionable economic benefits.

Although this state's increase in crime would be calculated in "inanimate" statistics, they will represent very real *human victims*. Every additional victim resulting from the illegal byproducts of gambling will be added to the already intolerable total of over 1.1 million annual victims of crime in Florida. The State of Florida and local communities have invested significant resources and efforts to reduce crime. Now is *not* the time to do anything--such as casino gambling--which would, in effect, *invite* additional crime problems and send a very poor message to Florida's youth.

This report will portray the costs associated with casino gambling in terms of crime statistics and criminal justice agency costs. Some may argue that these "costs" can be absorbed by casino operators. That is unlikely. More importantly, casinos can *not* absorb the *human* costs associated with increased crime. Casinos will result in more Floridians and visitors being robbed, raped, assaulted, and otherwise injured. Casinos are *not* worth the gamble.

III. GAMBLING AND CRIME:

Based upon the experiences of other states and jurisdictions, casino gambling has the potential to greatly affect Florida's communities by dramatically increasing criminal activity and severely straining the operation of state and local criminal justice and other agencies.

- While the level of impact would vary (based on such factors as fluctuations in population; economic status; ability of the police force to cope with problems; specific regulations implemented; safeguards against organized crime; and funding for necessary law enforcement and social services), the overall effect could be extremely negative.
- Although difficult to project the extent, there would be increased organized criminal activity related to casino gambling.
- Increased costs for law enforcement and other related governmental agencies would be a reality that taxpayers would be required to incur.
- Florida, like most areas which have experienced gambling, could experience a serious "image" problem associated with gambling and the increased criminal activity which would accompany it. This, like recent violent crime problems, could severely threaten the State's \$31 billion tourist industry.
- If casino gambling does become a reality in Florida there is a strong need for tough legislative regulation and enforcement.

A. *Increased Street Crime Problems*

- According to various jurisdictions surveyed, crime *does* accompany casinos. From New Jersey to South Dakota to California, agencies have reported significant increases in many crime categories. It is anticipated that Florida would also see a rise in criminal activity of the following types:

<i>Robberies</i>	<i>Youth Gangs</i>
<i>Rape</i>	<i>Profit Skimming</i>
<i>Theft</i>	<i>Prostitution</i>
<i>Drug Abuse</i>	<i>Credit Card Scams</i>
<i>Aggravated Assault</i>	<i>Loan Sharking</i>
<i>Traveling Criminals</i>	<i>Card Cheats</i>
<i>Counterfeiting</i>	<i>Street Level Narcotics</i>

B. *The Atlantic City Experience*

- The lesson of Atlantic City, New Jersey should be carefully and thoughtfully considered. Atlantic City's demographics and economy can be compared very easily with many areas of Florida. Crime is one category for this comparison. When the crime rates of Atlantic City are compared to the rest of New Jersey, the United States, and the State of Florida, it is clearly indicated that casino gambling has, indeed, had a significant impact on crime.

SELECTED CRIME RATE INCREASES BY PERCENTAGE
ATLANTIC CITY, NEW JERSEY
1977 TO 1990

Crime Category	Atlantic City	New Jersey	Miami	Tampa	Florida	Nationally
Rape	156%	50%	62.3%	45.4%	32.4%	62%
Robbery	159%	76%	228.0%	163.6%	123.3%	55%
Aggravated Assault	316%	77%	156.9%	185.5%	61.6%	97%
Larceny	451%	8%	76.2%	9.5%	19.5%	35%
All Index Crime	230%	9%	96.6%	43.0%	30.2%	15.1%

These crime data are especially noteworthy considering the fact that Atlantic City's population actually decreased 20 percent during this time period. Spending for the Atlantic City Police Department has also increased by 300% since the inception of Gambling.

- Realizing that even the most "limited" proposal for casino gambling would result in as many as 47 casinos, Florida would feel a statewide impact of casinos. In review of the Atlantic City experience, criminal justice in Florida could be *crippled* by an increase in crime even remotely approaching the Atlantic City increases.
- Gambling and juveniles are a major issue to consider, given Florida's escalating juvenile crime problem. Juveniles are not immune to 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. At a time when Florida is expending much effort and resources on positive education and nurturing of our youth, the large scale influence of gambling and its negative byproducts could prove extremely counterproductive in dealing with juveniles.
- Additionally, although Atlantic City has increased the officer to resident ratio since the inception of casinos, the crime rate has more than tripled. The crime-related budget (police, courts and jails) for Atlantic County, New Jersey has grown five times faster than the New Jersey county average.

C. The Impact on Smaller Communities

- Several current proposals would provide for, or could lead to, casino gambling establishments in smaller communities (such as current pari-mutuel sites). In many ways, the impact on these smaller communities could be even more significant than larger cities. These smaller communities could face an even greater challenge in trying to cope with the increased demand on services, due to the necessity of hiring additional law enforcement and other agency personnel to handle the increased population associated with an influx of visitors into a sparsely populated area, and a rising crime rate. For example:

- The inception of casino style gambling in Gulfport, Mississippi has resulted in a significant increase in criminal activity. Comparing the first six months of 1993 to the same period this year overall crime has increased over 100%. According to the City's Chief of Police the number of armed robberies were up 218%; vehicle theft up 166%; assaults up 66%; rapes up 300%; and burglaries up 200%.
- Central City, Colorado (population 350) reported "skyrocketing incidents" of disorderly conduct, fights and DUIs. The police department has received more calls for service in a three month period than in the whole year prior to the existence of gambling. The police force grew from two to ten, and calls for assistance increased 423% from 1991 to 1992.
- In another small Colorado town, DUIs increased from four per year to one per *week*, and two attempts at organized prostitution rings were identified. The emergency services departments (fire, ambulances and police) received approximately 40 calls for service per month prior to casino legalization in 1991; they now receive approximately 45 calls per *day*. The police department grew from 3 officers to 14 (plus 6 dispatchers), and parking, traffic and code enforcement personnel are expected to be added.
- In Laughlin, Nevada (population 6,000) calls for service continued to increase yearly as the numbers of casinos increased. In 1991 there were 1,904 calls for police service directly attributable to the casinos--a 55 percent increase since 1988.
- Deadwood, South Dakota (population 2,000) reported cases handled by the police department prior to gambling at 1,259; two years later the number had increased 162 percent to 3,295 cases. Serious crimes (including theft, assaults, and DUI) increased 93 percent since 1989; less serious offenses (traffic violations and bad checks under \$500) have increased 40 percent. It has been necessary to increase the police force from five to ten and add an ordinance control officer. The Chief Deputy Sheriff stated that the six resident gaming agents "can't keep up." Although five additional deputy positions were requested to handle increased law enforcement activity, only one deputy and one secretary were funded.
- ❑ California authorities stated there is "no question" that cardrooms (similar to casinos) bring a criminal element to an area. One city decided to ban gambling less than a year after a cardroom club opened.

D. Increased Criminal Justice Costs:

- ❑ Although Florida has no direct experience with casinos, there is an educated concern about associated crime. Virtually all law enforcement agencies contacted in Southeast Florida and the Tampa Bay area believed that staffing needs would greatly increase. This was a particular area of concern as the agencies already lack the staff to monitor existing vice problems and other crimes in their jurisdiction.
- ❑ A recent Illinois report related to a proposed casino complex in Chicago has concluded that between \$41 and \$100 million (1992 dollars) in increased criminal justice costs would be generated annually due to an anticipated rise in the number of Cook County index crimes. This figure was calculated using current budget and criminal justice processing data from Chicago, Cook County, and state justice agencies whose workloads would be affected.

The figure did *not* include many types of likely crime-related costs such as regulation of casinos and ancillary services to minimize penetration of organized crime, costs to victims of crime, or any capital expenditures which might be necessary to expand justice system facilities.

- A recent impact study commissioned by the City of New Orleans estimated that the total cost associated with increased criminal activity will be just under five million dollars for a single casino, and widespread gambling could add an additional 10,000 new crimes at a cost to the city of an additional \$14.1 million.
- Additional police personnel are needed for patrol and investigative functions, and regulatory and enforcement agencies must obtain the staff to perform complicated background investigations, regulation, and enforcement. For example, the budget for the New Jersey Division of Gaming Enforcement was over \$36 million in 1991, while the budget for the New Jersey's Casino Control Commission was nearly \$26 million.
- In Florida it is estimated that, based upon the possibility of 34 casinos, a *Division of Gaming Control*, similar to the New Jersey entity would require an estimated 440 total positions at a cost of approximately \$45 to \$50 million.

IV. GAMBLING AND TRADITIONAL AND NONTRADITIONAL ORGANIZED CRIME:

Although it is difficult to determine to what extent, organized crime would significantly profit from casinos in Florida. History and the experiences of other jurisdictions are clear messages that both traditional and nontraditional organized crime would infiltrate casinos--even with strong regulation and enforcement. Florida is already the home and operating base of many organized criminal groups. As in other states, it is anticipated that traditional and nontraditional organized criminal groups would take advantage of the large cash flow through casinos to engage in money laundering, racketeering and influence peddling. Other illegal activities such as rigging construction bids, kickbacks to owners and corruption among personnel who service the electronic gambling devices are also possible. In other jurisdictions, organized criminal activity is so pervasive that the *American Insurance Institute* estimates that 40% of all white collar crime is gambling related. Some recent documented examples of organized crime involvement in gambling are as follows:

A. *Traditional Organized Crime:*

- Three Chicago mobsters, along with leaders of Milwaukee and Kansas City mob families, were convicted for **skimming money** from Las Vegas casinos. Two other Chicago men were indicted in 1990 by federal authorities for **money laundering** in a commercial bingo parlor in Maryland--the FBI revealed the Chicago bosses had muscled into the cash-rich bingo operations to launder \$1 million from **illegal gambling, loan sharking, robbery, and stolen property**. The indictment charged four other associates with using revenue from Florida gambling to fund the operation and launder the money. All defendants were charged with **hiring arsonists** to burn rival bingo halls.
- Two major **skimming scandals** involving a Las Vegas casino and hotel occurred in 1976 and 1983. And, in 1979, "hidden" casino owners were convicted of **skimming**. At yet another casino, organized crime figures systematically skimmed proceeds in the late 1970's.

