

# GAMBLING WITH PARADISE

February 2013

HAWAI'I APPLESEED CENTER FOR LAW  
AND ECONOMIC JUSTICE POLICY BRIEF:

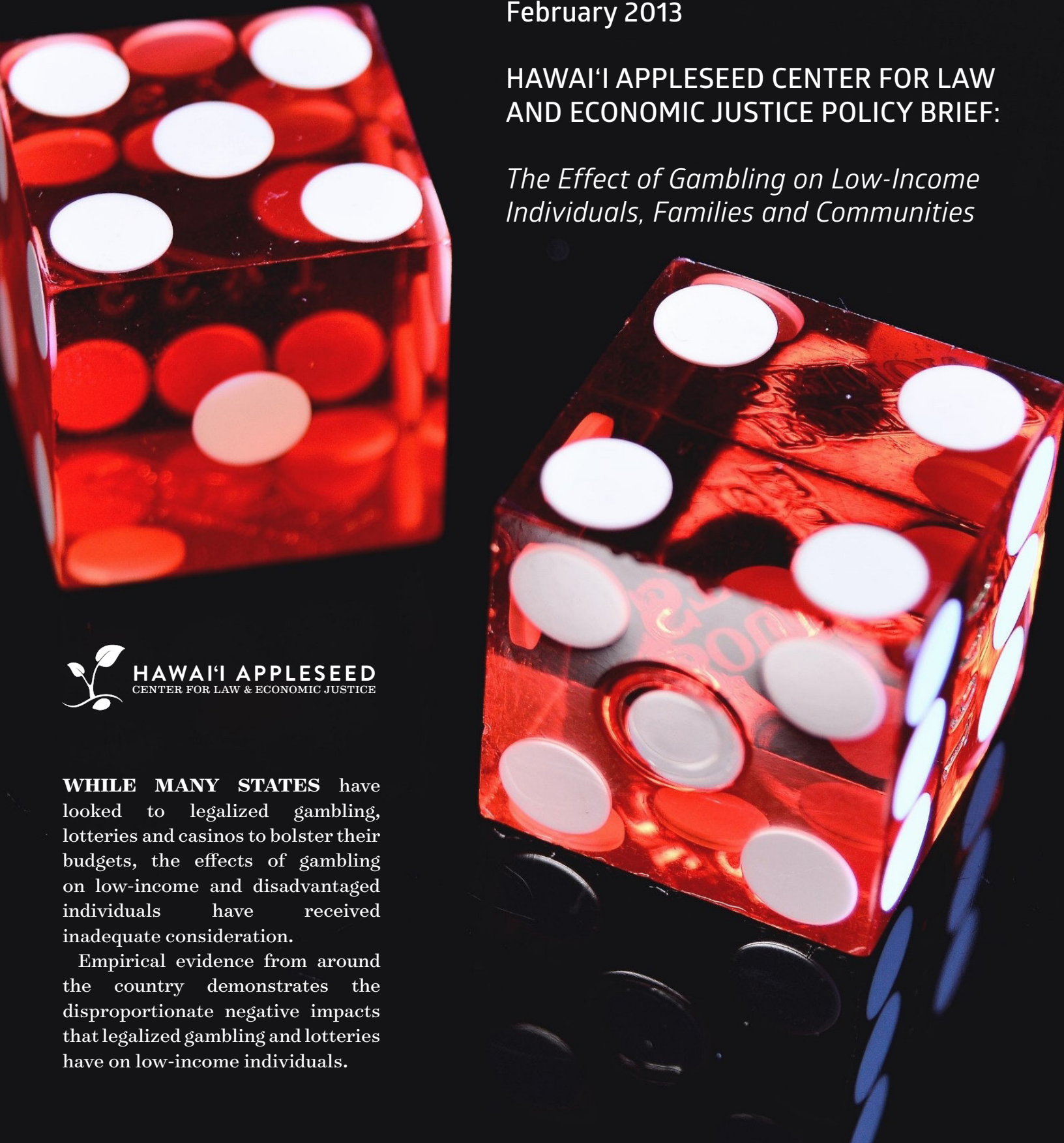
*The Effect of Gambling on Low-Income  
Individuals, Families and Communities*



**HAWAI'I APPLESEED**  
CENTER FOR LAW & ECONOMIC JUSTICE

**WHILE MANY STATES** have looked to legalized gambling, lotteries and casinos to bolster their budgets, the effects of gambling on low-income and disadvantaged individuals have received inadequate consideration.

Empirical evidence from around the country demonstrates the disproportionate negative impacts that legalized gambling and lotteries have on low-income individuals.



# Legalized Gambling's Effect on Low-Income Individuals

## EXECUTIVE SUMMARY

### 1 Legalized Gambling Can Exacerbate Social Problems, Often at the Expense of Disadvantaged People

The presence of casinos tends to increase problem or pathological gambling, particularly for residents of disadvantaged, low-income neighborhoods. Excessive gambling is associated with a variety of social problems, including job loss, substance abuse, crime, divorce, child abuse and neglect, domestic violence and homelessness, all of which worsen the plight of people in poverty. Moreover, casinos have also been shown to increase crime in the surrounding area. The state will need to compensate for these social ills by increasing policing, social services and establishing programs to deal with problem gambling.

