

A Response to "The Case Against Casino Gambling"

Prepared by International Game Technology

As requested, we have reviewed "The Case Against Casino Gambling," prepared by Pennsylvanians Against Gambling Expansion. The following comments constitute our response to the facts, figures and (mostly) conclusions set forth therein:

Where's The Beef?

While *The Case Against Casino Gambling* is professionally presented, it relies heavily upon anecdotes, newspaper articles and conclusions of so-called "experts," most of whom are anti-gambling zealots. Where facts are cited, they are typically incomplete, out of context, or inaccurate. For example, on page 7, under the heading "Background & History," the authors define a casino to include racetracks with gaming machines, yet on page 5, they claim that "[i]n 1994-95, no new state approved non-Indian casinos." In 1994, Iowa and West Virginia authorized gaming machines at racetracks and in 1995, Delaware followed suit. The authors cite a number of gaming issues that failed in various states in an attempt to mislead people into believing that the evils they attribute to legalized gaming have stopped expansion in its tracks. Whether or not a racetrack with gaming machines is a casino, the fact is that the availability of casino-style gaming continues to expand across North America without the dire consequences opponents have predicted. The fact is, that in numerous referenda in Iowa, West Virginia, Missouri, South Dakota, South Carolina, and Louisiana, where people have had direct experience with gaming, a majority of state voters have repeatedly voted in favor of continuing or against repealing gaming in their states.

Other Misrepresentations and Flawed Conclusions

The case against casino gambling, as set forth in the report, consists of four principal arguments: (1) That casino gambling increases the number of compulsive gamblers; (2) That casino gambling causes a myriad of other social problems from increased numbers of bankruptcies to higher rates of domestic abuse and political corruption; (3) That casino gambling increases crime; and (4) That casino gambling "cannibalizes" other businesses and takes money out of the economy resulting in less economic growth. We respond to these principal arguments in detail below.

Problem Gambling

On page 6, "Negative Impacts." and throughout the report, the authors cite an Iowa study showing that the rate of problem gamblers more than tripled following the introduction of casino gambling. The Iowa study, however, was flawed in several respects. First, the

researcher who conducted the study admits that the survey instrument (the South Oaks Gambling Screen or "SOGS") is flawed and overstates the number of problem gamblers. This is especially true when looking at "lifetime" rates, which were the only rates measured in the baseline study, and are the rates cited by opponents of legalized gaming. Volberg, R., Gambling and Problem Gambling in Iowa, Appendix B (1995). Current rates of problem gambling and probable pathological gambling are much lower (3.3% in the 1995 Iowa study). *Id.* at 17. Since there are significant differences between the lifetime and current prevalence rates, either the lifetime rate overstates the number of problem gamblers, the current rate understates the number of problem gamblers, or a significant number of problem gamblers miraculously recover as they mature and become more responsible with their money. It is difficult to attribute the entire difference to effective treatment since treatment has only recently become widely available.

Dr. Volberg has noted that research on SOGS in New Zealand shows that "the screen identifies at-risk individuals at the expense of generating a substantial number of false positives." *Id.* at Appendix B. Additionally, Dr. Volberg says that "the New Zealand research does suggest that estimates of the lifetime prevalence of problem and probable pathological gambling over-state the actual prevalence of pathological gambling." *Id.*

Additionally, as with any survey research, the Iowa studies are subject to a number of potential sampling errors. The survey sample for the 1995 study was 1500, resulting in a margin of error of +/- 2.5%. This may be an acceptable margin of error when dealing with public opinion polls where the response one is measuring is typically in the range of 40 to 60 percent. While we are not statisticians, it seems to us that when the population group you are seeking to measure is only 5.4%, a 2.5% margin of error is potentially huge (more than 46% of the measured population). The 1989 study used an even smaller sample (750) in which men and individuals under the age of 30 (who tend to have higher rates of problem gambling) were underrepresented. As noted by Dr. Volberg in the 1995 study "[i]t seemed possible that the rates of gambling participation and problem gambling prevalence identified in 1989 would have been higher than reported if the sample had been fully representative of the general population in Iowa." *Id.* at 27.

The problems with the survey methods used are exemplified by the problem gambling studies conducted in 1991 and 1993 in South Dakota. These studies both used SOGS as the survey instrument. While the 1991 survey was conducted shortly after casino gaming began in Deadwood, there was a significant expansion in the availability of casino-style gaming in South Dakota between 1991 and 1993 (including the introduction of video lottery terminals in bars and taverns throughout the state). The 1991 survey found a lifetime prevalence rate of problem and probable pathological gambling of 2.8% and a current prevalence rate of 1.4%. The follow-up study conducted in 1993 found lifetime and current prevalence rates of 2.3% and 1.2%, respectively. Volberg, R and Stuefen, R.,

A Study of Gambling Participation and Problem Gambling (University of South Dakota, Business Research Bureau: 1993), at 18.

Is it possible that problem gambling prevalence rates actually declined while the availability of gaming rapidly expanded throughout South Dakota? Gaming opponents would never admit such a possibility. If, however, it is not possible that problem gambling prevalence rates declined as the availability of gambling exploded in South Dakota, then the survey itself must be flawed. Gaming opponents would never admit this possibility, either. Instead, the South Dakota studies are the gaming opponents "dirty little secret" about which they would prefer not to talk.

The researchers who conducted the 1993 South Dakota study say that "the size of the decrease is not statistically significant, suggesting that the prevalence of problem and pathological gambling in South Dakota has remained stable." *Id.* at 29. In subsequent studies, however, Dr. Volberg has noted that "permission to include South Dakota in analyses for other jurisdictions has been denied." Volberg, Gambling and Problem Gambling in Iowa, Appendix D. While Dr. Volberg does not specify who denied her permission to include the South Dakota data, we noted that Citizens United for Gambling Reform, Inc., an anti-gambling group, secured "the funds to pay for" the 1993 South Dakota study. Volberg and Stuefen, A Study of Gambling Participation and Problem Gambling, Acknowledgments.

In addition to the use of lifetime rates (which are used to overstate the costs of problem gambling), small sample sizes and other problems inherent in survey research, we have previously expressed several concerns with the questions used in SOGS and the fact that it takes only three "yes" answers to be identified as a problem gambler (5 "yes" answers are required to be classified as a probable pathological gambler). We will not repeat those concerns here, although we have attached a copy of our previous correspondence setting forth some of our specific concerns.

The authors quote the 1995 Iowa study for the proposition that machine gambling is "the greatest contributor to increases in the prevalence of problem gambling" While the quote is accurate, the underlying data do not support this conclusion. There was a substantial increase in the number of people who have tried machine gambling at some point in their life. Gambling and Problem Gambling in Iowa, p. 29. Nevertheless, machines are not even on the chart when it comes to weekly participation, and the ratio of average monthly expenditures of non-problem to problem gamblers is significantly lower for machines than for virtually every other type of gambling tested. *Id.* at 20 and 21. These factors are far more significant than whether one has ever participated in a particular gambling activity, although even these factors may falsely identify those who enjoy gambling and can afford to gamble frequently as problem gamblers.

This reckless conclusion reaffirms our concern that SOGS automatically leads to an increase in prevalence rates as a result of the availability of gaming entertainment. After all, one of the other highly significant increases in lifetime participation rates was in the stock market. *Id.* at 29. Does this mean that discount brokers, mutual funds and 401(k) plans (to name just a few) have led to an increase in problem gambling?

Other Alleged Social Problems

Authors of the report claim that casino gambling is responsible for everything from a rise in the number of bankruptcies to increased domestic violence to political corruption. For example, the authors claim that personal bankruptcies in Minnesota “have soared to an estimated 1,000+ per year” The fact is that bankruptcies have soared all over the country, primarily as a result of changes in the bankruptcy code and liberal standards adopted by credit card issuers. Minnesota’s 1996 bankruptcy rate is lower than many non-gaming states such as Utah, Idaho, Kentucky, Oklahoma, Georgia, Florida, Alabama, Arkansas, Tennessee, Virginia and Wyoming. We have attached a chart showing 1996 bankruptcy rates for every state in the nation. As you can see, the average bankruptcy rate is lower in gaming states than in non-gaming states around the country.

The authors of *The Case Against Casino Gambling* also claim that crisis calls to a local women’s shelter doubled in Biloxi as a result of casino gambling there. While calls to the local women’s shelter did increase dramatically between 1992 and 1995, the agency reported that the increase was due in part to increased awareness of the services (part of which may have resulted from the O.J. Simpson case), and an increase in population. Casino gambling was a minimal factor. Reuter, P., *Report for the Greater Baltimore Committee*, “The Impact of Casinos on Crime and other Social Problems: An Analysis of Recent Experiences” (Univ. of Maryland: 1997), at 20-21. In his *Report for the Greater Baltimore Committee*, Peter Reuter also interviewed both county and city social service agencies in the St. Louis area and found no indication of gambling contributing to case loads. *Id.* at 27. Reuter commented that “[t]he complete lack of awareness of gambling-related problems on the part of anyone I talked to, even in St. Louis itself where no one would be biased by having the city very dependent on the casino industry, was quite striking.” *Id.* at 28.

Finally, the authors of *The Case Against Casino Gambling* claim that “[o]n the political front, casinos and other new forms of gambling pose a dangerous combination.” They repeatedly cite incidents in Louisiana and Kentucky as evidence that “[i]nfluence scandals are common.” With regard to the Kentucky incident, the authors claim that “a movement to permit racetrack casinos died in 1994 after House Speaker Don Blandford went to prison for taking bribes from the racing lobby.” *The Case Against Casino Gambling* at 7, 19. This statement makes it appear that the House Speaker was accused of taking bribes from racetrack interests in connection with the casino bill. In fact, the

Finally, PAGE implies that the jobs offered by gaming are menial, "not the kinds of jobs we need." Doesn't this group realize that the majority of displaced workers in America are unskilled and without college degrees? While many of these people may not have the resources to become an engineer or scientist, they have just as much right to work hard for a decent living wage in order to support their families. Entry level positions in the gaming industry typically pay higher than the average "food service, hospitality and custodial" job, and they usually offer a comprehensive benefit package. Harrah's, for example, surveyed more than 22,000 of their workers last Fall and 69% indicated that they worry less about being able to make ends meet, while 73% were able to get better health care. Perquisites such as these benefit not only casino workers, but workers throughout the area as other employers are forced to raise wages and/or improve benefits in order to compete for workers. Casinos also employ a larger proportion of women and minorities than other employers in their regions. Average salaries at casinos range from \$22,000 in Biloxi/Gulfport, Mississippi to \$26,000 in Joliet, Illinois. Arthur Andersen, Economic Impacts of Casino Gaming in the United States, Volume 2: Micro Study, May 1997 at 9. In addition, there is plenty of opportunity for the college graduate in the gaming industry, ranging from marketing and advertising executives to chefs to accountants to middle-management positions.

