

CQ Researcher

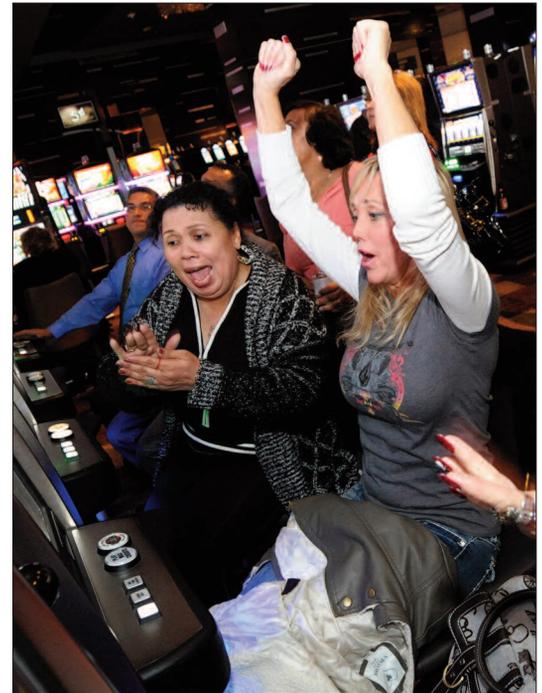
Published by CQ Press, an Imprint of SAGE Publications, Inc.

www.cqresearcher.com

Gambling in America

Are states hooked on money from games?

Gambling was once illegal and widely regarded as immoral in most of the United States, but today it is a popular pastime, a \$90 billion industry and an important source of revenue for state and local governments and Indian tribes. Lotteries in 43 states and the District of Columbia collectively generate \$18 billion in revenue for state and local governments. Commercial casinos contribute \$8 billion, while Indian tribes negotiate payments to states for permission to operate casinos on tribal lands. Casino companies promise jobs, economic development and other payoffs, but critics say the benefits are exaggerated and the social costs of gambling ignored. Lottery advocates view the game as a politically palatable revenue source, while critics warn against encouraging compulsive betting by lower-income residents. The criticisms are having little impact, and gambling may become more pervasive with the advent of legal online poker and other games.



Ka-ching! A slot machine pays off at the Aria Resort and Casino in Las Vegas. Commercial and Indian casinos in 38 states account for 65 percent of the revenue from gambling. Lotteries account for nearly 30 percent.

INSIDE THIS REPORT

THE ISSUES	527
BACKGROUND	534
CHRONOLOGY	535
CURRENT SITUATION	540
AT ISSUE	541
OUTLOOK	543
BIBLIOGRAPHY	546
THE NEXT STEP	547

CQ Researcher • June 15, 2012 • www.cqresearcher.com
Volume 22, Number 22 • Pages 525-548



RECIPIENT OF SOCIETY OF PROFESSIONAL JOURNALISTS AWARD FOR EXCELLENCE ♦ AMERICAN BAR ASSOCIATION SILVER GAVEL AWARD

THE ISSUES

- 527 • Are lotteries a good way for states to raise revenue?
• Do states benefit from casinos?
• Should Internet gambling be legal?

BACKGROUND

- 534 **Gambling Debates**
Long-held objections in the early 20th century gradually yielded to relaxed morality and revenue needs.
- 537 **Betting on Games**
In the 1980s, states and tribes began turning to casinos and lotteries for revenue.
- 538 **One More Round**
Internet gambling exploded in the 21st century, while casinos and lotteries steadily expanded.

CURRENT SITUATION

- 540 **Competing for Customers**
Rivalry is especially fierce in New York and Rhode Island.
- 542 **Looking Online**
Lawmakers in California and New Jersey are readying proposals to legalize Internet gambling.

OUTLOOK

- 543 **All About the Money**
Gambling will become less dependable as a revenue source, experts say.

SIDEBARS AND GRAPHICS

- 528 **Casinos Legal in Most States**
Thirty-eight states have at least one form of casino.
- 529 **Compulsive Gambling's Warning Signs**
Symptoms include lying and preoccupation with betting.
- 530 **Tribes Aim to Cash In on Casinos**
"There are haves and have-nots in tribal gaming."
- 532 **Casino and Lottery Revenues Rose**
Casinos accounted for 65 percent of the growth from 2000 to 2009.
- 535 **Chronology**
Key events since 1931.
- 536 **Problem Gamblers Struggle to Beat Habit**
"Each day I make that commitment to not gamble today."
- 541 **At Issue**
Do lotteries take advantage of the poor?
- FOR FURTHER RESEARCH**
- 545 **For More Information**
Organizations to contact.
- 546 **Bibliography**
Selected sources used.
- 547 **The Next Step**
Additional articles.
- 547 **Citing CQ Researcher**
Sample bibliography formats.

