

INTRODUCTION

This is the Final Report of the Public Sector Gaming Study Commission (PSGSC). The Commission was appointed by the National Council of Legislators from Gaming States (NCLGS), which is a non-partisan organization of state legislators who chair or are active members of the legislative committees responsible for gaming in their respective states. The ¹National Council of Legislators from Gaming States neither supports nor opposes gaming, but it does advocate a strong role for state government in the formulation, implementation, and evaluation of gambling policy.

The Commission was funded from many sources, including NCLGS, the Florida, Kansas, Ohio, and Connecticut legislatures, and private donations.¹ More than half of the money raised came from public sources. Private sector donations came from foundations, non-gambling related businesses, and groups and businesses involved in gambling. No contribution in excess of \$15,000 was accepted from any private sector source. Recognizing the particular sensitivity of some groups to the casino industry, no money was accepted from casinos. All contributions were made to the Florida State University Research Foundation. To further assure independence, staff for the Commission was drawn from the Florida Institute of Government at Florida State University, and a tenured full-professor was selected to be the Commission's Executive Director.

This report is divided into three main sections. The first section is this introduction, which explains the Commission's purpose and policy orientation. The second section presents the Commission's findings and observations. The topics covered in this section include: the economic and social impacts of gaming in its various forms; the effects of the legalization of gambling on crime, illegal gambling, and pathological gambling behavior; and the states' role in setting gaming policy. The report concludes with the Commission's recommendations.

The Scope and Deliberative Procedures of the PSGSC

The Public Sector Gaming Study Commission was established to provide advice from the public sector about policy toward gaming and gambling at all levels of government. Consistent with this purpose, the PSGSC is composed entirely of public sector representatives. The Commission includes a state governor, three state legislators, three state regulators, a state attorney general, the Chairman of the National Indian Gaming Association, the mayor of a major city, and the President of the Major County Sheriffs' Association (part of the National Sheriffs' Association). The eleven commission members are from 10 different states ranging geographically from California to Connecticut to Florida. Both major political parties are represented.

The PSGSC met six times. Four meetings were held between May and August 1999 to deliberate and to receive public testimony. In October 1999, Commission members toured a series of gaming venues in southern Florida to witness the activities firsthand. The final meeting was held in January 2000 to review and amend the final report; the adoption of the report took place by mail ballot in February 2000. The purpose of the public hearings was to allow interested citizens, anti-gambling organizations, and experts and practitioners from all areas of the gambling industry to provide observations and opportunities to state their views on gambling and gambling policy. Testimony was specifically requested on a number of topics identified by the Commission as being particularly important, controversial, or in need of study.

These topics were arrived at through a two-step process. First, a letter was sent to governors, state legislators, law enforcement officers, attorneys general, tribal government representatives, and members of anti-gambling organizations. The letter asked recipients to write the Commission and suggest topics for the Commission to examine. Copies of the letter that was sent and the letters that were received in response as well as the mailing list used are contained in Appendix A. The Commission staff took these suggestions and created a long list of possible issues for consideration. Second, at its initial meeting, which was held in May 1999 in Chicago, the Commission drew from the list of suggested topics to arrive at the specific topics and issues it would address. Each topic was then assigned to a particular hearing date. A listing of the hearing dates, the agendas for each meeting, and the minutes from each meeting are provided in Appendix B.

In addition to the public hearings, the Public Sector Gaming Study Commission sought research in the form of written or video testimony, analyses, and research reports. The PSGSC staff also re-examined much of the research provided to the National Gambling Impact Study Commission (NGISC), which is described below, and reviewed all of the testimony presented to the NGISC. Thus, the PSGSC had the advantage of reviewing the work of the NGISC in addition to seeking new data. The PSGSC also conducted an independent review of available gambling literature.

At the second day of its fourth meeting, and after hearing testimony at this meeting and at the prior three meetings, the Commission began to formulate its findings and recommendations. As with the process of setting its agenda, the Commission moved through this task in distinct stages. First, members filled out a lengthy questionnaire designed by staff on the issues the Commission had chosen to consider and on other issues that had arisen in the course of the public hearings. Staff then tabulated the Commissioners' responses to the survey and presented the findings back to them, at which point the Commissioners discussed, clarified, elaborated, and refined their collective positions. The survey instrument and the staff analysis of the Commissioners' responses are included in Appendix C. This process, while no cure-all for the vagaries of politics, was designed to help prevent the Commission's deliberations from being skewed by particular interests, strong personalities, or hidden coalitions.

The recommendations that are now being put forward by the Public Sector Gaming Study Commission are the culmination of many hours of hard work on the part

of the Commission members, staff, and all those who provided expert input and testimony throughout the research process. The recommendations represent the majority opinion of the Commission members. Members who disagreed with the majority on specific issues were encouraged to prepare written statements on the issues in questions. These dissenting opinions are contained in Appendix D.

The Commission presents this report with an important caveat. Information about gaming in the United States is limited, changing, and, in some instances, contradictory or ambiguous. The gambling industry is evolving rapidly because of changing laws, new court rulings, developments in technology, shifting religious and moral beliefs, and other factors. The Commission's conclusions and recommendations reflect the best judgements of the Commission members at this point in time based on the information presented to them in hearings, their own experience, and research data gathered by staff. As the industry evolves, as more is learned about the impacts of gambling and gambling policy, and as pathological gambling and illegal gambling become better understood, the conclusions and recommendations of this report should be revisited. While this report is based on the scientific findings presented in oral testimony and written reports, the PSGSC recognizes that there are moral and emotional arguments that should be considered. However, those arguments should not be decided at the federal level; they are best left to state and local governments to settle in a manner most appropriate to the needs of their communities and are beyond the scope of this report.

Policy Orientation of the Commission

All study commissions have biases, even if they do not acknowledge or articulate them, and the PSGSC is no exception. Its members believe that to the extent that gambling is an inevitable and common feature of American life, government should bring this activity under public regulation, oversight, policing, and taxation. Also, as eight of the eleven commission members are representatives of state government and the appointing authority was the National Council of Legislators from Gaming States, the Commission takes a state perspective. The Commission opposes illegal gambling in all forms, and it supports efforts to replace illegal gambling with gambling that is publicly controlled and taxed, and, in some cases, publicly operated.

It has long been the position of the states that they have the authority to decide policies that are best suited to their own unique geographic location, demographic composition, and economic and social conditions. This arrangement not only maintains the balance of power between the federal and state governments sought by the Founding Fathers, it also recognizes that states have individual needs and responsibilities. Federal gambling legislation has typically addressed such interstate issues as gambling advertising through the federal postal system or radio and television broadcasts, gambling on cruise ships, organized criminal operations, and gambling on Indian reservations.² However, even the Indian Gaming Regulatory Act, which governs tribally-run gambling operations, acknowledges in its negotiation process that state

governments have an interest in what occurs on reservation lands. Also, the Johnson Act, which governs gambling on cruise ships, gives states the option of refusing to allow cruise ships that offer gambling to dock unless the ships also dock in foreign ports.

Opponents of gambling typically make the mistake of assuming that the choice faced by policy makers is between legalized gambling or no gambling at all, but this is not the actual situation. Whether it is legal or not, gambling is going to occur in America on a large scale, and it is going to be widely endorsed or at least tacitly condoned. The real question is whether government is going to regulate, shape, and tax the activity, or instead let it remain private, unbridled, and illegal.

In this respect, gambling is much like the consumption of alcohol. The constitutional amendment adopted early in the 20th century to outlaw the sale and consumption of alcohol in America proved to be ineffective and to have many untoward consequences, and it was eventually repealed. By the same token, strict prohibition of gambling may be a popular stance politically, and it may be a position easy to codify in statutes and constitutions, but it does not produce its intended results. As a practical matter, a gambling policy that leans toward prohibition is equivalent to a policy supporting illegal bookmaking, sports pools, and numbers rackets. The PSGSC does not support any particular form of legalized gambling, including state-run lotteries. What the PSGSC supports is the right of all states to decide whether or not they want gambling within their borders, the types of gambling to be offered, and the means by which the gambling will be regulated.

The Commission recognizes that these premises—about the inevitability of gambling, the effects of policies prohibiting gambling, and the consequences of gambling's legalization—are subject to dispute. In fact, testing these ideas against experience and the findings of science was one of the reasons for the PSGSC's creation. Over the past three decades, America has entered into a major experiment with legalized gambling, and it is now time to assess the results. The nation needs to know what, in fact, have been the consequences of legalization. What effect has legalization had on illegal gambling? How has legalization affected gambling among adolescents and young adults? What impact has it had on government revenues, crime, and the economy? What has been the effect of tribal gaming? Answers to these and similar questions are essential for formulating sound gambling policies.

Problems with the NGISC

It should not have been necessary for the National Council of Legislators from Gaming States to establish the PSGSC. The states should have had confidence that the questions discussed above would be addressed objectively and thoroughly by the National Gambling Impact Study Commission (NGISC), which was appointed by Congress and the President in 1997 and which issued its Final Report in June 1999. However, the NGISC had only one representative of state government, the casino regulator from Nevada, and this individual resigned from his position as regulator before the NGISC concluded its deliberations. Some NGISC members had previous

experience in the public sector, but this was in the past; having moved to the private sector, they could not be expected to represent public interests. Requests for seats on the NGISC from such groups as the National Governors' Association, the National Association of Attorneys General, the National Council of Mayors, the North American Association of State and Provincial Lotteries, the National Conference of State Legislators, and the National Council of Legislators from Gaming States went unheeded, even though states are the primary makers and enforcers of gambling policy and even though lotteries account for roughly one-fourth of all gambling revenues in America.³ The absence of state legislative or executive branch representation on the NGISC caused immediate concerns that the Commission's agenda might become slanted by politics and that its recommendations might be misguided, partisan, or unrealistic. These concerns, unfortunately, turned out to be well founded.⁴

With the public sector absent, the dominant interests on the NGISC were, on the one hand, the casino industry, and, on the other hand, anti-gambling interests. This composition apparently pushed the NGISC toward a particular policy orientation, a bias against what the NGISC came to refer to as "convenience gambling," a term the NGISC applied to any games of chance, including lottery tickets and video poker, stand-alone slot machines and other electronic gambling devices, available at gas stations, grocery stores, small food markets, and the like.⁵ Although the commercial casino and anti-gambling interests disagreed on much, they could find common cause in opposing this one, rather broad and ill-defined area of gambling. Anti-gambling interests oppose "convenience gambling" because they oppose gambling in general, while commercial casino interests oppose this area of gambling activity because it comprises the main competition against the casino's for the consumer's gambling dollar. In its final report, the NGISC argued that "convenience gambling" poses a great risk because, unlike casinos, racetracks, and the like, which are self-contained and which patrons must seek out, "convenience gambling" exposes people to games of chance during their everyday activities. This exposure is problematic, the NGISC implied, because it can lead people to gamble casually, which in turn may cause some individuals to become caught up in a gambling addiction or compulsion.

The Public Sector Gaming Study Commission does not intend either to disagree with or to endorse the NGISC's criticisms of "convenience gambling." To do so would be to succumb to the same error made by the NGISC, which was to lump too many different types of gambling together under a single rubric before determining whether or not they actually have the same effects. The term—"convenience gambling"—includes some forms of gambling, such as video poker games, that may indeed pose significant problems for the communities that allow them.⁶ On the other hand, the term is also applied to state-run lotteries, which appear to pose few risks to the adults who participate in them, to the states that derive revenues from them, or to the stores that sell the tickets.⁷ To put all of these forms of gambling together and to condemn them as a group, as did the NGISC with its concept of "convenience gambling," risks throwing out the good with the bad.

If it had been willing to assess its premises with scientific research, the NGISC would probably have realized that the concept of convenience gambling is flawed. But the Commission appears to have done just the opposite: it contracted for two expensive and important studies, but it then largely ignored these studies' findings when they failed to confirm the Commission's convenience-gambling hypothesis. Later in the present report, the concept of convenience gambling, along with its underlying theory of gambling behavior, is discussed in more detail. (See the section below on pathological gambling.)

In addition to its concerns about "convenience gambling," the National Gambling Impact Study Commission was also critical of state-level policy making. The NGISC's final report suggests that the states, because they have a financial stake in lottery earnings, are incapable of operating state lotteries without using marketing techniques that are misleading and harmful. The NGISC also accuses the states of having authorized lotteries and other forms of "convenience gambling" through a series of ad hoc decisions made incrementally and without forethought.

The first claim is not only false, the public sector representatives of the PSGSC feel that it is insulting. States fairly and efficiently regulate and receive tax revenues from a wide array of industries, including other industries, such as the alcohol and tobacco industries, which, like the gambling industry, have significant economic and social implications. The NGISC's account of how the states have formulated their gambling policies is discussed in the following section. Another issue of concern, dealing with how states advertise lotteries, is addressed later in this report.

The 1976 Commission on the Review of the National Policy Toward Gambling

It is certainly true that national and state policies toward gambling have undergone major changes since the 1960s. While only a few decades ago gambling was associated primarily with Nevada, today some type of gambling is legal in every state except Utah and Hawaii. Nearly two-thirds of American adults participate in legal commercial gambling at least once during a given year, and together they spend \$54.3 billion, which is equivalent to what they spend on movie tickets, spectator sports, cruise ships, video games, recorded music, and theme parks combined.⁸ The range of authorized games and venues runs the gamut from Bingo and lotteries to casinos, racetracks, and riverboats. Clearly, legal games of chance are much more common now than they were 25 years ago.

However, the NGISC is incorrect in its belief that the wider legalization of gambling in America occurred without careful study and conscious forethought. In actuality, the issue was examined very thoroughly in the mid-1970s. After just a few states had introduced state-run lotteries, Congress established the Commission on the Review of the National Policy Toward Gambling (CRNPTG), which issued its final report (*Gambling in America*) in 1976. This 1976 commission produced a well researched and

well thought out product, and it was instrumental in moving America toward a policy of legalizing gambling of several types.

The 1976 commission on gambling began from a point of view quite different from that of the NGISC. The CRNPTG was as much or more concerned about gambling that was not legal as about gambling that was sanctioned by states. Because gambling was condoned by most Americans, illegal gambling was weaving organized crime into the fabric of daily life. Bookies could be found in many bars, illegal numbers games were operated in most cities, and illegal, backroom, high-stakes poker games were quite common. Trying to shut down these operations when they were being supported by most citizens was draining police resources without having much effect. Also the pervasive presence of illegal gambling in American life was undermining respect for the law in general.⁹

In this context, the possible legalization of gambling was viewed in 1976, not as inevitably meaning that there would be more gambling, but rather as an option that might cause illegal gambling to be reduced and replaced by legal gambling that is subject to state regulation, monitoring, and taxation. The 1976 commission was clear about why it viewed gambling policy in this way—that is, less as a mechanism for preventing gambling than as a tool for controlling the form that gambling takes. The first sentence of *Gambling in America* declared that “gambling is inevitable,” because it is “practiced or tacitly endorsed by a substantial majority of Americans.”¹⁰ Accordingly, the 1976 commission decided that its task was to determine “the most productive and equitable treatment of this complex social phenomenon.”¹¹

To gather information on this issue, it sponsored a survey, comparable to the NGISC’s National Opinion Research Center (NORC) study, which was conducted by the Survey Research Center of the Institute for Social Research at the University of Michigan (UM). The study found that gambling in America took three main forms: legal gambling, usually through lotteries or at casinos, racetracks, and the like; illegal gambling, mainly with bookies or at unlicensed facilities; and wagering between friends, usually in a social setting and involving cards or sporting events. One of the central concerns of the 1976 commission was to determine how public policy toward gambling affects the distribution of gambling activity across these three forms. The commission recommended that authority for gambling policy remain with state governments, and it urged states, in their regulation of gambling, to consider a long list of tradeoffs associated with different regulatory stances. One of the themes running through *Gambling in America* was that legalizing at least some forms of gambling might be desirable because it could reduce illegal gambling. The commission’s second recommendation—after leaving authority over gambling policy with the states—was that “the Federal Government, in the exercise of its regulatory and tax powers, take care not to hinder State efforts to compete with illegal gambling operations.”¹²

Today, there are good grounds for thinking that the 1976 commission may have been correct in much of its reasoning. Many of the changes that have occurred in gambling behavior over the past 24 years as a result of gambling’s wider legalization

were anticipated in *Gambling in America* and in the findings of the UM survey. For example:

- The UM study predicted that if casino gambling were to become legal in states other than Nevada, “one would expect casinos to draw more customers from race track attendees than from lottery, bingo, or illegal game players.”¹³ Today, this appears to have been borne out. Although gambling in general is more common today than a few decades ago, racetracks and Jai-Alai frontons are struggling.
- The UM study found that those who are 65 years old or older were much less likely than other age cohorts to bet with friends. Given a choice between illegal betting, betting with friends, and betting at commercial legal facilities, seniors leaned toward commercial facilities.¹⁴ Hence it is not surprising that, as gambling has been legalized in more states, the biggest increase in gambling across age cohorts has occurred among seniors.
- The UM study predicted that the introduction of legal commercial gambling facilities might reduce illegal gambling.¹⁵ As we shall see, this has indeed happened.

Thus, in the 1970s it was reasonable for states to favor the legalization of at least some forms of gambling. They could expect casinos not to have much impact on the gambling behavior of young people but instead to attract new participation mainly from the most mature segment of the population. Similarly, states could have been fairly confident that, by introducing lotteries, they would pull many people away from gambling illegally, especially in numbers games, and would bring this activity under state control and taxation. In short, while it is undoubtedly true, as the NGISC final report claims, that policy toward gambling has evolved incrementally and has involved the decisions of many people acting independently, the NGISC is inaccurate in asserting that this shift in policy was unconscious or ill-considered.

FINDINGS AND OBSERVATIONS

To say that the issues surrounding gambling are complex is not entirely accurate. Actually, many of the questions about the impacts of gambling and of gambling policy are fairly easy to answer, at least in general, with available scientific research. The difficulty of resolving most policy disputes over gambling arises largely from the variety of issues stressed by different stakeholders. One group may focus on pathological gambling, another group may emphasize the employment opportunities generated by various gaming venues, and still a third group may be most interested in how lottery earnings benefit schools or other public services. It is difficult for stakeholders to reach agreement on gambling policy, not because they disagree about any particular impact of gambling, but because they have very different views about which impacts are most important.

This section of the report presents information on a wide range of issues and questions. To the extent possible given the Commission's resources, the aim is to display the full spectrum of issues, data, considerations, and tradeoffs that arise when evaluating existing or proposed gambling policies at the state level. The Commission recognizes that choices must inevitably be made about how much weight to give to different factors, but it believes that these are usually political decisions that must be made on a case-by-case basis by state, tribal, and local citizenries and their representatives.

Economic and Social Impacts of Gaming

We begin with a discussion of the economic and social benefits of legalized gambling. The Commission found that these benefits are often large and well documented. However, later sections discuss some of the known or hypothesized costs from gambling. The challenge for policymakers is to assess the tradeoffs between benefits and costs at the state, regional, and local levels, and to use this information to manage legalized gambling so that economic and social benefits are maximized while any potential economic and social costs are minimized. The PSGSC recognizes that social and moral views must also be considered in making policy decisions, but these concerns are not easily quantified and, therefore, are not easily analyzed. The PSGSC feels that gambling policy decisions should be made at the state level to accommodate not only diverse locations and economies but also the variety of social and cultural influences present within individual states.

Of specific concern to the PSGSC are the economic issues of employment, regulation and taxation, saturation (the effect that additional gambling venues have on existing and potential gaming operations), and the social issues of gambling addictions, crime, and bankruptcy, both in the local host region and in the state as a whole.¹⁶ It should also be noted that, despite the apparent economic benefits for governments, legalized gambling is a relatively new industry in many areas, and its long-term effects remain to be seen.