It is the casino workers' stories that best illustrate the impact of better paying jobs on the lives of their families, friends, and neighbors. A few examples --

♣ Laura Hebert worked in a dead-end job as a housekeeping supervisor at a large Gulf Coast hotel. She couldn't afford to pay full price for the health insurance offered through her employer, so she and her family had no coverage. She heard that the new *Isle of Capri Casino* would provide higher wages, good benefits and the opportunity to advance, and she made the difficult decision of leave her job of seven years. Hebert's salary has since tripled, she's worked her way up to become the Isle's executive casino housekeeper, and she and her husband are covered by the company's comprehensive medical benefits. Lisa Monti, Associated Press, March 8, 1997.

♣ Audrey Giovingo remembers how she was living in a rented house with her daughter and granddaughter before the *Empress* [casino in Joliet, Illinois] job came along. "Things were very tight Now I have a new car, and best of all, *Empress* gave me back my self-esteem I'd lost. Every morning I wake up, I thank God and then I thank the *Empress*." *Casino Player*, July 1994, at 8.

♣ Phyllis Fontenot of Lake Charles, Louisiana, believes the *Players Riverboat Casino* turned her life around. She is a 37-year-old single mother with four children. Her husband died in 1993. She now works as a card dealer on the riverboat. Fontenot said she was getting disability checks after her husband's death, "but it wasn't very much." She now makes over \$30,000 per year as a dealer along with full employee benefits.

"Talk about help me out. I was able to get another car and do good things for my kids. I have paid a lot of bills. I'm planning to buy a house this year This is like a dream come true What could be better than making money and having fun at the same time?" Hector San Miguel, *Lake Charles American Press*, December 8, 1994.

In the final analysis, the issue of gambling legalization comes down to opportunity -- opportunity for the under- and unemployed to work for a livable wage, opportunity for a community to broaden its entertainment alternatives, opportunity for residents and tourists alike to enjoy a different and exciting pastime, opportunity for state and local governments to collect additional tax revenues, and opportunity for potential suppliers to serve this new industry. The addition of casino entertainment may not be the right decision for every community, but, properly and thoughtfully implemented, it has proven to be a profitable option for many and should certainly be examined in the clear light of day, with reliable, unbiased research. "Research" of the kind presented by PAGE generates a great deal of heat, but very little light.

CPNA**Coalition of Philadelphia Neighborhood Associations**

736 South Third Street
 Philadelphia, PA 19147
 215-592-7488
 Fax 215-592-4605

Center City Residents Association
 Fishtown Civic Association
 Friends of Pennsport
 Northern Liberties Neighbors Association
 Old City Civic Association
 Queen Village Neighbors Association
 Society Hill Civic Association
 Society Hill Towers Owners Association
 South Street Neighborhood Association

**TESTIMONY SUBMITTED TO THE
 PENNSYLVANIA STATE HOUSE JUDICIARY COMMITTEE
 May 28, 1997**

by the Coalition of Philadelphia Neighborhood Associations

The Coalition of Philadelphia Neighborhood Associations believes the referendum language found in House Bill 295 to be totally inadequate in terms of gauging whether or not Pennsylvanians support the expansion of gambling. As worded now, it simply asks voters to decide whether or not counties, *on a case by case basis*, should be allowed to usher in new forms of gambling: the addition of slot machines at racetracks, video poker games at restaurants and taprooms and riverboat gambling on Pennsylvania waterways.

Governor Ridge has said he will not sign any gambling legislation without a statewide referendum that asks Pennsylvanians if they support new forms of gambling. This bill does not do that. It cloaks its intent in the soothing language of "choice": should counties have the right to choose, on their own, whether or not to embrace new forms of gambling? Nowhere does it ask voters directly how they feel about the issue itself. It is our belief that the referendum question as worded now is a cynical attempt to bypass the governor's wishes and introduce new forms of gambling through a back door.

We believe the decision whether or not to expand gambling in Pennsylvania is one with far reaching economic and social consequences for *all* citizens of the state, not just those who may find themselves living in a county that voted "yes." Any referendum language should be statewide, and pose the question of whether or not to support new forms of gambling directly to voters.

(more)

**Coalition of Philadelphia Neighborhood Associations
House Judiciary Testimony
Page two
5/28/97**

In addition, we believe any gambling referendum legislation should be accompanied by:

- public hearings, held throughout Pennsylvania, on the pros *and* cons of expanding gambling;
- testimony by academics and other experts who have studied the overall economic impact of expanded gambling on other state economies;
- enabling legislation—what will gambling look like if I vote yes? As worded now, voters are being asked to vote blind, without any idea of how gambling would work, who would oversee it, etc.

This question is simply too big, and the implications too wide, to try a back door approach. We urge you to do the right thing—give us the choice, as a state, to welcome or reject new forms of gambling.

The Coalition of Philadelphia Neighborhood Associations is a group of nine civic and neighborhood associations which joined forces two years ago around the issue of riverboat gambling. The coalition represents roughly 40,000 working, middle and upper middle class residents of the city of Philadelphia.

###

EXECUTIVE SUMMARY

Several states in the U.S., including some neighboring Pennsylvania, have a legalized private sector riverboat gaming industry. This report presents an analysis of the economic outcomes that can be expected from the introduction of a riverboat gaming industry in Pennsylvania, as recently proposed.

Economic impact analysis consists of the application of carefully developed procedures for estimating the effect that an economic event is likely to have the condition of the state's economy. The economic event we considered was the introduction of a riverboat gaming industry. We have selected four broad measures of economic impact:

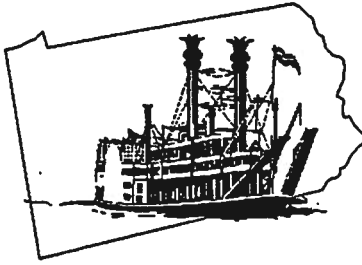
- increases in output of goods and services (principally, business sales)
- new jobs created
- increases in personal income
- tax collections by state and local governments

The analysis consists of two parts. The first part is the economic impact of construction as the new industry is being created. The second part is the economic impact of continuing operations as the industry serves patrons. In each part of the analysis, impact measurements are made for each of three consecutive years.

This analysis was based on important assumptions about the levels on and types of investments that would be made and assumptions about the revenues (and their sources) that can be expected from operations. These assumptions are spelled out and are important to an understanding of the estimates we made.

The construction phases of the new industry, covering three years, can be expected to generate new output for the state's economy averaging about \$500 million per year. New employment will vary from about 4,400 to 6,500 jobs over the period. Personal income will vary from \$140 million to \$200 million annually.

During the first year of operations Total Impact is expected to be over \$1 billion; more than 31,000 jobs will be created in all effected sectors of the economy; personal income will grow by one-half billion dollars; tax collections will be about \$150 million. By the third year the new riverboat gaming industry will add about \$3.8 billion to the state's economy, nearly 110,000 jobs, \$1,700 million in personal income, and \$530 million in state and local tax collections. Over the first 3 years of operations tax collections are expected to exceed one billion dollars.



Riverboat Casino Gaming Will Produce \$1 Billion in Taxes for Pennsylvania

In the first three years of serving patrons, Pennsylvania riverboat casino gaming will generate more than \$1 billion in new taxes for the Commonwealth.

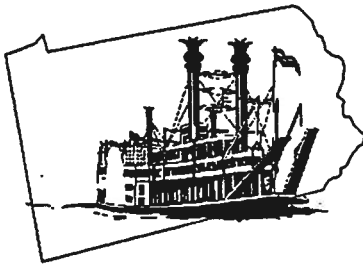
- ▶ Casinos would pay a 15% adjusted gross receipt tax generating \$80 million in year one, \$202 million in year two, and \$290 million in year three.
- ▶ Personal income created by the new casino industry will produce state and local income taxes ranging from \$32 million in the first year to \$76 million in year two to \$109 million in year three.
- ▶ Sales and other business taxes will produce another \$39 million, \$91 million and \$131 million in the first three years.
- ▶ Pennsylvania state and local treasuries will earn \$151 million dollars the first year of casino operations followed by year two tax revenue of \$369 million and year three tax revenue of \$530 million for a three year total of \$1.05 billion.

Tax Type	Year 1	Year 2	Year 3	Total: First 3 Years
Adjusted Gross Receipts Tax	\$80,000,000	\$202,000,000	\$290,000,000	\$572,000,000
Income based taxes	\$32,000,000	\$76,000,000	\$109,000,000	\$217,000,000
Indirect business taxes (sales, etc.)	\$39,000,000	\$91,000,000	\$131,000,000	\$261,000,000
Total Tax Collections	\$151,000,000	\$369,000,000	\$530,000,000	\$1,050,000,000

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming Will Bring Construction Dollars to Pennsylvania

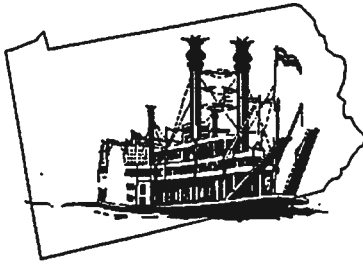
It is expected that it will take three years to build and establish a riverboat casino industry in Pennsylvania, with four to five riverboat or dockside casinos under construction in each year.

- ▶ Building 15 riverboat or dockside casinos will result in \$683 million spent on construction in Pennsylvania.
- ▶ The need for at least three hotels to support riverboat casino gaming will bring another \$118 million for construction in the state.
- ▶ Casino construction workforces will range from 1800 to 2600 workers with personal incomes varying between \$64 million and \$93 million.
- ▶ The three year construction phase is expected to result in an annual economic output ranging from \$400 million to \$600 million dollars a year and total job creation will vary from 4400 to 6600 total jobs reaching virtually every sector of the Pennsylvania Economy. Annually, total personal incomes will range from \$143 million to \$208 million during the construction phase.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming: New Jobs, More Income for Pennsylvanians

Once riverboat casinos are built and operations commence, a \$2 billion dollar a year industry will generate revenues and jobs for virtually every segment of the Pennsylvania Economy for years to come.