- ❑ In 1981, 30 murders were linked to mob efforts to control Atlantic City. Checks of casino records in 1983 showed that 25 organized crime figures obtained \$1.2 million in credit from NJ casinos.
- ❑ In Florida, investigations into video poker machines have found criminal violations and links to organized crime figures in West Virginia, Pennsylvania, New Jersey, and New York. A 1992 report by the Pennsylvania Crime Commission detailed widespread abuse of existing laws and the infiltration of racketeering and organized crime figures into charitable bingo operations. Multi-state networks of illegal bingo racketeering reaching Florida, Maryland, and Ohio were uncovered.
- ❑ In June 1994, three unscrupulous Florida bingo-hall operators with alleged organized crime connections were indicted for racketeering, grand theft, and shortchanging charities. Investigation revealed that only approximately \$2,500 of the \$250,000 which passed through the organization monthly went to the charities. The amount skimmed amounts to *millions* of dollars.
- ❑ State officials in Nevada noted that regulatory agencies lack enough manpower or funds to disprove that operators are not front men for the mob, there is no question of the big impact of casinos on law enforcement, and that highly trained people must be acquired to handle the unique problems.
- ❑ In Louisiana, the FBI and Louisiana State Police recently arrested 17 people who allegedly used a video poker machine company to skim profits for the Marcello, Genovese and Gambino crime families. The FBI agent in charge believed that this was a clear sign that organized crime will attempt to infiltrate legal gaming in the United States. The arrests were made in Louisiana, New York and Florida after a 2 1/2 year investigation.
- ❑ In addition to involvement in the management and investment areas of casino gambling, vending businesses have historically been a target for organized crime by influencing casino ownership, investment, management, and finances. Casino management can be placed in a compromising position by organized crime through the control of supplies of food, beverages, hotels, waste, vending machines, linen, construction and maintenance.
 - Infiltration of cigarette vending machine and tavern businesses by traditional organized crime in Atlantic City, as well as the attempted infiltration of a casino gaming school business and a potential casino hotel complex, were confirmed in the late 1970's.
 - Authorities have testified before the President's Commission on Organized Crime that there have been several phases of organized crime attempts at controlling the casino industry in New Jersey through labor union and service industry contracts. The FBI noted that La Cosa Nostra (LCN) influence extends to the construction of casinos, hotel service businesses, junket operations, restaurant employees, dealers, maids, and other ancillary services.
- ❑ Indian reservation gaming is not immune to organized crime. In 1985, an Indian gaming official in San Diego pled guilty to grand theft for hiring "shills" to win large cash prizes that were deposited into the company's bank account which he controlled. This official claimed that start-up money came from a Southern California crime family who sought to influence the hall operations.

Another suit by the tribal council in 1986 against the company charged it kept a double set of financial records, failed to prepare monthly operating statements, under-capitalized the games, and did not pay its fair share of operating expenses. Operators of another management firm formerly involved in Indian casino management were directly linked to a New York based crime family--and one of the firm's principals was convicted in Florida in 1987 for **federal tax evasion**.

B. Non-Traditional Organized Crime:

- A growing problem in California is the infiltration of **Asian criminal groups** into card clubs. California has over 300 card clubs subject to little regulation, and these have reportedly been exploited by Asian criminal organizations.
 - In the mid-1980s, an enforcer in the **Hong Kong based Wo Hop To Triad** began recruiting members for the group in San Francisco while managing a card club.
 - In 1990, an alleged member of the **Wah Ching** pled guilty to **extortion** in connection with a **loan sharking** operation conducted in a cardroom.
 - In 1990, the son of a **high-ranking member of a major Chinese Triad** applied to become part owner of a card club. This individual's wife was arrested in Sacramento for attempting to bribe a state Department of Justice special agent; her husband fled to Hong Kong.
 - In 1993, associates of the **Wah Ching gang and Wo Hop To Triad** were indicted by a Federal Grand Jury in New York for **wire fraud**, traveling in interstate commerce to promote **unlawful activity**, and engaging in **illegal transactions** with property derived from criminal activities. Two of the major figures in these indictments were high level employees of a California card club, who made it a practice to hire various gang members as employees.
 - The Los Angeles Sheriff's Department documented 26 **follow-home robberies of cardroom patrons** in a four month period in 1992. Two of these robberies resulted in **homicides**, and a third in **attempted murder**. It was reported that **Asian gang members** have been involved in these type of robberies.
- Central City, Colorado police noted the presence of **Asian organized crime members** in the casinos, leading to concerns that these groups may desire to expand operations to other states.
- During the past 18 months, there have been seven **armed robberies of casinos** in Las Vegas--the most recent three involved **youth gangs from Los Angeles**. Robberies of casinos have previously been extremely rare, but this disturbing new trend is especially frightening for casino patrons.

V. NEED FOR STRONG LEGISLATIVE REGULATION & ENFORCEMENT:

- In February of 1994, FDLE brought together high-level officials with the California, Illinois, and New Jersey state gaming control agencies in order to seek advice on how to optimally address regulatory and law enforcement issues if casinos were made legal in Florida. The overwhelming consensus of these administrators with extensive first-hand experience in gaming regulation and enforcement was that it is **absolutely essential** to ensure that **strong regulatory statutes and adequate staffing** are in place *prior* to any legalized gambling.
- Realizing the potential serious problems which would accompany casinos and the possibility that, notwithstanding these problems, casino gambling may be approved, the State must be prepared. Should Floridians approve casino gambling it is absolutely *imperative* that a strong regulatory and enforcement effort be established to deal with gaming activities. This effort should include significant State resources to conduct thorough background investigations on all persons affiliated with gaming organizations and enable timely and effective investigations of all alleged violations.
- In addition, local communities in which casinos may reside must be prepared and willing to allocate a significant level of new police and other criminal justice resources.

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."

Casino Interests Anted Up a Record Pot in Va. for Lobbying

By Peter Baker
Washington Post Staff Writer

RICHMOND, July 12—Gambling interests poured more than \$820,000 during the last year into a multimedia campaign to win permission for riverboat casinos in Virginia, the most ever spent on a single lobbying effort in state history.

According to newly filed disclosure forms, the industry employed nearly 50 lobbyists, conducted its own polls, aired radio advertising and even entertained state lawmakers aboard riverboats in what so far has been a futile effort to get legislation through the General Assembly.

The combined operations of companies from as far away as Dallas and Las Vegas greatly overshadowed previous records in Richmond. The National Rifle Association spent \$522,000 in 1993 in an unsuccessful attempt to ward off gun control, while the Walt Disney Co. shelled out \$444,000 last year to win a hefty state subsidy for its since-abandoned theme park in Northern Virginia.

"We are talking about huge amounts of money," said Julie Lapham, executive director of Common Cause of Virginia, a government watchdog group. "It's quite incredible, [even] mind-boggling for the average individual who perhaps earns \$20,000 or \$30,000 a year to

support a family. . . . Industries that are okay with spending that money are clearly thinking they're going to reap benefits. Otherwise they wouldn't be investing it."

And yet, for all the cash that flowed into the state, it has been a losing bet so far. The riverboat casino bill didn't even get out of committee during this year's legislative session.

"The result, of course, was disappointing, but I think the money itself was well spent," said Anthony F. Troy, a lobbyist for Hollywood Casino Corp., which wants to dock a boat in Hampton. "The [future] efforts will obviously depend on the outcome of the No-

member [legislative] election, but a lot of polling data demonstrates that . . . it can be done."

Yet David L. Bailey Jr., an organizer of a grass-roots opposition group called Virginia Deserve Better, said casinos ought to take a hint. "They went from 36 lobbyists [last year] to 48 lobbyists and they didn't get their message across any better," he said.

The riverboat expenses helped break a variety of Virginia records this year. In the months ended April 30, a total of 823 businesses, unions and other groups registered 1,583 lobbyists and spent more than \$7.4 million.

See LOBBYING, B5, Col. 1

Casino Interests May Hedge Their Bets

LOBBYING, From B1

lion trying to influence state policy, the highest numbers ever recorded in any of those categories.

Of every \$10 spent by every lobbyist in Richmond during the last year, more than \$1 came from a casino company or related interest. The costly campaign involved at least 18 companies and ad-hoc groups, which chipped in at least \$821,166, more than twice as much as the previous year, when casinos spent about \$359,000 in Virginia.

Lining up on the other side were horse-racing interests, which oppose casinos because of the competition, and groups that object on moral grounds. Virginians Deserve Better spent \$31,384, while the Maryland

Jockey Club spent \$84,325 and the Colonial Downs/Stansley Racing Corp. spent \$55,537.

Lobbyists for casino interests also were among the biggest spenders during the 90-day Maryland General Assembly session this year. No legislation resulted from their efforts there, but a special commission was appointed to make recommendations before the next session.

Because of that, some casinos are refocusing their efforts on Maryland and may forgo Virginia next year.