Benefits of Legalized Gambling for State and Local Governments. A number of reports have been published within the past five years on the economic and social benefits from legalized gambling. Many states claim that by introducing gambling, particularly casino-style gambling, they have lowered their unemployment rates, decreased their welfare and other subsidy payments, and revitalized local economies. In addition to reducing welfare and related expenditures, legalized gambling has generated tax revenues that have been used to provide needed public services and facilities.

In New Jersey, for example, casinos employ almost 50,000 residents in full- or part-time positions and pay more than \$1 billion annually in salaries; property values in Atlantic City have increased from \$319 million in 1976 to more than \$6 billion in 1996, with casino hotel properties accounting for almost 80 percent of the property tax base; and welfare assistance in Atlantic County declined from 6,900 persons prior to casinos to 3,200 persons by 1997, while the population increased 24 percent during the same period.¹⁷ In 1977, Atlantic City collected \$24.5 million in real estate taxes; but, twenty years later the city collected \$187.5 million in real estate taxes, \$149.1 million of which came from casino properties. From the money collected for real estate taxes, casinos paid \$87 million of the \$109.8 million needed to operate the city's government and \$38.3 million of the \$48.3 million needed to run the county's school system.¹⁸

In Missouri, riverboat casinos were introduced in 1994. In the first year of operation, five riverboats generated \$299 million in adjusted gross receipts and attracted more than 12 million customers.¹⁹ By 1997, the state had a total of ten riverboats, generating adjusted gross receipts in excess of \$651 million.²⁰

From just the seven riverboats in operation in Missouri in 1996, the state collected \$93 million in taxes, \$22 million in admission fees, and approximately \$7 million in revenues generated by corporate income tax, fees and licenses, and enforcement fees.²¹ Those revenues were used to help support K-12 education programs, the Veterans Capital Improvement Fund, and the Missouri Gaming Commission.²² The local communities that hosted those seven riverboats received a combined total of \$10 million in taxes and \$22 million in admissions fees.²³ In some areas, the money collected from the gaming venues comprised 50 percent or more of the host city's total revenues.²⁴

In Wisconsin, tribal governments contributed 70 percent of their gaming revenues to housing, health, elder care, economic development, and education programs; the remaining 30 percent was used to fund long-range plans to diversify tribal economies.²⁵ Arizona tribes, between 1994 and 1997, spent approximately \$204 million in construction costs, which generated an additional \$340 million in economic activity within the state and created 4,000 jobs and more than \$100 million in wages.²⁶ In 1998, a total of \$360,000 was voluntarily paid to Kansas municipalities by tribally-owned casinos to help defray the costs of such services as police and fire protection.²⁷

Similarly, state-run lotteries have also proven to be significant sources of revenue for many states.²⁸ Florida's state-run lottery has contributed almost \$9 billion, the entire amount of its net revenues, to education since its inception in 1988; California has also

provided the total of its net revenues, more than \$10 billion, to education since its inception in 1985. Georgia has contributed its net revenues of \$3.3 billion to college scholarships and pre-school programs. Of the almost \$1.2 billion in total net revenues the Arizona lottery has generated, \$374 million has been used to fund transportation related projects. The Kansas lottery has provided \$308 million, from its total net revenues of \$366 million, for economic development projects. The South Dakota lottery has used \$226 million of its total net revenues of \$569.2 million to reduce property taxes.

A third gambling sector that generates significant revenues to several states is the parimutuel industry, which is one of the oldest forms of gambling in the United States. The greyhound segment pays \$235 million annually in taxes and fees to state and local governments.²⁹ In Florida, the Thoroughbred industry generates more than \$90 million annually in taxes, including property taxes, state sales taxes, and parimutuel taxes.³⁰

There is little doubt that the gambling industry contributes significantly to the national economy and to some state economies. Data from the past twenty years show that gambling has become an important form of entertainment for many people, especially recently, given the level of economic growth that the nation has experienced during the past few years. The total amount wagered in all forms of legalized gambling for 1998, including the same dollar bet many times over, was in excess of \$677.4 billion, with the majority, \$487.9 billion, coming from casinos.³¹ Tribal gaming facilities generated a handle of \$99.4 billion, lotteries, \$48.5 billion, and parimutuels—horse, greyhound, and Jai-Alai—\$18.1 billion.³²

The Economic and Social Impacts of Casinos and Casino-Style Gambling.

In assessing the local and regional economic and social impacts of casinos, as in any other industry, there are many factors that should be considered, including the effects that gambling facilities will have on property values, tax revenues, pollution, current infrastructure, the existing business climate, and the supply of labor. More specifically, state and local leaders need to know how any benefits or costs will be distributed among income classes, racial and ethnic groups, and neighborhoods and cities, what types of jobs will be created, the extent to which profits will be reinvested in the host community, what percentage of patrons will come from outside the host area, and how the resulting tax revenues can be most effectively spent to meet competing demands. The PSGSC does recognize that social and moral issues are also important factors to consider when setting public policy, but these issues can be difficult to quantify. For the purposes of this report, the Commission focuses on the data that is currently available.

Recent studies provide answers to many of these questions, but the answers tend to be context-specific, that is, they vary tremendously depending, for example, upon the size and population of the host community/region, the existence or absence of other non-gaming recreational opportunities, and the specific area from which both employees and patrons are recruited. In Atlantic City, most of the gamblers are visitors to the state, whereas the patrons of Wisconsin's tribally-owned casinos are primarily (80 to 85 percent) state residents.³³ Las Vegas is a major metropolitan area, but many of the communities that host riverboat casinos in Illinois and Iowa are not. Thus, it is

necessary to judge the impacts of casino gambling not only at the national level but at the state and regional levels, as well.

The employment studies published on behalf of individual states reach conclusions similar to those found in the national, macro studies.³⁴ Total direct employment for the casino gaming industry was approximately 300,000 people in 1995.³⁵ These jobs vary in nature and include casino positions—such as dealers, accounting personnel, slot technicians, maintenance personnel, beverage servers, and security guards—and hotel, food and beverage, and administrative positions. The average national wage, including benefits and tips, for casino gaming employees was approximately \$26,000 in 1995.³⁶

The positive aspects of casino employment are delineated in a recent Coopers & Lybrand industry employee survey that encompassed 187,793 casino employees and 104 land-based, riverboat, and tribally-owned casinos within ten states.³⁷ According to this survey, many casino operations offer extensive benefit packages to their employees, including health insurance and retirement options. Employees in some locations also responded that they are offered such additional benefits as on-site child care, the flexibility to work split shifts or part-time hours, on-site training programs, and assistance with paying for external schooling. Some employees reported that because of their casino jobs they were able to leave public assistance, with 8.5 percent of survey respondents no longer receiving welfare payments and 9 percent no longer receiving food stamps. Overall, sixteen percent of respondents stated that they were able to use their casino job to get off of public assistance.³⁸

A report of the New Jersey Casino Control Commission states that in 1996 the state's casinos directly employed 43,900 employees. Of these employees, women comprised more than 40 percent of the service workers, professionals, and casino officials and managers and 64 percent of the sales workers; more than 40 percent of the office and clerical workers and professionals and 59 percent of the sales workers were minorities.³⁹

The Tunica Convention and Visitors Bureau (Tunica County, Mississippi) reports that the number of persons receiving Aid to Dependent Children payments has been reduced by 67 percent and food stamp distribution has decreased 58 percent between 1992, when the first casino opened, and 1998. The average per capita income rose from \$11,975 in 1992 to \$19,139 in 1996. Unemployment rates dropped from 13.6 percent in 1990 to 5.8 percent in 1998.⁴⁰

In addition to the documented employment opportunities available in the casino industry, there are also substantial indirect impacts, which occur as the spending directly associated with the building or operation of casinos are spent and re-spent, creating a ripple effect throughout the local and regional economies, and beyond. The effects of indirect impacts can be seen in industries ranging from construction to agriculture to computer manufacturing to air conditioning repair. It is estimated that the casino gaming industry indirectly generates 300,000 jobs and \$10 billion in wages annually for industries that support casino operations and an additional 85,000 jobs and \$2.5 billion in wages for construction-related industries.⁴¹ The Coopers & Lybrand

employee impact survey found that in the previous year 17 percent of the survey respondents had purchased a home, approximately 29 percent had spent money on home improvement projects, 43 percent had purchased an automobile, 30 percent had purchased a major appliance, and 51 percent had bought a home computer or other home electronic equipment. The survey also stated that the respondents patronized local restaurants approximately three times per month, ordered fast food, take-out meals, or had food delivered five times per month, and participated in recreational activities such as sporting events, bowling, concerts, and arcades about four times per month.⁴²

In the four years since the inception of riverboat casinos in Joliet, Illinois, (1992 to 1996) \$121 million in commercial construction permits were issued, compared to \$81 million for the four years prior to the introduction of casino gaming; housing construction doubled during this same time period. The number of hotel rooms available in Joliet increased by 50 percent, from slightly less than 1,000 in 1991 to almost 1,600 in 1996; occupancy rates rose from 47 percent in 1993 to 58 percent in 1996. Auto sales increased from \$573 million in 1991 to \$820 million in 1995. Retail sales for Joliet rose from approximately \$750 million in 1991 to slightly more than \$1 billion in 1995, and retail sales for Joliet's host county expanded almost 75 percent, from slightly more than \$2 billion to \$3.5 billion, during the same period of time.⁴³

In addition to these benefits, many casinos contribute to community charity campaigns, including providing computer equipment for local schools and building recreation centers for children (see Appendix F). Gaming establishments encourage their employees to follow suit by volunteering time with worthy community causes. The Coopers & Lybrand employee impact study asserts that casino industry employees provided 884,000 hours of volunteer service to local community organizations each month and contributed more than \$58 million to charitable organizations during a 12-month period from 1996 to 1997.

While there is evidence to indicate that casino gambling operations can contribute substantially to state and local economies, the positive benefits appear to be most pronounced in sluggish economies, specifically in struggling small or rural communities. For example, prior to the introduction of legalized gambling, Tunica, Mississippi, had double-digit unemployment and an undereducated workforce, the tourism industry in Biloxi and Gulfport, Mississippi, and in Atlantic City was rapidly declining, and Joliet, Illinois had lost needed manufacturing jobs.⁴⁴ Gambling has revitalized these communities by providing a new source of revenue for state and locally funded programs and services, creating jobs with benefits and opportunities for skills training and advancement, and bringing customers into the host area who also patronize other local businesses. It should be noted, however, that the economic benefits stem primarily from the employment opportunities that gambling facilities offer.

Although communities that have casino gambling (especially in smaller and more depressed communities) appear to benefit economically from it, studies are lacking on the effect of casino gambling on neighboring communities, which may have problems with the social and economic impacts of gambling without any tax or job benefits to offset these problems. The existing research is confusing and often conflicting.

It is sometimes claimed that gambling operations pull customers away from existing local businesses.⁴⁵ There seems to be a commonly held conception that gambling operations, particularly casinos, put small recreation- or hospitality-based businesses out of operation. Just as small, mom 'n pop retailers can not compete against retail giants like Wal-mart, critics say, locally-owned restaurants, bars, movie theaters, and other similar businesses cannot compete against large casino/entertainment complexes. This concept is based on the premise that the residents of a community have a limited amount of money to spend on recreation and must make choices on how to spend this money—either they go to a restaurant or to a movie theater or to a casino. Casinos that rely on the internal community market, that draw patrons primarily from the localized host region, are, therefore, thought to be harmful to existing local businesses, as those existing businesses are not able to effectively compete for the consumer's recreational dollars. In instances where consumers elect to gamble, they are foregoing an opportunity to see a movie; wagering is thus substituted for other non-gaming entertainment spending in an area.⁴⁶ This situation is compounded by the fact that many casinos offer restaurants, bars, lodging, and other forms of entertainment on-site.

However, the effect of casinos on nearby businesses may involve more than just the competition for a fixed supply of local dollars. For example, riverboat casinos in New Orleans and Baton Rouge attract almost all of their patrons from the local market: 97.7 percent and 99 percent, respectively.⁴⁷ In this scenario, the amount of money spent by local patrons at the casinos in these areas should equal the dollars displaced from other local businesses. A recent study indicates that spending by local customers at the casinos in these two markets displaced \$285 million from other Louisiana businesses, but this was only about two-thirds of the total amount spent by local customers on riverboat gambling in Louisiana.⁴⁸ The remaining one-third could have come from potential out-of-state spending, such as money put aside for out-of-state vacations or trips to other casinos, or from savings or loans, or from increased income. These sources of additional income are temporary answers and are subject to the cyclical nature of local economies. Money from savings or loans, however, will offset the effect of substitution only until the savings are depleted or the loans must be repaid; increasing incomes will offset it until the local economy experiences a downturn. Thus, some studies indicate, substitution may be an important factor in figuring the effects of casinos on other local businesses, but it is by no means the only factor.

Conversely, there is evidence that indicates that gambling establishments actually help new and existing businesses and recreational venues, such as restaurants, movie theaters, hotels, and lounges, by offering job opportunities to previously unemployed or underemployed individuals and providing an exciting attraction that lures patrons to the host area.⁴⁹ Also, any amenities provided by the casinos, such as restaurants and bars, are a source of income for employees and will have indirect impacts as this income is spent outside the casinos. The data provided by Tunica, Joliet, and similar communities suggest that, at least in the short-run, this may be the more likely scenario. In fact, it may be that the only case where casinos actually reduce economic activities in other, local businesses, is when a casino is brought into a healthy, tourist-based economy.⁵⁰

In general, the information collected thus far on the economic impacts of casinos is inadequate to serve as a basis for long-term policy decisions, based partially on the fact that data have been gathered during a period of economic prosperity. The direct impacts, especially on employment, appear to be quite positive in certain circumstances, but the long-term effect of casinos on the businesses around them is not well known. The PSGSC recognizes that much of this positive economic activity has occurred during boom times and that additional longitudinal studies are needed to assess the long-term economic impacts of gambling on host communities and states.

The Economic and Social Impacts of Tribal Gaming.⁵¹ Many of the social and economic issues that pertain to casinos and casino-style gambling will be reflected in the information on tribally-owned gaming operations, though the history of tribal displacement and poverty provides a unique setting that makes the benefits of gambling on stagnant or underdeveloped economies all the more evident.

The PSGSC recognizes the fact that the federal government has done a poor job as trustee for Indian tribes and acknowledges that the federal government's policies have failed to address the basic needs of Indian communities. As a result, many Indian communities are faced with substandard living conditions. Tribal members have provided oral testimony and submitted research studies to the Commission delineating the impoverished conditions found on reservations, conditions that should not exist in any community. Many reservation residents live with no indoor plumbing, substandard housing, too few schools, inadequate police and fire protection, and no medical care. Many tribal members have difficulty finding employment within or outside reservations. The economic prosperity enjoyed by many Americans has not yet reached Indian country.

Data regarding the conditions found on many reservations prior to Indian gaming is shocking. According to a 1990 census report, 62 percent of the tribal members living on reservations in Wisconsin in 1989 were officially poor; the unemployment rate of Colville members living on the reservation in Washington was 53 percent and the median annual individual income was \$7,561.⁵²

Jacob Coin, the Executive Director of the National Indian Gaming Association (NIGA), provided startling recently published statistics indicating that, even today, nearly one out of every three families on Indian reservations lives below the poverty line, nearly half of all Indian children under the age of six are living in poverty, the annual income of Indian families is only two-thirds that of non-Indian families, and approximately 90,000 Indian families on reservations are homeless or underhoused.⁵³ Coin also stated that Indian youth between the ages of five and 14 commit suicide at more than twice the national average rate and that the suicide rate for Indians between the ages of 15 and 24 is nearly three times the national average.⁵⁴ Statistics also indicate that prior to the introduction of gaming on tribal lands, Indian youths had higher rates of teen births, alcohol and drug-related deaths, and accidental deaths, and adults had higher rates of alcohol and diabetes-related deaths, compared to the national rates for similar, non-Indian groups.⁵⁵ In an interview with PBS's *Frontline*, Anthony Pico of the Viejas Tribe stated:

. . . this lifestyle was not a choice that we made. Our people were driven into arid areas . . . languished there for 150, 200 years . . . People thought we were lazy because I went to school with holes in my clothes . . . You know what that was from? That was from being excluded from the economic system. We were isolated by our poverty . . . We lived in this poverty stricken reality because we've had our economics stripped away from us.⁵⁶

Federal assistance programs were implemented to eliminate the social problems endured by Indian tribes, but they repeatedly failed. Numerous tribal representatives testified before the NGISC of the ways Indian governmental gaming is providing for the basic needs of tribal members after years of neglect by federal programs and agencies. David Nenna of the Tule River Tribe stated:

The tribal government was desperately underfunded such that it was unable to provide basic services to its membership. Federal funding of tribal programs have been drastically cut, causing the tribal government to rely on tribal economic development for its very survival.⁵⁷

Keller George, President of the United South and Eastern Tribes and a member of the Oneida Nation of New York, testified:

The federal government can not be relied upon to fund basic programs that help Indian people live safe, secure, and successful lives . . . The social and economic problems we face daily have made it increasingly clear to Indian country that we are considered second-class citizens here in the wealthiest country in the world.⁵⁸

Ivan Makil, President of the Salt River Pima Maricopa, testified:

The federal government has never lived up to its trust responsibilities and obligations to Indian people when our ancestors gave up valuable lands and resources in exchange for the right to have a place to call our own, the right to self-governance, the right to an education and for health services, to name a few. And, above all, for the right to practice our culture---our way of life.⁵⁹

One of the major findings of the NGISC was that “no evidence was presented to the Commission suggesting any viable approach to economic development across the broad spectrum of Indian country, in the absence of gaming.”⁶⁰ There are numerous historical and structural reasons for the lack of viable economic development strategies in Indian country. Michael Thomas of the Mashantucket Pequot Tribal Nation testified that:

Tribal gaming activities have become the most, and in many cases the only, successful economic development initiative in the history of Indian country. Before tribal gaming, there was little, if any, successful public or private sector economic development on reservations. Neither the federal or state governments have proposed or provided any specific or credible

economic alternatives to Indian gaming as a meaningful source of tribal revenues and jobs.⁶¹

According to Dallas Ross of the Upper Sioux Community:

Historically, there has been high unemployment and substandard housing on the Reservation. Federal, state, and tribal programs initiated to spur tribal business development have failed. Tribal gaming has been the only business enterprise that has been successful on the Upper Sioux Reservation.⁶²

Keith Tinno, the Chairman of the Fort Hall Business Council testified that:

Before tribal gaming, there had been little successful public or private sector economic development on Indian reservations. The federal government and the Bureau of Indian Affairs have not been successful in fostering economic development on the Fort Hall Indian Reservation. The State of Idaho continues to promise funds or assistance for economic development, but none have been received. The hard facts are that the Shoshone-Bannock Tribes have been excluded from nearly every project which promises economic growth and security to the citizens of the State of Idaho.⁶³

After a 1987 U.S. Supreme Court ruling (*State of California v. Cabazon*) that recognized the authority of tribal governments to regulate gambling on Indian lands, Congress enacted the Indian Gaming Regulatory Act (IGRA) in 1988. Under IGRA, states were granted the authority by the federal government to negotiate with tribal governments in "good faith" about the scope of Class III gambling and how it will be regulated.⁶⁴ This negotiation process was created to recognize the sovereignty of Indian tribes and to acknowledge their right to offer gaming as well as to recognize the interest of states in negotiating Class III Indian gaming within their borders in a manner consistent with their individual policies and practices and conducive to the interests of their citizens. Since the introduction of Class III gambling on reservations, which began slightly more than a decade ago, some tribes have used it to improve their circumstances. The evidence is clear that gaming has provided important economic, social, and governmental benefits for many Native Americans. Under Section II of the Indian Gaming Regulatory Act, all of the profits from gaming must be used for specific purposes, including funding tribal governmental operations and programs, providing for the general welfare of tribal members, promoting tribal economic development, donating to charities, and assisting with the funding of local government operations.⁶⁵ Proceeds from gaming operations have been used to alleviate poverty, provide health and child care, and create employment and learning opportunities for all tribal members. In addition, gaming has proven to be a rapidly growing and tremendously successful industry, allowing some tribes the means to expand and diversify their economies. The PSGSC has found evidence that gambling has provided important economic, social, and governmental benefits for many Native Americans, and the Commission recognizes that neither the federal nor state governments have proposed or provided any specific

or credible economic alternative to Indian gaming as a meaningful resource of tribal revenues and jobs.

