

September 12, 1996

To: Judiciary Committee of the House of Representatives  
From: Ralph E. Walter; 1650 Lakeview Dr.; North East, PA 16428

For several years you and your colleagues in the House have acted with the will of the people of the Commonwealth of Pennsylvania and rejected all the proposed legislation for introducing riverboat gambling. Please allow House Bill 2308 to die in this committee and thus follow the continuing will of that majority. With this action, Pennsylvania will avoid severe economic costs, employment losses and deterioration of its social structure.

If you release this Bill, we request that this committee, the General Assembly and the Governor collectively provide an objective study which will comply with Section 103 of this Bill. That study would detail the economic, employment and social impact on Pennsylvania with casinos. Public release of this study is required so we can evaluate the impact of expanded gambling.

Further, we are requesting other changes and additions in House Bill 2308. These requests would empower and protect the people of Pennsylvania when casinos are introduced.

Further to the proposed study, the gambling companies are promising Pennsylvania \$1.00 billion in tax revenue with the 19 casinos authorized in House Bill 2308. Then, projecting from my study of riverboat gambling in Erie County, Pennsylvania, the Commonwealth can expect various tax increases totaling \$1.90 billion to pay for the problems of the compulsive gamblers from these casinos.

These costs include incarceration for those convicted of crimes, increased costs in the judicial system, increased costs in the police system and the costs for treatment of these problem gamblers.

Further costs which I have not estimated include the expansion of the infrastructure near the riverboats. Also, not included are the Sales Tax Revenue and the State Lottery Revenue which will be lost to the casinos. We request that you itemize and include these and other losses in your study.

We have also been promised 50,000 new jobs in the 19 casinos. My projection shows 48,000 other Pennsylvanians will lose or quit their jobs because of their compulsive gambling in these casinos. Pennsylvania suppliers to these casinos could add employees. Please estimate these numbers and the employees who will be displaced from restaurants and other businesses when these casinos come in.

The gambling companies have also promised that they will address the problems of the compulsive gambler. Details for one of their installations which has successfully resolved this problem have not been located. Using four percent of the population of Erie County who are 21 and older, I project that Pennsylvania with 19 casinos will have 142,500 problem gamblers.

In estimating their social impact, we can expect 108,000 of these compulsive gamblers to resort to criminal activities. Among these, 62,000 will steal at work and 25,000 will be arrested for their criminal activity. In addition, 94,000 of these troubled gamblers will contemplate suicide and 22,000 will attempt it. An estimate for the successful suicides is needed.

Also, thirty thousand gamblers will file for bankruptcy and 37,000 separations or divorces can be expected. Some problem gamblers will abuse their children. Family stress will increase domestic violence and some teenagers will find ways to gamble at the casinos. We request your estimates.

These statistics become real when we see parents buying lottery tickets when they should be feeding their children. When a tax preparer diverts his clients IRS payments and loses them on horse races, we see more than statistics. When Manuel Moreno's scam robs northwestern Pennsylvanians of their savings to support his \$5000 weekly wagers in the Pennsylvania lottery, we foresee the problems with the casinos.

U.S. NEWS & WORLD REPORT, TIME, READERS DIGEST and THE LUCK BUSINESS by Robert Goodman have been used to develop a projection for Pennsylvania with casinos. Attached to your copy of this presentation is a copy of that April 3, 1996 projection. References are made to the above sources in that paper.

You will develop different data when you study each of the nineteen communities where these casinos will be located. The demographics of these communities will differ from Erie County but I believe your result will be similar to that which I have projected.

Now, the first change we request is to replace the word "gaming" with the word "gambling" in House Bill 2308. The proposed change would be much more descriptive of the purpose of this Bill.

In Section 901 of this Bill, we request a change in the local referendum area from the county to an area within 100 miles of the casino. Reportedly, the gambling companies want to locate casinos within 200 miles of each person in the United States and thus in Pennsylvania. This proposed 100 mile area would allow one fourth of that marketing area to control the casino within it. In your study, please use the nineteen 100 mile areas rather than the county area which I used for my projections.

Also, when the casino is rejected in the local referendum, we request that Section 901 be changed from a two year to a five year moratorium before another referendum. Otherwise the local community will be continually plagued with a campaign for the casino.

When the local referendum establishes the casino, further provisions are required in Section 901 to provide for petition and referendum privileges for each local community to remove that

casino after five years. A community which is given the privilege of approving the casino wants the same privilege to remove that casino when it is found undesirable.

If provisions for a statewide referendum are added to House Bill 2308, we request that you include all the moratorium, petition and referendum provisions as requested above for the local referendum. Again, we request the power to reverse our choice.

Further, we request that Section 1301 of this Bill have the tax revenue rate of 15% raised to 20%. This higher value is proposed by the gambling companies to the voters of Ohio in their upcoming referendum and we request the same rate for Pennsylvania casinos.