"It's just too early to make a decision," said Steven David Stone, a lobbyist for Station Casinos Inc. "If nothing changes, then I think you're going to see a lot less activity and a lot less lobbying. . . . There are more cost-effective states in which to participate."

Woman gambles away family's savings, kills self

By Diana Alitchison
Kansas City Star

COLLINSVILLE, Ill. — The phone call came at 11:15 a.m.

"You need to come home," the police officer told Steve, who was at work at an oil refinery.

It had to be one of two things. Either his wife, Kate, had been in a car accident or some "dope head" had broken into his house again.

When he rounded the corner in his quiet neighborhood that Wednesday morning, he saw a moving van in front of his ranch-style house. Its ramp was down. Squad cars waited in the driveway.

"I'm sorry, Steve," a detective friend said, "your wife is dead. But you better call a lawyer. Now. Not tomorrow. Not in an hour. Right this minute."

The detective told Steve two things: His mortgage was 17 months behind. And the sheriff, there to evict him, had found Kate's suicide note.

Nobody said a word about the casino boats. But they had their suspicions.

Steve thought he knew his wife of 16 years. She was a devoted mother of two — a girl, 9, a boy, 11. She tatted lace, knitted winter scarves, collected pig figurines. She was a volunteer at the Lutheran church.

What he didn't know was that she was a compulsive gambler who secretly spent the family savings and mortgage money.

"I had no idea what was going on," said Steve, who, to protect his children, asked that the couple's last name not be used. "It hit me like a ton of bricks. First my wife is gone — then my house."

Steve started to go through his family's financial records, which Kate had always handled.

Instead of \$8,000 in the savings account, he found \$830. The \$5,000 tax refund was gone. Then he found the check stubs.

Cash withdrawals in amounts of \$150 and \$200, one after the other. Savings withdrawals for \$1,200.

Steve found his first clue to Kate's troubles in a W-2 tax form. Taxes his wife paid on a \$1,200 win at the casino boat. He found more papers and brochures from a nearby riverboat casino. The Alton Belle and River Queen were less than 15 minutes from their home.

"I couldn't believe it," he said. "She was the master of deceit."

The only time he went to a casino with Kate was in October, for her 40th birthday. Kate insisted. They agreed to spend \$40 each.

"She seemed fine to me," said Steve, 45. "Of course whether she spent more money I don't know. She said, 'You play that slot over there and I'll play over here.'"

But a police officer said the combination of suicide and heavy debt suggested to him that gambling

was probably behind this tragedy.

Steve found a paper trail that read like a diary of Kate's hidden life aboard the gambling boats. She pawned her wedding rings. His ring. And all she had to show for it was debt.

How much debt is yet to be determined. Taylor expects more creditors to appear.

Court records show a bank process server tried to reach her husband 10 times. Ten times Kate, who years ago worked at a finance company finding people with bad credit, held them at bay.

She was notified that on Feb. 1, the court-ordered process server and officers from the Madison County Sheriff's Office would move the family out of the house.

That morning, she drove her children to school. At home, she took a Smith and Wesson .357-caliber Magnum from a basement desk drawer. She wrote a note "To Whom it May Concern." In it, Kate said her husband knew nothing of the house repossession and told how to contact him at work. She taped the letter to the front door and left.

Kate drove to a nearby mall parking lot. She crawled into the back seat of her 1968 Oldsmobile. She aimed the gun behind her right ear and fired.

"The shame and embarrassment was too much for her," Steve said. "She couldn't face me or our minister, or anybody about it."

Steve has enough worries now. At night, his son is inconsolable. His daughter still hasn't cried.

Any minute his attorney, John Rekowski of Collinsville, could call.

Rekowski has been negotiating with the bank to let Steve and his children keep the house.

Steve is sure he can make back payments with his salary as a boiler maker. His co-workers passed a hat and raised \$2,000. And Rekowski set up a fund to help recover the estimated \$9,000 to \$12,000 needed in back mortgage payments and bank repossession fees.

It is a quiet home, in a quiet neighborhood about five miles from the bright lights of the Casino Queen. Slung over the back of a chair hangs Kate's black leather handbag. The day the coroner handed it over, Steve felt a little sneaky. He opened it almost thinking Kate might come flying around the corner to snap at him.

Inside, he found her wallet, a brush, hairpins, some makeup and the checkbook. Many checks were made out to cash. Perhaps an indication that Kate tried furiously to win back the \$6,000 she needed to keep her house.

On Jan. 24, the last check was written, for \$200.

A week later, Kate died with \$2.58 in her wallet.

Court records show a bank process server tried to reach her husband 10 times. Ten times Kate — who years ago worked at a finance company finding people with bad credit — held them at bay.

"I had no idea what was going on. It hit me like a ton of bricks. First my wife is gone — then my house."

— Steve husband of woman who gambled away their savings, then committed suicide

Essay

WILLIAM SAFIRE

Stop Computer Slots

WASHINGTON

At last: a candidate for the Republican Presidential nomination has come up with a moral issue that the next President and Congress can actually do something about.

The issue is state-sponsored gambling, a \$40 billion-a-year cancer ravaging society, corrupting public officials and becoming the fastest growing teen-age addiction.

"The spread of gambling," Senator Richard Lugar told the Christian Coalition, "is a measure of the moral erosion taking place in our country. . . . 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."

In New York last week, Mario Cuomo's tawdriest legacy — a form of keno known as "Quick Draw" — introduced casino-style gambling to teen-agers at candy stores, using computer terminals to lure kids into shooting modern craps.

In Connecticut, the race for a casino in Bridgeport is down to bidding between Mirage Resorts (an apt name for the gambler's goal) and a

whose moral moment has come.

Representative Frank Wolf, the Virginia Republican, has offered a bill to establish a National Commission on the Impact of Gambling. Senators Lugar and Paul Simon have a matching bill in the Senate. The commission would provide unbiased answers to "How does gambling affect suicide and crime rates among juveniles? What effect does a casino have on a city's economy? Who loses the money that makes gambling such a profitable business, and who then has to support the losers' families?"

The gambling lobby does not want those questions asked, much less answered. The American Gaming Association has been launched in Washington D.C., with a lobbying kitty of \$2 million for openers, to block the Wolf-Lugar bill. ("Gaming" is what gamblers want us to call their racket because it connotes "play"; but when you lose the milk money, you have gambled, not "gamed," it away.)

Chief lobbyist for the gamblers is Frank Fahrenkopf, the Nevada lawyer who was chairman of the Republican National Committee. Frank got me coveted floor passes to several national conventions, and I wish he could find a less despicable way to make a living, such as representing tobacco interests or lobbying for an end to sanctions on Saddam Hussein.

His shock troops to block the gambling probe will be the Gambling Caucus in the House, led by a freshman from Nevada, John Ensign; the veteran Barbara Vucanovich, also of that gambler's paradise, and New Jersey's Frank LoBiondo.

The hearing on Wolf's bid to lift the lid on state-sponsored immorality will be held before the Judiciary Committee on Sept. 29. Chairman Henry Hyde, hero of the Christian Coalition for his principled stand against abortion, takes a straddle on this issue: "I am not a fan of, nor a zealot against, gambling," he tells me, adding with a sigh, "a little hope springs eternal." As things stand, the bill will die in committee.

Unless moralists — including most particularly those in the Christian Coalition — get the lead out of their vestments. Is the Republican Party to be the party of gambling, corrupting the very family values it preaches? Clinton is no help; his amoral approach is to add a Federal gambling tax to state taxes, which only puts the Feds in bed with the gamblers.

Get the government to stop promoting gambling. Listen to Lugar. □

Lugar touches a moral nerve.

recently re-formed "tribe" of Indians called the Pequots, whose chiefs are turning aboriginal Americans into a nation of croupiers.

In Mississippi, the money spent on gambling last year exceeded all the taxable retail sales in the state. Across the nation, under the fake cover of "supporting education," gambling interests offer a down-and-dirty fix to weak legislators.

It's about time someone running for President put this national rip-off on the nation's agenda. Lugar rightly slams adult hypocrisy: "We cannot tolerate the 'get rich quick' symbolism of gambling, while pleading with our children to avoid other 'tosses of the dice' that lead to unhealthy living and destructive behavior."

His challenge is suitable for the Christian Coalition: Its members may not be able to legislate morality, but here is where they can campaign to stop legislating immorality. A family-values movement to turn the tide of gambling is an issue

Fool's Gold in Black Hawk?

