

TESTIMONY OF DR. EVAN STODDARD

to the

HOUSE JUDICIARY COMMITTEE, COMMONWEALTH OF PENNSYLVANIA

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Good morning. My name is Dr. Evan Stoddard. I live at 192 South 17th Street, Pittsburgh. I am presently employed as Associate Dean of the McAnulty College and Graduate School of Liberal Arts and Director of the Graduate Center for Social and Public Policy at Duquesne University. This morning, however, I am not speaking as a representative of Duquesne University, but as a person who has spent most of his professional life studying and working in the field of urban economics and economic development. For seven years, until October, 1993, I served as Director of the Economic Development Department at the Urban Redevelopment Authority of Pittsburgh, the City of Pittsburgh's development agency, where I had primary responsibility for development of the Pittsburgh Technology Center, Washington's Landing, many smaller development projects, and the city's nationally recognized Neighborhood Business District Revitalization Program. I also speak as vice-president of No Dice, a Pittsburgh-based non-partisan, non-sectarian, non-profit citizens' group formed to oppose the legalization of riverboat casino gambling and other additional forms of gambling in Pennsylvania, and as a board member of Pennsylvanians against Gambling Expansion, a state-wide organization with similar form and goals.

The committee has invited testimony on the potential effects of an expansion of gambling, in the form of riverboats or other casinos, on Pennsylvania. I thank the committee for the opportunity to testify on this very important subject.

After careful study I am convinced that riverboat and other forms of casino gambling hurt people and communities. Casino gambling is not a harmless form of entertainment. The issue of its introduction into our state is not primarily a moral issue, but a practical issue, because it would have widespread disastrous economic and social consequences for all of us. The consequences looked bad when casino owners and their allies first seriously proposed riverboat casinos as a form of economic development for Pittsburgh some two and a half years ago. Today, with the benefit of additional experience, they only look worse. Recently, Pennsylvanians against Gambling Expansion commissioned a review of findings from across the country, which we expect to publish as a report in the near future. Much of what I will say comes from that review.

As I am sure the committee already knows, the federal government approved casino gambling on Indian reservations only eight years old. Since then, Indian casinos have opened in about half the United States. Commercial casino gambling outside of Nevada, Atlantic City and Indian reservations began only five years ago. The first riverboat casinos opened in Iowa in 1991. Illinois, Mississippi, and Louisiana followed soon after.

The economics of gambling are simple. Economically, gambling only works if you can import the gamblers. That is why Nevada, where 80% to 90% of gambling revenue comes from out of state, is an economic success. But few Pennsylvania casinos would be in a position to "import" most of their gamblers — least of all those

in our major metropolitan areas. Casinos in metropolitan Pittsburgh would pull mainly from the metropolitan area itself. Estimates of the primary market area for Pittsburgh casinos range from within a 50-mile radius of downtown (independent consultant Clifton Henry of Hammer, Siler Associates) to a 100- or 125-mile radius (gambling executive Al Luciani of Gamma International). Casinos in Philadelphia would, again, draw mainly from the metropolitan area itself. It is argued that casinos there would deter Philadelphians from taking their money across the state line to Atlantic City. And this is true. But hometown casinos would also encourage more Philadelphians to gamble (and lose) more often, thus increasing the economic drain on the metropolitan area. (Keep in mind, too, that New Jersey legislators have threatened to put riverboats on their side of the Delaware River if Philadelphia has them.)

The experience of Illinois with casinos is particularly instructive because it is a culturally similar northern state with a population about the size of Pennsylvania's, 12 million, with 14 casinos in 9 locations, a competing state (Iowa) across the Mississippi River, and five years of experience with riverboat gambling. There, multiple recent independent studies confirm what news stories and street-level observations have shown for years: The boats take in money and return tax revenues, but they don't create economic development. Net wealth flow is negative, with hundreds of millions of dollars taken out of local economies. Why? Because most of the gamblers are local, and the money they lose is local money, not money from outside.

For example, the Illinois Economic and Fiscal Commission, a bipartisan commission of the legislature, studied local impact of the state's casinos in 1994 and concluded, as reported in a recent phone interview with its executive director William Hall, "our study is consistent with the notion that economic development can't be demonstrated."