The Indian Gaming Regulatory Act has been successful in most states and has served as a stepping stone toward improved government-to-government relationships. It has established a process for states and tribes to negotiate Class III gaming compacts, a process that has produced a number of working agreements between states and tribal governments. However, the PSGSC recognizes that while the tribes that operate gaming facilities have been able to overcome failed federal policies, gaming has not improved conditions for all Native Americans. It should be noted that less than one-third of the 554 federally recognized Indian tribes operate gaming facilities, and, of the tribes that do have gaming on their reservations, not all have been as successful as the examples discussed above.⁶⁶ The Bureau of Indian Affairs reports that there are currently 198 binding compacts in force, encompassing 158 tribes and 28 states.⁶⁷

Gaming facilities operated by the Colville Tribes in Washington have directly generated more than 500 jobs and \$7.5 million in revenues. When indirect economic impacts are included, the figures total 755 new jobs and more than \$14.5 million in revenues. In addition to good wages, Colville gaming employees receive significant benefits, such as medical and dental coverage, employer matching pension funds, and worker compensation benefits.⁶⁸

In 1970, prior to opening gaming facilities, the Oneida Tribe of Wisconsin had an operating budget of \$40,000 and a 55 percent unemployment rate. The budget for the current fiscal year is in excess of \$1.8 million, with major portions of these funds derived from gaming revenues of \$72 million. Regional unemployment is now only 2.7 percent.⁶⁹

The Sandia Pueblo Tribe of New Mexico has used gaming revenues to fund a wellness center—which houses a gymnasium, an exercise room, and a Headstart classroom, day care center, and cafeteria for young children—a community center with a full kitchen, a learning resource center, a health clinic, and wetlands for wastewater treatment to protect groundwater resources.⁷⁰

But the benefits of gaming are not limited to the tribal reservations; taxes and revenues collected from Indian gaming operations help support numerous local, regional, and state government programs. In 1996, the Fort McDowell Mojave-Apache Indian Community provided \$1 million from its gaming revenues to be divided among Arizona's three state universities.⁷¹ In 1997, Indian gaming in California generated \$120 million in tax revenue for state and local governments, including personal and corporate income taxes, sales and use taxes, gasoline taxes, and hotel occupancy taxes. In addition, the number of AFDC recipients in California has decreased substantially since the introduction of Indian gaming, providing an estimated savings of \$50 million annually.⁷²

Montie Deer, Chairman of the National Indian Gaming Commission, reported that the Grand Traverse Band of Ottawa and Chippewa Indians of Michigan contributed more than \$1 million to neighboring local townships and its host county in the latter half of 1998. This money was used to purchase emergency medical equipment and equipment to monitor water quality, train new fire/rescue employees, and improve

roads. The casino operated by the Hannahville Indian Community in Michigan is the primary source of work in its county, employing 67 percent of the people in the area. The Sault St. Marie Tribe of Chippewa Indians, also in Michigan, is the largest employer in the northeastern part of the state.⁷³

In 1996, Shoshone-Bannock (Idaho) tribal gaming generated \$433,000 in consumer spending by casino employees and \$2.3 million in consumer spending by non-local patrons. Local, non-gaming businesses received an additional \$489,500 from casino purchases and subcontracts, which generated 41 jobs, with wages totaling \$334,000, and \$423,000 from non-local casino patron purchases, which generated approximately 57 full and part-time jobs, with wages totaling \$750,000.⁷⁴

In 1997, Indian casinos in California directly employed more than 14,000 people, 90 percent of whom were non-Indian, paid total wages of \$280 million, and indirectly supported an estimated 33,800 jobs.⁷⁵ Many of these jobs were reportedly created in areas that had traditionally high unemployment and low per capita income.

Indian governmental gaming also provides opportunities for Indian tribes to expand their economic bases and create and recruit non-gaming businesses. A 1996 report published by the Sault Ste. Marie Tribe (Michigan) reported that the tribe's 24 non-gaming businesses, including a construction company, a cleaning service, hotels and restaurants, a development firm, and convenience stores, employed 556 people and paid \$21 million in salaries.⁷⁶ The Mille Lacs Band of the Chippewa (Minnesota) has implemented an entrepreneurial assistance program to help establish new non-gaming businesses and has purchased two local banks that are outside reservation lands to provide financial services to the community.⁷⁷

In testimony before the NGISC, it was stated that casino-related job opportunities lowered the unemployment rate of the Gila River Indian Community (Arizona) from 40 percent to 11 percent.⁷⁸ Representatives of the Couer d'Alene Tribe (Idaho) testified that its unemployment rate dropped from 55 percent to 22 percent because of the introduction of gaming.⁷⁹ In addition, it was stated that many tribes have tremendous impacts on their local economies, including the Lac Vieux Desert Band of Lake Superior Chippewa (Michigan) and the Prairie Island Indian Community (Minnesota), which are the largest employers in their respective host counties, and the Ho-Chunk Nation of Wisconsin, which is the largest employer in three separate counties.⁸⁰

It is apparent from the testimony provided by tribal members and the data from tribal and independent studies that gaming has had a positive economic and fiscal impact for some tribes and for some state and local governments. It is clear that much of these benefits are due to tribal gaming. As with other forms of gambling, however, the data available do not indicate to what extent these positive effects are exclusively due to tribal gaming. The PSGSC recognizes that the booming national economy of the past few years has reduced unemployment and welfare and other subsidy payments in many states, including states that do not have tribal gaming. Therefore, the PSGSC recommends that further long-term studies are needed, and, in the meantime, tribes should continue their efforts to diversify tribal economies and generate non-gaming sources of revenue.

The Economic and Social Impacts of Parimutuel Wagering. Parimutuel wagering is very different from most other forms of commercial gaming in that bettors wager against one another rather than against the “house.” The money wagered is placed in a pool, from which a certain percentage is removed, and the rest of the money in the pool is distributed to the winners. The percentage removed is the “takeout” or commission on wagering. The takeout varies among different jurisdictions. The takeout is divided among the track owners, the owners who provide the racing stock, and state and local governments. Some jurisdictions mandate that a small percentage go to breeders’ or problem gaming funds.

The U.S. equine and greyhound industries, including racing and their other competitive, agricultural, and productive components, and the Jai-Alai industry have a positive impact on national and state economies. The equine industry has a presence in some form in almost every state; Thoroughbred and harness racing, in particular, have a long, historical tradition. Parimutuel horse racing, which is legal in 43 states, involves primarily Thoroughbreds, Standardbreds, and Quarter Horses.⁸¹ In addition to the racing breeds, the industry also includes numerous non-racing breeds such as Saddlebreds and Tennessee Walkers. In 1990, more than 79 million people attended horse races and another 40 million viewed equine sporting events at shows and rodeos.⁸² The equine industry in the U.S. generates \$112 billion annually and directly and indirectly supports the equivalent of 1.4 million full-time jobs for people in every region of the country.⁸³ Full-time positions include farm owners and staff, veterinarians, groomers and walkers, instructors, and racetrack employees. Many of these jobs are entry-level opportunities for many semi- or unskilled people who might otherwise have difficulty finding employment, but the industry also offers higher paying administrative and managerial positions, as well.

The equine industry has historically provided substantial direct and indirect revenues for states and local governments.⁸⁴ The states receive income from parimutuel taxes, track and occupational licenses, breakage, admission taxes, and miscellaneous fees. In 1995, parimutuel horse racing produced aggregate revenue of more than \$455 million to a total of 38 states. Local governments receive direct revenue from taxes on admission tickets as well as from employer or property taxes. In Florida alone, breeding and training farms, racing at tracks, and parimutuel horse wagering directly created the equivalent of 7,400 full-time jobs, indirectly created the equivalent of 27,300 full-time jobs, and had a total economic impact of \$2.2 billion.⁸⁵

In California, racing generates 52,500 full-time jobs and \$4 billion annually to the state’s gross domestic product.⁸⁶ Horse racing (and breeding) ranks fifth in the state’s economic and employment impact, and its impact is triple that of any other sporting industry in the state. It also preserves 155,000 acres of green space. Fifteen million people participate in horse racing annually in California through attending racing, shows, and rodeos. Santa Anita Park provides \$2.5 million annually in taxes to its host city and county. This money is used to improve schools, roads, and public safety. Santa Anita Park is its community’s largest employer, with 2,500 on-track employees, not including owners and contract employees such as jockeys and trainers.

In addition, the breeding and training industries associated with horse racing keep land in pasturage, which provides green space and open lands and may help limit urban sprawl. The investment capital that flows into the racing industry supports an equine industry infrastructure that benefits all other equine interests. These benefits include expanded veterinary research and care and more extensive supply and equipment networks. The breeding conducted for racing provides horses for all varieties and levels of equine activities.

Racing supports charitable endeavors through multiple channels and toward many interests. Some major racing organizations, such as Keeneland in Lexington, Kentucky, and the Oak Tree Meeting at Santa Anita in Arcadia, California, are not-for-profit organizations whose surplus funds are distributed on an annual basis to the racing industry and to charitable organizations in their general communities. Oak_Tree contributed more than \$1 million in 1999; Keeneland contributed more than \$600,000. Other racing organizations, both for-profit and non-profit, have related charitable foundations or have dedicated efforts to raise charitable funds. Recipients of these funds include charitable organizations that provide counseling services and support for injured members of the racing community and their families, veterinary research foundations, such as the Grayson-Jockey Club Foundation, placement organizations for retired race horses, educational organizations, and therapeutic riding programs.⁸⁷

Greyhound racing is a sport that has been a source of entertainment for more than 90 years in the United States. In excess of 20 million people attended greyhound racing events in 1997. The parimutuel racing, breeding, and maintenance of greyhounds in the United States is a \$2.3 billion industry, accounting for 30,000 jobs directly related to racetrack and agricultural operations.⁸⁸ The two main segments of the industry are the 49 tracks located in 15 states and the breeding farms and kennels, which maintain the non-racing greyhounds. The tracks account for \$647 million in direct output.⁸⁹ The adoption of greyhounds after their racing careers, and the maintenance of these dogs, accounts for an additional \$118 million in annual expenditures.⁹⁰

The \$2.3 billion impact is derived from the \$1 billion in direct output, which, according to the accepted output multiplier of the U.S. Department of Commerce, generates a total impact approximately 2.3 times greater. In addition, there is \$500 million in capital investment in racing facilities and an estimated \$10 million in additional annual capital investments in equipment and improvements. Payments to state and local governments are estimated at \$234 million, payments to other industries at \$525 million, and salaries and wages at \$256 million.

Jai-Alai came to the U.S. from Cuba and was first seen here in 1904.⁹¹ Jai-Alai is a game similar in rules to tennis or handball in which individual players or teams of two players compete on a three-walled court.⁹² A handmade ball, called a pelota, is thrown from and caught in a cesta, which is long wicker basket with a leather glove for the players' hands. Pelotas have been clocked at speeds in excess of 180 m.p.h., making Jai-Alai a very high-speed, fast-paced game. Florida legalized Jai-Alai as a parimutuel sport in 1934, along with horse and dog racing. During the 1970s, Jai-Alai expanded into Nevada, Connecticut, and Rhode Island. There is an intertrack network that allows wagering at venues in Florida, Connecticut, Rhode Island, Mexico, Central and South

America, and the Caribbean. Sixty-five percent of all Jai-Alai betting in this country occurs in Florida.

One Jai-Alai fronton in southern Florida employs 300 people and has an economic impact of \$200 million. In addition to live Jai-Alai games, this facility offers poker, simulcast Jai-Alai, and simulcast Thoroughbred and harness racing. Other frontons in Florida offer intertrack wagering on Jai-Alai and Thoroughbred, harness, and greyhound racing, poker, and major tournament competition. Connecticut frontons offer off-track betting, and Rhode Island frontons offer intertrack wagering, electronic gaming, and keno.

The Economic and Social Impacts of State-Run Lotteries. During the 20th century, lotteries were illegal in every state in this country until 1964, when the New Hampshire Legislature adopted the nation's first state-run lottery since the Reconstruction era.⁹³ However, while they may seem new to contemporary Americans, lotteries are a very old way to raise funds for public purposes. The first recorded lottery to distribute prize money was held in 466 in Bruges, in what is now Belgium, for the purpose of providing assistance to the poor.⁹⁴ In America, the first recorded lottery was created in 1612 and raised 29,000 pounds for the Virginia Company.⁹⁵ Lotteries have provided funding for such illustrious projects as the Jamestown settlement, Harvard College, and the Continental Army, as well as public works projects initially in the American colonies, and later in the first few states.⁹⁶

Since 1964, the number of states with state-run lotteries has increased tremendously. While only one other state, New York, adopted a lottery in the 1960s, 12 states did so during the 1970's, and another 18 states followed suit during the 1980's.⁹⁷ Six other states adopted lotteries in the 1990's. Today, state-run lotteries operate in 37 states and the District of Columbia.⁹⁸ Of these, 23 were created by direct approval of the citizens in statewide votes.⁹⁹

Before the mid-1970s, state-run lotteries were not much more than raffles, with people buying tickets for a drawing at some future date, often weeks or months away. The establishment of new types of games has almost entirely replaced this original form; today, states offer five main kinds of lotteries: instant games, daily number games, lotto, keno, and electronic terminals for video lottery.¹⁰⁰

Instant games use a paper ticket with spaces that can be scratched off, displaying numbers or words denoting whether the ticket wins or loses. Daily numbers games allow players to select their own three- or four-digit number. Often there are a variety of bets that can accompany these numbers, each with a different probability and payout. Lotto is a game in which bettors pick a few numbers, typically five to seven, out of a larger group of numbers, usually 40 or 50, with drawings held weekly or daily. Keno is a game that is very similar to bingo. The payoff in these games is a function of how many numbers the bettor chooses, which corresponds to the chances of winning in each instance. Video lottery or electronic games, which use a device that can be programmed to carry a large variety of games, offer bettors a chance to play a game and get instant payouts for winning bets.

One concern that has arisen about lotteries is that they may be more attractive to the poor than to groups with higher incomes. However, scientific research casts doubt on this concern. The best data available on the issue of income and personal expenditures on the lottery come from the National Opinion Research Center (NORC) at the University of Chicago, which conducted a nationwide survey in 1998 on gambling behavior for the National Gambling Impact Study Commission. This research is discussed in more detail below in the section on pathological gambling. The data were analyzed by PSGSC staff to determine how lottery purchases are related to income. The analysis found that:

- Individuals in NORC's lowest income category (a total family income of less than \$24,000 per year) spent an average of \$5.00 the last time they purchased lottery tickets. Those with annual incomes between \$50,000 and \$100,000 spent an average of \$7, which is 40% more than the lowest income group. Those earning above \$100,000 spent \$6.70, which is also significantly above the lottery spending of the bottom income group. The correlation (tau-b) between income and lottery spending is positive (spending increases with income) and statistically significant at the .02 level.

Of course, the previous finding raises the question of how often people in different income groups purchase tickets. It is possible that the poor spend less each time they purchase tickets, but they purchase tickets more often than other groups. However, further analysis of the NORC data by PSGSC staff found that:

- There is no relationship between income and the frequency with which individuals purchase lottery tickets. A majority of all Americans buy a lottery ticket at least once each year. Three-fourths of those who do so, buy a ticket no more than once a month, and about half purchase tickets only about three times per year. This is true across all income groups.

Similarly, results from a recent poll indicate that nearly half of heavy lottery ticket buyers report incomes of \$45,000 or more.¹⁰¹ Only 13 percent of the respondents who reported annual incomes of less than \$15,000 stated that they spent more than \$20 per month on lottery tickets; none of these individuals spent more than \$50 per month on tickets. Those respondents who reported earning more than \$50,000 per year comprised 30 percent of the lottery ticket buyers in Texas and 29 percent of ticket buyers in Virginia. A 1999 Gallup poll found that individuals from upper-income brackets spend three times more on lottery tickets than those of lower incomes.¹⁰² Still, these findings are inconclusive. The studies do not allow for precise comparisons of lottery spending relative to income across income groups, because the spending and the income are usually broken down into broad ranges, which make comparisons crude and imprecise.

For fiscal year 1998, lottery sales reached \$35.9 billion.¹⁰³ State governments received \$11.9 billion, and lottery retailers received \$2.5 billion in commissions. Lotteries support jobs for 184,000 retailers and 6,500 lottery employees. In Georgia, 457,000 students received scholarships; senior citizens in Pennsylvania received \$254

million for prescription drugs; and property owners in Wisconsin received \$1.4 billion in property tax relief.

As discussed in more detail later (in the section on pathological gambling) lotteries do not appear to be either causing or contributing to pathological gambling. In fact, the reverse may be true. States with lotteries have lower rates of pathological gambling than states without lotteries. It may be that lotteries provide a benign outlet for those who have an inclination to gamble. The widespread legalization of lotteries also seems to have led to a decrease in illegal gambling. Illegal numbers games have declined substantially since the inception of state lotteries.

The Economic and Social Impacts of Internet Gambling. As with other on-line businesses, Internet gambling is becoming increasingly popular, and gambling providers are rising to meet the demand. In 1998, there were 280 Internet gambling sites; by June 1999, there were more than 400.¹⁰⁴ It is estimated that this industry will generate more than \$7 billion annually by 2001.¹⁰⁵ However, Internet gambling is an issue of great concern to the PSGSC, and it poses a serious threat to all states regardless of their gambling laws and policies. Internet gambling raises questions about access by minors or by those who have gambling disorders, fairness in the games offered, and the legitimacy of the gaming operators' backgrounds and financial resources. Internet gaming also raises concerns about communication and the legality of gambling activities across state and national boundaries.

Many of these questions and concerns come from the very nature of the Internet; it transcends local, state, and even national boundaries. For the gambling industry, the implications of this power are overwhelming. The gambling market is being made virtually limitless; casinos, lotteries, and parimutuel facilities do not have to rely on patrons traveling to their sites, they can go directly to their customers in any city, state, or country. On-line gambling sites offer consumers access to a wide variety of games, including, however, those that may be illegal in their own state. All states should have the right to choose what types of gambling are to be offered within their borders, but operators offering gambling via the Internet circumvent traditional boundaries and take this right away from the states and their citizens.

In addition, if people gamble on the Internet on unregulated and untaxed gambling sites, there is a clear cannibalization of money spent on legal, regulated, and taxed gambling activities in the states.¹⁰⁶ Money that is wagered on-line will not be spent in parimutuel facilities or casinos, or on lottery tickets, which are forms of wagering from which states directly receive licensing and other fees and taxes.

Internet gambling sites can use the states' own numbers in lotteries and make higher payouts because they do not need to pay money for the cost of regulation or running the lottery, and they do not make any contributions to state general revenues. Such unregulated competition could potentially decrease revenues generated by state lotteries, revenues that are used to fund needed state and local economic and social programs.

Similarly, Internet gambling sites can also track parimutuel wagering, and offer higher odds than the legal parimutuels, because Internet sites do not pay state taxes,

regulation costs, or, as a result, owner's awards, breeder's awards, or purses. If this form of wagering continues, it may have detrimental effects for the state licensed and legal parimutuels.