### 2 Lotteries Are Highly Regressive Revenue Sources

Not only do low-income people fail to receive many benefits from gambling revenues, but they also bear the brunt of gambling's economic harms. Gaming and lotteries function as a regressive "tax" on low-income people who ultimately pay higher percentages of their income toward the fees and taxes levied on gambling. Lotteries are a major concern because they are readily accessible throughout the state and low-income people have consistently been shown to spend a larger share of their money on lottery tickets than do higher earners.

### 3 Legalized Gambling Will Not Solve State Budget Shortfalls

Finally, legalized gambling and lotteries are unlikely to solve Hawai'i's economic problems. Gambling is not a sustainable source of revenue and in Hawai'i's unique tourism economy money spent on gambling is money not being spent on other forms of recreation and entertainment. Based on other states' models, even if the state were to realize economic gains, gambling revenue is unlikely to fund services for the poor. Promises of job creation are also overblown, given that most gaming-related work is in the service sector. Nationally, the average hourly wages for jobs in the casino industry are \$11.30—not close to matching the \$15.44 needed to meet the self-sufficiency standard for a single adult. Moreover, as shown in Nevada, gambling offers no sure protection against a depressed economy.

# Legalized Gambling Can Exacerbate Social Problems, Often at the Expense of Disadvantaged People

## POVERTY, PROXIMITY AND VARIETY AGGRAVATE PROBLEM GAMBLING RATES

**G**EOGRAPHIC PROXIMITY and a neighborhood's disadvantage have serious effects on the rates of problem and pathological gambling.<sup>1</sup> Living close to a casino significantly increases the risk of problem or pathological gambling; while there may be confounding variables, there is a strong argument for the theory that the proximity of a casino leads to higher rates of problem gambling. Socioeconomically disadvantaged neighborhoods also have much higher rates of pathological or problem gambling.<sup>2</sup>

- A casino within 10 miles of a home is associated with a 90 percent increase in the odds of being a pathological or problem gambler.<sup>3</sup>

*Individuals who live within 10 miles of a casino have more than twice the rate of pathological or problem gambling as those who live further away.<sup>4</sup>*

- Individuals who lived in the 10 percent most disadvantaged neighborhoods had 12 times the rate of pathological or problem gambling (10 percent) compared to those who lived in the ten percent most advantaged neighborhoods (0.8 percent).<sup>5</sup>

*For every one standard deviation in neighborhood disadvantage, the odds of being a problem gambler increase by 69 percent.<sup>6</sup>*

*The prevalence of gambling in the 10 percent most disadvantaged neighborhoods (72 times per year) was twice as much as in the 10 percent least disadvantaged neighborhoods (29 times per year).<sup>7</sup>*

- For states with zero or one form of legal gambling, the prevalence of gambling is 66 percent, versus 77 to 87 percent in the states with two to six forms of legal gambling.<sup>8</sup>

*For every additional form of legal gambling, the likelihood of an individual gambling in the past year increased by 17 percent.<sup>9</sup>*

- The average number of times an individual gambled is also lower in states with zero or one form of legal gambling (23 times) versus states with two to six forms of legal gambling (40 to 50 times).<sup>10</sup>

The most disadvantaged spend more on gambling and are more likely to be problem gamblers. For example, in Lehigh County, Pa. 48 percent of people earning less than \$20,000 a year said they were “likely” or “very likely” to gamble at a newly opened casino—the most likely of any income bracket.

1 The Relationship of Ecological and Geographic Factors to Gambling Behavior. John W. Welte et al. Journal of Gambling Studies, Volume 20, Number 4, Winter 2008. 405-423. Available at [http://www.noslots.com/documents/Welte\\_Gambling\\_Demographics.pdf](http://www.noslots.com/documents/Welte_Gambling_Demographics.pdf).

2 Id. at 413. “Neighborhood disadvantage,” measured by a method used in other social sciences studies (percentage of households on public assistance, percentage of families headed by a female, percentage of unemployed adults and poverty rate).

3 Id. at 418.

4 Id. at 421.

5 Id. at 418.

6 Id. at 417-8.

7 Id. at 418-9.

8 Id. at 419.

9 Id. at 418.

10 Id. at 419.

Conversely, those with the most disposable income—those earning more than \$100,000—were the least likely to gamble, with only 20 percent saying they were likely or very likely to gamble.<sup>11</sup>

The costs of gambling are high for people already facing disadvantages. Individuals in substance-abuse or psychiatric treatment are four to 10 times as likely to be problem or pathological gamblers.<sup>12</sup> In addition, there are many social and financial costs, such as bankruptcy or job loss, which push people deeper into poverty.<sup>13</sup>

Casinos also know how to lure customers with the least to lose, often offering incentives to prospective gamers in the form of monetary coupons for gaming and free or discounted meals and alcoholic drinks. For low-income individuals, seniors and the unemployed, a free meal or a few hours of escape can be a significant lure.