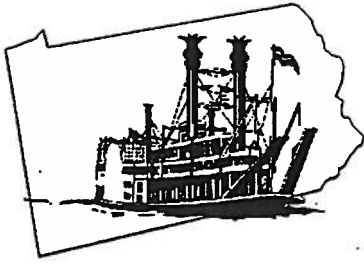
- ▶ During that first year, the entire Pennsylvania economy will benefit from a total impact of \$1 billion, nearly 32,000 jobs and personal wealth of \$511 million.
- ▶ By year three of operations, casinos will directly produce more than \$2 billion in gross revenues, nearly 82,000 jobs and personal incomes of more than \$1 billion.
- ▶ Spending by casinos and their employees will ripple through the Pennsylvania Economy producing an economic output of goods and services topping \$3.7 billion dollars a year. This will create nearly 110,000 new jobs and annual personal income exceeding \$1.7 billion.

A riverboat gaming industry in Pennsylvania will provide more choices and more opportunities to enjoy activities close to home. It is the increased opportunity to consume goods and services in the state that will provide these economic benefits.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casinos Will Plug the \$Billion Drain Of Gambling Dollars To Out-of-state Casinos

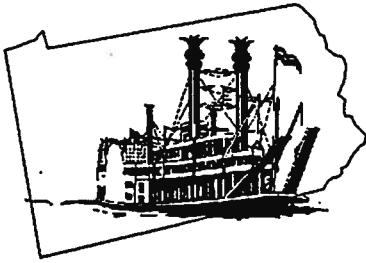
Pennsylvanians now spend more than \$1 billion a year on out-of-state gambling. A new study reveals that creating a riverboat casino gaming industry in Pennsylvania will “recapture” a large part of those gambling dollars. These new revenues would result from Pennsylvanians patronizing the new gaming industry rather than Atlantic City, Las Vegas and other gambling venues.

- ▶ Nearly \$360 million dollars of the anticipated first year gambling revenue will be “recaptured” by keeping Pennsylvania gambling dollars home. That’s based on a very conservative first-year 30% recapture rate of the \$1.2 billion now spent on out of state gambling.
- ▶ That recapture rate is expected to increase conservatively to 70% as the industry matures over its first three years.
- ▶ By the third year of full operations with 15 riverboat and dockside casinos, we can expect annual gaming revenues to top \$1.9 billion dollars and nearly half, \$891 million, will be revenue that otherwise would be lost to out-of-state gambling locations.
- ▶ Other Pennsylvania businesses in the hospitality, lodging and entertainment areas will also begin recapturing a similar portion of out-of-state travel spending. It’s estimated that these businesses will recover \$120 million in year one, growing to \$206 million in year two and \$297 million in year three.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming: Creating Economic Benefit For Pennsylvania Businesses

- ▶ Total economic output of goods and services from casino gaming will reach nearly \$4 billion by year three of casino operations benefitting virtually every segment of Pennsylvania economy.
- ▶ Casino gaming will create total personal income of \$1.7 billion. These are dollars that will be spent by wage earners throughout the entire Pennsylvania economy for housing, food, clothing, entertainment, etc.
- ▶ By year three of casino operations, “eating & drinking” establishments alone will benefit from \$139 million newly generated by casino economic output and they will receive \$61 million of new personal income created by the new industry.
- ▶ Hotels and lodging will earn \$60 million from casino economic output and \$37 million from new personal incomes by year three.
- ▶ Riverboat casinos will produce new revenue that remains in the Pennsylvania economy. Some of this new revenue will go to casinos and to new restaurants and businesses that locate near and take advantage of the new casino industry but some existing businesses will earn new revenue as well.
- ▶ As personal income increases, the dollars available for entertainment and leisure activities have tended to increase at a faster rate. A larger amount of new income is used for discretionary spending because many consumer costs such as mortgage and car payments are relatively fixed. (Source: U.S. Dept. Of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey, Bulletin 2462*, Sept., 1995.)

Gambling critics often claim that casinos don't produce real economic benefit but merely a "substitution effect" by taking revenue away from competing businesses such as restaurants. But, economic data disputes that overly-simplistic claim.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135

Compulsive Gambling

is a progressive behavior disorder in which an individual has a psychologically uncontrollable preoccupation and urge to gamble. This results in excessive gambling, the outcome of which is the loss of time and money. The gambling reaches the point at which it compromises, disrupts or destroys the gambler's personal life, family relationships or vocational pursuits. These problems in turn lead to intensification of the gambling behavior. The cardinal features are emotional dependence on gambling, loss of control and interference with normal functioning.

The Council on Compulsive Gambling of Pennsylvania

is a nonprofit organization affiliated with the National Council on Problem Gambling. Its purpose is to educate and disseminate information on compulsive gambling and to facilitate referrals.

The Pennsylvania Council provides speakers, workshops, seminars, and information on this public health problem to business, industry labor groups, schools and colleges, health care and treatment facilities, to community and religious organizations.



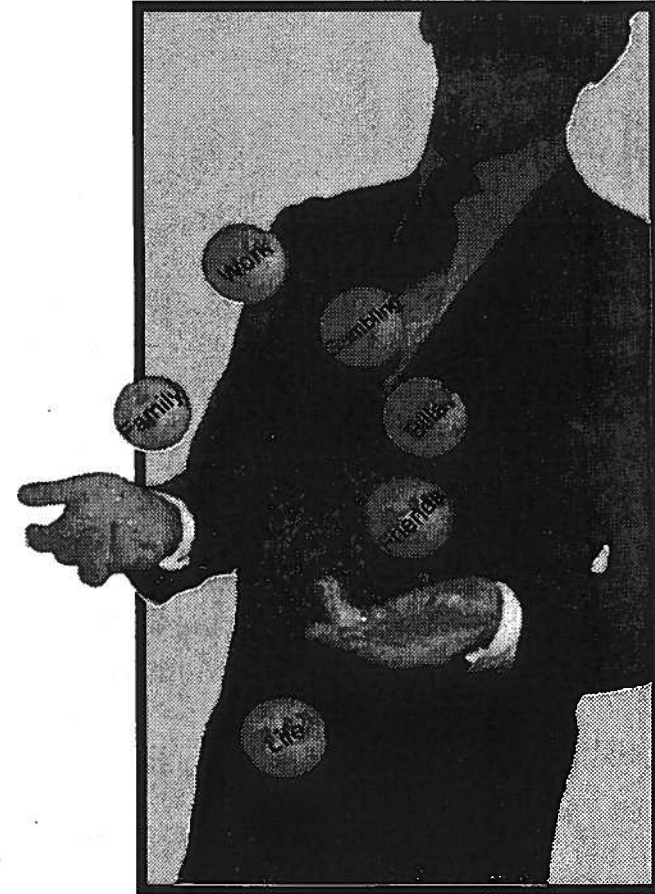
Council on Compulsive Gambling of PA
1002 Longspur Road
Audubon, PA 19403



COUNCIL ON
COMPULSIVE
GAMBLING OF
PENNSYLVANIA

If you or someone you know has a gambling problem... call 1 (800) 848-1880

For most people,
gambling is good
clean Fun...
But for others, it's
a nightmare



Council on Compulsive Gambling of PA
1002 Longspur Road
Audubon, PA 19403
1-800-848-1880

outside PA call 1-215-744-1880

Compulsive gambling is the most rapidly growing and least understood addiction. An equal opportunity addiction, it affects men and women of all social, ethnic and educational backgrounds. Compulsive gambling respects neither the very young nor the very old, and almost one quarter of all people with a gambling problem are either under age 21 or over age 55.

Compulsive gambling destroys careers, friendships and lives. Each compulsive gambler adversely affects the lives of more than six other individuals: family, friends, co-workers and the community. Studies have shown that 20 to 25 percent of the population of Pennsylvania's prisons are there because of gambling-related crimes, such as robbery and embezzlement or partner/child abuse. A gambling addiction will destroy the people whose lives are affected by the compulsive gambler long before the gambler is affected.

Compulsive gambling is an addictive illness characterized by an overwhelming and uncontrollable need to gamble. Since 1982, the American Psychiatric Association has recognized

compulsive gambling as a treatable illness. It is estimated that three percent of Pennsylvania's citizens are compulsive gamblers. As new forms of gambling become available, the number of gambling addicts will also grow. Compulsive gambling is a disease spread by apathy and ignorance. Prevention through education works!

The mission of the Pennsylvania Council on Compulsive Gambling is to provide statewide prevention programs, public education, professional training and to facilitate treatment and research for this illness.

Pennsylvania is experiencing a gambling explosion. The proponents and opponents of gambling may not fully understand all the issues and problems that exist or will be exacerbated by bringing new forms of gambling into the Commonwealth.

You can help. Please join the Pennsylvania Council on Compulsive Gambling now, before it is too late.

1 (800) 848-1880

outside PA call 1 (215) 744-1880

Council on Compulsive Gambling of PA

1002 Longspur Road
Audubon, PA 19403

Membership Application

Please circle selected membership type:

Name _____	Full membership and CCGP Newsletter	\$.50
Address _____	Benefactor	\$ 100
City, State, Zip _____	Patron	500
Phone _____	Institution or Corporation	1000
Business _____	Special Institution or Corporation	5000
Business Address _____	Other	\$ _____
Business Phone _____		

All contributions are appreciated and important to our work!