States also have no means of regulating Internet gaming sites, particularly if the gambling company resides outside of the United States. This means that states cannot ensure the fairness of the games, conduct background checks on company employees, or audit the financial records of the company. In short, states cannot protect the interests of their consumers. Also, since Internet gambling is such a new phenomenon, there is no information available to show how having unlimited access to gambling venues from one's home will affect those individuals who have a compulsive disorder. Some Internet gambling sites have no betting or loss limits.¹⁰⁷ There is no means of enforcing such limits as providers are beyond the jurisdictional reach of the states.

Sports Wagering, Cruises to Nowhere, and Charitable Gaming. There are three additional gambling venues that, while they were not originally identified by commission members as areas of primary interest to the PSGSC's purpose, testimony was provided before the PSGSC that was compelling enough to warrant brief mention of them.

*Sports Wagering.*¹⁰⁸ Wagering on sporting events appears to be increasing in popularity among college students. Within the last five years, there have been gambling scandals involving student athletes on the campuses of Arizona State University, Northwestern University, Cal-State Fullerton, and Boston College, to name a few. Sports gambling and its aftermath can be humiliating to students, their families, and colleges and universities. Students have been expelled from college and have lost athletic scholarships worth thousands of dollars. In many cases, students have also lost promising professional careers in athletics. In most cases, the scenario is strikingly similar. Student-athletes gamble and incur losses beyond their means; they then become vulnerable to point shaving scams. Sometimes they participate in these schemes with the hope of erasing their debt, sometimes they participate through threat of physical injury.

A 1998 study of 3,000 male and female Division I college athletes conducted at the University of Michigan found that nearly 35 percent have gambled on sports while in college. Among the male student athletes, more than 45 percent admitted to gambling on sports. More than five percent of the male student athletes provided inside information for gambling purposes, bet on a game in which they participated, or accepted money for performing poorly in a game.

An earlier University of Cincinnati/NCAA study surveyed 2,000 male student athletes in Division I basketball and football programs to assess the extent of NCAA violations. This survey found that more than 25 percent of the athletes reported gambling on college sporting events other than their own while in college. Four percent admitted to wagering on games in which they had played, and three students admitted to changing the outcome of the game in which they played.

In another 1998 study, 954 students from nine Southeastern Conference universities enrolled in first aid or health and safety classes were surveyed. Thirteen

percent of the students were athletes. The results revealed that the athletes were more than twice as likely to be problem gamblers than non-athletes (6.6 versus 12.4 percent). In addition, student athletes with fraternity or sorority affiliations had a higher prevalence of problem gambling than non-affiliated athletes.

The PSGSC recognizes that the impact of illegal sports wagering on college campuses has impacts that reach throughout every state-supported university system and beyond. Add to the growing popularity of sports wagering the increased access to computers that universities provide students, and the results could prove very troubling. The PSGSC supports the NCAA's compulsive gambling programs for its athletes, but feels that more efforts should be made to reach the broader student population.

Still, gambling on college campuses is not the extent of sports wagering problems; there are two other issues that should be recognized: sports handicappers and legalized sports gambling. Sports handicappers offer picks in many major local and national newspapers, through 1-800 or 1-900 telephone numbers, and on weekly syndicated television and radio shows. Sports handicapping is not itself illegal, but the information provided is most likely to be used in a gambling activity, potentially in an illegal situation. In addition, sports handicapping is not regulated, and investigations have revealed false and fraudulent claims by handicappers. Nevertheless, it is unlikely that anyone who receives false information will make a complaint to law enforcement officials.

It is the position of the NCAA, and other sports organizations, that legalized sports gambling is a potential threat to student athletes and to the integrity of intercollegiate athletic contests. Sports organizations simply do not approve of money being wagered on their games as there is always the threat that someone may try to influence the outcome for personal gain. There is sports betting available on a large basis in Nevada, which was conducted legally before the enactment of the Professional and Amateur Sports Protection Act.¹⁰⁹ Nevada, however, was "grandfathered in" by Congress and will be allowed to continue its operations. Delaware and Oregon were also "grandfathered in," but Delaware has chosen not to allow sports betting, and Oregon allows only betting on National Football League games.

Much of the wagering that supports the sports betting industry comes from outside those states that have legalized sports betting. Therefore, the PSGSC recommends several actions be taken with sports wagering via the Internet and other telecommunications devices. Federal law should prohibit collections on Internet sports gambling debts charged to credit cards; it should also prohibit wire transfers of money to pay for sports gambling debts. Federal law should clearly ban advertising of Internet-based amateur sports gambling on television, radio, or through Internet sites. The PSGSC recognizes that similar gambling problems may exist in the arena of professional sports; however, the testimony and written materials provided to the commission focused primarily on the impact that gambling has on the lives of young people. In keeping with its research into problem and compulsive gambling, the PSGSC opted to maintain this emphasis and confine its opinions on sports gambling to the specific issue of gambling among college students. However, the PSGSC recognizes

that sports gambling in both the amateur and professional arenas should be targeted by scientific research.

Youth Gambling. The PSGSC received both written and oral testimony on the issue of youth gambling, a potentially serious issue. Several of the people who work for compulsive gambling programs stated that children who gamble will become adults who not only gamble but do so compulsively.¹¹⁰ They stated that children are typically introduced to gambling by family or friends, over games or sporting events.¹¹¹

Quantitative research indicates that youth gambling is prevalent if not rampant. The National Opinion Research Center (NORC) included a survey of 534 randomly selected youths 16 and 17 years old. The study found that about two-thirds of the youngsters had gambled in the past year. This is less than past-year gambling for adults but still very high, particularly given that it is illegal in all states for youths to wager. Youngsters bet mainly on card games and other games of skill and chance with friends. However, more than 10 percent of the respondents in the NORC survey of youth gambling had participated in a state-run lottery, mostly by buying scratch-off lottery tickets.

No studies have been conducted on the long-term effects of gambling at a young age, but there are reasons for thinking that youth gambling may lead to pathological gambling later in life. In NORC's analysis of the data from its youth survey, the researchers estimated that youngsters become compulsive gamblers at about the same rate as adults. Even more alarming, NORC concluded that youths are about three times more likely than adults to have gambling problems that are serious but fall below the threshold of pathological gambling in a clinical sense.

Compounding this issue, and of concern to the PSGSC, is a growing trend of children being exposed to gambling-like activities in commercial, youth-oriented entertainment centers. Video arcades, which are commonly found in malls, restaurants, and free-standing entertainment facilities, often offer video versions of popular casino-style games. Children at the arcades exchange money for tokens to play these games, and are paid in tokens or tickets. Tokens give them, in effect, free games; tickets are usually redeemed for prizes. While it is not clear that this practice is within legal limits, it does introduce gambling to children at a young age. Whether or not this is harmful, and whether or not children who gamble become adults who develop a gambling pathology, is unclear. The PSGSC acknowledges, however, that sound public policy cannot be made without knowing the answers to these and similar questions, and it recommends that further research—objective, long-term, longitudinal studies—be conducted.

Charitable Gaming. The 1997 Annual Report of the National Association of Fundraising Ticket Manufacturers reported that, in 38 states, more than \$6.6 billion was wagered on charity games in 38 states.¹¹² Of the gross receipts, almost 75 percent was returned to the players in the form of prizes, 13 percent went to expenses, and three percent was paid in taxes. The remaining nine percent, an estimated \$768 million, was kept by the sponsoring charities as net proceeds.¹¹³ Most of the charities raised this money using bingo, raffles, and, to a lesser extent, pulltabs and charity casino nights.

Bingo was by far the most popular game, with wagers totaling \$2.8 billion, of which more than \$300.2 million went to charity.¹¹⁴

Charitable bingo is legal in 46 states, and other forms of charitable games are legal in 38 states.¹¹⁵ The resources devoted to the regulation of charitable games varies from state to state; however, too few states actively regulate these games. In many instances, if the local jurisdictions do not regulate charitable gaming operations, they are not regulated.¹¹⁶ This is a potentially alarming situation, as charitable gaming is largely a cash business. As with any cash business, there is always the potential for illegal activity, such as money laundering or fraud. There have been instances in which charitable games have been sponsored by nonexistent charities, and where legitimate charities have been deceived by fraudulent operators. The PSGSC recommends that the states that choose to allow charitable gaming implement firm regulations regarding the scope of the games and the distribution of the revenues between the involved charity and the gaming operator.¹¹⁷

Cruises to Nowhere. “Cruises to nowhere” are gambling cruises that depart from and return to a single port without stopping en route at any other ports of call. These cruises usually sail into international waters for the purpose of allowing their patrons to gamble, then return to their home port in a matter of hours.

The ships sail from ports in Florida (Key West, Ft. Lauderdale, St. Petersburg, Port of Everglades, Port Canaveral, Daytona Beach, Port of Palm Beach, Jacksonville, Crystal River, Port Richey, Tarpon Springs, and Treasure Island), Georgia (Brunswick), Massachusetts (Gloucester), New York (Freeport), and South Carolina (Little River). As of December 1999, there were 35 cruises to nowhere in operation, 30 of which sailed from Florida ports. In Florida, gaming boats employ more than 4,000 people, support a payroll of \$5 million, and pay \$7-10 thousand in excise and fuel taxes. Capital investments in the ships total \$500 million.¹¹⁸

Currently, the federal statute that governs gambling on cruise ships is the Johnson Act, which allows states the right to refuse to let gambling ships carrying an American flag dock if those ships do not dock in foreign ports of call.¹¹⁹ The Johnson Act was put into place to reverse an act of 1948 that prohibited gambling on U.S. ships.¹²⁰ One of the purposes of the Johnson Act was to allow U.S. flag ships the opportunity to compete with foreign flag vessels, which offered gambling. Current law requires states to take affirmative action to make cruises to nowhere illegal; if the states do not so act, the cruises are considered legal. To date, California is the only state that refuses to allow cruises to nowhere.

While the Johnson Act does give states a right of refusal, it does not allow for any state regulation or taxation of the gambling that occurs on these ships. This means that the states are not only denied a source of revenue but are left with little means to monitor the activities of these ships. For example, one such ship that docks in a residential community in Hollywood, Florida, is creating tension among the residents of the area. The residents complain that the cruise company does not provide adequate dockside parking and facilities to accommodate its customers, leaving the residents to cope with excessive parking, traffic, and noise problems.¹²¹ This situation also raises

legal questions as to the zoning and public health and safety regulations that can be applied.¹²²

Concerns about the Social and Psychological Impacts of Gambling

While legalized gambling is recognized to produce economic benefits in certain circumstances, it is also thought by some to cause, or be linked to, increases in illegal gambling, pathological gambling, crime, divorce, bankruptcy, and suicide. This section of the report reviews the evidence on these connections. Illegal gambling and pathological gambling are discussed first because they are the problems on which there has been the most research. They also relate in important ways to the premises of National Gambling Impact Study Commission, which suggested that the propensity to gamble is increasing, and the prevalence of pathological gambling is growing, because of the availability of so-called “convenience gambling.”¹²³

Illegal Gambling. The NGISC did not make its assumptions about gambling behavior very explicit, but its concerns about “convenience gambling,” as well as some of the questions asked in its research, reveal an underlying theory. The NGISC Final Report tends to view gambling as a *temptation* that, by offering a chance at easy money, pulls people away from the responsibilities of work, family, and citizenship. In part, this image of gambling as a temptation is why the NGISC was so concerned about the availability of gambling opportunities in convenience stores, restaurants, and the like. If gambling is tempting, and if some people have trouble dealing with the temptation, then it is best to keep the opportunity to gamble away from everyday life and confine it to casinos, racetracks, riverboats and cruise ships. By the same token, the view that gambling is a temptation also suggests that a casual and limited exposure to gambling may inculcate a growing desire to gamble, and in this way attract large numbers of otherwise normal people into a debilitating chase for quick riches. To the extent that the temptation theory of gambling is true, then a policy of legalization could actually backfire; rather than replacing legal gambling with illegal gambling, legal forms of gambling could become gateways to illegal gambling activities that are more intense.

Scientific Findings Challenging Concerns about Convenience Gambling. However, one of the NGISC’s own research products suggests that its temptation theory of gambling has at least two major flaws. The NGISC contracted with the National Research Council (NRC) for a review of the scientific literature and research on gambling behavior. The NRC report casts doubt on the NGISC’s premise that the allure of gambling is financial. The prevailing scientific theory is that gambling is motivated, not simply or even primarily by a quest for money, but by a natural human desire to take risks.¹²⁴

The other flaw in the temptation theory is its assumption that for some people gambling grows progressively and inexorably habitual and out of control. Actually, the NRC concluded that pathological gambling does not develop inexorably through a series of stages, beginning with casual gambling and becoming increasingly

disordered.¹²⁵ Rather, it appears to be a very special condition, separate and distinct from gambling behavior that is more mildly problematic.

Research Findings on Changes in Gambling Behavior, 1975-1998. A theory of how legalization may have affected gambling behavior has been proposed by Dr. Howard Shaffer, Executive Director of the Harvard University Medical School Division on Addictions and an eminent scholar and leading researcher in the field. He argues that, as illicit behavior such as gambling becomes more acceptable, it causes fewer problems for both the individual and the society, because norms for controlling the activity are developed and socially enforced.¹²⁶ From this perspective, gambling's legalization over the past three decades should be evaluated along a variety of dimensions. One issue, of course, is whether legalization has sparked a rise in pathological gambling, but also important are the effects of legalization on how gambling is personally perceived and socially regulated.

The second major research product of the NGISC, a survey of gambling behavior by the National Opinion Research Center (NORC) at the University of Chicago, suggests that legalization may have had several positive impacts along the lines pointed to by Shaffer. The NORC survey was designed to be comparable to the survey, discussed earlier, that was conducted in 1975 by the University of Michigan (UM) for the Commission on the Review of the National Policy Toward Gambling (CRNPTG), which issued its Final Report (*Gambling in America*) in 1976.

The Prevalence of Gambling. One of the most important findings from the NORC survey has to do with changes in the prevalence of gambling in America since 1975. Both NORC and the University of Michigan considered respondents' gambling patterns in the previous year and over the course of their lifetimes. The former is referred to as "past year gambling" and the latter as "lifetime gambling." NORC discovered that the proportion of adults in the U.S. population who report having gambled in the previous year has increased very little since 1975, despite the legalization of many forms of gambling in many states during this period. In the 1975 UM study, 61 percent of respondents reported having gambled in the previous year, while in NORC's study the comparable figure was 63 percent. On the other hand, the percentage of people who have tried gambling at some point in their lives has increased substantially, from 68 percent in 1975 to 86 percent in 1998. Given the sample sizes of the two studies on past year gambling, the difference between these percentages is not statistically significant. In other words, from a statistical perspective, the rate of past year gambling is within the margin of error of each of the studies and is virtually unchanged since 1975. Together, these findings mean that Americans have become much more likely to have experimented with gambling, but this experimentation has not turned them into people who gamble regularly or routinely.

This conclusion shocked the NORC researchers and should have caused the NGISC to rethink its premises, both about gambling being a dangerous temptation and about convenience gambling posing special risks. If lotteries and commercial casinos, which are the main forms of gambling that have been legalized during the period in question, are as attractive to people as the NGISC seems to think, then the greater exposure to gambling that has clearly occurred in the past 25 years should have been

associated with a corresponding increase in past-year gambling. Because the stability of past-year gambling is so remarkable, the NORC report presents, as its very first finding, the point that past-year gambling has increased so little. The NORC report also depicts the finding visually in its first graph, remarks that the observation is surprising, and discusses it at some length. Incredibly, however, the Final Report of the NGISC does not even mention the finding at all, much less ponder its implications for gambling policy. Worse still, on the first page of the body of the NGISC report, NORC's number for the frequency of past-year gambling is misquoted to make it appear as if gambling is more common than it actually is. To quote the report:

This Commission's research suggests that 86 percent of Americans report having gambled at least once during their lives. Sixty-eight percent of Americans report having gambled at least once in the past year.¹²⁷

Again, the correct figure for past-year gambling is 63 percent, not 68. Surely this slip of the digit was an unintentional error, but the fact that it was made in an upward direction and on such a significant data-point, a data-point contrary to the Commission's premises and yet emphasized by the Commission's researchers, shows just how badly the NGISC failed to maintain objectivity and a spirit of inquiry.

Effects of Legalization on Illegal Gambling and "Friendly Betting". As we have seen, Shaffer's ideas about gambling lead us to be curious about how legalization has affected not simply the frequency of gambling, but also how people gamble, particularly with respect to forms of gambling that remain illegal. The figure below (Figure 1) shows how the distribution of gambling across the basic types identified by the 1975 UM study has changed over the past 25 years. The percentages for lifetime non-bettors and past-year bettors shown in the first two bar couplets of Figure 1 correspond to the findings reported by NORC that the prevalence of lifetime gambling has dramatically increased (and hence lifetime non-gambling is much lower), while the prevalence of past-year gambling has increased slightly. What NORC did not report is that past-year illegal gambling is down slightly (from 11 percent to 9 percent), and past-year betting with friends (which is also illegal) is down greatly, from 50 percent of adults in 1975 to just 12 percent in 1998.

The drop in wagering between friends or acquaintances is another remarkable finding that was overlooked by the NGISC. The drastic decline in this form of gambling suggests that the legalization of lotteries and casinos has had the effect of removing "friendly betting" from the mainstream culture. For those who, like the NGISC, have been concerned about convenience gambling because it brings gambling into everyday life, this cultural shift should be comforting, because it means that the most casual and pervasive form of gambling in America may have been greatly reduced.

Effects of Legalization on Who Gambles and in What Ways. It is also possible to track the changes that have occurred since 1975 in the frequency with which a number of different demographic groupings gamble. The figures graphing these frequencies are contained in Appendix E. As shown in the graphs for lifetime non-bettors, the tendency to have tried gambling in some form or another is spread more evenly across the population now than it was 25 years ago. The groups that evidence the greatest

increase in contact with gambling are whites, women, retirees, and Southerners. The latter three groups had in the past been much less likely than other groups to have tried gambling.

Gambling with friends is down across the entire spectrum of demographic categories. This is further evidence that the observed decline in friendly betting is a general cultural phenomenon rather than a change in behavior among isolated groups.

In 1975, the UM study reached mixed conclusions about how legalizing certain forms of gambling might affect illegal gambling. On the one hand, the study authors thought that lotteries and legal casinos would probably increase the prevalence of gambling in general, which might wash over into illegal gambling and cause an increase there too. But on the other hand, some of the data indicated that illegal gambling would decline even if gambling in general rose.

As previously stated, the NORC data show that illegal gambling is down slightly. More important, though, is that the decrease has been greatest in geographical areas and along social dimensions where illegal gambling had been most common, notably in the Northeast and among nonwhites, highschool dropouts, and the unemployed.

Legal gambling via casinos, lotteries, and the like, has also shifted in some interesting ways. The biggest increase has been among highschool dropouts, seniors, widows, and Southerners. The patterns on the other variables mean that the increases among the latter three groups represent an influx of new gamblers into the activity. In contrast, the increase among high school dropouts reflects a shift from the illegal sector to the legal sector. Of particular interest, given the concerns of the NGISC about the potential impacts of convenience gambling on children, is the gambling behavior of the youngest age group. Among adults 18 to 24 years old, gambling is down, not up. The scientific theory that gambling is motivated primarily by an impulse for risk-taking suggests an explanation for this shift; young people are not gambling as much now, probably because gambling is legal and hence they do not find it as risky or exciting.