In light of the expenses incurred for the problems of the compulsive gamblers, we request that all of the revenue distributed in Section 1307 of this Bill be directed to those problems. Using this revenue for property tax and wage tax relief is not realistic when these gambling problems are not funded.

If property tax and wage tax relief are required, we request House Bill 2308 be abandoned and the Pennsylvania Earned Income Tax increased to raise the required funds. On the basis of the 1989 Tax Returns, an increase of 0.70% in the tax rate would yield the \$1.00 billion revenue promised from the 19 casinos. With the income tax, the cost burden is more equitable.

In summary, abandoning House Bill 2308 would avoid the problems which will come with placing 19 casinos in Pennsylvania. We recommend this action to your committee and to the General Assembly.

If you go forward with this Bill, an objective study is required to inform everyone in Pennsylvania. The referendum additions and the other changes listed are also required. We request your action.

Thank you ladies and gentlemen of this House Judiciary Committee for this opportunity to present our views to you in this hearing.

## A PROJECTION FOR PENNSYLVANIA WITH RIVERBOAT GAMBLING

Various sources have been used to project the following profile of Pennsylvania after 19 casinos have been installed on riverboats in its communities. This projection is based upon the references listed at the end of the paper. Extreme estimates have been avoided.

### THE ECONOMIC PROFILE

- \$51.00 Billion gross wagers at these 19 casinos.<sup>2</sup>
  - 13% Average "House Edge" at these casinos.<sup>3,4</sup>
- \$6.67 Billion Adjusted Gross Revenue at these casinos.<sup>1,2</sup>
- \$1.00 Billion Tax Revenue from these casinos @ 15%.<sup>1,2</sup>
  - \$166.7 Million into Senior Citizen Property Tax Relief.<sup>1</sup>
  - \$333.3 Million into Other Property Tax Relief.<sup>1</sup>
  - \$250.0 Million into Counties having Riverboats.<sup>1</sup>
  - \$250.0 Million into Municipalities having Riverboats.<sup>1</sup>
- \$1.90 Billion in Tax Increases to support problem gambling.<sup>5,7</sup>
  - DOLLARS to incarcerate those convicted of crimes.<sup>3</sup>
  - DOLLARS from increased load on judicial system.<sup>3,7</sup>
  - DOLLARS from increased load on the police system.<sup>3,7</sup>
  - DOLLARS for treatment of the problem gamblers.<sup>3,7</sup>
- \$3.50 Billion in Personal Debt incurred by problem gamblers.<sup>3</sup>
  - DOLLARS to support expansion of the infrastructure near casinos.<sup>3</sup>
  - DOLLARS of Losses from welfare recipients at the casinos.<sup>3,5,7</sup>
  - DOLLARS in Sales Tax Revenue lost to the casinos.<sup>3</sup>
  - DOLLARS in Revenue lost by the State Lottery to the casinos.<sup>3</sup>

### THE EMPLOYMENT PROFILE

- 50,000 Employees at the casinos.<sup>2</sup>
- NUMBER Employees at the suppliers to the casinos.<sup>3</sup>
- 48,000 Problem Gamblers have lost or quit their jobs.<sup>5</sup>
- NUMBER Employees displaced from restaurants that lose to the casinos.<sup>3</sup>
- NUMBER Employees displaced from other businesses by the casinos.<sup>3</sup>

### THE SOCIAL PROFILE

- 142,500 Problem Gamblers @ 4% of the over 21 population.<sup>3,4,7</sup>
  - 108,000 Problem Gamblers who resort to criminal activities.<sup>3,7</sup>
    - 62,000 stole from work to pay their gambling debts.<sup>3,5,7</sup>
    - 25,000 had gambling related arrests.<sup>3,5</sup>
  - 94,000 Problem Gamblers who have contemplated suicide.<sup>5,7</sup>
    - 22,000 attempted suicide.<sup>3,5,7</sup>
    - NUMBER committed suicide.<sup>3,7</sup>
  - 30,000 Problem Gamblers filed for bankruptcy.<sup>3,5</sup>
    - NUMBER of Children impacted by these Problem Gamblers.<sup>3</sup>
- 37,000 Separations or Divorces caused by casino gambling.<sup>3,5</sup>
- NUMBER of Child Abuse cases attributed to the casino gambling.<sup>6</sup>
- NUMBER of Domestic Violence cases attributed to the casino gambling.<sup>6</sup>
- NUMBER of Teenagers who become victims of the casinos.<sup>3,7</sup>

### REFERENCES

- 1—PA House Bill No. 2308 (1996) by Rep. George T. Kenney, Jr. et al.
- 2—ERIE, PA., MORNING NEWS, Friday, March 29, 1996.
- 3—THE LUCK BUSINESS by Robert Goodman; 1995, Martin Kessler Books.
- 4—U.S. NEWS & WORLD REPORT, March 14, 1994.
- 5—U.S. NEWS & WORLD REPORT, January 15, 1996.
- 6—TIME, April 1, 1996.
- 7—READER'S DIGEST, April 1996.

Ralph E. Walter  
April 3, 1996