## CASINOS HAVE BEEN SHOWN TO INCREASE CRIME RATES

**N**OT ONLY DO CASINOS increase problem or pathological gambling in their areas, but casinos have been shown to increase the rates of serious crime empirically. An exhaustive study published in 2001 measured crime rates from 1977 to 1996, a period when regions outside of Nevada introduced gambling.<sup>14</sup>

The study found that new casinos resulted in increased rates of six of the seven FBI Index I crimes: rape, robbery, aggravated assault, burglary, larceny and auto theft. Only the murder rate was not obviously impacted.

When casinos were introduced, crime was initially low but increased over time.<sup>15</sup> In counties with casinos, 8.6 percent of property crimes and 12.6 percent of violent crimes were attributable to them, resulting in an average annual cost of \$75 per adult per year in 1996.<sup>16</sup>

These costs do not include related social costs, such as the direct expenses for regulating casinos, costs related to employment and lost productivity, and increased social service and welfare expenses.<sup>17</sup>



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11 Gambling Behaviors and Perceptions of the Effects of Gambling in Lehigh Valley: 2009 Survey of Residents. Michael Moser Deegan et al. Lehigh Valley Research Consortium, Feb. 2010 at 7. Available at [http://www.lehighvalleyresearch.org/files/articles/GAMBLING\\_REPORT\\_2009\\_final.pdf](http://www.lehighvalleyresearch.org/files/articles/GAMBLING_REPORT_2009_final.pdf).

12 "Pathological Gambling," Marc N. Potenza, et al. *Journal of the American Medical Association*, July 11, 2001, p. 141.

13 Gambling in the Golden State, *supra* at 135-6.

14 Casinos, Crime, and Community Costs. Earl L. Grinols and David B. Mustard. *The Review of Economics and Statistics*, 88, 1, February 2006, 28-45. Available at <http://www.maine.com/editions/2006-05->

15 *Id.* at 1.

16 *Id.* at 17.

17 *Id.* at 17.

## GAMBLING COULD IMPACT LOCAL ASIAN AMERICAN AND IMMIGRANT COMMUNITIES MORE

**A**NOTHER SOURCE of concern is that the mainland gambling industry has engaged in predatory practices toward Asian Americans and Asian immigrants through significant outreach and marketing efforts.

- Some of the methods used include targeted advertising and presence at cultural events, free transportation or meals, Asian performers and Asian-style games added on the casino floors.<sup>18</sup>
- Many Asian Americans and Asians have grown up viewing gambling as socially acceptable or as a part of their culture, making them more vulnerable to casinos' marketing tactics.<sup>19</sup>
- Asians and Pacific Islanders are more likely to experience gambling problems than the general population.<sup>20</sup>
  - » One national survey found that a significantly greater proportion of Asian Americans exhibited problem or pathological gambling compared to whites (6.6 percent versus 1.8 percent).<sup>21</sup>
  - » The lure of gambling is not limited to the older generation: One study across five states found that Asian American university students had the highest rates of pathological gambling (12.5 percent) compared to the overall study sample (4-8 percent).<sup>22</sup>

It seems likely that, in addition to targeting the tourist market (many of whom are Asians), the gaming industry will target the local Asian American community as mainland casinos have, leading to a disproportionately negative effect on low-income Asian Americans and immigrants, especially in light of the greater likelihood of problem gambling among this population.<sup>23</sup>



18 "Asian Americans and Problem Gambling." Michael Liao. Problem Gambling Prevention, at 4. Available at <http://www.napafasa.org/pgp/PGP.Asian%20Americans%20and%20Problem%20Gambling%20Rev.11.0321.pdf>.

19 Id. at 2.

20 For a summary of research on gambling demographics, see "Differences in Characteristics of Asian American and White Problem Gamblers Calling a Gambling Helpline." Declan Barry, et al. CNS Spectrum, February 2009 at 83.

21 "Gambling participation in the U.S.—results from a national survey." Journal of Gambling Studies. Welte J.W., et al. Journal of Gambling Studies, 2002 at 313–337.

22 Lesieur, H. R.; Cross, J.; Frank, M.; Welch, M.; White, C. M.; Rubenstein, G.; Moseley, K.; Mark, M., 1991. Gambling and pathological gambling among university students. Addictive Behaviors: An International Journal, 16, at 517–527.

23 See "Department of Miserable Jobs: Sugarhouse's Asian Marketing Executive" on Young Philly Politics for more examples of how the gambling industry targets Asian Americans, including targeting Asian American seniors, providing transportation from Asian American neighborhoods to casinos and advertising in Asian languages. Available at [http://youngphillypolitics.com/dept\\_miserable\\_jobs\\_sugarhouse039s\\_asian\\_marketing\\_executive](http://youngphillypolitics.com/dept_miserable_jobs_sugarhouse039s_asian_marketing_executive). More analysis is available at Gambling in the Golden State, supra, 130-1. Available at <http://ag.ca.gov/gambling/pdfs/GS98.pdf>.