It is difficult to examine these findings and not conclude that America's decision to legalize gambling more widely has had some important social benefits. Legalization has caused a decrease in illegal gambling, especially among the groups who have engaged in it most often in the past; it has reduced the extent to which gambling is isolated among subgroups of the population, where it is likely to be part of subcultures without appropriate social constraints on gambling activity; it has shifted gambling away from the youngest age groups to the oldest, who are most mature and least susceptible to pathological gambling; and it has almost eliminated friendly betting from daily life.¹²⁸

However, the PSGSC approaches these potential positive effects with caution, for questions remain that can only be answered after considerable long-term research has been conducted. Some seniors, for example, may be participating more in gambling activities because they are lonely or depressed.¹²⁹ The PSGSC views with concern the increase in gambling by seniors because some seniors do not have the level of support that younger people often do—family, friends, parents—and some seniors can not regenerate lost earnings as can their younger, working counterparts. The PSGSC

recommends that additional study of the effects of gambling on this age group is needed and encourages researchers to work with gerontologists and other experts.

Effects of Legalization on Pathological Gambling. Certainly it is possible that these benefits from gambling's wider legalization could have been gained at the expense of an increase in gambling that is pathological. In 1975, the UM researchers had cautioned that this might happen. "The data tend to support the contention," the UM report warned, "that widespread legalization of gambling in the nation may result in a significant increase in the incidence of compulsive gambling."¹³⁰ This remains a reasonable fear.

The recommendations of the NGISC and its tone of alarm suggest that the problem of pathological gambling is growing, but the data on pathological gambling trends are actually inconclusive. Several observations are relevant. First, the strongest support for thinking that there has been an increase in the prevalence of pathological gambling comes from the meta-analysis conducted by Shaffer and others in 1997 of 120 studies of disordered gambling in a number of different states. A meta-analysis uses empirical analytic techniques to draw conclusions from previous studies that have been conducted independently and usually with different methodologies and target groups. Shaffer concluded that "during the past two decades, gambling disorders have evidenced an increasing rate among adults sampled from the general population."¹³¹ However, this conclusion covered disordered gambling and was not limited to the more extreme form of disordered gambling that meets the American Psychiatric Association's criteria for pathological gambling.

Further, Shaffer et al. noted that a majority of the studies he examined had been released since 1992 and that much of the newer research had focused on groups that tend to experience gambling problems. In his words, "This pattern of recent investigations of 'higher risk' populations may have created misleading perceptions of increasing rates of disordered gambling."¹³² Shaffer and his coauthors implied that the more important finding from his analysis is that "an individual's risk of disordered gambling is primarily dependent upon their age, clinical situation, and gender."¹³³ Women, adolescents, and people with other emotional problems are most vulnerable to losing control of their gambling activities.¹³⁴

A second observation that the NGISC should have considered more carefully is the conclusion reached for the Commission by the National Research Council. After its review of research on the question, the NRC decided that it is unclear whether pathological gambling had increased subsequent to the expansion of legalized gambling. The NRC could say only that pathological gambling had not declined during this period. Given that, as Shaffer et al. point out, disordered gambling is a "robust phenomenon" in the sense that it can be seen with a variety of investigative procedures, and in light of the large extent to which gambling has been legalized in America over the past few decades, the failure to find an obvious pattern of increasing prevalence of pathological gambling should raise serious doubts about just how likely the disorder is to be triggered by increasing opportunities to gamble.¹³⁵

A third challenge to the sense of alarm voiced by the NGISC is that pathological gambling is quite rare in the general population. This had already been found by the UM survey, which supported an estimate of a .77 percent incidence of “compulsive gamblers.” But the UM study, while validated through clinical observation, was conducted before the American Psychiatric Association had developed and later revised its diagnostic criteria for the disorder, and it has been speculated since then that pathological gambling is more common than UM concluded. However, both Shaffer and NORC arrived at similarly low numbers. On the basis of his meta-analysis, Shaffer reached an estimate of 1.6 percent for experiencing pathological gambling at some point in one’s lifetime, and 1.1 percent for past-year incidence. The 1998 survey by NORC, which is the most reliable source of data currently available on this matter, included a battery of questions to identify various levels of disordered gambling as well as pathological—based on a somewhat more exacting standard than those used in prior studies—gambling, and it reached an estimate of .8 percent for lifetime incidence and .1 percent for past-year.¹³⁶ In its review of a subset of the studies included in the meta-analysis by Shaffer et al., the NRC supported an estimate of .9 percent prevalence for past-year and 1.5 percent for lifetime.¹³⁷

Regardless of which of these figures one accepts, they are all quite low relative to the incidence of other adult psychiatric disorders in the United States. The lifetime incidence rate for drug dependence is 6.2 percent, for major depressive episodes is 6.4 percent, and for alcohol dependence is 13.8 percent.¹³⁸ The past year prevalence rates for these disorders are 2.5 percent for drug dependence, 3.7 percent for depression, and 6.3 percent for alcohol abuse/dependence.¹³⁹

Fourth, NORC did not find that the new forms of gambling legalized in the past twenty years, such as the so-called convenience gambling, are more likely than other forms of gambling to be associated with pathological gambling. Quite the opposite. In NORC’s survey of a randomly selected national sample, the prevalence of pathological gamblers was lowest among lottery participants.¹⁴⁰ The NORC data also support this conclusion in the aggregate; the prevalence of gambling problems is lower in lottery states than in states without lotteries.¹⁴¹ The NGISC may or may not have been correct that pathological gambling is linked to some forms of convenience gambling—such as video poker—but the NGISC went too far in applying this conclusion to state-run lotteries. Further study is needed on video poker and similar games to determine if, as the NGISC concluded, they are likely to pull people into a gambling compulsion.

Yet a fifth consideration ignored by the NGISC is the likelihood that much pathological gambling stems from other psychological disorders. The American Psychiatric Association’s diagnostic criteria for pathological gambling alerts analysts to the possibility that pathological gambling may be a symptom of a bipolar mood disorder. If mania is evident, the criteria call for pathological gambling to be rejected as a diagnosis. Shaffer has pointed out that much research on the prevalence of pathological gambling has ignored this issue and has taken for granted that pathological gambling is a primary disorder. The NORC research shows that Shaffer’s concerns are well founded. The National Opinion Research Center applied the APA diagnostic criteria to its national random sample and also tested for various psychological

problems, including evidence of mania and depression. The survey revealed that as many as 40 percent of pathological gamblers reported symptoms associated with manic disorder.¹⁴² This finding suggests that much of the behavior thought of as compulsive gambling, which is of such concern to policy makers and researchers, actually may not be caused by gambling at all, but may be only a reflection of an underlying mood disorder.

In short, there is no solid basis for concluding that the wider legalization of gambling, which has cut into illegal gambling and friendly betting, has caused a concomitant increase in pathological gambling. In fact, it appears that pathological gambling is quite rare within the general population, it does not appear to be increasing in frequency, it is not associated with lotteries, and much of what has been thought to be pathological gambling may stem from other emotional problems. As Shaffer has recommended, we should move away from questions about pathological gambling in general and should focus instead on how legalization has affected different subgroups of the population and on what kinds of gambling problems are occurring that do not rise to the level required to meet the diagnostic criteria for the pathology. This is the kind of information needed to shape gambling policy productively, a position that both the industry and the states support. While pathological gambling does not appear to be as widespread or insidious a condition as previously thought, the PSGSC does acknowledge that there are some individuals who do suffer, some severely, from compulsive gambling behavior. Sound public policy cannot be made if the needs of those people are not taken into consideration. The PSGSC recommends, therefore, that more objective, longitudinal studies be conducted in the area of pathological and problem gambling behavior.

The problem of compulsive gambling is not one taken lightly by either states or the gambling industry. Though there are many more efforts that can be made, industry sponsored programs are, at least, a step in the right direction. Many lotteries sponsor “play responsibly” campaigns, which encourage ticket buyers to spend wisely, even in light of an extraordinarily large jackpot. Campaign messages are printed on posters, brochures, and sometimes even on the tickets themselves and are distributed through television and radio broadcasts.¹⁴³ The casino gaming industry, through the American Gaming Association (AGA), its trade industry, sponsors a Responsible Gaming Task Force, whose accomplishments include a gaming resource guide, a responsible gaming workshop and training implementation program, and a curriculum to address underage gambling. The AGA also operates the Gaming Entertainment Research and Education Foundation, which provides support for the National Center for Responsible Gaming (NCRG). The role of the NCRG is to fund independent, scientific research on problem gambling that can be used to develop prevention, treatment, and intervention programs.¹⁴⁴ Tribal governments also take an active position and contribute to state problem gambling councils and other compulsive gambling organizations.¹⁴⁵ The National Thoroughbred Racing Association, the Thoroughbred Racetracks of America, Harness Tracks of America, and the American Quarter Horse Association have all endorsed Responsible Wagering Initiatives and have encouraged their members to implement such programs.¹⁴⁶ One additional step that can be taken by all gambling-specific venues is to remove automatic teller and other cash machines from gambling

floors. By having patrons leave the gambling area to get additional cash, gambling operators are providing their patrons with a short “cooling-off” period during which the patrons can decide whether or not they should continue to gamble. This does not imply that the PSGSC supports removing cash machines from the premises, only that states consider legislation on a state-by-state basis. The PSGSC also encourages states to examine the policy of some gambling facilities to provide free alcoholic drinks on the gambling floor to their patrons and consider requiring gambling-specific venues to either sell alcoholic drinks on the gambling floor or provide free alcoholic drinks in areas other than the gambling floor.

In addition to industry-supported compulsive gambling measures, there is currently a network of compulsive gambling councils, a national organization and several state-based councils, that provide assistance to problem gamblers. Services typically provided by these groups include training programs for gambling counselors, educational materials for gamblers, their families, and the general public, “hotline” numbers for emergency calls, and referrals to qualified treatment professionals.¹⁴⁷ One area of concern that was brought to the attention of the PSGSC is what happens to individuals when they call the emergency numbers supported by the gambling councils. The gambler is usually not offered treatment by the council, but is instead referred to a treatment facility. Though a few states contribute to such treatment facilities, most of them are privately operated. Health insurance companies typically do not pay for such treatment, so often the cost is borne by the individual. Unfortunately, this means that there are most likely people who need assistance but who can not afford it. In addition, members of the treatment community say that there are too few counselors available who can treat gambling problems, or even recognize them in individuals who may be seeking treatment for some other difficulty. Therefore, the PSGSC recommends that states and the counseling industry work together to expand educational and training opportunities to ensure that there are a sufficient number of competent individuals who can offer counseling services to those who cannot break free of compulsive gambling behavior.¹⁴⁸ The PSGSC also recommends that states at least consider making gambling treatment a mandated insurance benefit, although the PSGSC is not making a recommendation that each state necessarily include it, as Commission members believe that these decisions should be left to each individual state. In addition, the PSGSC suggests that states that currently have legalized gambling operations set aside monies in their general funds for gambling treatment and prevention programs.

Crime. There is a long-held assumption that where gambling appears, particularly casino gambling, crime will inevitably follow, either organized crime or money laundering (as is shown on television and in movies), crimes committed against residents and visitors (such as muggings or auto theft), or the so-called white collar crimes committed by gambling addicts (such as embezzlement or fraud). However, this conception appears to be based on fictional portrayals of the industry and unsubstantiated anecdotal evidence. Based on its recent victimization survey, the Bureau of Justice reports that property crime, which includes burglary, larceny-theft, motor vehicle theft, among other infractions, is enjoying a 20-year decline, this during a 20-year expansion of legalized gambling.¹⁴⁹ In addition, national crime statistics

published by the Federal Bureau of Investigation indicate that property crime, burglary, robbery, larceny-theft, and auto theft have declined during the past several years.¹⁵⁰

Most states that have legalized gaming have state gaming regulatory or control commissions. Though the exact operations of these commissions vary among states, for the most part these commissions monitor the daily operations of the gaming facilities, conduct financial audits, conduct background checks on potential employees, license operators and vendors, and so forth. In addition, most casinos are owned by publicly-held entertainment corporations, which are subject to scrutiny by the Securities and Exchange Commission and susceptible to the perceptions of their investors. There are more than 1,000 regulators in Nevada and New Jersey alone, at an estimated cost of \$70 million.¹⁵¹ A recent University of Maryland study concludes that there is no evidence that casinos have had a major impact on crime; and, further, that in some cases the lack of recorded crimes was “no doubt influenced by the sharp growth in the size of the city police force.”¹⁵²

Tribally-owned casinos also have stringent regulatory constraints, as they are not only monitored by the National Indian Gaming Commission and by state gaming commissions, but also, in accordance with IGRA, by tribal gaming commissions. As a recent Indian gaming study states, “the regulatory and policing structures seem to have kept organized criminal involvement away from casino gaming for nearly a decade.”¹⁵³

When casinos are brought into low-income areas, crime, rather than increasing, may actually decline. This is because the increased economic activity provides revenues for the public sector, which can then expand the police presence. Also, most of the activity in areas with casinos occurs inside the casinos themselves, and they are highly regulated and policed.

Even in communities that do report an increase in crime and other social problems, it is not clear that the rise is directly attributable to gambling. Gambling establishments vary in size and range among geographic regions. Venues are located in large cities, such as Las Vegas, and in small or suburban towns, such as Tunica, Mississippi, and Joliet, Illinois, and they run the gamut from expansive casinos to small gaming halls. Some facilities are designed to attract visitors to the host area, some to serve local patrons; some facilities offer amenities in addition to gaming, such as restaurants and bars, theaters, or theme attractions. These differences play an important role in determining the effect that gambling has on crime rates.¹⁵⁴ More specifically, tourists traveling into an area may be both potential targets for crimes and potential offenders. The implication of this factor is that it is not so much the activity that generates crime as it is the volume of people that are attracted to the host area.

Though much of the evidence that is available is anecdotal, the majority of the information collected during the past decade indicates that there is no link between gambling, particularly casino-style gambling, and crime. The security on the premises of gambling facilities, the multiple layers of regulatory control, and the economic and social benefits that gambling seems to offer to communities are effective deterrents of criminal activity.

Suicide. One of the more severe consequences thought to be associated with gambling when it gets out of control, leads to large debts, or causes family problems, is suicide. Again, though, the available research does not provide clear support for this hypothesis. One study that examined mortality rates prior to and following the introduction of gambling in six counties located within New Jersey, South Dakota, Colorado, Mississippi, and Illinois found that deaths by suicide decreased after legalized gambling was introduced in five of the six counties. The slight increase in the sixth county was so insignificant that it could not be attributed to gambling. This study also found that the reported high frequency of visitor suicide in Atlantic City, Reno, and Las Vegas were not significant when corrected for the volume of visitors each city receives annually. The high number of visitor suicides for these cities does not imply that gambling is the cause of the suicides, merely that these cities receive a higher proportion of visitors than most other cities.¹⁵⁵

For gaming-area residents, the risk of suicide is no higher than that faced by residents of non-gaming areas . . . For gaming-area visitors, the risk of suicide is no higher than that faced by visitors to non-gaming areas. When 91 U.S. metropolitan areas are ranked by visitor suicides in proportion to their visitor volume, Las Vegas, Reno and Atlantic City rank an unremarkable 26th, 37th, and 87th, respectively.¹⁵⁶

While this evidence on suicide rates appears compelling, the PSGSC acknowledges that there are too few studies and too many conflicting opinions regarding suicide to justify any gambling policy recommendations at this time, and the Commission recommends additional research in this area be conducted.

Bankruptcy. Another purported serious consequence of compulsive gambling is bankruptcy; however, like the connections between gambling and both crime and suicide, the reported link between gambling and bankruptcy relies on anecdotal reports that are not substantiated by quantitative data. For example, A study of Indian gaming in Arizona found that in six out of nine Arizona counties in which Indian gaming was introduced, the bankruptcy rates were lower than the state's average rate.¹⁵⁷

A recent analysis by the United States Department of the Treasury shows that while there should be concern about the rising rate of bankruptcies in a time of economic prosperity and low-unemployment, the exact cause of this rise is not precisely known. The report lists changes in bankruptcy laws, changes in social mores about declaring bankruptcy, increases in credit card debt and unsecured consumer credit, lack of health insurance, failed businesses, and poor financial planning as potential causes.¹⁵⁸ In addition, the PSGSC heard testimony that supported that, at least in isolated incidences, the rise in consumer credit may be a factor in the rise in declared bankruptcies.

After eliminating state-specific factors, the Department of the Treasury report concedes that:

it is, therefore, very likely that numerous factors have contributed to the observed increases in the national bankruptcy rate . . . Our estimates reveal that on average, frequent high-risk gambling raises the probability

of bankruptcy by 6 percentage points from that of the base group, occasional gamblers. Since only 2.7 percent of the population fall into the category of frequent, high-risk gamblers, the impact of these activities on overall bankruptcy rates is relatively small.¹⁵⁹

The PSGSC recommends that additional research on bankruptcy rates and factors be conducted before public policy recommendations are made.

Conclusion on Social Concerns. The gambling industry has experienced an amazing expansion rate during the past decade, but how long this trend will continue and the impact it will have on communities that rely on casinos or other gambling facilities as their primary source of jobs and tax revenues is uncertain. It is the individual case studies, examined in aggregate, that will provide the true picture of the impacts of widespread legalized gambling. The PSGSC recognizes the possibility that some of the community growth that has occurred is due to the overall positive expansion of the national economy and not necessarily due to the introduction of gambling venues. Therefore, the PSGSC recommends that the economies of these communities should be evaluated periodically to determine the long-term effects of gambling, especially in light of the booming national economy of the past several years, and it should be determined whether any other industry besides gaming can possibly offer the same economic and social benefits, especially to impoverished communities. Additional research should also consider longitudinal national, regional, and community data on such social issues as crime (prostitution, fraud, embezzlement, theft, loan sharking, and drug sales) and should control for such exogenous factors as the overall declines in criminal activity experienced during the past few years. In addition, gambling research should also examine illegal gambling trends. Failure to look at illegal gambling will distort conclusions that are reached about gaming in general and effective countermeasures will be difficult to implement.

The States' Role in Gaming and Gambling Policy

Historically, regulation of gaming and gambling in the United States has been the purview of the state governments. The states are fully competent to continue handling this responsibility. The federal government should exert authority over gaming and gambling only when interests beyond the state level are directly involved. Such potential areas of concern include (1) tribally-run gambling operations, due to the longstanding relationship between Indian tribes and the federal government, (2) Internet and telephone gambling, because of the ability of gambling via telecommunication devices to circumvent traditional state boundaries and policies, and (3) parimutuel wagering to the extent that it involves interstate wagering.

Tribal Gaming. The Indian Gaming Regulatory Act (IGRA) established a process for states and tribes to negotiate Class III gaming compacts. While the IGRA process has worked in most states and has served as a stepping stone toward improved government-to-government relationships, there have been some problems in the process.

It should be acknowledged that the states have an interest in these unique public policy issues regarding Indian gaming as their citizens and visitors comprise the vast majority of patrons at tribal-owned gaming facilities. It is essential, therefore, that the interests of the states be balanced with the sovereignty of the Indian tribes; both sides must work together to create strong and lasting relationships.

Under IGRA, states must negotiate with tribal governments in “good faith” about the scope of Class III gaming and how it will be regulated. This negotiation process was created to recognize the sovereignty of Indian tribes and to acknowledge their right to offer gaming. But the process also recognizes the interest of states in negotiating Class III Indian gaming within their borders in a manner consistent with their individual policies and practices and conducive to the interests of their citizens. However, despite its successes, IGRA, or at least its implementation, has been problematic for many Indian tribes and state governments. From the perspective of some states, IGRA does not adequately address the needs and interests of state governments. For example, the rules allowing 180 days to compact do not allow the states enough time, particularly those states with part-time legislatures. States also complain that tribal governments in some states are operating gaming venues without compacts, and that the Bureau of Indian Affairs, the National Indian Gaming Commission, or the U.S. Attorney General’s Office are taking no action to stop them. Non-compacted gaming facilities are currently operating in several states, including Florida and Washington. Tribal governments say that IGRA has imposed an additional and unnecessary step in the process of operating Class III gaming on tribal lands. Because of foot-dragging by some states, the tribes feel that compacts take far too long to be completed and to go into effect. They also say that there are some states that are not willing to negotiate in good faith.