Gambling: A look at one town shows the unexpected consequences of the casino business

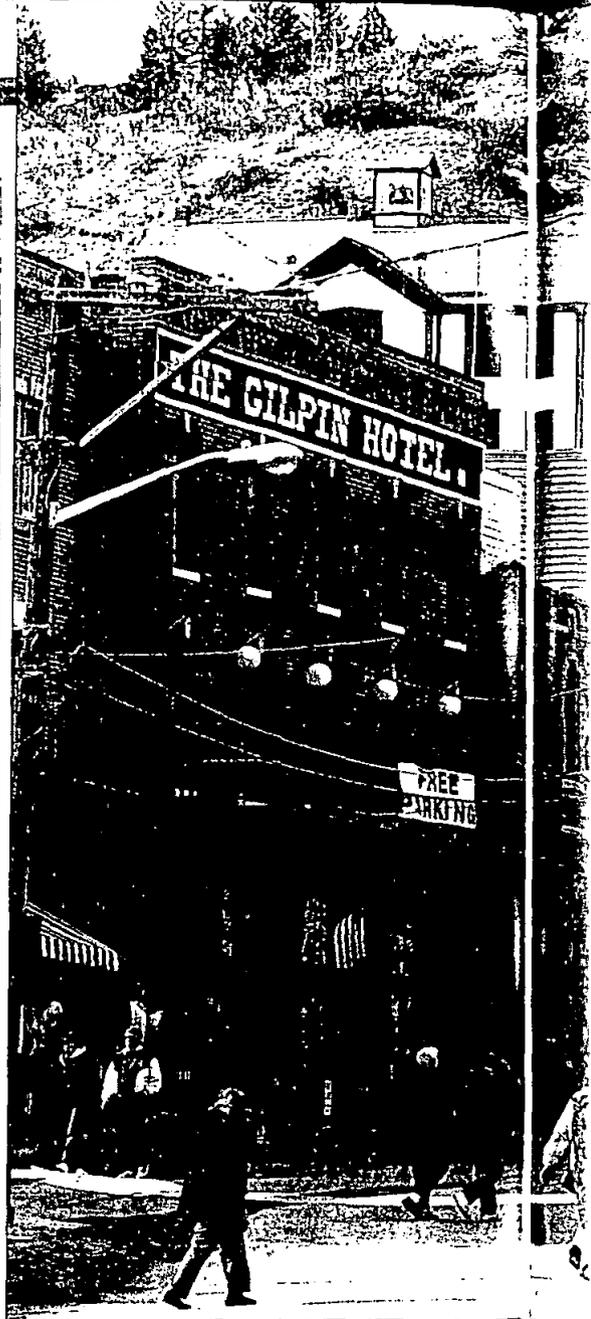
BY CARROLL BOGERT

THANKS TO GAMBLING, THE TOWN of Black Hawk, Colo., has finally cleaned up its Superfund site. A giant pile of poisonous gravel had been sitting in the middle of town, leaching sulfuric acid into the water supply, ever since Black Hawk's gold-rush days a century ago. The town had no money for cleanup: its population had dwindled to 300 or so, and more than a dozen businesses were boarded up on the dusty main drag. But in 1990 voters approved a state referendum allowing casino gambling in Black Hawk and two other Colorado towns. Property values downtown shot upward, and the Bullwhackers casino was happy to spend \$8 million to clean up the neglected Superfund site next door and build a 310-car parking lot in its place.

In Black Hawk, as elsewhere across America, tax-shy politicians are turning to gambling as a solution to all kinds of fiscal and social problems. "It's part of the American conservative landscape," says gambling analyst William Thompson of the University of Nevada at Las Vegas. "They'll trade morality for dollars." Like the lottery craze of the 1970s, which had held out hope that its proceeds could save America's schools, the current casino boom is supposed to pay for basic services that the country otherwise can't afford. Massachusetts wants to build a "megaplex" convention center on the Boston Harbor—with a casino attached, to pay for it. Bridgeport, Conn., wants to redevelop its decayed waterfront, using tax dollars generated by a huge casino-cum-entertainment center. Even in the White House, Clinton aides are hinting they may help pay for welfare reform with a tax on gambling. "The real gambling addicts are the politicians," says Terry Brunner of the Better Government Association in Chicago, where a riverboat-gambling project is under consideration. "They're addicted to the money."

Black Hawk alderman Herb Bowles likes to say that he supported the introduction of gaming because he wanted "jobs, lower taxes, and money to fix up this town. And we got all three." There's no denying that. But as Black Hawk has discovered, gambling generates as many crises as it solves: crime and congestion now plague this peaceful mountain town. "We thought we'd studied the problem thoroughly," admits Mayor Kathryn Eccker, a retired grade-school teacher. "I don't think we'd studied it enough." Norm Blake, a 74-year-old former mine inspector who sold the Superfund site to the casino, says, "I should be real happy with [gambling], but what they've done to my town, I just don't like." He gestures at a casino under construction down the road. "Even us gold miners never tore up the countryside like that."

Black Hawk has more money now than it knows what to do with. The town budget grew from \$165,000 in 1990 to \$8 million in 1993. The city council will write a check for up to \$10,000 to anyone in





town who will restore his or her house to its historical appearance. Some people have made millions on their downtown properties: the owner of the local gas station and convenience store bought two Mercedes-Benzes (red and white, his and hers) the day after he sold out. For anyone who wants to work, unemployment is a thing of the past. "I'm making a good salary, better than I ever did," says city clerk Penny Round. So she thinks gambling is a godsend? No: "I wouldn't wish this on anybody's town."

As many as 8,000 people descend on Black Hawk every day, mostly day-trippers from nearby Denver. "I miss the winters



PHOTOS BY JAMIES COOK

Raising the stakes: *Black Hawk's main street, gold-miner Blake and his burros, customers at the blackjack tables, a gambler's dream*

especially, where you'd only see three people on the street," says resident Mary Blake Klemp. Diesel fumes and the smell of frying hamburgers hang in the mountain air; the electronic bleating of the slot machines resounds along the town's two main streets. Aside from the post office and the bank, gambling is the only enterprise in town: properties have become too valuable for any other business to afford the rents. "If a factory came in, you'd get a housing development and a grocery store and a drugstore," says Tucker Adams, chief economist at the Colorado National Bank. "With gaming, you don't." More than 200 residents have left—sold out for big money or moved out in disgust. "The thing about losing the gas station and the convenience store is not the gas and the groceries," says alderman Bill Lovingier. "It's the interaction, like 'Hey, Tom, how ya doin'! Hiya, Herb!'"

Psychic arts: Despite the municipality's efforts to prepare itself for the gambling onslaught, as Round says, "things come up every day that you could never, ever anticipate." She didn't know what to tell the fellow who called recently to ask about municipal regulations concerning psychic-arts studios. Black Hawk expected a higher crime rate, and the town hired 22 new cops (up from one half-time marshal in the old days). But the residents weren't prepared for the kinds of crimes they're getting; in addition to assault and criminal mischief, says police spokeswoman Dixie Lovingier, "we have an inordinate amount of urinating in public." Her alderman husband, Bill, gets a little embarrassed when he talks about the new sewage plant Black Hawk has to build. "Basically, uh, people tend to drink while they're gambling, and the sewage has a particular quality." A high alcohol content kills the bacteria that eat sewage.

The town government started losing battles to the big gaming companies right away. Black Hawk wanted legalized gambling to bolster mom-and-pop stores that were going out of business, so only 35 percent of commercial floor space was supposed to be occupied by slot machines or blackjack and poker tables. The big casino chains lobbied Colorado's Gaming Commission to interpret those rules loosely—cashiers' desks and women's restrooms could be included in the nongambling space—and soon the establishments that didn't offer wall-to-wall slot machines found they couldn't take the competition. "The big boys can do anything and everything for as long as they like, until the little guy is gone," says Bill Lorenz, a former mayor whose family runs one of the few locally owned casinos in town. The "big boys" say they're trying to be good neighbors. Bullwhackers gives money to the high school and local charities. General manager Eddie Lynn says, "We think we're a



responsible member of this community." Gambling has made government easier to finance, but it hasn't made government easier. City council meetings used to be over in 45 minutes; now they take hours. At one recent session, casino owner Kay Lorenz questioned a \$1.5 million proposal for a new firehouse. "We're talking about millions [of dollars] here, and we used to talk about thousands," she said. "This used to be a plain, hardworking-people town. Now it's, ah!" with a wave of her hand, "people are ready to spend money." Mostly outside

developers want to build a gondola to convey gamblers from a mountaintop parking site to the casinos down in the valley. More than one alderman wanted to give the go-ahead without further discussion. Said Mayor Eecker, "I hope we don't find ourselves up a tree without a ladder." Some people in Black Hawk worry about the giant casino and hotel under construction in neighboring Central City. Everybody knows you have to be a "visitor destination" in order to survive, even in the booming casino industry. A former

gold-mining town like Black Hawk knows the perils of boom-and-bust all too well. Penny Round keeps the old town maps in the council office, and they show how Black Hawk quickly grew—and collapsed. "I'm using all my historic-preservation money quickly," says Round, "because I don't know how long it'll be with us." If it weren't for gambling, of course, the maps would still be moldering in a corner. Advocates of gambling didn't save Black Hawk quite the way they'd imagined, but they did save the maps. ■

Casino Clout for Native Americans

JIM POLSHEK WANTED TO do a favor for his Indian friends. The architect of a \$130 million museum for the Mashantucket Pequot Indians of southern Connecticut, Polshek knew people who knew people in Washington. He thought he could arrange a meeting between President Clinton and tribal chairman Richard (Skip) Hayward, the initiator of the tribe's hugely successful casino complex. "Jim was so excited that he could help us," recalls tribal spokesperson Terry Bell. "It was really sweet. But I had to tell him, 'Oh, Skip's having dinner with Clinton tonight.'"

The Mashantucket Pequots no longer depend on their white friends for favors. In just two years the tribe has used its casino monopoly to exert immense political and economic influence in the state of Connecticut. The Foxwoods casino in Ledyard brings in more than \$1 million a day—that's only the slot machines—and the Pequots have big plans for expansion. A new bingo hall and 5,000-seat concert arena are under construction, and the tribe may undertake an amusement park, a couple of golf courses, another casino and a third ho-

tel. Under an agreement with Gov. Lowell Weicker, the 307-person tribe (which, as a separate Indian nation, operates tax-free) voluntarily con-

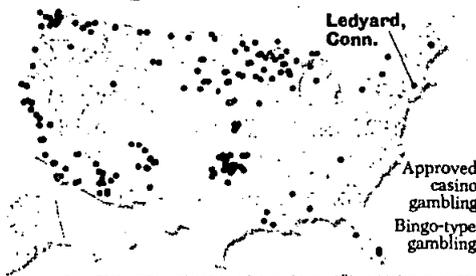
many local townspeople, whose rhetoric sounds a lot like what the Native Americans used to say about the white man's encroachment.