June 15, 2012
Volume 22, Number 22

MANAGING EDITOR: Thomas J. Billitteri
tjb@cqpress.com

ASSISTANT MANAGING EDITOR: Kathy Koch
kkoch@cqpress.com

CONTRIBUTING EDITOR: Thomas J. Colin
tcolin@cqpress.com

ASSOCIATE EDITOR: Kenneth Jost

STAFF WRITER: Marcia Clemmitt

CONTRIBUTING WRITERS: Peter Katel,
Barbara Mantel, Jennifer Weeks

DESIGN/PRODUCTION EDITOR: Olu B. Davis

ASSISTANT EDITOR: Darrell Dela Rosa

FACT CHECKER: Michelle Harris



Los Angeles | London | New Delhi
Singapore | Washington DC

An Imprint of SAGE Publications, Inc.

**VICE PRESIDENT AND EDITORIAL DIRECTOR,
HIGHER EDUCATION GROUP:**

Michele Sordi

DIRECTOR, ONLINE PUBLISHING:
Todd Baldwin

Copyright © 2012 CQ Press, an Imprint of SAGE Publications, Inc. SAGE reserves all copyright and other rights herein, unless previously specified in writing. No part of this publication may be reproduced electronically or otherwise, without prior written permission. Unauthorized reproduction or transmission of SAGE copyrighted material is a violation of federal law carrying civil fines of up to \$100,000.

CQ Press is a registered trademark of Congressional Quarterly Inc.

CQ Researcher (ISSN 1056-2036) is printed on acid-free paper. Published weekly, except: (March wk. 5) (May wk. 4) (July wk. 1) (Aug. wks. 3, 4) (Nov. wk. 4) and (Dec. wks. 3, 4). Published by SAGE Publications, Inc., 2455 Teller Rd., Thousand Oaks, CA 91320. Annual full-service subscriptions start at \$1,054. For pricing, call 1-800-834-9020. To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at \$15. Bulk purchase discounts and electronic-rights licensing are also available. Periodicals postage paid at Thousand Oaks, California, and at additional mailing offices. POSTMASTER: Send address changes to *CQ Researcher*, 2300 N St., N.W., Suite 800, Washington, DC 20037.

Gambling in America

BY KENNETH JOST

THE ISSUES

Mega Millions fever was sweeping the country when Merle Butler stopped at a local convenience store on the evening of March 28 in his hometown of Red Bud, Ill., and put down \$3 for three chances at the biggest jackpot in U.S. lottery history. The retired computer analyst stuffed the ticket in his billfold without even glancing at the randomly generated numbers on his Easy Pick entry.

Two days later, Butler was watching TV with his wife Patricia when a newscast reported the six numbers on the winning entry: 02, 04, 23, 38, 46 and the 23 Mega Ball. After quickly jotting the numbers down, Butler pulled out the ticket to check — and, then, to double-check.

“After I looked at it for a couple of minutes, I turned to my wife . . . and says, ‘We won.’” Butler told a news conference three weeks later. “She kind of looked at me funny, and I says, ‘No, we won.’ And then she started giggling, and she giggled for four hours.”¹

The Butlers were not alone in their good fortune; they will share the \$656 million prize with winners in Kansas and Maryland who — unlike in Illinois — do not have to be publicly identified under state law. The Butlers’ share is \$218.7 million.

Nor are the Butlers and the other winners alone in winning or sharing nine-figure jackpots in the 10-year history of the giant, 42-state lottery. Since its debut, Mega Millions has awarded nine-figure jackpots 49 times, according to an unofficial count, including the previous record: \$390 million shared by two winners in March 2007.²



Merle and Patricia Butler meet the press after accepting their \$218.7 million share of the \$656 Mega Millions jackpot on April 18, 2012, in Red Bud, Ill. For lawmakers and governors, gambling offers a revenue source more politically palatable than new taxes. But gambling critics say the social costs — including the consequences of marketing an addictive product — are unacceptable.

www.megamillions.com

Lotteries were illegal in Illinois and the rest of the country when Butler, 62, was coming of age in tiny Red Bud, 35 miles southeast of St. Louis. Today, they are not only legal but officially sponsored by 43 states and the District of Columbia. The vast majority of Americans play at least occasionally, many of them obsessively: An estimated 100 million people bought tickets for the March 30 drawing. And the proceeds — about one-third of the total take — help finance state and local governments, to the tune of approximately \$17.8 billion in 2011.³