The Indian Gaming Regulatory Act does not specify which governmental entity or individual shall represent a state in Class III compact negotiations with tribal governments. In most states, the governor has taken the initiative to work with tribes and negotiate compacts. In some states, however, the state legislature plays a role in executing the compact.¹⁶⁰

According to IGRA, a tribal government can offer Class III games if the tribe is “located in a state that permits such gambling for any purpose by any purpose, organization, or entity.”¹⁶¹ The primary concern of many states is that they may be compelled to negotiate for gaming that they believe is not permitted as that term is used in 25 U.S.C. 2710(d)(1)(B). Under IGRA, a tribe can not compel a state to negotiate a tribal-state compact for Class III gaming if it is not allowed by anyone else at any time. In fact, if particular Class III games are strictly criminally prohibited, a state can not allow a tribe to have those games.

When IGRA was first proposed and debated in Congress, a number of states lobbied for a role in the Indian gaming process. Eventually, in the final legislation, states were given a role in sharing public policy decisions and negotiating shared regulatory jurisdiction with Indian tribal governments. Several years later, however, some states began objecting to the provision of IGRA’s compacting process that authorizes tribal

governments to sue their respective state in federal district court if that state did not negotiate in “good faith” for regulation of Class III gaming.

The primary objections of these states are twofold. First, these states claimed that some tribes asserted “bad faith” when they were not allowed to offer Class III games in a state that does not permit them for any person or organization. Second, these states argued that this provision violated their sovereign immunity under the Eleventh Amendment to the U.S. Constitution.¹⁶²

In Florida and Alabama, the tribes allege that the states failed to negotiate in good faith and subsequently filed suit for bad faith refusal to negotiate. Eventually these cases found their way to the U.S. Supreme Court. The district courts and the Court of Appeals for the Eleventh Circuit all dismissed the suits by the tribes, based on Eleventh Amendment immunity. In 1996, the Supreme Court heard the appeal of the Seminole Tribe of Florida, whose case, *Seminole Tribe of Florida v. Florida*, played the lead role in the drama.¹⁶³

The crux of the *Seminole* decision is that Congress lacks the power under both the Interstate and Indian Commerce Clauses to render states liable to individuals’ federal suits.¹⁶⁴ The effect of that ruling for Indian governmental gaming is that it deprives tribes of the ability to obtain judicial relief if states fail to comply with IGRA’s “good faith” provisions. After *Seminole*, if a tribe brings a “bad faith” suit against a state in federal court, it can be dismissed through an Eleventh Amendment defense.¹⁶⁵ If a state claims Eleventh Amendment immunity to suit, it effectively creates a state veto over IGRA’s dispute resolution system. The *Seminole* decision created a stalemate in negotiations between a number of tribal governments and states.

In an attempt to resolve the impasse caused by *Seminole*, the Secretary of the Department of the Interior promulgated regulations in April 1999. The Secretarial procedures were designed to conform to IGRA, protect state sovereignty by allowing states ten different entry points into the negotiation process, and facilitate the expression of tribal governments’ federal gaming rights.

The PSGSC recommends that “deadlock situations” occurring in some states be resolved. State sovereignty and tribal sovereignty should both be preserved. As such, the PSGSC recommends that tribes v. states fulfill their duty under federal law. The impasse in tribe-state compact negotiations ultimately prolongs the ongoing misery on many of America’s Indian reservations.

The states have filed a lawsuit to block the Secretary’s interference in Indian gaming. In some fashion, IGRA should clarify the appropriate actions to be taken when a deadlock occurs. The issue has been in litigation for several years, and most likely will continue to be. The PSGSC recommends that IGRA should be clarified, in some fashion, to state what are the proper courses of action or remedy in these deadlock situations.

There is further disagreement between states and tribes over the provisions of IGRA regarding fees-to-trusts transfers of lands for gaming purposes and over the recognition of Indian tribes not officially recognized as tribes by the federal government,

or who had not initiated the lengthy recognition process, prior to the enactment of IGRA. States are concerned that new groups are forming to seek official recognition as Indian tribes simply to take advantage of opportunities for gaming or that existing tribes are trying to reclaim lands that might have good gaming potential. In Kansas, for example, the Wyandotte Tribe of Oklahoma reclaimed land that tribal members had inhabited for a period of thirteen years (1842-1855), prior to being forcibly moved to Oklahoma, and the Miami Tribe of Oklahoma recently reclaimed land after ceding its territory in Kansas to the federal government for the sum of \$200,000 in 1854.¹⁶⁶ The PSGSC wants to ensure that tribes can not reclaim lands for gambling purposes that they may have been dispossessed of hundreds of years previously.¹⁶⁷

The tribes feel that the handling of tribal land is not a problem because of 25 USC §2719 (a)-(b), which clearly states how to handle tribal lands not acquired by tribes prior to IGRA's passage. This provision, which limited the power of the Secretary of the Interior to take land into trust off reservation for gaming purposes after 1988, was inserted into IGRA in response to state demands. Federal courts have interpreted this provision to give state governors effective veto power over Secretarial decisions regarding gaming on lands taken into trust after 1988. The only exceptions to this new state veto power are in the following two cases: (1) where lands are taken into trust for tribes newly recognized by an act of Congress or through the BIA's administrative FAR Recognition process and (2) where Congress has placed land into trust for a recognized tribe that did not have a reservation in 1988.

The tribal governments also state that the recognition requirements of the Federal Recognition Process are so stringent and the process so long that few groups have received recognition. Recognition can happen in only one of two ways: an Indian nation can be recognized by an act of Congress or it can undertake a lengthy and complex recognition process with the Bureau of Acknowledgement and Research housed within the Department of the Interior. To resolve these disputes, the PSGSC recommends the following amendments to IGRA:

- The states and the tribes should be able to place into the compacts any gambling-related issues, and only such issues, that need to be addressed. Additional forums should be created to discuss non-gaming related issues; the issues in these forums should not be linked to the gaming compact process.
- All lands not recognized as tribal lands at the time of IGRA's passage should be excluded from Indian gaming.
- Proper procedures to overcome deadlock situations should be put in place in the statute.

Internet Gambling. While it has been the position of the states that they typically should choose the forms of gambling they wish to legalize within their own borders, Internet gambling encompasses problems beyond the scope of state sovereignty; the Internet, by its very nature, violates traditional state boundaries.

Internet gambling is a rapidly growing and highly unregulated industry that has the potential to create untold social problems.

There is a legal dispute over whether the gambling need only be legal in the venue in which the gambling actually takes place, that is, in the location where the Internet gambling company's server is located, or in the state the bettor is in when the wager is made as well as the venue where the Internet gambling company's server is located. If Internet gambling does not have to be legal in both the state that receives the wager as well as the state from which the wager originates, then states have lost control over Internet gambling.¹⁶⁸ In testimony before the PSGSC, it was indicated that Internet gambling is considered illegal until it is made legal by individual states, a position that is in direct opposition to that of the Internet gambling industry.¹⁶⁹ To date in the United States, only Nevada has legalized limited Internet gambling, but it permits the activity only if licensed by Nevada's gaming regulators and if it "otherwise complies with all other applicable laws and regulations concerning wagering."¹⁷⁰ Any other Internet wagering to or from Nevada is a misdemeanor. Thus, Nevada is one of the first states to specifically criminalize Internet wagering until someone can demonstrate that the activity fully complies with all state and federal laws.¹⁷¹

A recent federal court ruling from New York supports the position that has been taken by many states.¹⁷² World Interactive Gaming Corporation, headquartered in Delaware but with corporate offices in New York, was operating an Internet gambling site through its Antiguan subsidiary, Golden Chips Casino. Golden Chips Casino required bettors to open an Antiguan bank account from which the money that was wagered was transferred. As the exchange of funds took place outside the United States and the actual wager, via the company's Internet server, took place outside the United States, the company maintained that it was not in violation of federal law prohibiting the advertising, promotion, and operation of betting on sporting events via the Internet and telephones. The federal court, however, ruled otherwise. As the company was located in New York, and as it was soliciting and accepting wagers from New York residents, it was in violation of federal law. This is particularly helpful to the states, since, in effect, the court ruling implies that the location where the bettor places the wager is the place where the wager actually occurs.

In addition, in March of 1998, the U.S. Attorney for the Southern District of New York, and the New York office of the Federal Bureau of Investigation filed complaints against 19 owners and managers of six Internet-based sports betting companies headquartered in the Caribbean.¹⁷³ These companies included Worlds Sports Exchange (Antigua), Galaxy Sports (Curacao), Global Sports Network (Dominican Republic), Grand Holiday Casino (Curacao), and World Wide Tele-sports (Antigua). The companies were charged with owning or operating sports betting businesses that illegally accept wagers on sporting events through telephones or the Internet. These complaints represent the first known federal prosecutions of sports betting over the Internet; the outcome of these complaints is yet to be determined.¹⁷⁴

One case that has received recent national attention occurred in California.¹⁷⁵ An individual incurred \$70,000 in credit card debt gambling on-line. When the credit card companies attempted to collect, the individual sued them under the premise that

Internet gambling is illegal in California, making the credit card debt collection unenforceable. A ruling was made against the credit card companies, and they were unable to collect any of the money owed to them.

These examples illustrate the PSGSC's concerns about Internet gambling. The PSGSC believes that Internet gambling is already illegal under federal law, but it recommends that legislation be enacted that makes this clear and that federal authority be exercised with respect to the enforcement of such laws, with the exceptions of telecommunication transmissions from lotteries, parimutuels, and Indian Class II bingo conducted on-line. The PSGSC also recommends that laws prohibiting the collecting of Internet gambling debts charged to credit card or the wiring of money to Internet gambling companies be put in place. Federal legislation should clearly ban advertising of Internet-based gambling on television or radio or through print media or the Internet.

Parimutuels. Racing historically has been authorized and regulated at the state level. State racing regulatory commission and racing regulatory organization representatives have testified to the Commission in support of the effectiveness and responsiveness of the existing regulatory structure that governs racing at the state level.¹⁷⁶ The PSGSC agrees that this level of regulation should be maintained and the balance of the federal-state relationship in parimutuel gambling regulation should not be disturbed. Racing regulation should remain the domain of the states, with the exceptions of those interstate segments of the industry such as wire transfers, wagering pools, and quarantine issues and issues where uniformity is desired such as licensing or medication issues. These latter issues, though, can be addressed through nationwide regulatory or legislative groups such as North American Parimutuel Regulators Association (NAPRA), Racing Commission International (RCI), or the National Council of Legislators from Gaming States.

With rapidly advancing telecommunications technology, parimutuels are offering ways to permit people to bet by telephone, Internet, or satellite from their homes on races that take place in other states as well as their home state. Parimutuel simulcasting and account wagering, which has been successfully and legally conducted for many years under appropriate state regulatory authority, has been important to the growth of the industry. States such as Pennsylvania and New York, in the latter of which the state operates a portion of the account wagering, have approved the operation of account wagering for many years. Wagering occurring away from the site of the live race now accounts for the majority of parimutuel wagers now being placed in the United States.¹⁷⁷ While this offers an opportunity for revitalizing the parimutuel industry, it poses problems for assuring that revenues are fairly allocated between the states. This technology also may permit wagering by telephone or other electronic media in states that previously have not legalized gambling in such a manner. The PSGSC feels that Congress should clarify federal laws on account wagering to ensure that gambling on parimutuels through telecommunication devices can only occur from states where telecommunications-based gambling on parimutuels is legal to other states where telecommunications-based gambling on parimutuels is legal. The issue of revenue distribution and interstate cooperation in parimutuel gaming will become more important

soon with the upcoming advent of cable television channels devoted to horse racing and parimutuel betting.¹⁷⁸

The parimutuel sector of the gaming industry has been struggling because of increasing competition from other forms of gaming. As lotteries, casinos, river boats, and other gaming opportunities have expanded during the past twenty years, the popularity of horse racing, dog racing, and Jai-Lai has declined. The laws that regulate parimutuel wagering were created in a very different gaming environment, in which racing was virtually the only betting venue. However, the gambling industry as a whole has undergone dramatic changes and is still expanding rapidly. Racing in the U.S. operates in jurisdictions with strong regional boundaries, which has aggravated its difficulties in facing new competition. Competition within jurisdictions is often muted by statute, but the economic and political competition between jurisdictions is fierce. In addition, the small scale of the typical race track handicaps it in dealing with much larger competitors. The average horse track currently has annual revenues of \$20 million. In comparison, the average state lottery has annual revenues net of prizes of \$436 million and the 28 largest casinos averaging revenues of \$454 million.¹⁷⁹

As the parimutuel industry strives to rejuvenate its own fortunes in this climate of increased competition, states should revisit laws pertaining to their functions to ensure that parimutuels are not operating at a disadvantage caused by antiquated statutes, rules, and regulations. Since 1976, parimutuel horse racing's share of legalized wagering revenue has declined dramatically from 28 percent to 7 percent.¹⁸⁰ In response to this drastic decline, horse racing has been looking for methods to increase patronage. States have pursued responses to these changes, including decreasing the parimutuel tax rates and allowing card rooms, slot machines, and video lottery terminals (VLT's), which have been introduced at parimutuel facilities in five states—Delaware, Iowa, Louisiana, New Mexico, and West Virginia. Some states have authorized simulcasting and off-track betting facilities.¹⁸¹ Industry proponents claim that all of these attempts to revive the parimutuel racing industry are essential to its survival. The issue of parimutuel facilities using video slot machines to help revive parimutuel gambling may depend on numerous factors that are important to each individual state. Accordingly, each state should have the sole decision and discretion as to whether or not video slot machines are appropriate at tracks. What may be appropriate in one state may be inappropriate in another. The commission takes no stand on whether video slot machines or other types of gambling are good or bad at parimutuel facilities. The PSGSC believes that any proposal to introduce other forms of wagering should be accompanied by a full debate about the public policy ramifications of such a decision.

Lotteries. Questions have been raised as to whether states are able to fairly and adequately regulate lotteries since they serve as the beneficiaries of lottery revenues. State officials find this question insulting. States are capable of fairly regulating lotteries just as they regulate other industries from which they receive tax revenues. For example, states collect excise and sales tax revenues from many industries that they also regulate without creating any conflicts of interest that could jeopardize effective policy making. Taking this position is as ridiculous as saying that

states that collect estate taxes encourage their citizens to die in order to collect the revenues.

It is the role of the state governments to determine what is appropriate within each state. Lotteries and the legislative and executive branches of each state government should work together to ensure that there is a balance between public policy and revenue concerns; the primary aim of lotteries should not strictly be to maximize profits. Recognizing the potentially negative impacts that gambling may have for some segments of the population and recognizing their obligation to the citizens of their states, many state-run lotteries contribute to problem and compulsive gambling treatment organizations and other beneficial social programs (see Appendix G). Also, to ensure fairness in lottery advertising and to alleviate allegations that lottery advertisements target the poor, voluntary guidelines for advertising have been developed by NASPL (see Appendix H). It is the position of the PSGSC that states that have not adopted these or other guidelines should be encouraged to do so.

Riverboats. The function of rivers as boundaries between states and the mobility of riverboats gives riverboat operators the freedom to potentially relocate in pursuit of a more favorable business environment. The use of this power as a bargaining tool in negotiating with state governments has sent neighboring states with competing riverboat operators into “bidding wars.” The tension created by these situations makes it difficult for states to set firm gaming policies, particularly with regard to taxation, sailing restrictions, and betting limits.¹⁸²

Preliminary data show that the policies set by governments, particularly on betting limits, may have significant implications in the rivalry between riverboat operators in neighboring states. For example, a study of 24 riverboats in Illinois, Indiana, and Missouri indicates that restrictions limiting the amount bet by customers on riverboats decreased slot machine handle by 41.4 percent; restrictions limiting the boarding of customers reduced slot machine handle by 30.9 percent. The data from this study also indicate that riverboat slot machine handle in Illinois was 30.4 percent higher than it would have been if there were no betting restrictions on riverboat gaming in Iowa.¹⁸³ These figures demonstrate the interrelationship between neighboring gambling venues, the consequences of which are compounded by the fact that the riverboats are able to move from one location to another, more amenable location. When setting gambling policy, states should seek a balance between its own interests and the competing interests of neighbors.

One outcome of the “bidding wars” over riverboats that have occurred between states is the advent of the “boat in a moat” concept (or “fixed-site floating casino”). These casinos are either buildings set on platforms above the water or floating structures that rest within an entirely enclosed moat. By being so constructed and permanently secured to the shore, any sailing restrictions are removed and weather problems are avoided. In some cases, patrons board the casinos at scheduled times, just as they would a sailing ship, but are allowed to leave at any time. As the operators do not spend time preparing to sail, they can offer more “trips” per day, allowing opportunities for more people to gamble and thereby providing opportunities for greater income for riverboat operators and potentially higher tax revenues for the host state.

This arrangement also means greater convenience for the patrons, as they are allowed to disembark when they feel the need; if they are losing, they are able to simply walk away. While the PSGSC does feel that it is the right of each state to decide what forms of gambling are allowed within its borders, the PSGSC is aware that these fixed-site floating casinos raise unique concerns. Voters who are asked to decide on riverboat gambling should be made aware of what they are considering so that they do not think they are voting on a paddle wheel vessel when, in fact, they may be offered something that will look more like a land-based casino.

Cruises to Nowhere. The Johnson Act was enacted to allow American-flag vessels to offer gambling so that they could better compete with foreign flag vessels. The Johnson Act currently governs federal regulation of cruises to nowhere, but it does not provide adequate allowances for the concerns of state governments. The Johnson Act merely gives states the right to refuse to allow gambling ships to dock if they do not also dock in foreign ports. However, the states must elect not to allow such cruises; if the states do not take action to the contrary, cruises to nowhere operate legally. While the Johnson Act gives states the option of prohibiting cruises to nowhere from operating, it does not permit any state regulation or taxation.¹⁸⁴ The PSGSC believes that states should be able to tax and regulate cruises to nowhere based within their borders, as they do other forms of gaming.

However, this concern of state governments raises complicated constitutional questions, as it is not clear whether or not the gambling activities conducted on these cruises fall within the legal jurisdiction of the United States, or of the individual state, since the gambling occurs in international waters, beyond the national boundaries. The PSGSC feels that federal intervention regarding the regulation of these boats is appropriate as the boats sail in international waters and suggests the following amendments to the Johnson Act, to the extent to which they are constitutionally allowable:

- States should be able to regulate gaming on the cruise ships and tax the gaming revenues from cruise ships, to the extent permissible by the United States Constitution, and to use appropriate zoning and health and safety regulations. The PSGSC supports the current Johnson Act but encourages Congress to consider rewording it to provide states more authority over cruises to nowhere.

The PSGSC acknowledges that such state authority may imply that the state has Class III gaming as it applies under the Indian Gaming Regulatory Act. Therefore, the PSGSC also suggests that:

- Any amendments of the Johnson Act clearly delineate the extent of taxation and regulation, if any, that would be necessary for cruises to nowhere to be considered Class III gaming within a state for the purposes of IGRA.

Charitable Gaming. Because legitimate charitable gaming raises millions of dollars for worthy organizations nationwide, it provides a lure for many disreputable individuals who seek to take advantage of the benefits afforded to charitable groups. It is sometimes the case with charitable games that the named organization does not exist, that the operator is running a fraudulent business; there have also been situations

in which the gaming operator claims such significant fees for his services that the charity actually receives very little, if any, of the funds raised. States should take an active role in regulating charitable games to ensure that the charities and games are legitimate and that the money raised benefits the charity or cause named.¹⁸⁵

RECOMMENDATIONS

Because of changing laws, new court rulings, developments in technology, shifting religious and moral beliefs, and a variety of other factors, information about gaming in the United States is limited, changing, and in some instances contradictory or ambiguous. The conclusions and recommendations in this report reflect the best judgements of the commission members at this point in time based on the information presented to them in hearings, their own experience, and findings gathered by staff, and are directed at the industry at the present time. As the industry evolves, the conclusions and recommendations of this report should be re-evaluated.