ROBERT MAASS FOR NEWSWEEK

Bell is no 'little Indian in the woods'

Gambling Without Reservations



SOURCES: BUREAU OF INDIAN AFFAIRS, GAMING & WAGERING BUSINESS

tributes a minimum of \$100 million a year to the state budget. That makes it Connecticut's largest single contributor outside the federal government. In an area suffering from defense-industry layoffs, the casino employs more than 8,000 people.

But the boom has upset

ing towns, in exchange for annexation. The offer was soundly rebuffed. "No annexation, not one acre," reads the poster on the Giallucas' front fence.

Beyond the three neighboring towns, people feel less hostile to the casino. "From my point of view, [the casino]

"We're being pushed out of our way of life," says Andrea Gialluca, who lives a few miles from the casino. "Our environment is changing." Casino-bound traffic along narrow Route 2 can back up all the way to the Giallucas' house. In one recent weekend 80,000 gamblers poured into the area, where fewer than 25,000 people live.

The Pequots are hoping to expand the original reservation to include more than 1,700 acres of surrounding land they have bought with gambling proceeds—a move that would take the property off the Connecticut tax rolls forever. The tribe offered to keep paying taxes at the current level, plus a lump sum of \$5 million for each of the three surround-

is a godsend," said Harry Jackson, city council president of nearby Norwich, a graceful but decaying river town where thousands have lost jobs in recent years. "I don't know where we'd be without them." Nonprofit groups in the area have come to regard the Indians as important benefactors. "Philanthropy has been redefined in light of the massive success of that casino," says Steven Sigel of the Garde Art Center, a theater in New London. He remembers with relish the night one visiting performance group met their corporate sponsor's representative: a local Pequot, in full native dress, named Laughing Woman.

Giltz and hustle: The massive, brightly lit casino complex, with its jangling slot machines and lavender and teal decorator colors, rises like a spaceship out of the dark Connecticut woods. The crass pursuit of gambling seems a strange way for Native Americans to recapture their heritage. But the proceeds have enabled the tribe to hire its own archeologist to research Mashantucket Pequot culture, and to plan what will be the nation's biggest museum of Native American culture, scheduled to open in 1996. The glitz and hustle have swept away what Terry Bell calls "the little stereotype of the Indian in the woods . . . That's where white society has tried to keep the Indians. We're not supposed to have power and do business." The new stereotype of an Indian gambling tycoon has its drawbacks, too.

CARROLL BOGERT in Ledyard

AMERICA'S GAMBLING CRAZE



The casino boom is growing daily. But it might not last forever, and its ill effects are potent

No one howled in protest last month when H&R Block set up makeshift tax-preparation offices in four Nevada casinos and offered gamblers same-day "refund-anticipation loans." And few people cared recently when a Florida inventor won a U.S. patent that could someday enable television audiences to legally bet on game shows, football games and even beauty pageants from their homes.

What's the deal? Not that long ago, Americans held gambling in nearly the same esteem as heroin dealing and applauded when ax-wielding police paid a visit to the corner dice room. But moral outrage has become as outmoded as a penny slot machine. In 1955, for example, baseball commissioner Ford Frick considered wagering so corrupt he prohibited major leaguers from overnighting in Las Vegas. Last year, by contrast, Americans for the first time made more trips to casinos than they did to Major League ballparks—some 92 million trips, according to one study.

It took six decades for gambling to become America's Pastime, from the legalization of Nevada casinos in 1931 to April Fool's Day 1991, when Davenport, Iowa, launched the Diamond Lady, the



nation's first legal riverboat casino. The gradual creation of 37 state lotteries broke down the public's mistrust, conveying a clear message that the government sanctioned gambling: indeed, is even coming to depend on it as a tax-revenue source. Corporate ownership of casinos helped in its own way, too, replacing shady operators with trusted brand names like Hilton and MGM. Casinos now operate or are authorized in 23 states, and 95 percent of all Americans are expected to live within a three or four-hour drive of one by the year 2000.

Today, the Bible Belt might as well be renamed the Blackjack Belt, with floating and land-based casinos throughout Mississippi and Louisiana and plans for more in Florida, Texas, Alabama and Arkansas. Meanwhile, the Midwest is overrun with slot hogs, none of the porcine variety. Iowa, Illinois, Indiana and Missouri allow riverboat gambling, and a 50,000-square-foot land-based casino is scheduled to open in mid-May just outside Detroit, in Windsor, Ontario. Low-stakes casinos attract visitors to old mining towns in Colorado and South Dakota, and Indian tribes operate 225 casinos and high-stakes bingo halls nationwide. Add church bingo, card

rooms, sports wagers, dog and horse racing and jai alai to the mix and it becomes clear why Americans legally wagered \$330 billion in 1992—a 1,800 percent increase over 1976.

Calling for new games. Like the first bars that opened after Prohibition, modern gambling halls are enormously successful. "It will be impossible not to make a lot of money," one executive in New Orleans bragged before his casino had even opened. "It's like spitting and missing the floor." Such boasts—and the real possibility that the boom will create 500,000 jobs nationwide this decade—have not been lost on federal, state and local lawmakers. In the first six weeks of this year alone they introduced more than 200 bills regarding gambling.

But casinos and lotteries may not guarantee the jackpots many politicians expect. When urban-planning professor Robert Goodman reviewed the economic-impact studies that 14 government agencies relied upon before deciding to embrace casino gambling, he found that most were written with a pro-industry spin and only four were balanced and factored in gambling's hidden costs. Goodman's two-year study, due out next week, concludes that newly opened casino

INVADING THE NATION

Amount wagered on legal gambling in 1992: **\$330 billion**

Gain since 1976: **1,800%**

Frequency in 1964 of the first modern state lottery, in New Hampshire: **Once a year**

State and municipal lottery sales in 1992: **\$24 billion**

Retail price of a new slot machine: **\$5,000**

Days needed to recoup its cost in Nevada vs. Illinois: **20 vs. 67**

States with no legal gambling of any kind: **Utah and Hawaii**



U.S. NEWS

nos "suck money out of the local economy," away from existing movie theaters, car dealerships, clothing shops and sports arenas. In Atlantic City, for example, about 100 of 250 local restaurants have closed since the casinos debuted in 1978, says Goodman, who teaches at the University of Massachusetts at Amherst.

"Slum by the sea." States that get hooked on gambling revenues soon suffer withdrawal symptoms when local competition kicks in. Although pioneering casinos and lotteries typically are profitable, gambling grosses decline when lotteries or casinos open in neighboring states. In Biloxi, Miss., for example, slot revenues at first topped about \$207 per machine per day. A year later when competitors moved in, however, the daily win-per-machine figure dipped to \$109.

States frequently overestimate the financial impact of gambling revenues, too. "Legalized gambling is never large enough to solve any social problems," says gambling-law professor and paid industry consultant I. Nelson Rose. In New Jersey, for example, 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. "Atlantic City used to be a slum by the sea," says Rose. "Now it's a slum by the sea with casinos."

America's love affair with dice and cards has always been a fickle romance, and some academics predict a breakup soon. Legalized gambling in America has been running on a 70-year boom-and-bust cycle since the colonists started the first lotteries. "We're now riding the third wave of legal gambling" that began with the Depression, says Rose, who has written extensively on the subject and teaches at Whittier Law School in Los Angeles. The trend self-destructs after a few decades, when the public simply gets fed up and embraces more-conservative values. Rose believes a cheating or corruption scandal will trigger the next crash in about 35 years, an idea that most casino officials think is ludicrous.

The sky is not falling yet. Apart from a handful of academics and the odd politician, few Americans are seriously questioning the morality of an industry that is expected to help gamblers lose a record \$35 billion in 1995 alone. Religious lead-



Jackpot. Many struggling communities and Indian tribes hope gambling will be their salvation.

ers have been oddly silent, perhaps because so many churches and synagogues rely on bingo revenues. "The biggest things we have to help people are churches and temples and the government," says Arnie Wexler, executive director of the Council on Compulsive Gambling of New Jersey. "And now they're all in the gambling business."

Getting hooked. The consequences can be damaging. Wexler says he got a phone

call late last week from a man in his 70s who ran up \$150,000 in debt just by buying lottery tickets. Although most gambling experts believe that only 1 percent to 3 percent of Americans have a serious gambling problem at any given time, a July 1993 Gallup Poll funded by Wexler's group suggests that the figure may be closer to 5 percent. Regardless, now that casinos are no longer located just in Atlantic City and Nevada it's reasonable to assume that the total number of problem gamblers will soar. "If you put a guy who wouldn't cheat on his wife in a room with a gorgeous nude woman, some guys would fall by the wayside," Wexler says. "When you make gambling legal and socially acceptable, people will try it and some of them will get hooked."