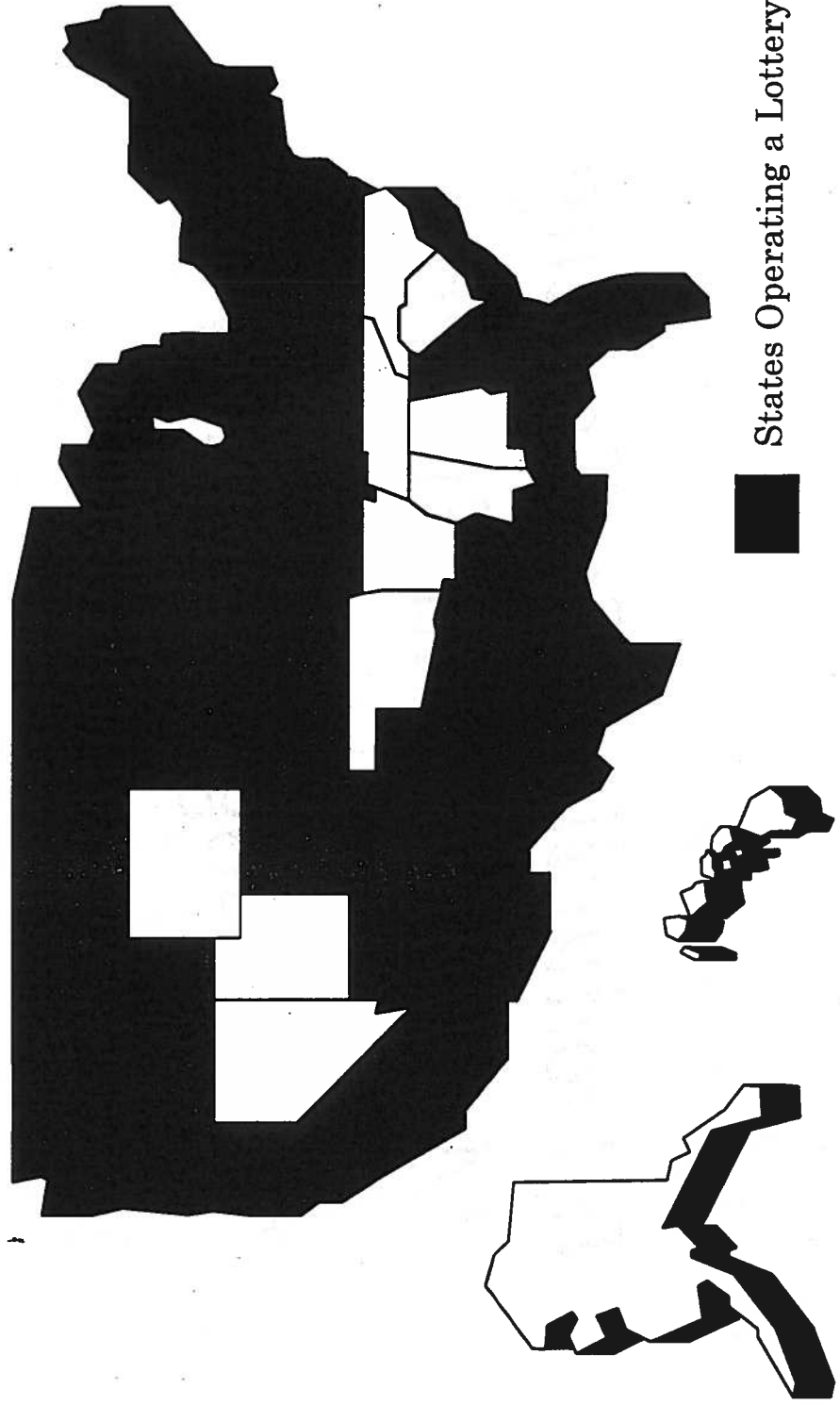
Contributions are tax deductible (Federal tax ID#23 231017)

*Introduction To Gaming
Machines And Systems*

**Technology, Security &
Accountability**



States Operating Lotteries



States Operating a Lottery



International Game Technology



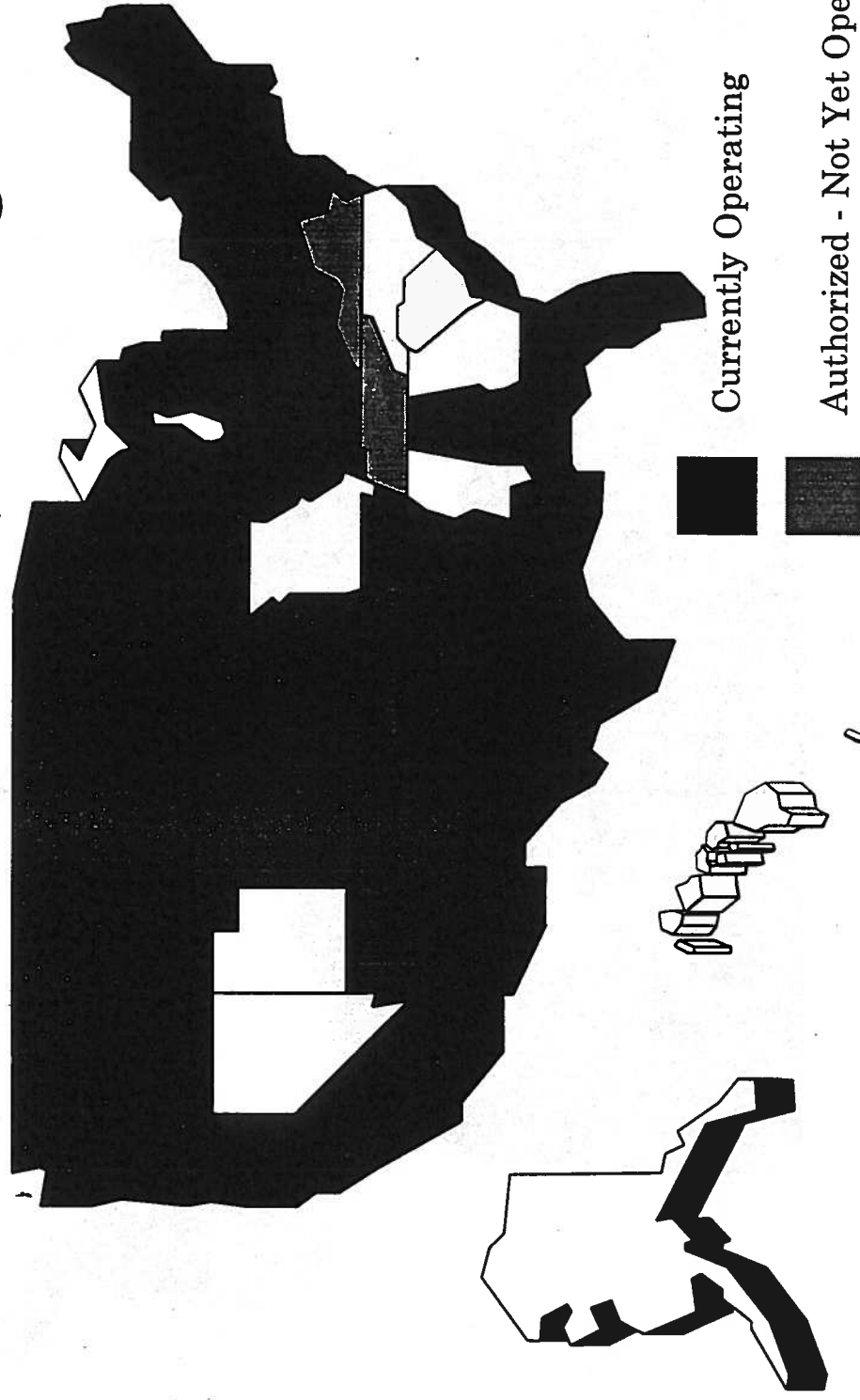
States Where Charitable Gaming Is Operating



Charitable gaming in the United States runs the gamut from church held
bingos and pulltabs to Las Vegas nights and calcuttas.