It is the opinion of the PSGSC that the approval, monitoring, and regulation of gambling activities is the responsibility of individual state governments. This report represents the majority opinion of the Commission members. Members who disagreed with the majority on specific issues were encouraged to prepare written opinions on the issues in questions. These dissenting opinions are contained in Appendix D.

Social and Economic Concerns

- To more accurately determine the relationship between legalized gambling and pathological gambling disorders, crime rates, the rates of personal bankruptcies, and such family issues as divorce and suicide rates, additional objective, longitudinal studies should be conducted.
- Failure to look at illegal gambling will distort conclusions that are reached about gaming in general and effective countermeasures will be difficult to implement. Further objective studies should also examine the issue of illegal gambling.
- To help alleviate the problem of compulsive gambling behavior, pending further research, states and the counseling industry should work together to develop more educational and training opportunities for treatment professionals. Also, states should at least consider making gambling treatment facilities a mandated insurance benefit, although the PSGSC is not making a recommendation that each state necessarily include it. In addition, states that currently have legalized gambling operations should set aside monies in their general funds for gambling treatment and prevention programs.
- To determine whether or not children introduced to gambling or gambling-style devices at a young age will develop compulsive gambling or other harmful behaviors as adults, further research—objective, long-term, longitudinal studies—should be conducted.

- To address concerns about the rise in senior gambling, additional study of the effects of gambling on the elderly is needed; researchers are encouraged to work with gerontologists and other experts.
- To allow patrons a “cooling off” period before withdrawing additional money, states should consider a policy requiring that all gambling-specific venues remove ATM or cash advance machines from gambling floors. The PSGSC is not recommending herein removing ATM or cash withdrawal machines from the entire premises of gambling facilities.
- States should examine the policy of some gambling facilities to provide free alcoholic drinks on the gambling floor to their patrons and consider requiring gambling-specific venues to either sell alcoholic drinks on the gambling floor or provide free alcoholic drinks in areas other than the gambling floor.
- To determine the economic impacts of gambling on both state and local communities, long-term studies should be conducted. Specifically, questions concerning the issues of saturation, displacement, and sustained growth should be examined.

Tribal Gaming

- The Indian Gaming Regulatory Act should be amended to reflect the following:

The states and the tribes should be able to place into the compacts any gambling-related issues, and only such issues, that need to be addressed. Additional forums should be created to discuss non-gaming related issues; the issues in these forums should not be linked to the gaming compact process.

Lands not recognized as tribal lands at the time of IGRA’s passage should be excluded from Indian gaming.

Procedures for managing deadlock situations between states and tribes should be clarified.

- State and tribal governments should work together to create sound public policies that recognize and protect the interests of tribal members, the states, and their citizens and visitors.
- The failure of the federal government’s policies to adequately address treaty and statutory responsibilities to provide basic health, education, and welfare programs to Indian tribes and the resultant substandard living conditions within Indian country should be acknowledged. It should be recognized that a few tribes who have supplemented or replaced those failed federal policies with a successful economic

development agenda fueled by governmental gaming have created a higher standard of living for their members.

- It should also be acknowledged that the income derived from Indian governmental gaming has been a successful economic, social, and governmental tool for many, but not all, Indian tribes. Further research must be conducted to identify additional avenues of economic development that can be used in Indian country.

Internet and Telecommunications Gaming

- Federal legislation should clarify that Internet gambling is illegal and federal monitoring and intervention is required to enforce such laws. However, any such laws should contain provisions for transmissions by lotteries, parimutuels, and Indian Class II bingo conducted online and for the transmission of gambling-related information.
- Federal law should prohibit collections on Internet gambling debt charged to credit cards; it should prohibit collections on other illegal gambling debts charged to credit cards; it should also prohibit wire transfers of money to pay for illegal gambling debts.
- Federal legislation should clearly ban advertising of Internet-based gambling on television, radio, print media, or through Internet sites.

Parimutuels

- Racing regulation should remain the domain of the states, with the exceptions of those interstate segments of the industry such as wire transfers, wagering pools, and quarantine issues and those issues in which uniformity is desired such as licensing or medication issues. These latter issues, though, can be addressed through nationwide regulatory or legislative groups such as North American Parimutuel Regulators Association (NAPRA), Racing Commissioners International (RCI), or the National Council of Legislators from Gaming States.
- Congress should clarify federal laws on account wagering to ensure that gambling on parimutuels through telecommunication devices can only occur from states where telecommunications-based gambling on parimutuels is legal and to other states where telecommunications-based gambling on parimutuels is legal.
- Each state should have the sole decision and discretion as to whether or not video slot machines or other types of gambling are appropriate at tracks. What may be appropriate in one state may be inappropriate in another. The commission takes no stand on whether additional forms of gambling are good or bad at parimutuel facilities. Any proposal to introduce other forms of wagering should be accompanied by a full debate about the public policy ramifications of such a decision.

- Legislation for parimutuel wagering was created when the industry first began and was one of the only forms of legalized wagering available. However, the legalized gambling industry has grown tremendously and now offers a variety of gambling venues. States should revisit laws controlling parimutuel racing and wagering to ensure that parimutuels are not operating at a competitive disadvantage caused by antiquated statutes, regulations, and rules.

Lotteries

- Voluntary guidelines for lottery advertising have been developed by the North American Association of State and Provincial Lotteries. Regulatory bodies that have not adopted these or other guidelines should be encouraged to do so.
- Lotteries and the executive and legislative branches of state governments should work together to ensure that there is a balance between public policy and revenue concerns.

Riverboats

- When setting gambling policy, states should seek a balance between its own interests and the competing interests of neighboring states.
- While it is the right of each state to decide what forms of gambling are allowed within its borders, voters who are asked to decide on riverboat gambling should be made aware of what they are considering so that they do not think they are voting on a paddle wheel vessel when, in fact, they may be offered something that will look more like a land-based casino.

Cruises to Nowhere

- The Johnson Act and related regulations should be revised as follows:

States should be able to regulate gambling on the cruise ships and tax the cruise ships, to the extent permissible by the United States Constitution, and use appropriate zoning and health and safety regulations when applicable. The PSGSC supports the current Johnson Act but encourages Congress to consider rewording it to provide states more authority over cruises to nowhere.

In addition, any revisions of the Johnson Act should also clarify the extent of taxation and regulation, if any, on cruises to nowhere that would be necessary in order for those gaming activities to be considered Class III gaming within a state for IGRA's purposes.

Charitable Gaming

- States should take an active role in regulating charitable games to ensure that the charities and games are legitimate and that the money raised benefits the charity or cause named.

Sports Gambling

- Through NCAA-sponsored and other, similar programs, state governments, state universities, and compulsive gambling organizations should work to eliminate or reduce illegal sports gambling among college students.
- In addition, the PSGSC recognizes that sports gambling in both the amateur and professional arenas should be targeted for additional research.
- Federal law should prohibit collections on sports gambling debt charged to credit cards; it should also prohibit wire transfers of money to pay for sports gambling debts.
- Federal law should clearly ban the advertising of Internet-based amateur sports gambling on television, radio, or through print media or Internet sites.

¹ At the time of the printing of this report, the contributions from the States of Florida and Connecticut had been appropriated by each state's legislature but the money had not been distributed to Florida State University.

² The information on federal statutes in this paragraph is from: William H. Thompson, *Legalized Gambling*, 2nd edition, Santa Barbara, California: ABC:CLIO, 1997, pp. 130-133.

³ *1998 Gross Annual Wager*, published by International Gaming and Wagering Business, August 1999.

⁴ An assessment of the NGISC's Final Report is contained in Appendix E. The assessment was written by the PSGSC's Executive Director and circulated to scholars for their comments.

⁵ After referring to "stand-alone slot machines, video keno, video poker, and other EGD's that have proliferated in bars, truck stops, convenience stores, and a variety of other locations across several states," the report goes on to say: "This term may also be applied to many lottery games." See p. 1-2 of the NGISC Final Report, June 1999. The term "convenience gambling" was not coined by the NGISC. It was used at least as early as 1995 by Robert Goodman in "Gamble Babble," *The Washington Post*, November 12, 1995.

⁶ For additional information on video poker, see the June 21, 1997 meeting of National Council of Legislators from Gaming States, "Video Poker: Is It the Crack Cocaine of Gambling?"

⁷ See oral testimony provided to the Public Sector Gaming Study Commission on August 20, 1999. Also, refer to the section of this report on Psychological and Social Concerns.

⁸ 1998 *Gross Annual Wager*, published by International Gaming and Wagering Business, August 1999. Gross revenues, indicated here, are the amount won by the house prior to expenses. Testimony of Eugene Christiansen, Christiansen/Cummings Associates, before the National Gambling Impact Study Commission, February 9, 1999, indicated that 1997 gross revenues totaled \$51 billion.

⁹ Final report of Commission for the Review of National Policy Toward Gambling, *Gambling in America*, 1976, pp. 35, 49-50.

¹⁰ Final report of Commission for the Review of National Policy Toward Gambling, *Gambling in America*, 1976, p. 1.

¹¹ Ibid.

¹² *Gambling in America*, p. 2.

¹³ Maureen Kallick, *Survey of American Gambling Attitudes and Behavior*, originally published as Appendix A of *Gambling in America*, a report to the Commission for the Review of National Policy Toward Gambling, by the University of Michigan, 1976, p. 47.

¹⁴ Maureen Kallick, *Survey of American Gambling Attitudes and Behavior*, p. 12.

¹⁵ Maureen Kallick, *Survey of American Gambling Attitudes and Behavior*, p. 57.

¹⁶ Regarding saturation, state governments are interested in finding out how, for instance, adding riverboat casino operations in Mississippi affects casino gambling in Las Vegas and Atlantic City and riverboat gambling in Iowa and Illinois as well as how, on a more localized level, adding riverboats in Biloxi, Mississippi, will effect riverboats in Gulfport, Mississippi.

¹⁷ *Casino Gambling in New Jersey: A Report to the National Gambling Impact Study Commission*, New Jersey Casino Control Commission, January 1998, pp. 6, 21-23.

¹⁸ *Casino Gambling in New Jersey: A Report to the National Gambling Impact Study Commission*, p. 23. Additional information is available from the January 25, 1997 meeting of the National Council of Legislators from Gaming States, "Atlantic City: Success or Failure?".

¹⁹ Charles Leven and Don Phares, *The Economic Impact of Gaming in Missouri*, prepared for Civic Progress, St. Louis, Missouri, April 1998, pp. 5-12.

²⁰ Ibid.

²¹ Charles Leven and Don Phares, *The Economic Impact of Gaming in Missouri*, p. 28.

²² Ibid.

²³ Charles Leven and Don Phares, *The Economic Impact of Gaming in Missouri*, p. 39.

²⁴ In Caruthersville, Missouri, gaming revenues were 52 percent of total revenues; in Riverside, Missouri, gaming revenues were 75.2 percent of total revenues. Charles Leven and Don Phares, *The Economic Impact of Gaming in Missouri*, p. 42.

²⁵ Murray, James M., *The Economic Benefits of American Indian Gaming Facilities in Wisconsin*. Prepared for the Wisconsin Indian Gaming Association and the University of Wisconsin-Cooperative Extension, 1992.

²⁶ Taylor, Jonathan B., et al, *Indian Gaming in Arizona: Social and Economic Impacts on the State of Arizona*, May 1999, p. 23.

²⁷ Marquette Advisors, *Economic Benefits of Indian Gaming in the State of Kansas*. Prepared for the Kickapoo Tribe of Kansas, Prairie Band of Potawatomi Nation, and Sac and Fox Nations of Missouri, March 1999, p. III-8.

²⁸ All of the revenue distribution information in this paragraph was provided by the North American Association of State and Provincial Lotteries, www.naspl.org.

²⁹ See oral testimony of Henry Cashen, American Greyhound Track Operators Association, before the Public Sector Gaming Study Commission, July 24, 1999.

³⁰ See oral testimony of Dick Hancock, Florida Thoroughbred Breeders' and Owners' Association, before the Public Sector Gaming Study Commission, July 24, 1999.

³¹ *1998 Gross Annual Wager*, published by International Gaming and Wagering Business, August 1999. Handle is the total of all bets, even the same dollar bet many times over; gross revenues are the amount won by the house prior to expenses.

³² Ibid.

³³ *The Impact of Indian Casino Gambling on Metropolitan Green Bay*, Wisconsin Policy Research Institute Report, September 1997, Vol. 10, No. 6, p. 15, and *Casino Gambling in New Jersey: A Report to the National Gambling Impact Study Commission*, New Jersey Casino Control Commission, January 1998, pp. 6, 21-23.

³⁴ Studies published by the following individual states regarding casinos, both privately and tribally-owned, were reviewed by the PSGSC staff: Arizona, California, Florida, Illinois, Kansas, Louisiana, Minnesota, Missouri, New Jersey, Washington, and Wisconsin. See bibliography for complete listing of reports reviewed.

³⁵ Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 1: Macro Study*, prepared for American Gaming Association, December 1996, p. 7.

³⁶ Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 1: Macro Study*, p. 3.

³⁷ Coopers & Lybrand, *Gaming Industry Employee Impact Survey*, prepared for American Gaming Association, October 1997, p. 9.

³⁸ Coopers & Lybrand, *Gaming Industry Employee Impact Survey*, pp. 13-15.

³⁹ *Casino Gambling in New Jersey: A Report to the National Gambling Impact Study Commission*, January 1998, pp. 24-25.

⁴⁰ Growth statistics published in report by the Tunica County, Mississippi, Convention and Visitors Bureau presented to the Public Sector Gaming Study Commission, May 1999. See also oral testimony of , Executive Director of Tunica County Convention and Visitors Bureau, May 15, 1999.

⁴¹ Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 1: Macro Study*, pp. 7-8.

⁴² The data in this paragraph are from Coopers & Lybrand, *Gaming Industry Employee Impact Survey*, pp. 18-19.

⁴³ The information in this paragraph is from the Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 2: Micro Study*, prepared for American Gaming Association, May 1997, pp. 56-59.

⁴⁴ Telephone conversations with staff of Tunica County (Mississippi) Convention and Visitors Bureau, Will County (Illinois) Chamber of Commerce, and New Jersey Casino Control Commission.

⁴⁵ See testimony of Dr. Fenich and Dr. Kathryn Hashimoto, University of New Orleans, before the Public Sector Gaming Study Commission, June 19, 1999, for additional information on this topic.

⁴⁶ Spending substitution is also known as spending displacement or, more informally, as “cannibalization.”

⁴⁷ Timothy Ryan and Janet Speyrer, et al, *Gambling in Louisiana: A Benefit/Cost Analysis*, prepared for the Louisiana Gaming Control Board, April 1999, p. 39.

⁴⁸ Timothy Ryan and Janet Speyrer, et al, *Gambling in Louisiana: A Benefit/Cost Analysis*, p. 39, 42-44.

⁴⁹ Reference the statistical information provided in Arthur Andersen, *Economic Impacts of Casino Gaming in the United States, Volume 1: Micro Study* and *Gaming Industry Employee Impact Survey*. Also, see testimony of Dr. Fenich and Dr. Kathryn Hashimoto, University of New Orleans, before the Public Sector Gaming Study Commission, June 1999, and Carl A. Boger, Jr., in “The Effects of Native American Gaming on Other Tourist Businesses,” *Gaming Research and Review Journal*, 1994, Volume 1, Issue 2, and R.C. Mill and A.M. Morrison, in *The Tourist System: An Introductory Text*, New Jersey: Prentice Hall, 1985, indicate Indian governmental gaming enhances the appeal of rural areas as tourist destinations and increases the overall tourist market. Boger found that after an Indian casino was built in Wisconsin, more than half of the local businesses experienced an increase in their visitor volume during peak season. During the off-season, there was an 86 percent increase in visitor volume.

⁵⁰ As asserted in Adam Rose, *The Regional Economic Impacts of Casino Gambling: Assessment of the Literature and Establishment of a Research Agenda*, prepared for the National Gambling Impact Study Commission, November 1998, p. 14. Also, as stated by Peter Reuter, in *The Impact of Casinos on Crime and Other Social Problems: An Analysis of Recent Experiences*, School of Public Affairs, University of Maryland, January 1997, p. 12.

⁵¹ In addition to the information provided in this section, more examples of the positive social and economic impacts of gaming on tribal governments can be reviewed in the December 8, 1997 meeting of the National Council of Legislators from Gaming States, “Indian Gaming Revenue: How the Tribes Use It”.

⁵² The data for the Wisconsin tribes was reported in James M. Murray, *The Economic Benefits of American Indian Gaming Facilities in Wisconsin*, prepared for the Wisconsin Indian Gaming Association and the

University of Wisconsin-Cooperative Extension, March 1992, p. 1. The data for the Colville Tribes of Washington was reported in the oral testimony of Jeanne Jered, Vice Chairperson of the Confederated Tribes of the Colville Reservation and Councilmember from the Keller District, before the Public Sector Gaming Study Commission, July 23, 1999.

⁵³ Oral testimony of Jacob Coin, Executive Director of the National Indian Gaming Association, before the Public Sector Gaming Study Commission, July 23, 1999.

⁵⁴ Ibid.

⁵⁵ Stephen Cornell, et al, *American Indian Gaming Policy and Its Socio-Economic Effects*, prepared for the National Gambling Impact Study Commission, July 1998, pp. 25-26.

⁵⁶ Transcription of an oral interview for PBS's *Frontline*, Spring 1997, www.pbs.org.

⁵⁷ Testimony of David Nenna, Tribal Administrator, Tule River Indian Tribe, before the National Gambling Impact Study Commission, July 29, 1998.

⁵⁸ Testimony of Keller George, President of the United South and Eastern Tribes and member of the Oneida Nation of New York, before the National Gambling Impact Study Commission, November 9, 1998.

⁵⁹ Testimony of Ivan Makil, President of the Salt River Pima Maricopa, before the National Gambling Impact Study Commission, July 31, 1998.

⁶⁰ Final Report of the National Gambling Impact Study Commission, p. 6-7.

⁶¹ Testimony of Michael Thomas, Tribal Councilmember, Mashantucket Pequot Tribal Nation, before the National Gambling Impact Study Commission, November 9, 1998.

⁶² Testimony of Dallas Ross, Chairman, Board of Trustees, Upper Sioux Community, before the National Gambling Impact Study Commission, November 9, 1998.

⁶³ Testimony of Keith Tinno, Chairman, Fort Hall Business Council, Shoshone-Bannock Tribes, before the National Gambling Impact Study Commission, January 7, 1999.

⁶⁴ For the purposes of IGRA, Class III gaming includes casino-style games, such as slot machines, video poker machines, and card games played against the house, lotteries, and parimutuel horse and greyhound racing and Jai-Alai. Class I games include traditional or social games played for minimally-valued prizes and are under the exclusive jurisdiction of the tribes. Class II games include bingo, pull-tabs, and certain card games are and subject to tribal jurisdiction, but must be regulated under IGRA.

⁶⁵ 25 U.S.C. 2710(2)(B).

⁶⁶ Telephone conversation with Bureau of Indian Affairs staff, September 1999.

⁶⁷ Written correspondence from National Indian Gaming Commission through the National Indian Gaming Association, September 1999, verified with the Bureau of Indian Affairs by PSGSC staff October 1999.

⁶⁸ Data from the oral testimony of Jeanne Jered, Vice Chairperson of the Confederated Tribes of the Colville Reservation and Councilmember from the Keller District, before the Public Sector Gaming Study Commission, July 23, 1999.

⁶⁹ Data from the oral testimony of Christina Danforth, Councilmember of the Oneida Tribe of Wisconsin, before the Public Sector Gaming Study Commission, July 23, 1999.