But try telling that to a gambler happily feeding a slot machine and waiting for a multimillion-dollar payoff. Fifty-one percent of American adults now find casino gambling "acceptable for anyone," and 35 percent describe it as "acceptable for others but not for me," according to a recent Yankelovich Inc. survey paid for by Harrah's Casinos. The attraction is simple. "The action for them is the thrill of what's going to happen in the next pull of that slot-machine handle," explains Harrah's president, Phil Satre. ■

BY JAMES POPKIN WITH KATIA HETTER

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STACKING THE ODDS



A "house advantage" of 5 percent means gamblers lose \$5 for every \$100 bet, on average. Examples:

•
House edge, craps:
.6 to 1.4%

•
House edge, roulette: 5.2%

•
House edge, "21": 2 to 10%

•
House edge, slots: 2 to 15%

•
House edge, big wheel: 15%

•
House edge, keno: about 20%

TRICKS OF THE TRADE



The many modern ways casinos try to part bettors from their cash

At precisely midnight on Oct. 11, 1991, an obscure Chicago neurologist slipped behind a row of quarter slot machines at the Las Vegas Hilton and switched on a homemade contraption of cardboard, black metal and old fan parts. For the next 48 hours, the hidden device pumped a pleasant-smelling vapor into the stale casino air.

The neurologist was not an intruder but a scent expert invited to the Hilton by casino manager Lee Skelley to test whether certain smells can subtly influence slot machine players to wager more. Over the next two days, Hilton gamblers poured thousands of quarters into the 18 nearby slot machines—45 percent more than usual for an October weekend.

"Our goal is not to get more out of a customer in three hours but to get him to stay for four hours."

— BOB RENNEISEN
PRESIDENT AND CEO
CLARIDGE'S CASINO, ATLANTIC CITY

The days of shaved dice, missing face cards and rigged roulette wheels are long gone. But the pursuit of profitability in the corporate era of gambling has turned the average casino into a financially hazardous place for bettors. In Nevada and Atlantic City, for example, confidential documents reveal that five casinos now pump Chicago neurologist Alan Hirsch's secret scent—Odorant 1—into the slot machine pits 24 hours a day. (The Las Vegas Hilton never took the idea beyond the testing stage.) Some casinos have even studied how the controversial psychologist B. F. Skinner altered the behavior of rats and pigeons. But of all the tricks in the casino manager's Psych 101 handbook, the subtle manipu-

lation of time is by far the most common. In 1980, a math whiz named Jess Marcum spelled out exactly how time affects a gambler's odds. Marcum, who helped to develop radar and the neutron bomb before becoming a casino

Even the lowest-ranking casino official knows the concept: Since all casino games give the house a mathematical edge, the longer a player gambles, the greater the house's chance of winning.

That helps explain why gamblers frequently get lost in a maze of slot machines and why down-home gambling halls offer free "Ladies Breakfasts" at 6 a.m., a slow point in the casino day. Over a year, a special promotion or interior-design element that somehow keeps gamblers at play for just five more minutes a night can add millions to a casino's gross, or "hold." The Harrah's Casino spends tens of thousands of dollars a year studying whether fresher air, wider aisles and even back supports on slot-pit stools will make customers comfortable. And slog it out longer, too. "We're now developing technology that's just lighting the felt" on blackjack tables, says Harrah's president, Phil Satre. "We're trying to keep [light] off the forehead of the customers, which is draining on them from an energy standpoint."

Hidden purpose. Such sensitivity to customer comfort abounds. For example, nearly all new slot machines sold in the United States have built-in bill acceptors. Gamblers like the devices because they no longer have to wait in line for change, and casino managers love them because they

keep slot hounds glued to their stools. Like car plants, casinos also stress productivity. The hidden cameras above the casino floor scan for fast-fingered dealers and card cheats. But the ubiquitous "eye in the sky" also enables casino officials to conduct regular "game-pace audits." At the Aladdin Casino in Las Vegas, blackjack dealers are instructed to deal at least



Playing the slots. Pat McLaughlin joins the ranks of the enthralled.

consultant, figured that a craps player who wagered just \$1 every bet for two months straight would have only one chance in 2 trillion to win \$1,000 before he lost \$1,000. On the other hand, by decreasing his exposure at the craps table to just 25 minutes and wagering \$200 every bet, that same gambler would increase his odds to 1.15 to 1.

5 to 80 hands per hour. They are also supposed to shuffle six decks of cards in less than 80 seconds. The reason: Shuffles can eat up eight rounds of playing time an hour. In a year, the Aladdin could earn an extra \$1.2 million if its blackjack dealers never had to shuffle.

Penny-pinching casinos set faster production schedules, especially when the nightly cash hold tumbles. "We don't instruct people to deal faster," says Bob Stupak, owner of the Vegas World Casino in Las Vegas. "They better deal as fast as they [expletive] can or they're gonna work someplace else."

"If you give a guy a \$100 bill he looks at it like a round of golf, a golf cart, two beers and a hot dog. But if you give him chips, it's just betting units and it loses its value."

—BILL ZENDER, OPERATIONS CHIEF
ALADDIN CASINO, LAS VEGAS

Casinos have become pop-psych laboratories. When a player at a low-limit blackjack table flashes a \$100 bill and asks for chips, for example, dealers at many casinos are under orders to dole out chips of the lowest-possible denomination. Partly a convenience for gamblers, the practice also is meant to discourage low bettors from pocketing higher value chips when they leave the table. Such players are likely to blow all 20 of their \$5 chips one at a time, the thinking goes, but might hold onto a \$25 chip and never gamble it away. "Psychologically, casinos don't want gamblers to realize how much they're losing," explains one Atlantic City dealer.

But slot pits are the true training grounds for casino mind games. Deep, dark colors like black, red, purple and blue trigger a strong response in slot



Rolling the dice. Scott Burkhardt's fling

players, research shows. So, slot machine manufacturers like IGT, based in Reno, Nev., prominently feature those hues. IGT North American President Bob Bittman says research also shows that gamblers no longer associate winning with the cherry and plum symbols on many slot machine reels. Poof, they're gone. "Fruit is a dinosaur. Ninety-nine percent of the machines we sell now will not have fruit," Bittman says.

Some casinos go to even greater lengths to exploit gamblers' subconscious preferences. Casino consultant David Britton says that after surveying dozens of Nevada-based slot players he confirmed a hunch that they are drawn to bright-red machines. But after several minutes, the players subconsciously tire of red and seek softer hues. Since casinos

want to avoid "transitional periods," when players leave one machine in search of another, Britton devised a new system where players are now lured to the brightly colored machines at the end of a long row of slots. But the machines closer to the middle of the row feature softer colors, like blues and greens.

"What is gambling? It's really just a hype on emotion."

—JACK BINION, OWNER
HORSESHOE CASINO, LAS VEGAS

Sometimes casino operators look to actual psychology for inspiration. In 1966, University of Nevada undergrad Larry Andreotti was studying Skinner, one of the first scientists to demonstrate how positive reinforcement can influence animal behavior. Andreotti told his father, the late Rome Andreotti, who at the time was one of the rising stars on the operations side of the growing Harrah's chain. "A lot of the behavior I saw in the lab seemed comparable to the control one has over behavior in casinos," explains Larry Andreotti, who today is a college psychology professor and Skinner specialist in Canada.

Smart rat. In 1937, Skinner taught a white lab rat named Pliny to operate a rudimentary slot machine. After Pliny pulled a chain with its teeth, a marble would fall. The rat would then drop the marble in a slot and receive its reward, 1/20th of a gram of a dog biscuit. By tracking Pliny's reactions over time, Skinner learned that the rat became more motivated when he got a biscuit only occasionally, and randomly. Pliny would drop even more marbles into the slot, in other words, when he was not

HUSTLING WITHOUT ANY GUILT

♥ ♦ ♠ ♣ **Bob Stupak, Las Vegas's most controversial casino owner, once used a tick-tack-toe-playing chicken to lure gamblers to his casino and, in an unsuccessful bid for mayor, mailed voters free "stock certificates" that could be traded for drinks. His comments provide insights into how some casinos operate.**

On greed: "We target everybody. That's the business I'm in. Money's money. What's the difference if it's a Social Security check, a welfare check, a stock dividend check?"

On slot machines: "When we put 50 machines in, I always

consider them 50 more mouse-traps. You have to have a mousetrap to catch a mouse."

On gambling "entertainment": "You can't disguise this industry. You can put clown uniforms on... you can have Streisand, but it is what it is. It's our duty to ex-

tract as much money from the customer as we can. And send them home with a smile on their face."

On superstition: "For 20 days in a row, my crap pit lost money. After five days, I changed the dice manufacturer. After 18 days I bought new tables and burned the old ones. Put new tables in, new dice, new stick, new dealers. All the praying in the world isn't gonna change your luck."

On alcohol: "Benny Binion [late owner of Vegas's Horseshoe]



used to say, 'Whiskey is the greatest gambling tonic in the world.' Although everyone else in town was pouring a three-quarters shot, he used to say to give them a shot and a half. He was right."

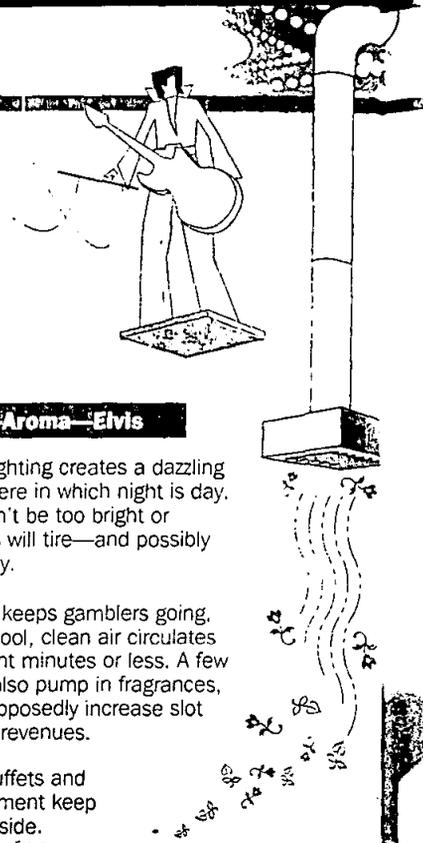
U.S. NEWS

sure when the biscuit would fall next.