# Lotteries Are Highly Regressive Revenue Sources

## LOW-INCOME PEOPLE SPEND MORE ON LOTTERIES THAN DO THE AFFLUENT

**M**ANY LOW-INCOME PEOPLE see the lottery as their best hope of enriching themselves, given the difficulty of surviving on low wages alone. The potential payoff, combined with the modest price of an individual lottery ticket, is alluring. Of course, excessive spending on the lottery can sink the poor further into poverty. Not only does the lottery drain income, but it also promotes spending instead of saving – what a household spends on lottery tickets could have been invested.<sup>24</sup>

Lotteries have often been described as a “tax” because revenue from ticket sales is higher than the prize money and the government’s expenses to run them. In states with lotteries, people with lower incomes spend both more and larger shares of their income on the lottery. A household making less than \$12,400 spends 5 percent of its gross income playing the lottery, while a household earning ten times as much (\$124,000) spends just 0.33 percent of its income on the lottery.<sup>25</sup> In North Carolina, for example, the poorest counties in the state have the highest per capita gambling rates.<sup>26</sup>

Studies around the country have demonstrated that low-income people make up a large percentage of lottery players. A South Carolina study showed the disparities between disadvantaged and privileged socioeconomic groups:<sup>27</sup>

- People in households earning less than \$40,000 are 28 percent of the state’s population, but constitute 31.3 percent of lottery players and 53.4 percent of frequent players.
- People without a high school diploma are 8.9 percent of the population, 10.5 percent of lottery players, and 20.8 percent of frequent players.
- The 25.1 percent of South Carolinians whose highest level of education is a high school diploma or a GED are 24.3 percent of lottery players but 33.3 percent of frequent players.
- Black individuals make up 19.7 percent of the population but 23.2 percent of lottery players and 38.4 percent of frequent players.

Serious financial issues often do not deter individuals from purchasing lottery tickets. Given the higher participation rates of low-income individuals, it is unsurprising that a portion of government benefits appears to be spent on the lottery. State lottery ticket sales have been shown to increase during the same week that government transfer payments for benefits like Temporary Assistance for Needy Families and Social Security are distributed.<sup>28</sup> In addition, surveys from around the country have found that about 20 percent of homeless individuals have gambling problems, some of whom even consider gambling to be a cause of their homelessness.<sup>29</sup>

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24 “A Nation in Debt: How we killed thrift, enthroned loan sharks and undermined American prosperity.” Barbara Dafoe Whitehead, 9. Available at <http://stoppredatorygambling.org/wp-content/uploads/Whitehead-A-Nation-in-Debt.pdf>.

25 “A Nation in Debt” at 9.

26 Hope and Hard Luck. Sarah Ovaska, NC Policy Watch. Dec. 17, 2010. Available at <http://www.ncpolicywatch.com/2010/12/17/hope-and-hard-luck/>.

27 S.C. studies show poor, black most likely to play lottery often. John Lyon. Arkansas News Bureau, July 26, 2009. Available at <http://arkansasnews.com/2009/07/26/sc-studies-show-poor-blacks-most-likely-to-play-lottery-often/print/>.

28 Running the Numbers on Lotteries and the Poor: An Empirical Analysis of Transfer Payment Distribution and Subsequent Lottery Sales. Andrew P. Weinbach and Rodney J. Paul. International Atlantic Economic Society, 2008. 333-344 at 334. Available at <http://stoppredatorygambling.org/wp-content/uploads/Running-the-Numbers-on-Lotteries-and-the-Poor-An-Empirical-Analysis-of-Transfer-Payment-Distribution-and-Subsequent-Lottery-Sales.pdf>.

29 Poverty and Casino Gambling in Buffalo. Sam Magavern and Elaina Mulé. Partnership for the Public Good, Jan. 19, 2011 at 6. <http://www.ppgbuffalo.org/wp-content/uploads/2010/06/Poverty-and-Casino-Gambling1.pdf>. This policy brief provides a particularly helpful overview of the impact of gambling on low income individuals.

On a broader scale, lottery revenues have historically increased in bad economies; many state economies experienced record revenues even in 2008.<sup>30</sup> By 2010, despite the economy remaining in poor health, gambling revenues started to rise again.<sup>31</sup> These seemingly incongruous figures suggest that large segments of the population are still spending on the lottery in spite of their financial struggles.

## Legalized Gambling Will Not Solve State Budget Shortfalls

### LOTTERY REVENUES GENERALLY DO NOT FUND SOCIAL SERVICES FOR THE POOR

**D**ESPITE THE COLLATERAL HARMS of gambling, lotteries generally do not support causes such as substance abuse treatment, services for people with disabilities, reentry programs, or domestic violence organizations – programs that are particularly important to low-income people due to their lack of access to resources. Instead, lotteries often fund causes such as education that are generally supported by all income groups, even though some have actually resulted in disproportionate benefits for the more privileged households that spend less on the lottery.<sup>32</sup>

A prominent example is lottery-funded merit scholarships, such as those in Florida, which disproportionately benefit students from higher-earning families. Households with lower socioeconomic status tend to pay more in lottery “taxes” yet receive less of the scholarship benefits, effectively redistributing funds from lower-income households to wealthier ones.<sup>33</sup>