⁷⁰ Attachment to a letter from Montie Deer, Executive Director of the National Indian Gaming Commission, to Senator Ben Nighthorse Campbell and Senator Daniel Inouye, July 14, 1999.

⁷¹ "Arizona Universities to Get \$1 Million from Gaming Funds," Arizona Daily Wildcat, November 14, 1996.

⁷² The information on the state of California is from Analysis Group/Economics, Inc., *The Economic and Fiscal Benefits of Indian Gaming in California*, prepared for Californians for Indian Self-Reliance, July 1998, p. 11.

⁷³ Data in this paragraph are from a letter from Montie Deer, Executive Director of the National Indian Gaming Commission, to Senator Ben Nighthorse Campbell and Senator Daniel Inouye, July 14, 1999.

⁷⁴ *An Analysis of Social and Economic Impacts of the Shoban Gaming Enterprise on Southeastern Idaho*, 1997, www.gemstate.net/zelus/ShobanGaming, p. 1.

⁷⁵ The information in this paragraph is from Analysis Group/Economics, Inc., *The Economic and Fiscal Benefits of Indian Gaming in California*, July 1998, pp. 8-9.

⁷⁶ Sault Ste. Marie Tribe, *Sault Ste. Marie 1996 Annual Report*, pp. 11-14.

⁷⁷ National Public Radio news report, November 10, 1999.

⁷⁸ Testimony of Letha Lamb-Grassley, Board of Directors, Gila River Indian Community, before the National Gambling Impact Study Commission, January 7, 1999.

⁷⁹ Testimony of the Coeur d'Alene Tribe before the National Gambling Impact Study Commission, January 7, 1999.

⁸⁰ Testimony of Richard Williams, Chairman of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, and Jacob LoneTree, President of the Ho-Chunk Nation, before the National Gambling Impact Study Commission, November 9, 1998 and testimony of Audrey Kohnen, President of the Prairie Island Indian Community, before the National Gambling Impact Study Commission, January 7, 1999.

⁸¹ See oral testimony of James Hickey, President of the American Horse Council, before the Public Sector Gaming Study Commission, July 24, 1999. Though parimutuel horse racing is legal in 43 states, it is not actively practiced in each of these states.

⁸² Ibid.

⁸³ Correspondence from James Hickey to the Public Sector Gaming Study Commission, November 5, 1999. Also, see oral testimony of James Hickey, President of the American Horse Council, before the Public Sector Gaming Study Commission, July 24, 1999. The use of full-time equivalency figures does not reflect the number

of people actually employed. In fact, it leads to an underestimation of total employees as two, three, or more part-time employees together may comprise one full-time equivalent position.

⁸⁴ Ibid.

⁸⁵ See oral testimony of Dick Hancock, Florida Thoroughbred Breeders' and Owners' Association, before the Public Sector Gaming Study Commission, July 24, 1999.

⁸⁶ California information in this paragraph is found in the oral testimony of Lonny Powell, President of Santa Anita Park, Santa Anita, California, before the Public Sector Gaming Study Commission, July 24, 1999.

⁸⁷ Correspondence from Telisport Putsavage, American Horse Council, to the Public Sector Gaming Study Commission. The Jockey Club Foundation, the National Thoroughbred Racing Association Charities, the American Quarter Horse Association, the United States Trotting Association, Florida Thoroughbred Charities, and Santa Anita Park, through its annual Charity Racing Days, have raised millions of dollars for racing and community organizations. The Jockey Club Foundation distributes approximately \$700,000 per year in direct support for individuals in need in the racing community, while Florida Thoroughbred Charities, a foundation of the Florida Thoroughbred Breeders' and Owners' Association, raised more than \$220,000 to be distributed in 2000.

⁸⁸ Racing Resource Group, *Economic Benefits of the Greyhound Racing Industry in the United States*, prepared for the American Greyhound Track Operators Association, May 1998, p. 24, and the oral testimony of Hayes Taylor, General Manager of Wheeling Downs Greyhound Track, West Virginia, and Henry Cashen, American Greyhound Track Operators Association, before the Public Sector Gaming Study Commission, July 24, 1999.

⁸⁹ Racing Resource Group, *Economic Benefits of the Greyhound Racing Industry in the United States*, p. 12.

⁹⁰ Racing Resource Group, *Economic Benefits of the Greyhound Racing Industry in the United States*, p. 21.

⁹¹ Jai-Alai information based on oral testimony of John Knox before the Public Sector Gaming Study Commission, July 24, 1999, and www.flgaming.com.

⁹² Information on the game of Jai-Alai from www.flgaming.com.

⁹³ William H. Thompson, *Legalized Gambling*, p. 10.

⁹⁴ <http://www.naspl.org/history>.

⁹⁵ <http://www.naspl.org/history>.

⁹⁶ Charles T. Clotfelter, et al, *State Lotteries at the Turn of the Century*, a report to the National Gambling Impact Study Commission, April 1999.

⁹⁷ William H. Thompson, *Legalized Gambling*, p. 166.

⁹⁸ William H. Thompson, *Legalized Gambling*, p. 166.

⁹⁹ See oral testimony of David Gale, President of the North American Association of State and Provincial Lotteries, before the Public Sector Gaming Study Commission, August 20, 1999.

¹⁰⁰ Charles T. Clotfelter, *State Lotteries at the Turn of the Century*.

¹⁰¹ Maritz AmeriPoll results, 1997, <http://www.naspl.org>.

¹⁰² Gallup poll, July 1999, <http://www.gallup.org>.

¹⁰³ All of the information in this paragraph is from a presentation to the National Council of State Legislators by George Anderson, North American Association of State and Provincial Lotteries, July 27, 1999, <http://www.naspl.org>.

¹⁰⁴ See oral testimony of Sue Schneider, Chairman of the Interactive Gaming Council and Publisher of *Interactive Gaming News*, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁰⁵ *Ibid.*

¹⁰⁶ See testimony of before the Public Sector Gaming Study Commission, July 24, 1999.

¹⁰⁷ See the oral testimony of Dale Youngs, State of Missouri Attorney General's Office, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁰⁸ The information contained in this section is from the oral testimony of Bill Saum, Director of Agent and Gambling Activities for the National Collegiate Athletics Association (NCAA) before the Public Sector Gaming Study Commission, August 20, 1999, from the National Collegiate Athletics Association Internet site: www.ncaa.org/gambling, and from oral testimony before the National Council of Legislators from Gaming States, June 12, 1999.

¹⁰⁹ The Professional and Amateur Sports Protection Act is designed to prohibit states, local governments, and Indian tribes from sponsoring, operating, advertising, promoting, licensing, or authorizing any lottery, sweepstakes, or other betting, gambling, or wagering scheme that is directly or indirectly based on any professional or amateur competitive game or performance. Similarly, persons are prohibited from operating a sports gambling scheme. The bill applies regardless of whether the gambling scheme is based on chance or skill, or on a combination thereof. The information on Nevada was obtained from the Nevada Attorney General's Office.

¹¹⁰ See oral testimony of Pat Fowler, Executive Director of the Florida Council on Compulsive Gaming, Inc., and video testimony of Elizabeth George, Executive Director of the North American Training Institute, before the Public Sector Gaming Study Commission, June 19, 1999.

¹¹¹ For additional information, review the June 12, 1999 meeting of the National Council of Legislators from Gaming States, "Gambling and Teenagers: A Dangerous Liaison".

¹¹² *1997 Annual Report of the National Association of Fundraising Ticket Manufacturers*, p. 5.

¹¹³ *Ibid.*

¹¹⁴ *1997 Annual Report of the National Association of Fundraising Ticket Manufacturers*, p. 12.

¹¹⁵ Letter from Mary B. Magnuson, Legal Counsel for the National Association of Fundraising Ticket Manufacturers, to the Public Sector Gaming Study Commission, August 17, 1999, p. 2.

¹¹⁶ Information on this topic is available from the December 8, 1997 meeting of the National Council of Legislators from Gaming States, “What Happens When Bingo Goes Big-Time?”.

¹¹⁷ A model bill developed by the National Council of Legislators from Gaming States is provided in Appendix I.

¹¹⁸ The information in this section is from the oral testimony of Sandi Walters, Executive Director of the Day Cruises Association, and Greg Karen, Vice President of Operations for SunCruz and Vice President of the Day Cruises Association, before the Public Sector Gaming Study Commission, July 24, 1999.

¹¹⁹ William H. Thompson, *Legalized Gambling*, p. 131.

¹²⁰ William H. Thompson, *Legalized Gambling*, p. 131.

¹²¹ See summary of video testimony of John Coleman, City Commissioner of Hollywood, Florida, before the Public Sector Gaming Study Commission.

¹²² Further information on cruises to nowhere is available from the June 21, 1997, “Cruises to Nowhere: How Can They Be Regulated?”, and June 21, 1999, “Cruises to Nowhere: Where Do We Go From Here?”, meetings of the National Council of Legislators from Gaming States.

¹²³ After referring to “stand-alone slot machines, video keno, video poker, and other EGD’s that have proliferated in bars, truck stops, convenience stores, and a variety of other locations across several states,” the report goes on to say: “This term may also be applied to many lottery games.” See p. 1-2 of the NGISC Final Report, June 1999.

¹²⁴ *Pathological Gambling: A Critical Review*, National Research Council for the National Gambling Impact Study Commission, April 1999, pp. 16-17.

¹²⁵ *Pathological Gambling: A Critical Review*, National Research Council, p. 19.

¹²⁶ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, Harvard Medical School Division on Addictions, prepared for the National Center for Responsible Gaming, December 1997, pp. 73-76.

¹²⁷ *Final Report of the National Gambling Impact Study Commission*, p. 1-1.

¹²⁸ *Gambling Impact and Behavior Study*, National Opinion Research Center, University of Chicago, Table 7, p. 27, and p. 28.

¹²⁹ See oral testimony of Pat Fowler, Executive Director of the Florida Council on Compulsive Gaming, Inc., before the Public Sector Gaming Study Commission, June 18, 1999.

¹³⁰ Kallick, Maureen, *Survey of American Gambling Attitudes and Behavior*, p. xiii.

¹³¹ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. iv.

¹³² Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. ii.

¹³³ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. 54.

¹³⁴ Ibid.

¹³⁵ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. ii.

¹³⁶ *Gambling Impact and Behavior Study*, National Opinion Research Center of the University of Chicago for the National Gambling Impact Study Commission, April 1999, Table 6, p. 25.

¹³⁷ *Pathological Gambling: A Critical Review*, National Research Council, pp. 72-76 and Table 3-4, p. 79. These figures represent medians from the NRC meta-analysis.

¹³⁸ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. 60.

¹³⁹ Howard Shaffer, et al, *Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis*, p. 60.

¹⁴⁰ *Gambling Impact and Behavior Study*, National Opinion Research Center, University of Chicago, p. 26.

¹⁴¹ *Gambling Impact and Behavior Study*, National Opinion Research Center, University of Chicago, Table 4, p. 16.

¹⁴² *Gambling Impact and Behavior Study*, National Opinion Research Center, University of Chicago, Table 9, p. 30. Of the respondents in the RDD survey, 46 percent from lottery states reported no past-year gambling problems compared to 63 percent in non-lottery states. See also Table 7, p. 27.

¹⁴³ The Oregon lottery, for example, also uses lottery proceeds to fund county-based gambling treatment programs and to fund gambling research through its Oregon Gambling Addiction Treatment Foundation, State of Oregon Play Responsibly Campaign, 1999.

¹⁴⁴ See oral testimony of Christine Reilly, Executive Director of the National Center for Responsible Gaming, before the Public Sector Gaming Study Commission, June 19, 1999.

¹⁴⁵ See oral testimony of Marsha Kelly, Communications Counsel for the Minnesota Indian Gaming Association, and Tom Tucker, Executive Director of the California Council on Problem Gambling, before the Public Sector Gaming Study Commission, July 23, 1999.

¹⁴⁶ Letter from Telisport Putsavage, American Horse Council, to the Public Sector Gaming Study Commission, August 10, 1999.

¹⁴⁷ See oral testimony of Betty Greer, Executive Director of the Mississippi Council on Problem and Compulsive Gaming, Linda Graves, Deputy Director of the Delaware Council on Gambling Problems, and Elizabeth George, Executive Director of the North American Training Institute, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁴⁸ This recommendation is based on oral testimony of Betty Greer, Executive Director of the Mississippi Council on Problem and Compulsive Gaming, and Linda Graves, Deputy Director of the Delaware Council on Gambling Problems, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁴⁹ U.S. Department of Justice, Bureau of Justice Statistics, <http://www.ojp.usdoj.gov/bjs>. The crime rates listed are for 1997-1998. The victimization survey included 80,000 respondents over the age of twelve in 43,000 households in twelve major cities, including Los Angeles, New York, and Washington, D.C.

¹⁵⁰ Federal Bureau of Investigation Uniform Crime Reports, 1995-1997. Property crime, auto theft, and burglary have steadily declined since 1992; robbery has decreased since 1993; aggravated assault has decreased since 1994; and larceny-theft has declined since 1995. All crime rates are lower than they were in the late 1970s and 1980s.

¹⁵¹ Jeremy Margolis, *Casinos and Crime: An Analysis of the Evidence*, on behalf of Altheimer and Gray for the American Gaming Association, December 1997, p. 44. Verified by PSGSC staff in telephone conversations with New Jersey Gaming Control Board and Nevada Attorney General's Office, January 2000.

¹⁵² Peter Reuter, *The Impact of Casinos on Crime and Other Social Problems: An Analysis of Recent Experiences*, January 1997, p. iv.

¹⁵³ Jonathan B. Taylor, et al, *Indian Gaming in Arizona: Social and Economic Impacts on the State of Arizona*, prepared by The Economics Resource Group, Inc., May 1999, p. 49.

¹⁵⁴ Peter Reuter, School of Public Affairs, University of Maryland, *The Impact of Casinos on Crime and Other Social Problems: An Analysis of Recent Experiences*, January 1997. See also an opinion survey municipal officials and law enforcement officers conducted by David Giacompassi, Department of Criminology and Criminal Justice, University of Memphis, Mark Nichols, Department of Economics, University of Nevada, Reno, and B. Grant Stitt, Department of Criminal Justice, University of Nevada, Reno, *Attitudes of Community Leaders in New Casino Jurisdictions Regarding Casino Gambling's Effects on Crime and Quality of Life*, November 1998. Respondents overwhelmingly indicated that casinos had a minimal or no effect on city crime rates, Table 4.

¹⁵⁵ Richard McCleary and Kenneth Chew, et al, *Suicide and Gambling: An Analysis of Suicide Rates in U.S. Counties and Metropolitan Areas*, prepared for the American Gaming Association, September 1998, pp. 2-5.

¹⁵⁶ Richard McCleary and Kenneth Chew, et al, *Suicide and Gambling: An Analysis of Suicide Rates in U.S. Counties and Metropolitan Areas*, p. 9.

¹⁵⁷ Jonathan B. Taylor, et al, *Indian Gaming in Arizona: Social and Economic Impacts on the State of Arizona*, pp. 51-52. Two of the nine counties did not report bankruptcy information; one county reported a bankruptcy rate higher than the state's average rate.

¹⁵⁸ U.S. Department of the Treasury, *A Study of the Interaction of Gambling and Bankruptcy*, July 1999, p. 1.

¹⁵⁹ *A Study of the Interaction of Gambling and Bankruptcy*, prepared by the U.S. Department of Treasury, July 1999, p. 93.

¹⁶⁰ In Michigan, for example, the legislature must approve agreements that have been struck between tribes and the governor.

¹⁶¹ 25 U.S.C. 2710(d)(1)(b).

¹⁶² The Eleventh Amendment reads: “The judicial power of the United States shall not be construed to extend to any suit, in law or equity, commenced or prosecuted against one of the United States, by citizens of another State, or by citizens or subjects of any foreign State.”

¹⁶³ 116 S. Ct. 1114 (1996).

¹⁶⁴ *Seminole*, 116 S. Ct. At 1125-32. See Martha M. Field, “The Seminole Case, Federalism, and the Indian Commerce Clause,” *Arizona State Law Journal*, 11 (1997).

¹⁶⁵ The question in *Seminole* was not whether tribes had the right to sue states, but whether Congress could compel states to be sued. The *Seminole* case and those that have construed it are concerned not with tribal sovereignty but with the constitutional dimensions of state sovereign immunity in federal courts. The Eleventh Amendment notwithstanding, a tribe may enforce the requirements of IGRA in federal court against any state that consents to such jurisdiction.

¹⁶⁶ This information was provided in the oral testimony of Kansas State Representative Galen Weiland before the Public Sector Gaming Study Commission, July 23, 1999. See also testimony of Mamie Rupnicki, Chairwoman of the Prairie Band of Potawatomi Indians, before the Public Sector Gaming Study Commission, July 23, 1999, in which it was stated that the Prairie Band of Potawatomi Indians has formed a good working relationship with Kansas.

¹⁶⁷ The greater issue of tribes regaining lands for general use is beyond the purview of this report.

¹⁶⁸ See oral testimony of Joel Schwarz, State of New York Assistant Attorney General, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁶⁹ See oral testimony of Dale Youngs, State of Missouri Attorney General’s Office, and Joel Schwarz, State of New York Assistant Attorney General, before the Public Sector Gaming Study Commission, June 18, 1999.

¹⁷⁰ Nevada Revised Statutes 465.094.

¹⁷¹ As of December 1999, no one has been licensed by Nevada’s gaming regulators to conduct Internet gambling.

¹⁷² See *People v. World Interactive Gaming, Corp.*, State of New York, and “It’s not a Wonderland Out There,” *Casino Journal*, September 1999, p. 24.

¹⁷³ The information contained in this paragraph is from <http://www.usdoj.gov> and from telephone conversations with staff of the Office of Attorney General, New York.

¹⁷⁴ In addition, review the June 15, 1996, "Internet/Telephone Wagering", and January 8, 2000, "The Explosion of Internet Wagering: What are States Doing?", meetings of the National Council of Legislators from Gaming States.

¹⁷⁵ The information contained in this paragraph is from <http://www.usdoj.gov> and from telephone conversations with staff of the Office of Attorney General, New York.

¹⁷⁶ See oral testimony of Tony Chamblin, President of the Racing Commission International (RCI), before the National Public Sector Gaming Study Commission, July 24, 1999.

¹⁷⁷ See testimony of Will Cummings, Christiansen/Cummings Associates, before the Public Sector Gaming Study Commission, July 24, 1999.

¹⁷⁸ For additional information on account wagering, refer to the August 8, 1998, "Parimutuel Interstate Wagering", and January 8, 2000, "Account Betting: When is it Legal? When is it Not?", meetings of the National Council of Legislators from Gaming States.

¹⁷⁹ See oral testimony of Will Cummings, Christiansen/Cummings Associates, before the Public Sector Gaming Study Commission, July 24, 1999.

¹⁸⁰ See testimony of Tim Smith before the Public Sector Gaming Study Commission, July 24, 1999.

¹⁸¹ See oral testimony of Will Cummings, Christiansen/Cummings Associates, before the Public Sector Gaming Study Commission, July 24, 1999.

¹⁸² For additional information on riverboats, see the June 15, 1996 meeting of the National Council of Legislators from Gaming States, "Riverboat Gambling".

¹⁸³ Richard Thalheimer and Mukhtar M. Ali, University of Louisville, Equine Industry Program, *The Demand for Riverboat Gaming with Special Reference to Firm Location*, August 1999, p. 20. The copy of this report obtained by PSGSC staff is a working paper.

¹⁸⁴ William H. Thompson, *Legalized Gambling*, p. 131.

¹⁸⁵ A model charitable gaming bill developed by the National Council of Legislators from Gaming States is provided in Appendix I. For more information on charitable gaming, see December 8, 1997 meeting of the National Council of Legislators from Gaming States, "What Happens When Bingo Goes Big-Time?".