Casino gambling was also illegal throughout the United States for most of the 20th century except in Nevada, which turned Las Vegas into a gaming mecca for slot machines and table game players not only in the United States but from around the world. Today,

casinos operated by private companies or Indian tribes can be found in 38 states. (See chart, p. 528.) And they, too, contribute to state finances. Gaming revenues for state and local governments from commercial casinos amounted to \$7.9 billion in 2011, according to the American Gaming Association, the trade association for the commercial casino industry.⁴

The spread of lotteries and casinos attests to the dramatic change in Americans’ attitudes toward gambling since the mid-20th century.⁵ Americans “like to gamble,” says Frank Fahrenkopf, the association’s president and chief executive officer. Gross revenue from all forms of gambling amounted to \$89.3 billion in 2009, according to Christiansen Capital Advisors, a New York-based gaming industry watcher. That represents a recession-related dip from the peak of \$92.2 billion the year before. (See graph, p. 532.)

In the past, the love of gambling — along with the hope of a winning number or a winning hand — was kept in check by other social forces, including moral or religious objections and fear of the social costs for gamblers and their families as well as society at large. The moral objections have receded in the face of advancing secularization and growing libertarianism in the United States. Concerns about the social costs of gambling have diminished as social safety nets have been established and law enforcement has improved.

The critical reason for gambling’s increased acceptance, however, has been its role in providing revenue for state governments. “There’s a high acceptance rate of lotteries throughout

Casinos Legal in Most States

Thirty-eight states have at least one of the three types of casinos now in operation: commercial (land-based and riverboat) tribal and “racinos” (casinos at horse-racing tracks). Many states also allow card rooms and electronic gaming devices. Nearly 60 percent of the commercial casinos are in Nevada; a fourth of the tribal casinos are in Oklahoma.

Number of Casinos by Type and State, December 2011

State	Land-based or riverboat casino	Racetrack casino	Tribal casino	Card room	Electronic gaming device
Alabama	0	0	3	0	0
Alaska	0	0	2	0	0
Arizona	0	0	25	0	0
California	0	0	70	89	0
Colorado	40	0	2	0	0
Connecticut	0	0	2	0	0
Delaware	0	3	0	0	0
Florida	0	5	8	24	0
Idaho	0	0	8	0	0
Illinois	10	0	0	0	0
Indiana	11	2	0	0	0
Iowa	15	3	1	0	0
Kansas	2	0	4	0	0
Louisiana	14	4	3	0	2,159
Maine	0	1	0	0	0
Maryland	1	1	0	0	0
Michigan	3	0	24	0	0
Minnesota	0	0	38	2	0
Mississippi	30	0	3	0	0
Missouri	12	0	1	0	0
Montana	0	0	13	288	1,549
Nebraska	0	0	6	0	0
Nevada	256	0	3	0	2,010
New Jersey	11	0	0	0	0
New Mexico	0	5	22	0	0
New York	0	9	7	0	0
North Carolina	0	0	2	0	0
North Dakota	0	0	10	0	0
Oklahoma	0	2	114	0	0
Oregon	0	0	9	0	2,323
Pennsylvania	4	6	0	0	0
Rhode Island	0	2	0	0	0
South Dakota	35	0	11	0	1,498
Texas	0	0	1	0	0
Washington	0	0	34	114	0
West Virginia	1	4	0	0	1,552
Wisconsin	0	0	29	0	0
Wyoming	0	0	4	0	0
Total	445	47	459	517	11,091

Source: “State of the States: The AGA Survey of Casino Entertainment,” American Gaming Association, 2012, p. 4, www.americangaming.org/files/aga/uploads/docs/sos/aga_sos_2012_web.pdf

America,” says David Gale, executive director of the North American Association of State and Provincial Lotteries, in Geneva, Ohio. “Their primary role is to generate the revenues for those programs and services that they have been earmarked to support in the states.”

State-sponsored lotteries — the first in the modern era was established in 1964 in New Hampshire — “seemed to make other forms of gambling look more acceptable,” wrote professors Patrick A. Pierce and Donald E. Miller, of St. Mary’s College, in Notre Dame, Ind., in their book *Gambling Politics*. “Once the state engaged in the business of sin, gambling lost part of its stigma.”⁶

Fahrenkopf similarly stresses the financial contributions that casino gambling makes to states through taxes as well as economic development. “We’re an industry that is taxed very, very high,” Fahrenkopf says. Pennsylvania, for example, takes 55 percent of the proceeds from slot machines at the 10 casinos in the state; combined with a 16 percent tax on table game proceeds, the state took in nearly \$1.5 billion from the casinos in 2011.⁷

For lawmakers and governors, gambling offers a revenue source more politically palatable than new taxes. “It’s much easier to make an argument for expanding gambling than it is for increasing the income tax or sales tax,” says Lucy Dadayan, a senior policy analyst with the Rockefeller Institute of Government at the State University of New York-Albany.