Even programs that are supported by lotteries may see their funding reduced as lawmakers put more money into payoffs in an effort to increase revenue.<sup>34</sup> Funds may also be used to cover shortfalls in already-existing programs rather than the new ones that they promised to fund.<sup>35</sup> Even in cases where gambling funds are earmarked, states may simply reduce the amount of tax dollars spent on programs such as education. Lotteries dedicated to a specific use may even give taxpayers the false impression that lottery revenues alone are sufficient to fund increases in important programs.<sup>36</sup>

In states that used lottery revenues to fund schools, only 1 to 5 percent of their funding came from the lottery in the mid-2000s.<sup>37</sup> The “new dollars” promised by gambling may not result in a net gain



30 Sweet Dreams in Hard Times Add to Lottery Sales. Katie Zezima, New York Times. Sept. 12, 2008. Available at [http://www.nytimes.com/2008/09/13/us/13lottery.html?\\_r=1&scp=2&sq=Emily%20Haisley&st=cse](http://www.nytimes.com/2008/09/13/us/13lottery.html?_r=1&scp=2&sq=Emily%20Haisley&st=cse).

31 Back in the Black: States' Gambling Revenues Rose in 2010 at 1.

32 A Nation in Debt: How we killed thrift, enthroned loan sharks and undermined American prosperity at 10.

33 Some Futures Are Brighter Than Others: The Net Benefits Received By Florida Bright Futures Scholarship Recipients at 122. Harriet A. Stranahan and Mary O. Borg. Public Finance Review, Vol. 31 No. 1, January 2004.

34 Hope and Hard Luck. Sarah Ovaska, NC Policy Watch. Dec. 17, 2010. Available at <http://www.ncpolicywatch.com/2010/12/17/hope-and-hard-luck/>.

35 Id.

36 Study of the Hawai'i Tax System Final Report, State of Hawai'i Tax Review Commission, Sep. 21, 2012 at 132. Available at [http://www6.hawaii.gov/tax/trc/docs2012/sup\\_120921/Hawaii\\_Report\\_9-21-12\\_final.pdf](http://www6.hawaii.gov/tax/trc/docs2012/sup_120921/Hawaii_Report_9-21-12_final.pdf).

37 For Schools, Lottery Payoffs Fall Short of Promises. Ron Stodghill and Ron Nixon. New York Times, Oct. 7, 2007. Available at [http://www.nytimes.com/2007/10/07/business/07lotto.html?sq=lottery%20payoffs%20fall%20short%20of%20promises&st=cse&scp=1&page\\_wanted=all#&wtocid=growl1\\_r1\\_v4/](http://www.nytimes.com/2007/10/07/business/07lotto.html?sq=lottery%20payoffs%20fall%20short%20of%20promises&st=cse&scp=1&page_wanted=all#&wtocid=growl1_r1_v4/).

to programs designated as beneficiaries of gambling revenues. In some states, lottery revenues replaced other state monies in education funding. Others have increased the size of the lottery payouts to compete for players, further reducing the amount of money going toward schools.

## THE LONG-TERM GROWTH OF GAMBLING REVENUES IS UNCERTAIN

**W**HILE STATES' REVENUE from gambling grew rapidly from 1998 to 2008, growth has slowed. A revenue drop in 2008 and 2009 was followed by a small increase in 2010.<sup>38</sup> Gambling revenue is a significant but small part of state budgets, constituting from 2.1 to 2.5 percent of state own-source general revenues, which include taxes and charges;<sup>39</sup> lotteries remain the primary source of gambling revenue among the states.<sup>40</sup> However, lottery revenues are still relatively small in most states.<sup>41</sup>

States frequently expand gambling to cover budget shortfalls or fund new programs, implicitly assuming that gambling revenues are similar to other sources of revenue such as taxes. Much of the growth in gambling revenue from 1998 to 2010 is actually a result of governments expanding gambling activity.<sup>42</sup>

However, gambling revenues have grown at a significantly slower pace than other forms of state revenue.<sup>43</sup> At the same time, the rate of spending increases on government programs, such as education, will generally outpace any increases in gambling revenues.<sup>44</sup> Moreover, the big payouts promised by the gambling lobby often do not come to pass.

For example, Florida's voters were told that allowing slot machines would provide \$500 million annually to public schools, but just 20 percent of that figure materialized, with the state receiving \$100 million annually from slots. In Colorado, a casino expansion that was to result in an estimated \$38 million in education funding ended up producing only \$7 million in reality.<sup>45</sup> Ultimately, it is an unreliable source of revenue that represents only a quick fix for the state.



38 "Back in the Black: States' Gambling Revenues Rose in 2010." Lucy Dadayan and Robert B. Ward. The Nelson A. Rockefeller Institute of Government. June 23, 2011 at 1. Available at [http://www.rockinst.org/pdf/government\\_finance/2011-06-23-Back\\_in\\_the\\_Black.pdf](http://www.rockinst.org/pdf/government_finance/2011-06-23-Back_in_the_Black.pdf).