Rome Andreotti applied Skinner's findings to the casino. If most slots were set at about the same payout rate, recalls a former Harrah's president, Richard Goeglein, Andreotti would slip in a few machines with a much more generous jackpot percentage. The casino wouldn't indicate which machines offered better odds, but gamblers soon learned that there were a few ringers in the crowd. And the search for those machines sent gamblers into a Pliny-like, quarter-dropping frenzy. "Rome knew how to reward people for continual, consistent play," says Goeglein.

Coincidentally, slot machine makers have also put Skinner's theories into practice. Modern slots reward players with frequent, small payoffs—often as inconsequential as one quarter—that entice gamblers to keep chasing their dream. Thirty years ago, by contrast, small, frequent payoffs were unheard of, says slot machine historian Marshall Fey. The new payout system works. "It's like eating popcorn. It's very hard to stop playing," says Jeffrey Lowenhar, senior management consultant with the Resorts casino in Atlantic City.

One firm took gambler manipulation too far. In 1986, Universal Distributing began selling slots that produced "near miss" combinations. Instead of running



Lights—Aroma—Elvis

- ♣ Casino lighting creates a dazzling atmosphere in which night is day. But it can't be too bright or gamblers will tire—and possibly walk away.
- ♥ Fresh air keeps gamblers going, too. So cool, clean air circulates every eight minutes or less. A few casinos also pump in fragrances, which supposedly increase slot machine revenues.
- ♣ Cheap buffets and entertainment keep people inside.

Anatomy of a casino

Almost every element in a casino conspires to keep gamblers there longer and to separate them from as much of their money as possible. The mazelike architecture, fast dealers, bartenders and even hotel clerks are in on the hustle.

Baccarat

- ◆ At private baccarat pits, most big casinos still hire attractive women called "starters" to get the high-roller action going. These fancy shills play with the casino's chips, which they never cash.

Body language

▲ An empty tables' dealer stand with their hands at their sides, never crossed. It's a welcoming gesture that pulls players in.

Slot machines

Eye in the sky

Overhead cameras prevent cheating but also help casinos make sure dealers work fast.

CAMERA #12 BLACKJACK PIT

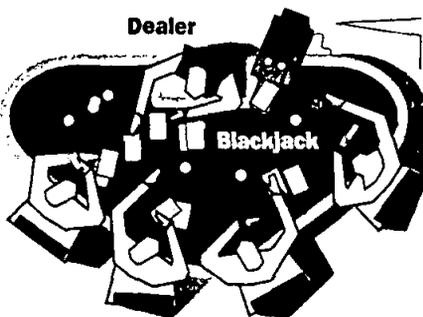
Time is money

Dealers must keep games moving, dealing 60 to 75 hands per hour in many casinos and shuffling six to eight decks in less than 80 seconds.

Pit boss

In casino profits dip, some pit bosses ask dealers to quicken their pace.

The more hands that are played, the better a casino's chances of winning, since the odds always favor the house.



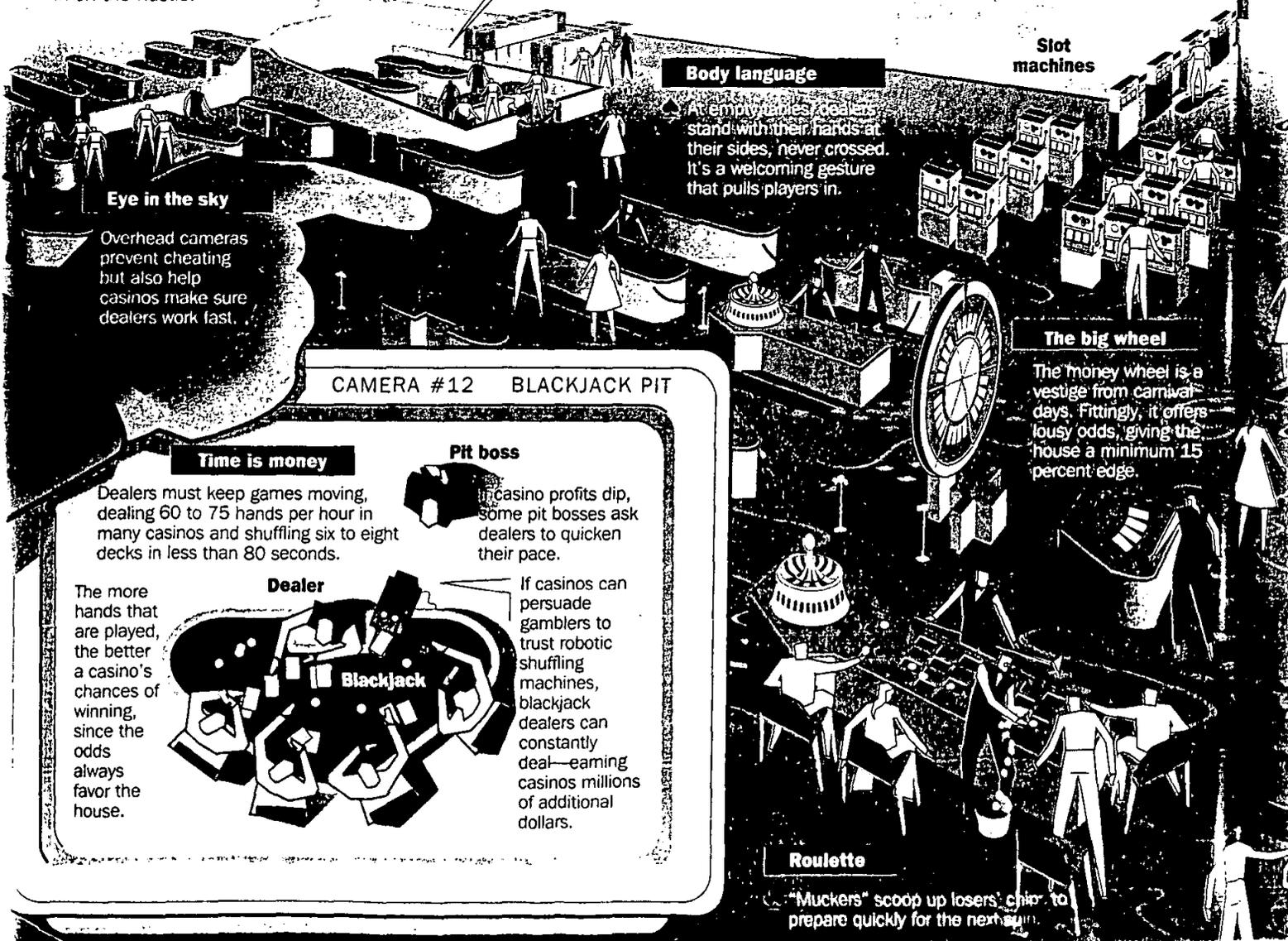
If casinos can persuade gamblers to trust robotic shuffling machines, blackjack dealers can constantly deal—earning casinos millions of additional dollars.

The big wheel

The money wheel is a vestige from carnival days. Fittingly, it offers lousy odds, giving the house a minimum 15 percent edge.

Roulette

"Muckers" scoop up losers' chips to prepare quickly for the next spin.



randomly, the slot reels often stopped so that players could see the symbols of a payout just above or below the pay line, giving the false impression that gamblers had missed a massive jackpot. Although the machines quickly became a hit with customers and slot managers, Nevada gaming authorities outlawed the near-miss illusion in 1989.

"Push a button and they can find out everything about you. Sometimes it's scary."

—GAMBLER SAM ROBERTS

It was a Sunday afternoon, and Pennsylvania jewelry salesman Sam Roberts was bellied up to a roulette table at his favorite Las Vegas casino. Dressed in

what he described as his "Mr. T starter set"—three gold necklaces, four gold bracelets, a gold watch and four gold rings—Roberts seemed to epitomize the successful Vegas man about town. When asked whether he was ahead after three days of roulette, Roberts said he wasn't "paying any attention."

But the casino certainly was. On a computer screen just off the casino floor, the file on Sam Roberts (not his real name) was extensive. Not only did it reveal his exact losses on his current trip (\$2,092) but it had already figured his average bet (\$20.88), time spent gambling (11 hours and 39 minutes) and "average worth," or how much Roberts should lose (\$528) based on time and

the house's 5.26 percent edge at roulette. It also contained personal data like Sam's height (5' 10"), weight (300), hair color (brown)—even whether he needed corrective eyewear (yes).

Casinos amass personal information to enhance customer service and reward steady players with "comps"—complimentary meals, show tickets and hotel stays. (They never reveal internal data, although Roberts agreed to for this article.) But there's a hidden agenda. Casino marketers need detailed histories to keep old customers loyal and, more important, to "capture" new ones.

If marketers learn, for instance, that divorced slot players from Cleveland who love boxing lose big and often, the

Slot machines

- ♣ Slot managers often place low-denomination machines by the entrance, like a store hawking its sale items in the front window.
- ♦ Casinos and slot machine makers study which colors attract gamblers most; deep reds act like a magnet.

Hotel reservationists

- ♥ When a casino hotel is nearly full, clerks decide who can stay there based on each gambler's "average worth"—how much he's predicted to lose.

Frequent-gambler cards

Slot players insert them in the machines to "win" free meals and rooms. They trigger a computer that records all play—handy for marketers.

