

THE GAMBLING INDUSTRY'S ULTIMATE CON GAME

The Gambling Industry desires to expand gambling in Texas by introducing video slot machines (also referred to as "VLTs") as well as casino gambling, and some of our legislators' have said that they want to turn Texas into the "next Las Vegas." Below are a few facts about the consequences of such a con game and why the Republican Party of Texas' Platform states its opposition to the expansion of gambling in our State.

DESTROYS LIVES

Addictive

Video slot machines are the "crack cocaine" of gambling because of their addictive nature. People become addicted more quickly, lose more money more quickly, while buying into false promises of winning.

- In 2002, the Rhode Island Gambling Treatment Program identified video slots as "the most addictive form of gambling in history."
- Addiction cycle is much shorter – about 1 year to become addicted.
- 30-50% of revenue from VLTs is generated from compulsive gamblers.
- 80% of casino revenue is from addictive slot machines.
- In 1994, South Dakota closed all video slot machines for 3 months – the number of gamblers treated per month dropped by 93.5%.

Deceptive – Con Game

Game makers intentionally design games to be addictive with their speed of play and the games' hypnotizing effect. Advertising is false and misleading in giving the perception that skill is somehow involved.

- Game designers intentionally use psychological behavioral techniques to stimulate increased gambling.
- U.S. Patent for computerized slot machines states, "It is important to make a machine that is perceived to present greater chances of payoff than it actually has."
- Combination of deceptive disclosure of odds of winning and games designed for players to have many near misses entices people to gamble more.
- Illusion of success encourages even lucid player to behave compulsively – marked loss of control in even ordinary players.
- 3 of every 5 players interviewed in a recent study had a significant degree of impaired control when playing video slot machines

Ravages Families

Gambling ravages families, and children pay the price.

- Results in increased divorce, separation, domestic violence, child neglect, and child abuse.
- Incidents of child abuse, domestic violence and neglect increase by as much as 50 % among pathological gamblers.
- Divorce rates among pathological gamblers (most often addicted by VLTs) are almost 3 times as high as those of non-gamblers. Millions of adults cite a spouse's gambling problem as a significant factor in their divorces.
- The National Gambling Impact Study Commission reported: "Children of compulsive gamblers are often prone to suffer abuse, as well as neglect, as a result of parental problem or pathological gambling." VLT addicted parents are more likely to have

- children who are pathological gamblers.
- Increased Suicides - Suicide rates among addicted gamblers are 30 % higher than in the general population.
- Increased Illness - As gambling increases, so does illness including cardiovascular problems, anxiety, depression, cognitive disorders, chronic or severe headaches, and stress-related sickness.

Targets Victims

Slot machines are being designed to prey upon the young, women, seniors, and minorities.

- Gambling is fastest growing addiction among U.S. teens, women, and senior citizens.
- Pathological gambling for youth and young adults is growing at twice the rate for adults.
- Poorest and least educated participants spend largest percentage of their income on gambling.
- Texas experts estimate that video slot machines will cost poor Texans as much as a \$1000 a year on top of the \$1,000 they are already losing on the lottery.
- One researcher noted that it is hard to lose thousands of dollars in one night in the lottery but not uncommon if playing video slot machines.

WRECKS THE ECONOMY

Gambling venues devastate the economy for both gamblers and non-gamblers:

- Studies show that VLTs cost states \$3 in social costs for every \$1 of revenue generated.
- Without including costs related to suicides and abused dollars, estimates of costs to taxpayers range from \$13,000 - \$52,000 a year per addicted gambler.
- Compulsive gamblers cost the U.S. economy about \$80 billion annually - \$10 billion more than that spent to combat drug abuse.
- The poor provide 90% of gambling revenue.
- Gambling is a regressive, invisible tax paid directly by the poor and vulnerable, but indirectly by all taxpayers who must shoulder the burden for the subsequent social costs.

Skyrocketing Crime

- Sept. 2004 research showed casinos hiked violent crime 13%.
- Everywhere video slot machines have been legalized, crime rates have skyrocketed, including aggravated assault, rape, robbery, larceny, burglary, auto theft, embezzlement, and fraud.
- 1st 3 years of gambling in Atlantic City, New Jersey went from 50th in nation in per capita crime to 1st in the nation.
- This results in:
- Increased Need for Enforcement – police, fire, EMS, lighting, and other crime prevention costs.
- Increased Overload of Court System.
- Increased Overload of Prison System.

Increased Bankruptcies

Costs include lawsuits and legal costs as well as bill collection costs.

- Bankruptcy rates in counties with state sponsored gambling are 18 % higher than in counties that have no gambling.