39 *Id.* at 4.

40 *Id.* at 7.

41 Study of the Hawai'i Tax System Final Report at 153.

42 *Id.* at 2.

43 "For The First Time, A Smaller Jackpot: Trends in State Revenue from Gambling." Lucy Dadayan and Robert B. Ward. The Nelson A. Rockefeller Institute of Government, Sept. 21, 2009 at 18. Available at [http://www.rockinst.org/pdf/government\\_finance/2009-09-21-No\\_More\\_Jackpot.pdf](http://www.rockinst.org/pdf/government_finance/2009-09-21-No_More_Jackpot.pdf).

44 *Id.* at 19.

45 "Gambling revenue promises often fall short of reality," Aisha Azhar, Dec. 24, 2012. Available at [http://www.capitalgazette.com/news/government/gambling-revenue-promises-often-fall-short-of-reality/article\\_34de3832-3197-5288-a94a-a7afe137d299.html](http://www.capitalgazette.com/news/government/gambling-revenue-promises-often-fall-short-of-reality/article_34de3832-3197-5288-a94a-a7afe137d299.html).



## CASINOS MAY CANNIBALIZE EXISTING BUSINESSES AND HARM HAWAII'S BRAND

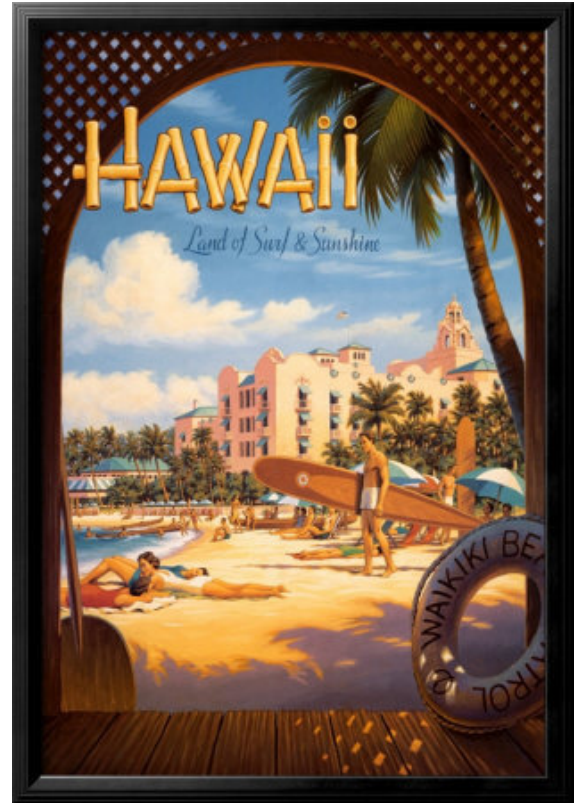
**G**IVEN THE SIZE of Hawai'i's tourism industry, the substitution or "cannibalization" effect of legalized gambling may be particularly problematic. The potential economic impact of a casino depends on whether or not the casino is likely to attract tourists to the area.<sup>46</sup> Assessing these effects is challenging: they vary greatly by region and there are many concerns on the mainland that are unlikely to apply to Hawai'i.

In a state such as Hawai'i with a very large number of tourists already lured by Hawai'i's natural beauty, attractions, and outdoor activities, gambling seems less likely to actually draw new visitors. Given the cost of travel to Hawai'i for mainlanders, it is an unlikely alternative gambling destination to a casino hotspot like Las Vegas. Thus, the cannibalization effect appears even more probable than in other states, since gambling is unlikely to lure additional tourists drawn primarily by gaming.

In fact, legalized gambling may even repel visitors who come to experience Hawai'i's unique brand of paradise. In November 2012, the Hawai'i Tourism Authority issued a resolution against gambling, warning that it is "contrary to the Aloha spirit and may cause degradation of our unique people, place and culture" upon which the tourism industry and the Hawai'i brand is based.<sup>47</sup> Similarly, the Hawai'i State Tax Commission's 2012 report assessed the pros and cons of bringing gambling and a lottery to our state and ultimately advised against it. Their analysis concluded that while the vast majority of states have created a lottery, establishing one here would face "strong cultural and philosophical opposition" and bring more harm than benefit.<sup>48</sup>

Among the tourists already visiting Hawai'i, it appears likely that legalized gambling will result in tourists' spending money on gambling rather than other forms of entertainment. The National Gambling Impact Study Commission Report, a comprehensive two year legal and factual bipartisan study commissioned by Congress, explicitly stated its concern about the "significant danger" of expanding gambling into already prosperous locales. In such locations, the Commission worried about an outcome in which "most gaming establishments are just one more business in prosperous areas, most employees are people who could get other jobs, and therefore, the economic benefits are small." As a result, "not only are the net benefits in these new areas low, but the benefits to other, more deserving places are diminished due to new competition."<sup>49</sup>

For example, in Hartford, Connecticut, the number of pop and rock music shows at the performing arts center took a significant dive after casinos opened 50 miles away; the center is now operating



46 Memorandum. Federal Reserve Bank of Boston, Sept. 14, 2006 at 3. Available at <http://www.bos.frb.org/economic/neppc/memos/2006/brome091406.pdf>.