States Where Parimutuel Facilities are Operating



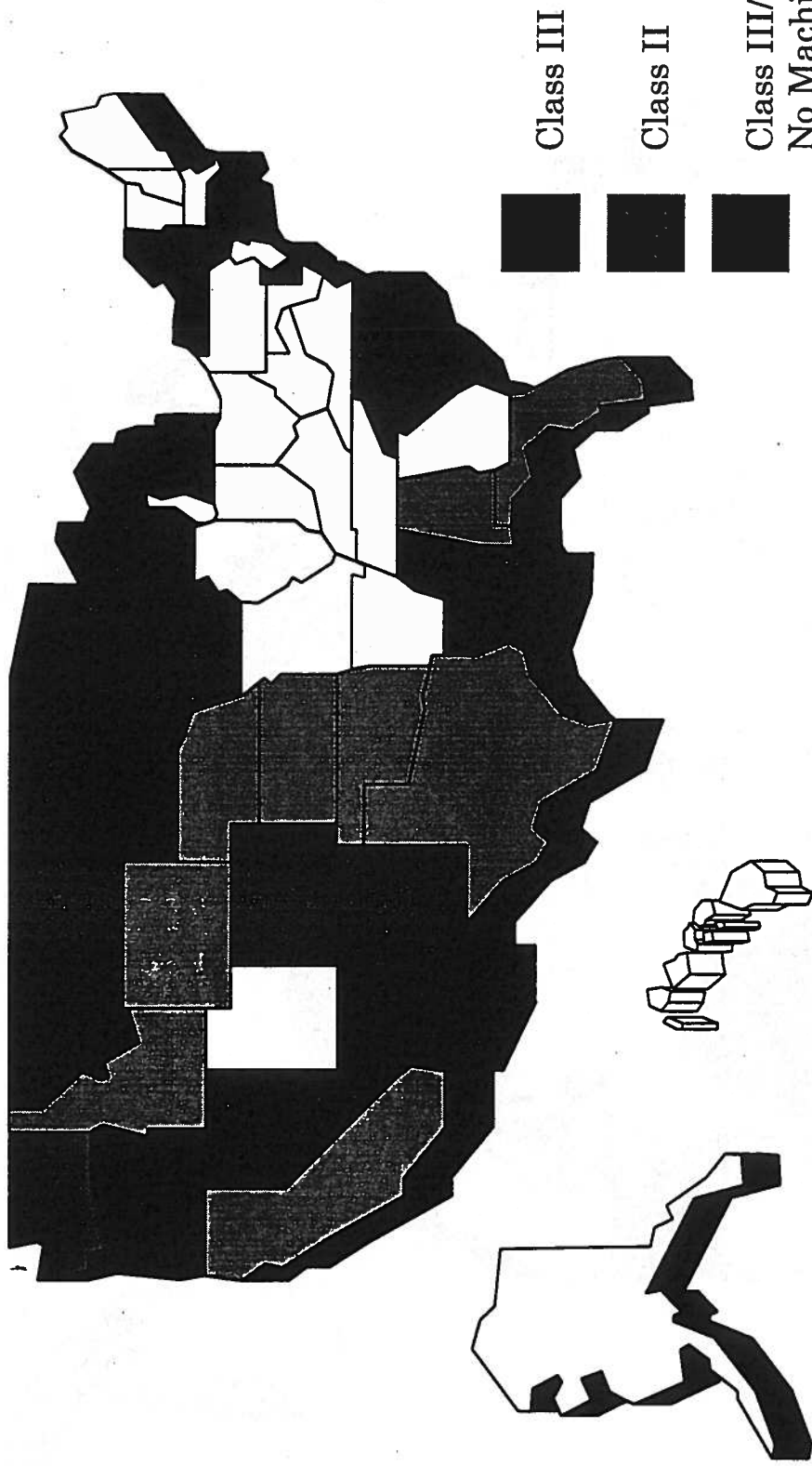
Currently Operating

Authorized - Not Yet Operating

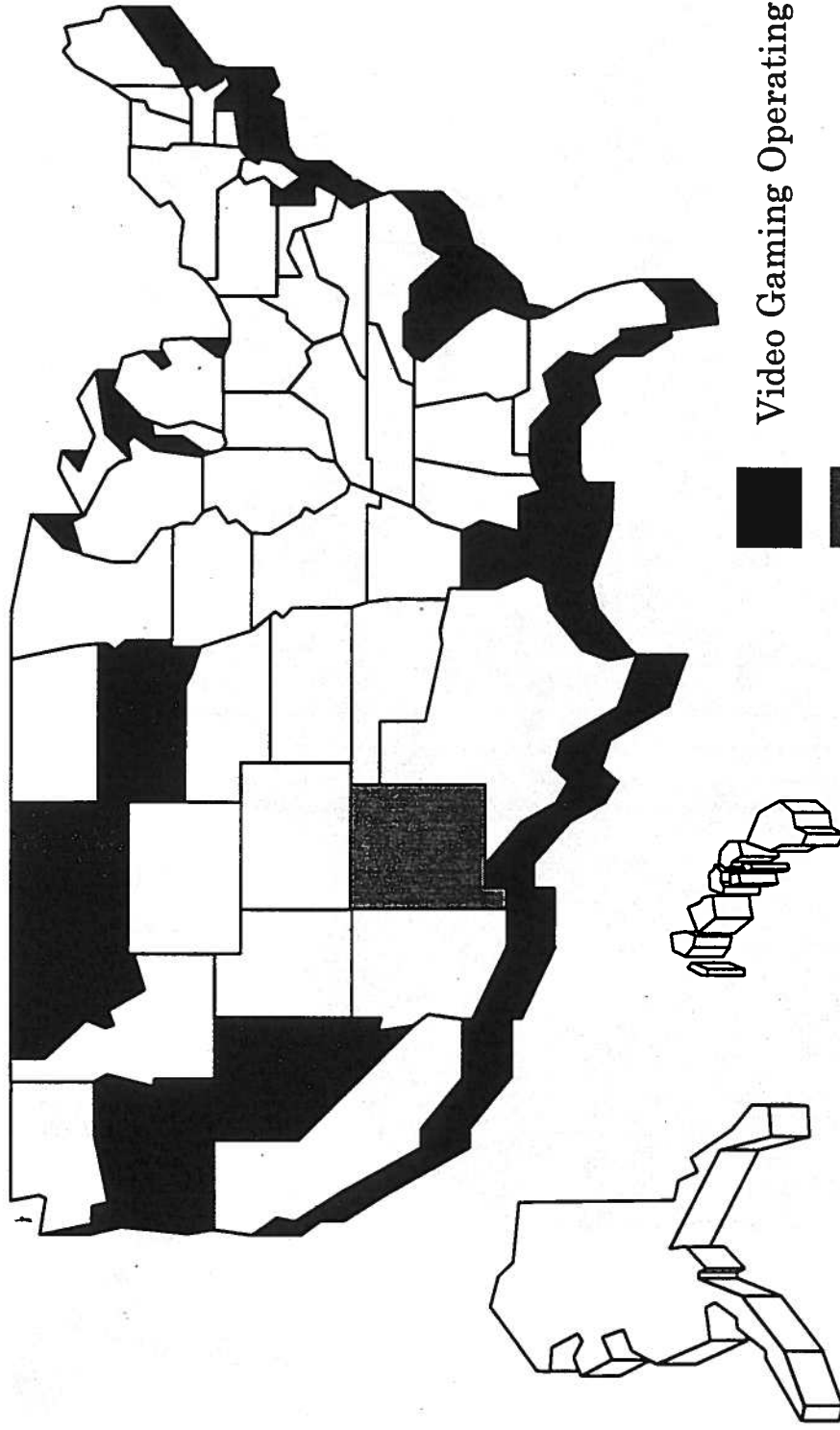


International Game Technology

States Where Indian Gaming is Operating



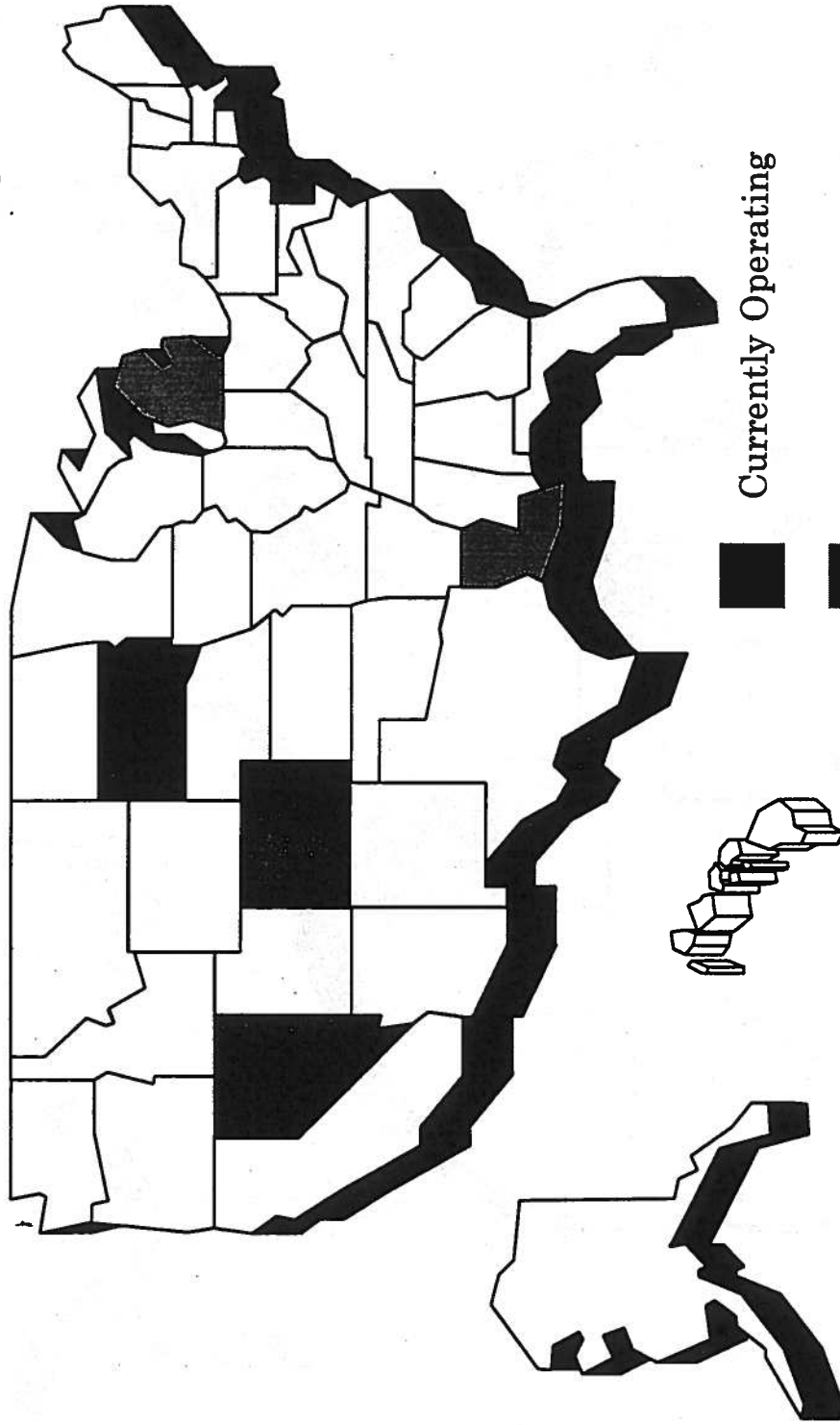
States Where Video Gaming Is Operating



International Game Technology

States Where Land-based Casino

Gaming Is Operating



International Game Technology

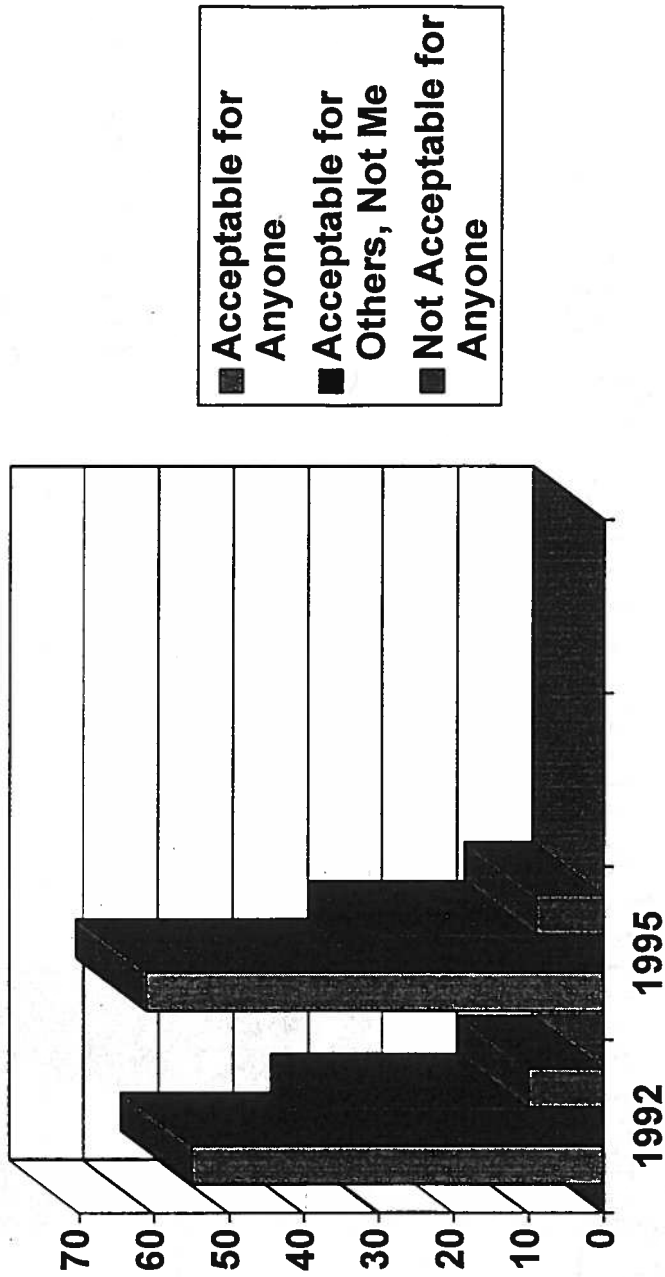


Forms of Gaming Operating in the U.S.

