



THE LEAGUE
OF WOMEN VOTERS
OF PENNSYLVANIA

TESTIMONY BEFORE THE HOUSE JUDICIARY COMMITTEE
HB 2308 — LEGALIZATION OF RIVERBOAT GAMBLING IN PA
SEPTEMBER 12, 1996

Mr. Chairman, Members of the Judiciary Committee, thank you for holding public hearings on this very important proposal (HB 2308) to establish a commission for licensing and regulating riverboat gambling casinos in Pennsylvania.

The League is very much in favor of bringing more business and jobs to Pennsylvania, but we do not think that expanding legalized gambling will ultimately have a positive effect on the local or state economy. Recent research on the economic effects of riverboat gambling indicate that the benefits to casino communities are very disappointing, despite the millions of dollars in profits taken from those communities by casino operators.

The report entitled Casinos in Florida: An Analysis of the Economic and Social Impacts released by the Florida Governor's office in 1994, concluded that for each new dollar in tax revenue generated by casino gambling, the cost to taxpayers could be from \$8 to \$12. Several economists have noted that casinos generate significant new revenues only if they can export their problems; i.e., when most gamblers return to their home communities and take their problems with them. The Florida study notes that this system works for Las Vegas and Atlantic City, which draws patrons from New York, Philadelphia and Washington. The study concluded that Florida's recurring sales tax revenues would experience a net decrease of at least \$84.7 million as residents divert taxable spending money to casinos, and that crime and social costs attributable to casinos would total at least \$2.16 billion annually. Florida voters turned down the option to establish several casinos in a November 1994 referendum.

Illinois Governor Jim Edgar has said that legalized gambling hasn't increased tourism or generated new income in his state, but instead, has just moved money around in the local economy. (*Chicago Tribune*, Wednesday, May 15, 1996. Article by Michael Kilian.) University of Illinois economists, Earl Grinols and J.D. Omerov studied what type of expenditures casinos affect, how far from the casinos these effects can be identified, and the extent to which the effects are similar in different casino locations — Alton, Galena, Metropolis, Peoria, East St. Louis, Joliet, Aurora and Rock Island, Illinois. General merchandise and miscellaneous retail and wholesale trade declined by an average of \$367 per \$1000 of casino revenue within 10 miles of each casino. Of the eight areas examined to find out the effects of casinos on employment, six showed no relationship, one a 15% increase and another a 40% increase. Thus, while an overall increase in employment is possible, it should not be presumed. Grinols and Omerov concluded that there was little or no economic development with the possible exception of the immediate vicinity of casinos.

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The state of Maryland's Joint Executive-Legislative Task Force to Study Commercial Gambling Activities in Maryland reported in October 1995 that the impact of legalizing gaming casinos in Maryland would be "a *substantial* increase in crime in the state. There would be more violent crime, more juvenile crime, more drug and alcohol-related crime, more domestic violence and child abuse, and more organized crime." The task force concluded that "There would be incalculable costs to crime victims in losses of economic, health and emotional well-being, as well as, too often, loss of life. Casinos are not a solution to anything. Instead they will exacerbate existing problems and create new ones," declares the executive summary of the task force.

According to the *Minneapolis Star-Tribune*, the twin cities are feeling the sad effects of gambling euphoria, despite the undoubtedly much needed millions in net profit for the 11 Indian tribes who operate 17 casinos. Reporter Chris Ison who wrote the December 1995 series entitled *Dead Broke: the impact of gambling on Minnesota*, says the state's problem gamblers conservatively estimated at 38,000, cost the State an estimated \$300 million a year. His analysis of 105 personal bankruptcies disclosed an average gambling loss of \$22,000 and total loss of \$40,000 per person. Research by the University of Minnesota at Duluth discovered that from 4.1% to 6.3% of the state's teenagers have experienced problems related to gambling.

Finally, regarding the prospects for this community, Erie, Pennsylvania, William Thompson, Ph.D., a professor of public administration at the University of Nevada, and a well respected analyst of the gambling industry, said that Erie only stands a chance of making money from riverboats if it can draw the majority of gamblers from outside the community and the state confines its share of the tax revenue from gambling to the one or two percent it will cost the state to regulate it. He did not attempt to estimate the social costs or damage incurred everywhere which must be subtracted from the community's revenue. (*Times-News*, Erie, June 30, 1996.)

The League of Women Voters of Pennsylvania hopes members of the General Assembly will find alternative means to stimulate economic growth in Pennsylvania.

Thank you Mr. Chairman and members of the committee.