47 Hawai'i Tourism Authority, Board Resolution 13-01.

48 Study of the Hawai'i Tax System Final Report at 153.

49 Final Report, "National Gambling Impact Study Commission, June 1999 at 7-12. "Gambling's Impact on People and Places." Available at <http://govinfo.library.unt.edu/ngisc/reports/7.pdf>

at a \$1 million deficit.<sup>50</sup> Restaurants and bars often suffer, too, since casinos typically include such amenities on-site, making it more convenient for tourist to spend money inside the casinos.

A similar displacement effect may result in reduced general excise tax revenues and taxes on other items such as alcohol, tobacco and fuel.<sup>51</sup> While studies have determined different rates of displacement, they have consistently found that sales and “sin tax” revenues fall as gambling or lottery spending rises.

Gambling among residents also replaces residents’ consumer activity. John Kindt, a professor of business at the University of Illinois Urbana-Champaign, estimates that every \$100,000 spent on slot machines results in \$300,000 in economic losses, due to the decrease in consumer spending flowing through the economy.<sup>52</sup> Ending gambling has been shown to increase this economic multiplier effect: when South Carolina re-criminalized slot machines, their economy soon saw an increase in consumer spending, jobs, and tax revenues accompanied by a decrease in gambling-related social and criminal costs borne by state agencies.<sup>53</sup>

## GAMBLING NEITHER CREATES HIGH-PAYING JOBS NOR PREVENTS UNEMPLOYMENT



**T**HE NATIONAL MEDIAN WAGE in the gambling industry is \$11.30,<sup>54</sup> while the self-sufficiency income standard for a single adult requires a wage of \$15.44, and a single adult with one child must earn \$24.72 to be considered self-sufficient.<sup>55</sup> So while legalizing gambling can be expected to create jobs, the incomes workers receive may fail to meet the self-sufficiency standard.

In fact, casino gambling is no guarantee for stable employment at all. Nevada’s unemployment rate jumped from the lowest in the nation in 2008 to the highest in

2010.<sup>56</sup> Las Vegas was ground zero of the collapse, securing the highest rate of unemployment among the state’s metropolitan areas.<sup>57</sup> Gaming may not have caused Nevada’s unemployment crisis, but it utterly failed to prevent their economic free-fall.

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- 50 With casinos, theaters fear competition for big acts. Priyanak Dayal. Worcester Telegram & Gazette, Sept. 15, 2011. Available at <http://www.telegram.com/article/20110915/NEWS/109159480>.
- 51 Gambling in the Golden State 1998 Forward. Charlene Wear Simmons. California Research Bureau, California State Library, May 2006 at 92-3. Available at <http://ag.ca.gov/gambling/pdfs/GS98.pdf>.
- 52 “Do state governments have a gambling addiction?” Scott Bland. Christian Science Monitor. June 17, 2010. Available at <http://webcache.googleusercontent.com/search?q=cache:Zbdr16m4W1IJ:www.csmonitor.com/USA/Politics/2010/0717/Do-state-governments-have-a-gambling-addiction+&cd=2&hl=en&ct=clnk&gl=us&client=firefox-a>.
- 53 “State’s best bet would be to phase out gambling.” John Kindt. The State Journal-Register, May 23, 2012. Available at <http://www.sj-r.com/opinions/x639950516/John-Kindt-State-s-best-bet-would-be-to-phase-out-gambling>.
- 54 This includes all occupations, including “white collar” positions, within the gambling industry, not just service workers. May 2011 National Industry-Specific Occupational Employment and Wage Estimates: Gambling Industries. Bureau of Labor Statistics. Available at [http://www.bls.gov/oes/current/naics4\\_713200.htm](http://www.bls.gov/oes/current/naics4_713200.htm).
- 55 Economic self-sufficiency is defined as the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies. Self-Sufficiency Income Standard: Estimates for Hawai’i 2008. Department of Business, Economic Development and Tourism.
- 56 Current Unemployment Rates for States and Historical Highs/Lows. Bureau of Labor Statistics, December 2012. Available at <http://www.bls.gov/web/laus/laughsthl.htm>.
- 57 “Nevada unemployment rate falls to 11.5 percent in October.” Cy Ryan, Las Vegas Sun, Nov. 19, 2012. Available at <http://www.lasvegassun.com/news/2012/nov/19/nevada-unemployment-rate-falls-115-percent-october/>.
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## CASINOS INCUR SIGNIFICANT FINANCIAL COSTS

CASINOS MAY PRODUCE INCOME, but any additional income is far outweighed by the new costs created by gambling. Casino gambling causes up to \$289 in social costs for every \$46 of economic benefit, according to Earl L. Grinols, an economist at the University of Illinois Urbana-Champaign.<sup>58</sup> The cost to society for a pathological gambler is estimated at \$10,330 in 2003 dollars, while each additional problem gambler cost \$2,945.<sup>59</sup>