The role that gambling has come to play in state government finance sits uncomfortably with those who worry about its social costs. “It’s trite to say that state governments have become addicted to gambling, but it’s also true,” says Keith Whyte, executive director of the National Council on Problem Gambling in Washington, D.C.

“It’s a revenue source that is unsustainable,” says Les Bernal, executive director of the Washington-based

organization Stop Predatory Gambling. "The only way you can increase gambling revenues is for more and more people to lose more and more money."

For most of the past decade, more and more people were in fact losing more money in lotteries and in both commercial and tribal casinos. But the economic recession hit the casino industry hard, according to Eugene Christiansen, chairman of Christiansen Capital Advisors. "The recession was really bad news because people started reducing spending," Christiansen says. In addition, the freezing of credit markets hurt casino companies that had taken on debt to upgrade and modernize facilities in an effort to attract customers in the increasingly competitive market for entertainment dollars.

Today, Christiansen and Fahrenkopf both say the gaming industry is on the upswing again. "The good news is that after a couple of very bad years, things seem to have flattened out and are on an uptick," Fahrenkopf says. Christiansen says the industry is experiencing "a weak recovery."

Tribal casinos are also taking in more money after experiencing a first-ever drop in 2009, according to an annual survey. The report, published by *Casino City Press*, a gaming industry research company, shows Indian casinos with 44 percent of overall casino revenue in 2010, only slightly below the 45 percent share for commercial casinos. "Racinos," which combine horse-race tracks with casinos, account for the remaining 11 percent.⁸ (See sidebar on tribal casinos, p. 530.)

Overall, revenue from lotteries has continued to increase, according to Gale, in part because the number of states offering lotteries has kept growing. Arkansas became the 43rd state to sponsor a lottery in 2009.

Lotteries and casinos, however, may be hard pressed to continue to grow, according to industry experts. "Lotteries are maturing," says Gale.

Compulsive Gambling's Warning Signs

The American Psychiatric Association has recognized pathological gambling as a mental disorder since 1980. Symptoms listed in the association's Diagnostic and Statistical Manual of Mental Disorders (the so-called DSM) include preoccupation with gambling, loss of control and commission of crimes to try to recoup losses. Individuals with at least one of the symptoms are defined as "problem gamblers."

Symptoms of Pathological Gamblers

Preoccupation — Preoccupied with gambling, such as by reliving past gambling experiences, planning next wagers or thinking about ways to obtain gambling money.

Tolerance — Needs to gamble with increasing amounts of money to achieve desired excitement.

Withdrawal — Restless or irritable when attempting to reduce or quit gambling.

Escape — Gambles to escape problems or relieve an unfavorable mood, such as feelings of helplessness, guilt, anxiety or depression.

Chasing — After losing money on gambling, often returns another day to get even.

Lying — Lies to family members, therapists, others to conceal extent of gambling.

Loss of control — Has made repeated, unsuccessful attempts to control or stop gambling.

Illegal acts — Has committed theft, fraud or other illegal acts to finance gambling.

Risk to significant relationship — Has jeopardized or lost a significant relationship, job or educational or career opportunity because of gambling.

Bailout — Has relied on others to provide money to relieve desperate financial situations caused by gambling.

Source: "DSM-IV Criteria for Pathological Gambling," *National Gambling Impact Study Commission, June 1999, pp. 4-2, govinfo.library.unt.edu/ngisc/reports/4.pdf*

"There's no doubt about it." None of the seven states without lotteries seems likely to join the club in the foreseeable future. *

* States without lotteries are Alabama, Alaska, Hawaii, Mississippi, Nevada, Utah and Wyoming.

Prospects for growth in the casino business are also cloudy, according to Christiansen. "The map is filling up," he says. Fahrenkopf is somewhat less bearish. "The market will tell us when there are too many," he says.

One venue ripe for growth, how-

Tribes Aim to Cash In on Casinos

“There are haves and have-nots in tribal gaming.”