Increased Business & Employment Losses

- Businesses suffer lost productivity, lost work time, unemployment related employer costs from employees who become addicted.
- Cannibalizes other industries – restaurants, clothing stores, theaters, and other retail shops suffer in direct proportion to the gambling industry's success. Thus, it changes the economic base and character of local communities.
- Fully half of the small businesses in Atlantic City closed in the first years of legalized gambling there.
- Riverboat gambling in Natchez, MS gutted the local business community.

Increased Government Social Services

- Need to create or increase government social services such as gambling addiction treatment/therapy costs.
- Resulting increase in unemployment, welfare, food stamps, Medicaid, and other social services drain local resources as well as state and federal taxpayer programs.

Increased Government Regulatory Expenses

- Requires expansion of regulatory agencies, infrastructure, and government salaries.

Increased Dollars Abused

- Diverts resources acquired from family, friends, employers under false pretenses away from family needs.

UNDERMINES AMERICAN VALUES

Unprincipled

- It discourages hard work and saving.
- State sponsored gambling – specifically video slot machines – promote a government sponsored message to citizens that getting ahead in life is a result of blind luck not education, hard work and initiative.
- Building our government budgets on games of chance bolstered by deceptive state sponsored advertising campaigns sends a negative anti-work message to citizens and undermines the goals of personal achievement and individual contributions to our communities.

Breeds Corruption

- Convenient front for organized crime to launder money from other activities such as drugs and prostitution.
- Political corruption is rampant in states receiving revenue from casinos.
- Does not stem illegal gambling, but rather creates a shadow industry.
- State sanctioned advertising forces taxpayers to prop up this corruption.

LESSONS LEARNED

Poor Tax Policy

- Not neutral.
- Regressive.
- Invisible – not transparent.
- Allows legislators to shuffle money around that would have been used for education.
- Promises are always larger than the actual return.

States Gambled and Lost

- Governor of Nevada said “the lesson from the last 20 years is clear; our revenue system is broken because it has relied on regressive and unstable [gambling] taxes.”
- Even the Mayor of Las Vegas wants VLTs removed from neighborhoods outside the strip to prevent the creation of more gambling addicts.
- Even the casino-industry in Nevada only provides the state with a third of its revenue, much less than promised.
- Every state that uses gambling as a revenue source has a budget deficit – most notably Nevada and New Jersey.
- In 1999 Louisiana voted to unplug almost 5,000 VLTs.
- Louisiana leaders say that most of the revenue from gambling in the state is immediately taken out of the state and sent to franchise owners in New Jersey.
- South Dakota, the first state to house video slot machines in 1989 still had an estimated \$54 million budget deficit for 2004 and an estimated \$17 million deficit projected for 2005 (Center on Budget & Policy Priorities).
- Former South Dakota Governor Bill Janklow called VLTs “the biggest mistake the state ever made.”
- Former Nebraska Governor and current United States Secretary of Agriculture Mike Johanns reported that he would be, “hard-pressed to think that gambling benefits outweigh the detriments.”
- In South Carolina, lawmakers abandoned plans to institute VLTs when “the huge social costs in the form of addiction and financial hardship” failed to produce any real economic benefit.
- New York reports that it has earned only half of what it was projected to earn from VLTs at its race tracks.
- Historical odds predict that areas that embrace VLTs make a relatively quick slide to full-blown casino gambling.

Texas

- Gambling Industry promised \$99.2 million (\$98 revenue + \$1.2 million for Commission) in 1987 when legislation to allow race tracks first passed. The first track opened in 1990. Revenues peaked at \$5 million and have been declining since that time.
- The Gambling Industry has repeatedly asked the Texas Legislature for changes characterized as vital to the survival of the industry only to insist that more is needed.
- Public debt – After claiming that Texas would make millions, the industry asked the State to forgive \$10.5 million in public debt in 1993, only 3 years after the first track opened.
- Now the declining racing industry wants taxpayers to bail them out again.

- VLTs provide 80 % of the revenues at race tracks and casinos. VLTs are propping up a declining gaming industry. Texans should not subsidize a failing industry.
- State sponsored gambling may be a tax on the ignorant – but it is a tax that the state encourages through massive gambling advertising. The cost of that advertising is not reflected in the public balance sheet on gambling.

A Risky Bet but a Sure Fall

In 1999, the National Gambling Impact Study Commission Called for a Moratorium on Gambling Expansion.

The experience of states that have legalized slots and casinos reveals that the much hyped revenue is a mirage that never fully materializes.

Relying on the pathological behavior of VLT consumers to keep state revenue steady is a gamble in itself. Texas cannot wager the education and future of our children by counting on revenue that is predictably undeniable.

We are the Party of strong families and personal responsibility. We believe in government that is accountable to the people. Governments should protect and serve not abuse and enslave.

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