Unsurprisingly, some gamblers will turn to theft and financial crimes as a result of addiction.<sup>60</sup> The introduction of casinos has also been associated with increased alcohol-related fatal traffic accidents, presumably because casinos often serve alcohol to their customers.<sup>61</sup>

## Conclusion

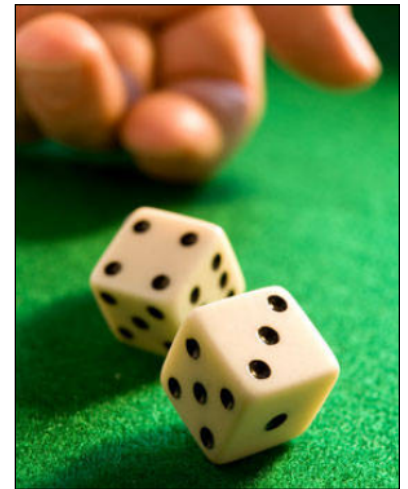
### GAMBLING WITH HAWAII IS A LOSING PROPOSITION

LEGALIZED GAMBLING, including casinos and lotteries, has negative impacts on the entire community, but does even greater harm to those living in poverty. People with the least to lose tend to spend the most, yet they generally receive the fewest benefits and face the greatest harm. Areas already experiencing socioeconomic disadvantages, including higher crime rates, may have such problems exacerbated by the presence of casinos.

Casinos and lotteries also engage in predatory tactics that disproportionately draw in low-income individuals. While lottery practices are not identical to those in casinos, the evidence gathered on casino gambling indicates that there may be analogous risks. Moreover, the purported economic benefits are far from certain.

Gambling is not a habit that an individual simply picks up—the initial choice to gamble can be heavily influenced by the individual’s environment. Gaming can damage gamblers’ families, children and the entire community. Even if some gambling revenue goes to fund social services, it will never completely mitigate the financial and intangible costs to individuals and their families.

It cannot be understated that any revenue gains from gambling will come at the expense of our residents who lose money gambling. These gamblers will not just be foreign tourists, but the residents of our community. Gambling lobbyists have made it clear that they intend to target residents, arguing that Hawai‘i’s economy should be the one to benefit from residents’ gambling expenditures by offering them the opportunity to gamble locally instead of traveling to Las Vegas.<sup>62</sup> Creating convenient local gambling opportunities will increase the amount of money spent on gambling by locals who are currently playing elsewhere, while also luring new customers into gaming.



58 *Gambling in America: Costs and Benefits*. Earl L. Grinols, Cambridge University Press, 2004. at 183.

59 *Id.* at 167.

60 Gambling addiction leads many down criminal road. Jeremy Boren, Pittsburgh Tribune-Review. June 19, 2011. Available at [http://www.pittsburghlive.com/x/pittsburghtrib/news/s\\_742867.html](http://www.pittsburghlive.com/x/pittsburghtrib/news/s_742867.html).

61 The impact of casinos on fatal alcohol-related traffic accidents in the United States. Chad D. Cotti and Douglas M. Walker. *Journal of Health Economics*, 2010. Available at <http://stoppredatorygambling.org/wp-content/uploads/Journal-of-Health-Economics-Impact-of-Casinos-on-Fatal-Alcohol-related-Traffic-Accidents.pdf>.

62 See, for example, “Is Hawai‘i Winning or Losing? An argument for legalized gambling,” Sally Squires, Honolulu Weekly, Feb. 2, 2011. Available at <http://honoluluweekly.com/feature/2011/02/is-hawaii-winning-or-losing/>.



LAW  
AND  
ECONOMIC  
JUSTICE

P.O. Box 37952  
Honolulu, Hawai'i 96837  
(808) 587-7605  
www.lejhawaii.org

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**Hawai'i Appleseed Center for Law and Economic Justice** is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low-income individuals and families in Hawai'i on civil legal issues of statewide importance and to complement the assistance provided by other legal services providers in the state.

**T**HE COSTS associated with increases in gambling will ultimately be passed on to the public and outweigh any purported benefits. The litany of gambling-related harms is woefully long: job loss, substance abuse, crime, divorce, child abuse and neglect, domestic violence and homelessness.<sup>63</sup> Legalizing gambling will magnify these harms, pushing the poor further into poverty and increasing their ranks.

We will ultimately spend more money on state agencies and service providers to address these problems. New social service programs to address problem and pathological gambling would need to be created and would cut in to any additional revenues gambling might generate. If legalized gambling is intended to cure problems with the economy or shortfalls in the state's budget, the side-effects are worse than the disease.

The risks to low-income people are serious and we should not turn to legalized gambling and lotteries as a quick-fix solution to address budget gaps. Introducing to Hawai'i an industry that often exploits and harms the poor will only exacerbate the crisis people in poverty face today and damage our community.

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<sup>63</sup> National Gambling Impact Study Commission Final Report. at 7-18-7-28. Available at <http://govinfo.library.unt.edu/ngisc/reports/7.pdf>. See also the Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission, prepared by the National Opinion Research Center at the University of Chicago. Available at <http://govinfo.library.unt.edu/ngisc/reports/gibstdy.pdf>.