<u>Type</u>	<u># of States</u>
State-Run Lotteries	38
Riverboats	6
Indian Gaming	29
Video Lottery/Video Gaming	8
Land-based Casinos	5
Parimutuel Facilities	42
Charitable Gaming	46

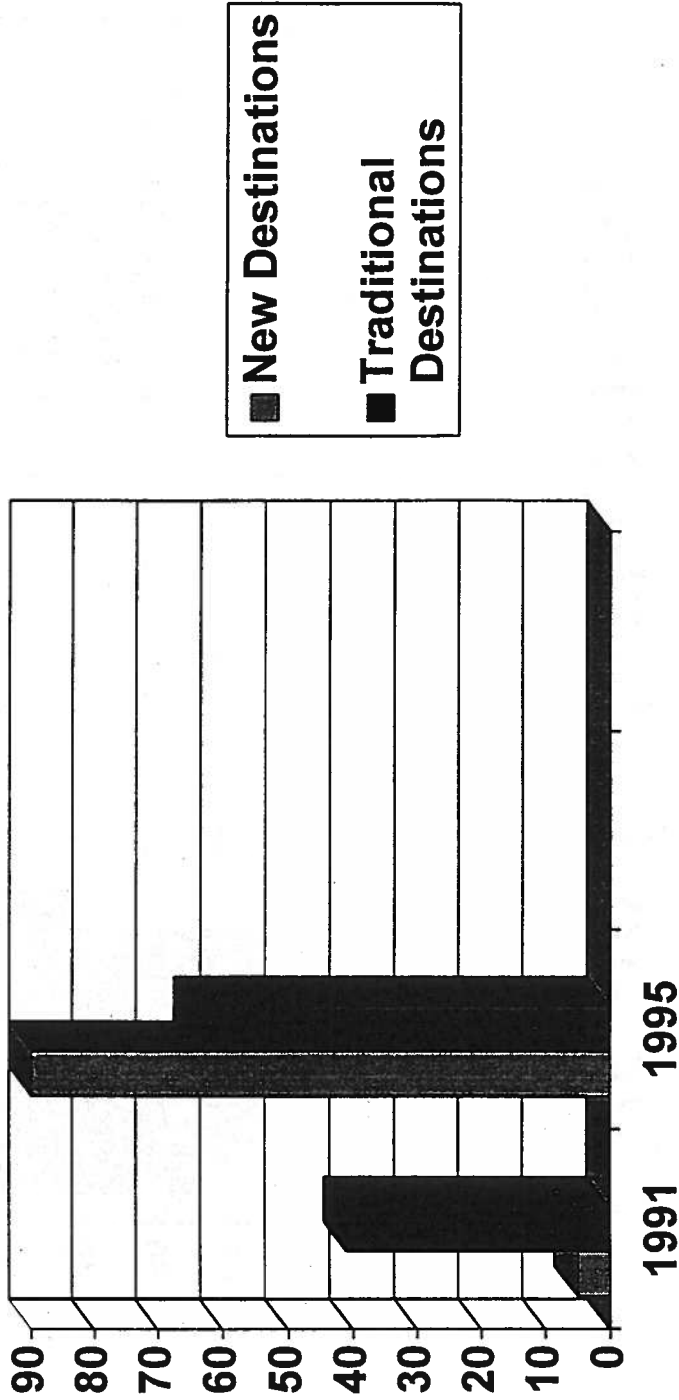


U.S. Acceptance of Casino Entertainment



International Game Technology

Visits to U.S. Casino Destinations (in millions)



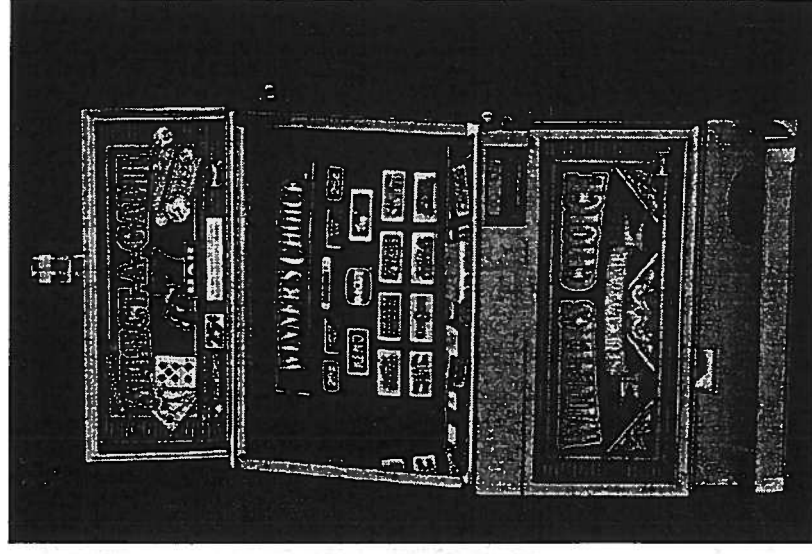
North American Jurisdictions That Have Authorized Or Voted To Keep Machine Gaming Since 1994

- Michigan
- Delaware
- New Mexico
- Iowa
- West Virginia
- Louisiana
- South Carolina
- Quebec, Ontario, British Columbia



Machines

- Operate electronically
- Microprocessor controlled
- Modular design
- Diagnostics
- Random number generator (RNG)

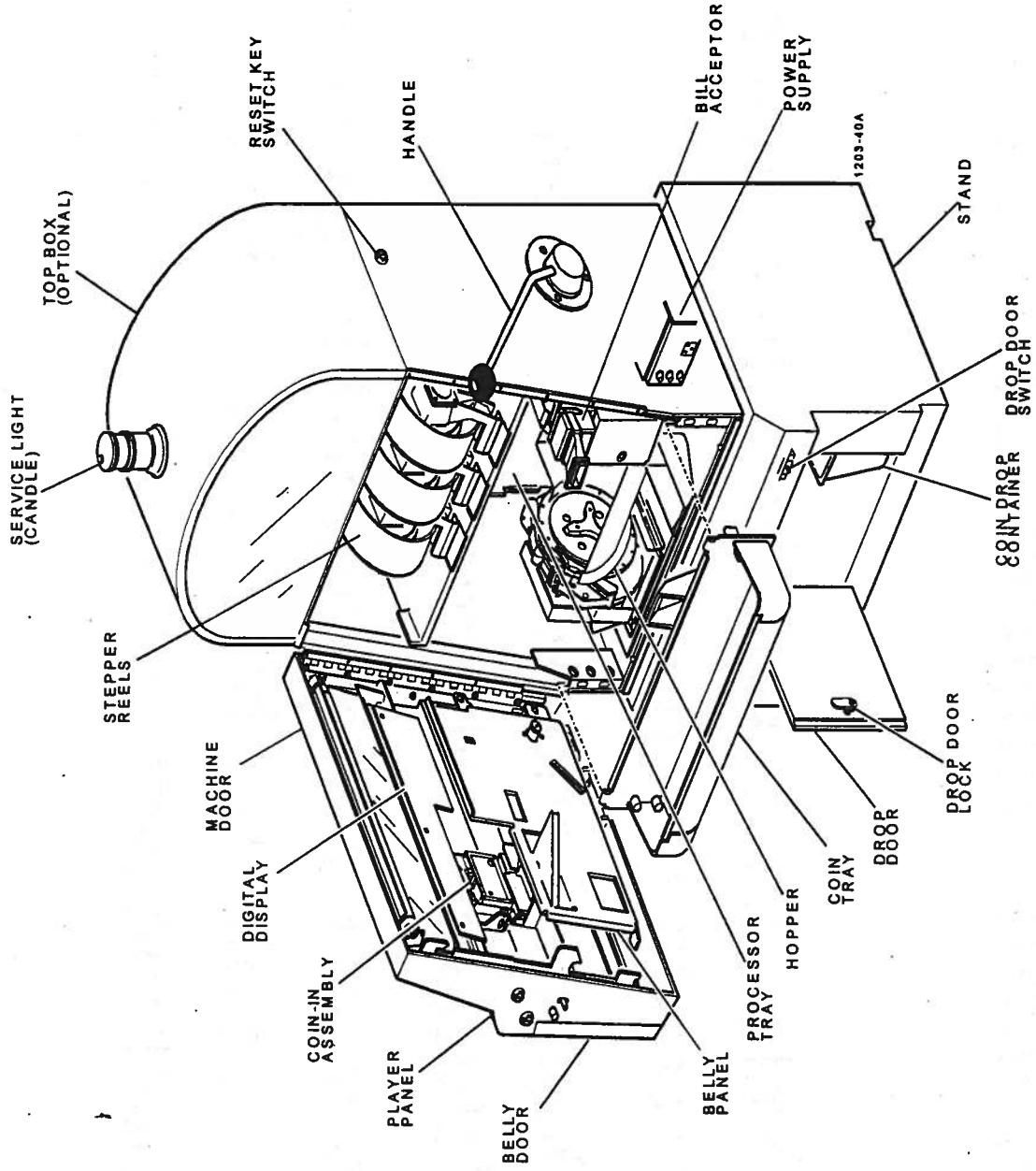



Random Number Generator

- Cycles continuously until coin inserted or credit button pushed
- Designed and tested to prevent detectable patterns
- Parameters determined by game type
(*i.e.*, poker or blackjack=1-52; slot machine typically=1-64 per reel)



Components






Coin/Bill Handling

- Coin comparator
 - Size and weight of coin
 - Magnetic properties
 - Optics (A, B and C)
- Bill acceptor
 - Picture of bill
 - Transparency of paper
 - Magnetic qualities of ink
 - Once accepted, bill cannot be retrieved--
cash out in coins





Hoppers and Ticket Printers

- Two common types of payout mechanisms
- Hoppers dispense and count coins
- Ticket printers print vouchers encoded with various security information
 - Validated through system using CVT





“Hard” and “Soft” Meters

- “Hard” meters are electromechanical, “odometer-style” meters
- “Soft” meters are electronic meters controlled by computer software
- Coins-in, coins-out, credits played, credits won, door open, card cage open, power down, etc.






Security Features

- Coin Comparator / Bill Acceptor
- Processor Board / Card Cage
- Hopper / Ticket Printer
- Display (Reel Position)
- Game Recall
- Communications (Protocol)





Systems (cont.)

- Security
 - Critical Event Reporting
 - Event Logs
 - EPROM Signature Verification
- Accounting
 - End-of-Day Processing
 - Report Generation
 - » Daily, weekly, monthly, annual
 - » By machine, location, total





Systems (cont.)