A study performed by Policy and Management Associates, Inc., of Boston for the Urban Redevelopment Authority of Pittsburgh, dated March, 1995, included case studies on riverboat gambling in Peoria, Illinois; Davenport, Iowa; and New Orleans, Louisiana. The consultants compared money put into a metro area by casino gambling in the form of wages, local purchases, and local taxes, to money taken out as the casino's winnings from local pockets. In Peoria, Illinois, from 1991-94, the Par-A-Dice riverboat casino produced a net loss of "28.5 million out of local circulation." In Davenport, Iowa, where the President riverboat drew heavily from Illinois before the Illinois boats came on line, the local economy showed a total net gain of \$2.1 million from 1991-94, but by 1994 results had tipped negative: "The 1994 net local impact was a loss of \$12.8 million." The researchers estimated that 70% of the casino's customers were now coming from the local region. In New Orleans, four riverboats operating in or near the city for various periods put about \$133.7 million into the local economy and took out \$250.4 million, for a net loss of \$116.7 million shifted from other spending. "Based on these calculations, existing businesses and households are net losers," the report says. In all three cases riverboat gambling was draining more money from the economies of those regions than it contributed.

Similarly, Earl Grinols of the University of Illinois, a former economist for President Reagan's Council of Economic Advisors, found in his study of seven casino areas in Illinois that general merchandise and miscellaneous retail and wholesale sales dropped a combined \$367 for every \$1,000 in casino revenue. He, too, concluded that casinos were taking sales away from other businesses.

In addition to its drain on local economies, riverboat gambling drives up public costs. Among these costs are the immediate costs of regulating the industry. Peter Fisher of the University of Iowa studied Iowa Legislative Fiscal Bureau data for fiscal 1993. He found that the state "spend[s] about 24 cents of every gambling revenue dollar on the costs of collecting it, including the costs of regulating the industry ... By way of comparison, for broad-based taxes such as income or sales taxes, administrative costs are typically below 5 percent."

Even more significant in the long run are the costs resulting from rising crime rates and the costs associated with compulsive gambling. In a word, riverboat gambling will mean more crime in Pennsylvania and will wreck lives here, because it creates addicts, and the last thing we need is more addicts. When casinos are legalized, more people gamble more often, and more get in trouble. The state of Iowa has seen its problem and pathological gambling rates triple in six years, from 1.7% to 5.4% of adults statewide. In casino areas like Davenport, what was once a fairly low-level social concern has grown into a problem rivaling drug and alcohol abuse. Worse, the growth of legalized gambling corresponds with an unprecedented rise in problem gambling among youth. A recent paper in *Journal of Gambling Studies* found 10% to 14% of U.S. and Canadian teenagers at risk of developing serious gambling problems.

Nor are the problem gamblers the only people affected. All who rely on the gamblers may be harmed: spouses, children, employers, creditors. The related costs of bankruptcies, bad loans, criminal justice expense and social-service needs are borne by all. Conservative estimates of increased problem gambling costs in two casino states, Minnesota and Wisconsin, are each in the \$200 million per year range. Each of these states is less than half the size of Pennsylvania.

As to crime, nationwide, crime rates in casino counties are nearly twice as high as in the rest of the U.S. In 1994 crime rates in casino areas increased 5.8%, while rates in the U.S. as a whole dropped by 2%. In the 31 places where casinos had opened the year before, crime increased by 7.7%, while in non-casino areas with similar populations, crime increased by only 1%. Types of crimes that correlate with problem gambling, like fraud and domestic violence, are especially likely to grow. Organized crime and corruption of public officials have a long history of association with organized gambling, and remain serious concerns today.

In light of all I have said, and I have only been able to touch the surface of many of the important findings we have made, one wonders why a distinguished public body such as this one should be led to consider the misguided policy of permitting an activity that would so surely rob Pennsylvanians of so much. Of course, the answer is that casino companies stand to take millions out of Pennsylvanians' pockets if we permit them to operate in our state. They would return a small portion to us in taxes, but those taxes would come at a high price,—to our local and state economies, to our social fabric, and to our domestic peace and tranquility. On behalf of all those present and future Pennsylvanians whom casinos would harm, I ask you to do all in your power to keep casino and riverboat gambling from having any home in Pennsylvania.

Thank you.