Dollars and drinks

- ♣ Booze loosens gamblers up. Many casinos pour a hefty shot and a half.

- ♥ Check-cashing booths and credit card machines sound and are often easier to get casino credit than to get a loan. Instead of giving you an option, most casino ATM machines spit out a single \$100 bill when you request \$100.

Fleas and whales

Over the years, dealers and pit bosses have created their own jargon to describe the regulars, from hacks to high rollers.

Fleas

Gamblers who talk too much at the game tables, buy in for just \$10 or so and then constantly buzz around pit bosses hoping to scrounge RFBs, or complimentary room, food or beverage coupons.

Seagullers

Customers who scavenge in slot machine tills for coins other players have mistakenly left behind.

Granny grinders

Most nickel and quarter slot players are part of the grind—low-end customers willing to wager just a hundred bucks or less "in coin."

Third-of-the-Month Club

Elderly gamblers who flock to casinos on the third day of every month, as soon as Social Security checks arrive.

Boat people

Gamblers who arrive at a casino by bus, as part of a herd. With their free rolls of quarters, boat people are a subspecies of "the grind" and are alternatively called "slot hogs."

Whales

The highest of high rollers. A term typically bestowed on baccarat players willing to gamble millions of dollars per casino stay. They're called whales because they're so big that some can make or break a casino in a single weekend of play.

Ace-deuce

When a player dies, some dealers will say that he "went ace-deuce." It refers to a losing dice combination in craps and comes from the saying, "Ace, deuce, no use."

casino will buy mailing lists and try to find sucker clones. Gamblers who can be lured to the hotel are especially prized. "If we can get you to stay in our hotel we can bump up your average trip worth," one marketer says. Everyone gets in on the hustle. When a casino hotel is nearly full, reservationists will scan the computer and open remaining rooms only to known gamblers with a high trip worth.

A decade ago, most casinos bothered to gather data only on high rollers. Now they use slot-club cards to snare the meat-and-potatoes guy, too. After filling out a survey and receiving an ATM-like card, slot junkies insert them into a "reader" built into almost all slot machines. In a distant computer room, casinos track the action 24 hours a day, down to the last quarter.

Giveaways. Players who use the cards the longest get the most comps, somewhat like a frequent-flier giveaway. At the Trump Castle in Atlantic City, an internal document shows that 64 percent of all slot players now use the Castle slot card. The cardholders lost \$109 million to the slots last fiscal year, or about \$101 per player per trip. Slot players who never bothered with the card, by contrast, lost \$31 per trip on average.

"The stickman controls the pace of the crap game like a barker at a carnival. He pushes the 'proposition' bets, which have a much greater house advantage."

—AL GLASGOW, CONSULTANT AND EDITOR
ATLANTIC CITY ACTION NEWSLETTER

For an industry governed by odds, casinos leave little to chance. To line their pockets just a wee bit more, they've added games with stunning house odds. Many casinos now offer "double-exposure blackjack," for example, in which the dealers reveal all their cards; players keep trying to top the dealer's hand without going over 21. Novices fall for the ruse, overlooking the rule allowing the house to win all ties. "That one rule change is worth about 8 or 9 percent in favor of the house," explains Arnold Snyder, editor of the *Blackjack Forum* newsletter.

Many riverboat casinos also offer "multiple-action blackjack," with complex rules that encourage gamblers to place three bets on every hand. "It causes players to play dumb and put more money on the table," Snyder says. If gambling critics can be believed, that neatly sums up the danger of America's latest entertainment craze. As any old Vegas hand will tell you, "If you wanna make money in a casino, own one." ■

BY JAMES POPKIN

A MIXED BLESSING FOR 'AMERICA'S ETHIOPIA'

Big-time gaming helps but is no cure-all



Tunica portrait. The gambling boom has priced Martha Jones out of the housing market.

When federal census takers fanned out across the cotton fields and dusty back roads of rural Tunica, Miss., in 1980, they confirmed Jesse Jackson's characterization of it as "America's Ethiopia." It was the poorest county in America, with 53 percent of all residents living below the poverty line, median family income at a paltry \$7,685 a year and 15 percent unemployment.

Those same census takers would be dumbfounded by Tunica today. Ninety-five percent of all adults now work, and the median family income has nearly tripled. The reason: Six blocklong "riverboat" casinos—without engines or wheelhouses—now float atop former Tunica cotton fields flooded just enough to satisfy the state's requirements for dockside gambling.

The faux flotilla has done wonders for a region once so hopeless that its own Chamber of Commerce folded. Out on Highway 61, the casinos have bought enough new Buicks and Chevys to pull

car dealer Jack Roberts out of the red. He has doubled sales and tripled repair orders. And on Tunica's version of Main Street, businesses occupy all 52 storefronts. A decade ago, 33 sat vacant.

Although most Tunica residents have qualified for casino jobs that pay only minimum wage or slightly better, steady employment has transformed lives. "People who want to work are working now instead of just loafing down the streets," says Calvin Norwood, president of the local chapter of the National Association for the Advancement of Colored People for the past 27 years. The casinos employ about 6,500 people.

But the betting boats have not been a cure-all. Norwood and other area activists claim the casinos have made it harder for poor African-Americans to afford decent housing. At Martha Jones's leaky wooden shack on Gay Street, for example, cardboard protrudes from holes in the walls, and clothespins hold blankets against the windows to ward

How much coverage for mental illness?

Many want full benefits; others fret over costs

off the cold. Before casinos arrived, the 80-year-old retired maid and sharecropper's daughter could not afford a better house on her fixed income of \$419 a month. The new boom has priced her out of the market.

Trailers that previously rented for \$120 a month go for \$500 or more, says Tunica developer Dennis Proffer. An acre that two years ago sold for \$800 costs at least \$8,000. And with just six new houses built in the county last year, "you've got people making \$25,000 to \$30,000 a year living in these shacks," says Proffer. The casinos contributed \$4.5 million in tax revenue last year to Tunica County, but the funds have been spent mostly on new roads and improvements to the local high school and hospital.

Pawn shop stop. Gamblers already have blown millions of dollars in Tunica since the first casino opened a year and a half ago. The average loss is just \$55 to \$70 per casino visit, casino officials say. But Ronald Bennett, owner of the 61 Trade and Pawn Shop, says gamblers frequently go bust and trade rings and jackets for gas money home. The number of people who have failed to pay rent or bills has doubled, the county justice clerk says, and arrests for drunken driving have increased up to 500 percent, Police Chief Chuck Bolen reports.

Many locals are inexperienced bettors, and some are getting carried away. One 43-year-old poultry worker from Arkansas lost \$20,000 in three months at slots. And a former corporate headhunter from the wealthy Memphis suburb of Germantown gambled away his \$250,000 home, a Cadillac, a Mercedes and \$60,000 in retirement savings. He is one of many new gamblers who recently have sought help from the Memphis chapter of Gamblers Anonymous. About 50 people now show up for meetings, compared with just one or two only a year ago.

Economists are concerned that all the local losers are draining money out of the area and into faraway bank accounts. "The casinos are not generating new dollars [but] are just stirring up the resources we currently have and redistributing them," says John Gnuschke, a Memphis State University economics professor and occasional casino consultant. But Webster Franklin, hired three months ago as the first paid director of the Tunica Chamber of Commerce, says all the new jobs and local investment far outweigh the impact of gamblers' losses. And there's no looking back now. Three more casinos open this summer in Tunica, Franklin says, and a dozen more are on the way. ■

BY JAMES POPKIN

A few penstrokes made all the difference for Mary Ann Beall and Raymond Bridge. For years, they watched helplessly as their daughter, diagnosed with paranoid schizophrenia, bounced from hospital to hospital and

It is cases like this that advocates count on to persuade lawmakers to right a long-standing wrong as they draft health reform. They hope the final plan will offer full catastrophic insurance protection for people with mental illness, who under the current health system face restrictions on care, high copayments, limited reimbursement for prescription drugs and restraints on services. And advocates' optimism soared early last year when Tipper Gore called for "parity" in mental health coverage, vowing that President Clinton's reform plan would cover mental disorders equally with other medical conditions.

Vox pop. Her views seem to reflect Americans' sentiment. A poll by the David L. Bazelon Center for Mental Health Law, to be released this week at a press conference with former first ladies Rosalynn Carter and Betty Ford, found that two thirds of Americans favor including mental health coverage in any basic national benefits package. Three quarters say they want to cover mental health problems to the same extent as physical illness. And 60 percent would prefer full—rather than limited—mental health coverage, even if it cost them \$100 more per year.

Congress appears less convinced than the public that mental health and substance abuse problems can be covered economically. Two national polls last week showed the Clinton health plan—the only alternative to offer a specific blueprint for mental health benefits—losing popular support, a shift not lost on lawmakers. Other reform schemes, such as Sen. John Chafee's bill, include coverage for "severe" mental illness but relegate the details of all medical benefits to a national board. And some plans simply omit any reference to mental illness.

Few politicians, however, will go on



Saved by a penstroke. Ray Bridge and Mary Ann Beall

neatly stapled bills arrived promptly in the afternoon mail. The couple ran through the psychiatric coverage under five insurance plans in six years and feared losing their Arlington, Va., home as their unpaid bills topped \$250,000. But in 1989, a miracle occurred: Doctors realized their daughter suffered from epilepsy, not schizophrenia. Changing her diagnosis, they moved her illness from the realm of psychiatry into neurology. And presto—full insurance coverage. Says Beall: "She's the same person, struggling with the same symptoms. The only thing that's changed is the label."

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