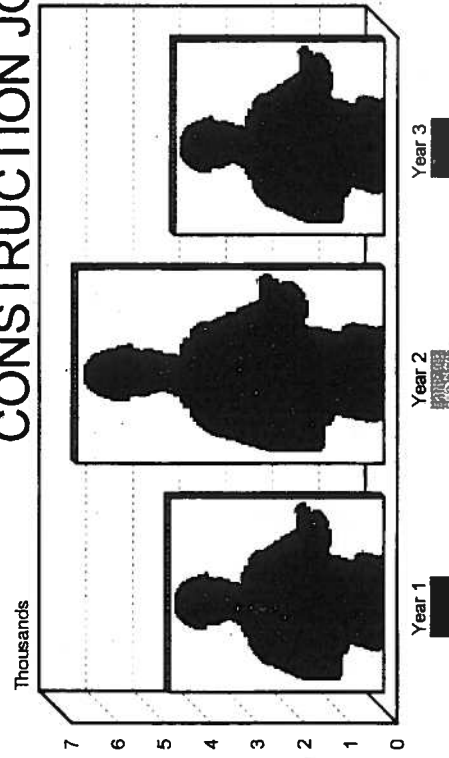
- Monitoring
 - On-line monitoring
 - Audit capabilities
 - Exceptions log
- Electronic Funds Transfer
- Central Site Control
 - Remote enable/disable of terminals or locations



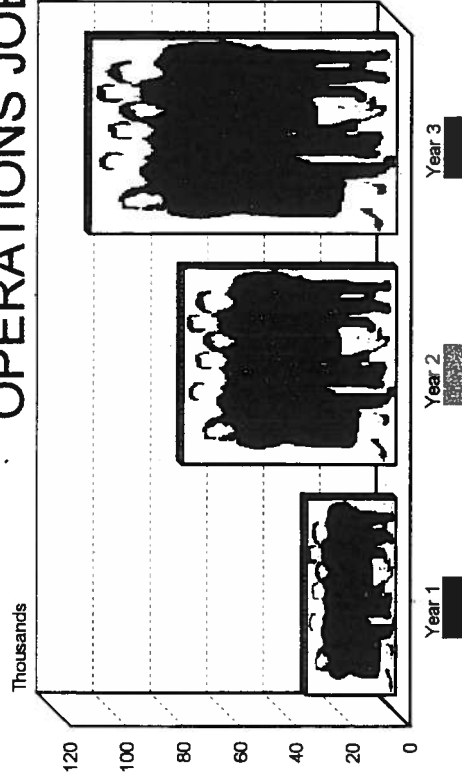
Pennsylvania Riverboat Gaming Industry

NUMBER OF JOBS ADDED TO PENNSYLVANIA ECONOMY BY GAMING INDUSTRY
DURING THE FIRST THREE YEARS OF OPERATION

CONSTRUCTION JOBS



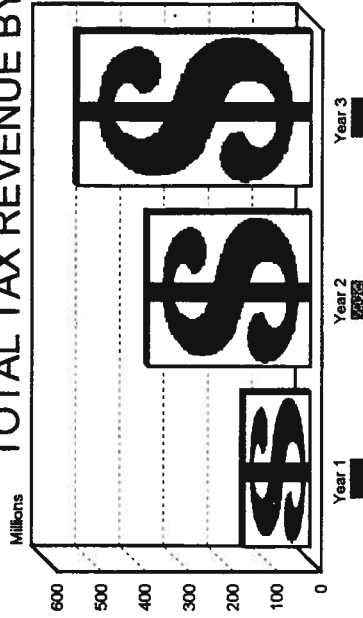
OPERATIONS JOBS



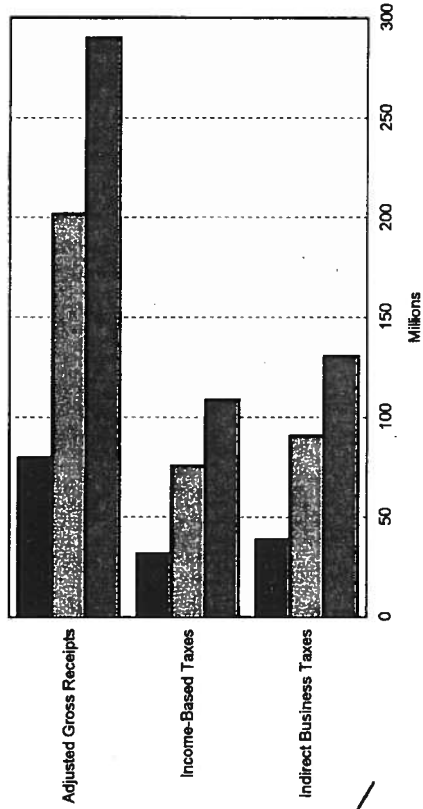
Pennsylvania Riverboat Gaming Industry

WHAT THE GAMING INDUSTRY WILL ADD TO STATE & LOCAL TAX COLLECTIONS
FROM OPERATIONS IN THE FIRST THREE YEARS

TOTAL TAX REVENUE BY YEAR



TAX REVENUE BY TYPE



TOTAL TAX REVENUE
IN FIRST 3 YEARS

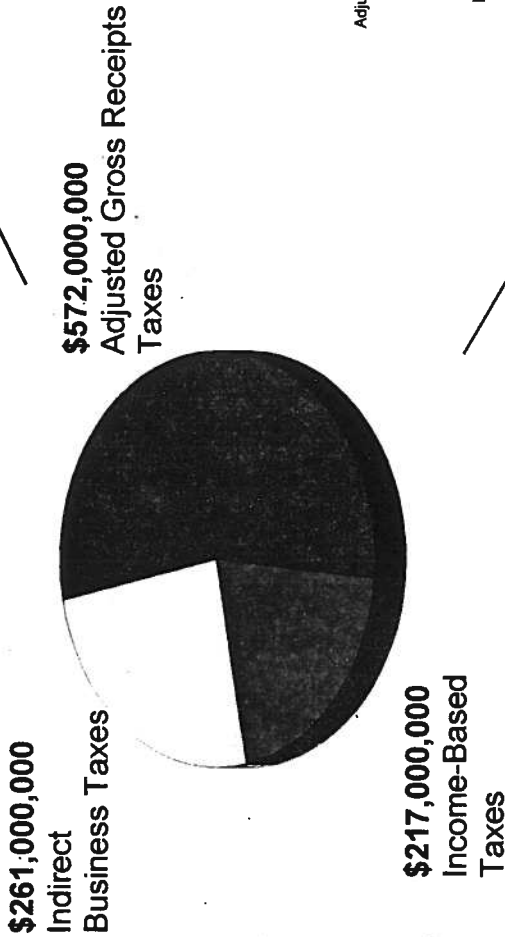


TABLE F-3 SUMMARY OF ESTIMATED TAX COLLECTIONS

PENNSSTATE



INSTITUTE OF STATE AND REGIONAL AFFAIRS

Harrisburg

The Institute of State and Regional Affairs (ISRA) has been a vital force in Pennsylvania since it was established at Penn State Harrisburg in 1973. The Institute was created as a means of connecting Penn State Harrisburg with the state capital community. Over the years, the primary role of ISRA has been to further the University's public service mission by using Penn State's interdisciplinary resources and approaches in undertaking projects that serve the public interest.

Although the specific activities of ISRA have changed over the past 23 years, its strong unwavering commitment to public service has remained constant. Whether it is tracking the state's demographic indicators or responding to a request from a legislative staff member, the Institute stands ready to address the problems facing our ever-changing society and to assist in providing solutions.

EXECUTIVE SUMMARY

Several states in the U.S., including some neighboring Pennsylvania, have a legalized private sector riverboat gaming industry. This report presents an analysis of the economic outcomes that can be expected from the introduction of a riverboat gaming industry in Pennsylvania, as recently proposed.

Economic impact analysis consists of the application of carefully developed procedures for estimating the effect that an economic event is likely to have the condition of the state's economy. The economic event we considered was the introduction of a riverboat gaming industry. We have selected four broad measures of economic impact:

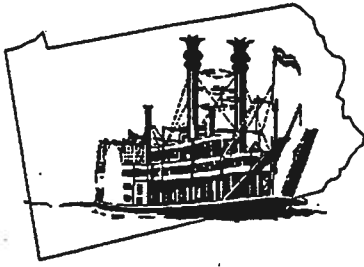
- increases in output of goods and services (principally, business sales)
- new jobs created
- increases in personal income
- tax collections by state and local governments

The analysis consists of two parts. The first part is the economic impact of construction as the new industry is being created. The second part is the economic impact of continuing operations as the industry serves patrons. In each part of the analysis, impact measurements are made for each of three consecutive years.

This analysis was based on important assumptions about the levels on and types of investments that would be made and assumptions about the revenues (and their sources) that can be expected from operations. These assumptions are spelled out and are important to an understanding of the estimates we made.

The construction phases of the new industry, covering three years, can be expected to generate new output for the state's economy averaging about \$500 million per year. New employment will vary from about 4,400 to 6,500 jobs over the period. Personal income will vary from \$140 million to \$200 million annually.

During the first year of operations Total Impact is expected to be over \$1 billion; more than 31,000 jobs will be created in all effected sectors of the economy; personal income will grow by one-half billion dollars; tax collections will be about \$150 million. By the third year the new riverboat gaming industry will add about \$3.8 billion to the state's economy, nearly 110,000 jobs, \$1,700 million in personal income, and \$530 million in state and local tax collections. Over the first 3 years of operations tax collections are expected to exceed one billion dollars.



Riverboat Casino Gaming Will Produce \$1 Billion in Taxes for Pennsylvania

In the first three years of serving patrons, Pennsylvania riverboat casino gaming will generate more than \$1 billion in new taxes for the Commonwealth.

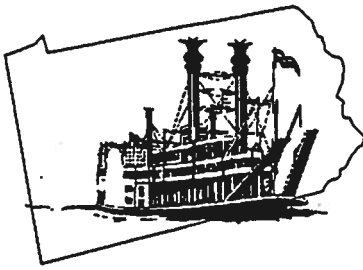
- ▶ Casinos would pay a 15% adjusted gross receipt tax generating \$80 million in year one, \$202 million in year two, and \$290 million in year three.
- ▶ Personal income created by the new casino industry will produce state and local income taxes ranging from \$32 million in the first year to \$76 million in year two to \$109 million in year three.
- ▶ Sales and other business taxes will produce another \$39 million, \$91 million and \$131 million in the first three years.
- ▶ Pennsylvania state and local treasuries will earn \$151 million dollars the first year of casino operations followed by year two tax revenue of \$369 million and year three tax revenue of \$530 million for a three year total of \$1.05 billion.

Tax Type	Year 1	Year 2	Year 3	Total: First 3 Years
Adjusted Gross Receipts Tax	\$80,000,000	\$202,000,000	\$290,000,000	\$572,000,000
Income based taxes	\$32,000,000	\$76,000,000	\$109,000,000	\$217,000,000
Indirect business taxes (sales, etc.)	\$39,000,000	\$91,000,000	\$131,000,000	\$261,000,000
Total Tax Collections	\$151,000,000	\$369,000,000	\$530,000,000	\$1,050,000,000

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming Will Bring Construction Dollars to Pennsylvania

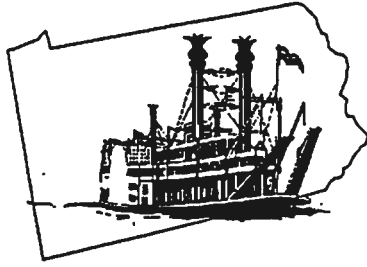
It is expected that it will take three years to build and establish a riverboat casino industry in Pennsylvania, with four to five riverboat or dockside casinos under construction in each year.

