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Downside of gambling raises worry

Opponents voice concerns over toll

By Casey Ross, Globe Staff | June 23, 2010

As they push to have Massachusetts expand legal gambling, state lawmakers have produced hundreds of pages of economic studies estimating the new jobs and tax revenue that would be created by opening multiple casinos.

But lawmakers have generated little data to estimate the downside of casinos, the toll that crime and addiction would take on individuals and the expense of additional government services to combat those problems.

Now, as the state Senate begins debate today on casino legislation, opponents are seizing on a study done by neighboring New Hampshire in which researchers went to great lengths to calculate the tradeoffs of expanding gambling. By comparison, the opponents argue, Massachusetts legislators have not done enough to consider the fallout from casinos.

Issued just last month, the New Hampshire study found that a large casino near the border would result in up to \$228 million in so-called social costs, to the state of Massachusetts, since most of its patrons would come from the Bay State.

By contrast, in legislation authorizing three casinos, the Massachusetts Senate would set aside about \$28 million a year to deal with the social costs and fallout within the host communities, and also make the casinos pay for most local expenses.

“This is a major policy shift for Massachusetts . . . and we don’t know what the costs are,” said state Senator Susan C. Fargo, a Democrat from Lincoln and an opponent of expanded gambling. “We haven’t even bothered to find out.”

The New Hampshire study was commissioned by Governor John Lynch, with a nonprofit research organization, the New Hampshire Center for Policy Studies, conducting most of the economic analysis. Its findings caused Lynch to threaten to veto any gambling bill without significant regulatory changes. Efforts to legalize gambling have repeatedly failed to pass the state’s House of Representatives.

In Massachusetts, one of the senators behind the casino legislation said yesterday that while he has not read the New Hampshire study, he and his colleagues have exhaustively researched the subject and included the provisions to offset social costs in the Senate bill.

“It’s the strongest package of measures anywhere in the country,” said Senator Stanley C.

Rosenberg, a Democrat from Amherst. “Under the current situation, people are becoming addicted, going out of state to spend their gambling dollars, and coming home with the problems. We get no economic benefit from that and no money to help treat addiction.”

The New Hampshire study examined the potential costs of crime, emotional damage to gamblers (such as depression and anxiety), and lost business productivity, as well as expenses for government services and regulation. It concluded a casino near the border with Massachusetts could generate up to \$219 million in revenue for New Hampshire, while costing the state government up to \$60 million to deal with crime, addiction, and other problems.

But it found Massachusetts would incur much greater social costs, up to \$228 million, because it estimated that three-quarters of the casino’s patrons would be from here. The combined social costs for both states would exceed the revenue generated by the casino by about \$69 million, the study found.

“The study casts a bright light on the reality of this industry,” said Les Bernal, former aide to Massachusetts senator Susan C. Tucker and currently director of a national group trying to prevent the industry’s expansion.

“This proposal is a something-for-nothing scheme,” Bernal said. “Taxpayers are going to pay, regardless of whether they play.”

In its findings, the Center for Public Policy Studies acknowledged that calculating social costs is an emerging field and that there is widespread disagreement over the methodology used. Quantifying some costs, such as impact of pathological gambling on families, is also difficult, the center said.

The center used previously established research models to estimate how many people would become problem gamblers with the opening of a new casino and what the effect would be on the government, families, and businesses. For example, the study used data from the University of Chicago to calculate that the arrest of a problem gambler would cost the government \$299.

The Massachusetts House and Senate commissioned reports on the economic impacts of expanded gambling, but the reports made only passing references to social costs. They did not attempt to tabulate those costs, to show how much they would detract from the economic benefits.

The Senate hired The Innovation Group, a Colorado-based gambling research firm, for its analysis. Rosenberg and others used the report to support their conclusion that three casinos would create about 14,000 permanent jobs and yield \$360 million to \$460 million for the state. Innovation Group did not attempt to estimate gambling’s cost, but asserted that devoting 5 percent of revenues to addiction-related services and community costs would be enough to cover those expenses.

Some senators opposed to expanded gambling have questioned the firm’s objectivity, saying its clients also include some of the world’s largest casino developers, including Harrah’s

Entertainment Inc., Wynn Resorts, and Trump Hotels & Casinos. A spokeswoman for The Innovation Group declined to comment.

Rosenberg said the lack of cost estimates in the Senate report does not mean those impacts were not studied. He said he and his colleagues went to great lengths to research potential costs and determine how to offset them. For example, Rosenberg traveled to Quebec to talk with officials about a \$25 million program to combat problem gambling, one of the highest amounts allocated for such purposes in the world.

“They found they could not effectively spend \$25 million,” Rosenberg said. “We have answered all these questions, and built our answers into our legislation to ensure that we do as good or better than anyone else in mitigating the social and economic impacts.”