- ▶ Building 15 riverboat or dockside casinos will result in \$683 million spent on construction in Pennsylvania.
- ▶ The need for at least three hotels to support riverboat casino gaming will bring another \$118 million for construction in the state.
- ▶ Casino construction workforces will range from 1800 to 2600 workers with personal incomes varying between \$64 million and \$93 million.
- ▶ The three year construction phase is expected to result in an annual economic output ranging from \$400 million to \$600 million dollars a year and total job creation will vary from 4400 to 6600 total jobs reaching virtually every sector of the Pennsylvania Economy. Annually, total personal incomes will range from \$143 million to \$208 million during the construction phase.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming: New Jobs, More Income for Pennsylvanians

Once riverboat casinos are built and operations commence, a \$2 billion dollar a year industry will generate revenues and jobs for virtually every segment of the Pennsylvania Economy for years to come.

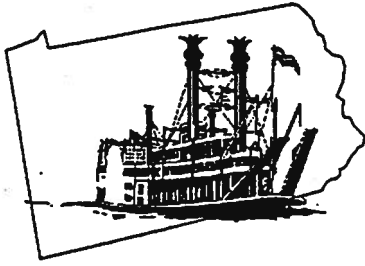
- ▶ During that first year, the entire Pennsylvania economy will benefit from a total impact of \$1 billion, nearly 32,000 jobs and personal wealth of \$511 million.
- ▶ By year three of operations, casinos will directly produce more than \$2 billion in gross revenues, nearly 82,000 jobs and personal incomes of more than \$1 billion.
- ▶ Spending by casinos and their employees will ripple through the Pennsylvania Economy producing an economic output of goods and services topping \$3.7 billion dollars a year. This will create nearly 110,000 new jobs and annual personal income exceeding \$1.7 billion.

A riverboat gaming industry in Pennsylvania will provide more choices and more opportunities to enjoy activities close to home. It is the increased opportunity to consume goods and services in the state that will provide these economic benefits.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casinos Will Plug the \$Billion Drain Of Gambling Dollars To Out-of-state Casinos

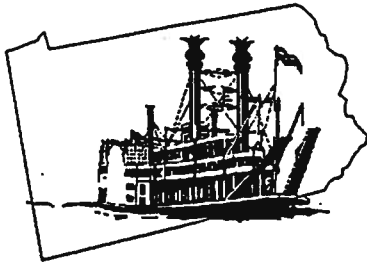
Pennsylvanians now spend more than \$1 billion a year on out-of-state gambling. A new study reveals that creating a riverboat casino gaming industry in Pennsylvania will "recapture" a large part of those gambling dollars. These new revenues would result from Pennsylvanians patronizing the new gaming industry rather than Atlantic City, Las Vegas and other gambling venues.

- ▶ Nearly \$360 million dollars of the anticipated first year gambling revenue will be "recaptured" by keeping Pennsylvania gambling dollars home. That's based on a very conservative first-year 30% recapture rate of the \$1.2 billion now spent on out of state gambling.
- ▶ That recapture rate is expected to increase conservatively to 70% as the industry matures over its first three years.
- ▶ By the third year of full operations with 15 riverboat and dockside casinos, we can expect annual gaming revenues to top \$1.9 billion dollars and nearly half, \$891 billion, will be revenue that otherwise would be lost to out-of-state gambling locations.
- ▶ Other Pennsylvania businesses in the hospitality, lodging and entertainment areas will also begin recapturing a similar portion of out-of-state travel spending. It's estimated that these businesses will recover \$120 million in year one, growing to \$206 million in year two and \$297 million in year three.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135



Riverboat Casino Gaming: Creating Economic Benefit For Pennsylvania Businesses

- ▶ Total economic output of goods and services from casino gaming will reach nearly \$4 billion by year three of casino operations benefitting virtually every segment of Pennsylvania economy.
- ▶ Casino gaming will create total personal income of \$1.7 billion. These are dollars that will be spent by wage earners throughout the entire Pennsylvania economy for housing, food, clothing, entertainment, etc.
- ▶ By year three of casino operations, "eating & drinking" establishments alone will benefit from \$139 million newly generated by casino economic output and they will receive \$61 million of new personal income created by the new industry.
- ▶ Hotels and lodging will earn \$60 million from casino economic output and \$37 million from new personal incomes by year three.
- ▶ Riverboat casinos will produce new revenue that remains in the Pennsylvania economy. Some of this new revenue will go to casinos and to new restaurants and businesses that locate near and take advantage of the new casino industry but some existing businesses will earn new revenue as well.
- ▶ As personal income increases, the dollars available for entertainment and leisure activities have tended to increase at a faster rate. A larger amount of new income is used for discretionary spending because many consumer costs such as mortgage and car payments are relatively fixed. (Source: U.S. Dept. Of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey, Bulletin 2462*, Sept., 1995.)

Gambling critics often claim that casinos don't produce real economic benefit but merely a "substitution effect" by taking revenue away from competing businesses such as restaurants. But, economic data disputes that overly-simplistic claim.

Source: Institute of State and Regional Affairs
The Pennsylvania State University at Harrisburg

Let the People Decide!

Pennsylvanians for Economic Growth and Gaming Entertainment P.O. Box 438 Harrisburg, PA 17108-0438
Phone (717)221-1124 • Fax (717)221-1135

**THE COUNCIL ON COMPULSIVE GAMBLING
OF PENNSYLVANIA**

Chairman, Committee, and those in attendance at this hearing.

**As President of the Council on Compulsive Gambling of Pennsylvania, a
501-C3 non-profit organization, incorporated in our state in 1984.**

**For the past 13 years, we have been involved in helping compulsive
gamblers and their families. We are an affiliate of the National Council
on Compulsive Gambling, Headquarters in Washington, DC, that include
29 other states with Councils such as ours. We provide statewide
programs, public education, professional training, facilitate treatment,
and research as well as providing a statewide toll free hot line number for
those seeking help or information. We also have a 30 second PSA in
television ready format and we are developing criteria for certification of
counselors to work with compulsive gamblers. In the past 2 years, we
have held 2 gambling behavior conferences; one in the Harrisburg area
and the other in the Philadelphia area. We are also recognized nationally
for our expertise. The Nebraska Council asked us to provide a 2 day
training for health professionals in their state - we did this in March
1997. A Detroit Councilman requested our guidance concerning future
gaming in their city. The Ohio state lottery called us and said that they
support their Council's statewide helpline and put their number on every**

lottery ticket. They wanted to ask us for any other suggestions on how they could be more helpful in their state. The Virginia state lottery asked for help with their lottery funded statewide helpline for compulsive gamblers. Toronto, Canada asked our Council to present a workshop at an upcoming conference in June 1997. We have cooperated with the New Jersey Council in developing peer groups in schools concerning compulsive gambling. We also share literature we develop including our 30 second spot with all other states. Pennsylvania is about the only state in our region that does not provide funding for programs such as ours. So we do have an interest in future gaming in our state. We are neither for or against gambling. We do feel, and have always felt, that the people have a right to decide what type of entertainment they want and how they want to spend an evening. It is their choice.

Chuck Kline of our state lottery in addressing a hearing on March 28, 1996, stated that 2% to 7% of our citizens are addicted to gambling, this means that 93% to 98% of our population can gamble sociably or do not gamble at all. They can gamble responsibly and enjoy a day or evening out. our concern is the 2 to 7% of our citizens who become addicted to gambling. We already have families including children being destroyed by their addiction to gambling. I have had to sit with too many mothers whose children committed suicide due to their gambling addiction. This number can be helped and future numbers be lessened with proper public

education and awareness which can result in productive prevention. We of the Council will cooperate with state and local agencies, as well as schools and colleges, and the gaming industry, while training health field professionals in properly assessing and treating compulsive gamblers that present for help. I want this committee to know that all of the racing industry in our state have joined in our efforts. This includes Philadelphia Park, Penn National, Ladbroke, and the Pennsylvania Thoroughbred Horsemen's Association. Others that have supported the efforts of our Council are Epic Horizon, Caesars, Harrahs, Mirage, Grand Casinos and Foxwoods. They are actively asking for and following suggestions made by our Council. We have heard the statement that slot machines are the "Crack of Gambling." As true as this statement is, let's look a little further. A grandmother who embezzled over \$100,000 from her church to play the Lottery was this not her crack? The mother of 2 girls who embezzled \$187,000 from the Montgomery County Prison System to play the lottery, this was her crack. The 16 year old boy who gambled and lost \$20,000 one weekend on sports betting - was this not his crack?

I could go on and on but I think the message is clear. Public education, professional training and having statewide resources available is of utmost importance for the citizens of our state. The perception of gambling is one of the problems, not the gambling itself. For instance,

Drexel University held a full blown casino night with non alcoholic drinks for their students. When I called them, they saw no problems with our young adults holding dice in one hand and a drink in the other. Or, the middle school in Philadelphia who implemented a pilot program of teaching their children math by playing football games on a computer. (Sponsored by the NFL). A grandparent who would not buy a 13 year old grandchild a bottle of scotch or a bag of cocaine but may have no problem putting a lottery ticket in their birthday card or Christmas stocking. One of the hottest selling toys at Christmas time is the hand held casino type games. Compulsive gambling is different then alcohol or drugs and must be treated differently. The American medical Association included compulsive gambling in their DSM III in 1980 and updated this definition in the DSM IV. All the statements made today are focused on bringing compulsive gambling out of darkness and sharing hope to all those unaware of this addiction. last year over 7,000 citizens of Pennsylvania called for help for a gambling problem. This number will continue to climb and we must prepare for the future. We are very limited is how much we are able to do in addressing these issues. It is frustrating knowing that we have the knowledge and ability to possibly prevent, treat, and educate but funding stops us from doing what we do best. We want to be able to cover the entire state and develop programs more helpful and productive to our citizens. The success rate for the less

then 1% who seek treatment is very high. We need to do more in the way of letting people know there is help. We together can slow the progress of compulsive gambling in our state. We must join hands, the Council, the gaming industry, and the state government. Together we can prevent many of our citizens from destroying themselves, their families, their employers and from becoming a burden to society. Help us help our citizens.

We thank you for your time and attention. We are open to any questions now or call us on our statewide hotline. We are always available 24 hours a day 7 days week. Thank you very much for your time.