Gamblers looking for the biggest casino in the United States need directions not to Las Vegas but to Foxwoods Resort Casino in southeastern Connecticut, midway between Boston and New York City. And the owner of the 6.7 million-square-foot facility — bigger than the Pentagon — is not any of the big names associated with Las Vegas like Harrah's or Caesar's but the Mashantucket Pequot Tribal Nation, a federally recognized Indian tribe with fewer than 1,000 members.¹

Native American tribes own almost as many casinos in the United States — 459 — as do private companies, which have 492, counting horse track locations. Tribal casino revenues totaled \$26.7 billion in 2011, compared to \$35.6 billion for commercial casinos. The décor may be different — more Native Americana at tribal facilities — and the locations more out of the way. But the slots and the games are much the same. And, just like the states, Indian tribes have one overriding reason for promoting gambling on tribal lands: money.

Gambling “gives [tribes] enough money to employ people on the reservation, to generate economic activity on the reservation,” says Jason Giles, executive director of the National Indian Gaming Association, in Washington. “That’s the primary goal of having a gaming operation.”²

“Gambling has usually been pushed and legalized insofar as it can be relevant to developing government resources,” says Kevin Washburn, a gaming-law expert and dean of the University of New Mexico Law School in Albuquerque. “It’s similar for tribes. They’ve built hospitals, roads and schools and increased the level of government services generally.”

Indian gaming has been controversial from the beginning of its modern era in the 1980s, when the U.S. Supreme Court rebuffed an effort by state and local authorities to restrict bingo games at Indian reservations in Riverside County, Calif. The court’s 6-3 decision in *California v. Cabazon Band* (1987) relied on the federal interest in promoting tribal self-sufficiency to hold that states cannot regulate Indian gaming except as permitted by federal law. Congress responded the next year by passing the Indian Gaming Regulatory Act, which protects tribes’ right to allow gambling subject to compacts to be negotiated in good faith with state governments.³

Today, 247 tribes — not quite half of the 554 recognized tribes — operate gaming facilities in 29 states. Some are near population centers such as those in California, Connecticut, Florida and Oklahoma; others are more remote, like those in Alaska or Montana. Overall revenues have been steady, according to Giles, despite the 2008 recession and slow recovery since. But the overall figure obscures significant disparities. Forty of the casinos account for more than three-fourths of the revenue, he says, while “the vast majority” of tribes get no revenue from their gaming. “There are haves and have-nots in tribal gaming,” Washburn says.

Relations with state governments remain critical and contentious. In Florida, the Seminole Tribe charged the state government in the 1990s with bad faith in negotiations over a gaming compact; the Supreme Court blocked the suit in a 1996 decision. Only in 2010 did the Seminoles and the state finally reach agreement on allowing full casino operations. The

ever, is the Internet. A crucial factor is a Justice Department legal opinion in December 2011 that cleared the way for states to permit online betting except on sports on an intrastate basis. “That’s huge,” says Anthony Cabot, who heads the gaming law group at a Las Vegas law firm and also teaches at the University of Nevada’s Boyd School of Law. Meanwhile, critical observers worry that the social costs from gambling are getting short shrift. “The benefits are easy to measure,” says Edward Morse, a professor at Creighton University School of Law in Omaha and co-author of a book on the casino industry. “The costs are harder to measure, and politicians exploit that over time.”⁹

As lottery states work to boost sales, casino operators compete for customers and more states consider legalizing casinos, here are some of the questions being debated:

Are lotteries a good way for states to raise revenue?

The Arkansas state constitution first prohibited lotteries in 1836. By 2000, more than 30 states were sponsoring lotteries, but Arkansas voters decisively rejected a ballot initiative that would have amended the constitution to permit lotteries as well as six casinos in the state.

Eight years later, however, the state’s voters approved by a 25 percent margin an amendment to permit lotteries

with funds earmarked for college scholarships for Arkansas citizens. “It sounded too good to voters,” Jerry Cox, president of the anti-lottery Arkansas Family Council Action Committee, acknowledged after the election.¹⁰

Lotteries were a common means of public financing earlier in American history but fell out of favor from the mid-19th until the mid-20th century. They regained popularity for one reason: money for state governments. “Absolutely,” says lottery association executive Gale. “Every lottery in its original bill determines where lottery funds are to be directed,” Gale explains — typically for education or, more recently, specifically for scholarships.

compact includes a provision — as in most of the state-tribal agreements — for the tribe to share revenue with the state government.

Until recently, the Pequots were definitely in the “have” category. Foxwoods has produced billions of dollars in revenue for the tribe since full casino operations began in 1992.

The proceeds allowed the tribal council to dispense annual stipends to adult tribal members exceeding \$100,000 apiece. But the payments have been suspended since the casino hit hard times brought on by the recession, increased competition and overinvestment.

Today, the casino is \$2.3 billion in debt and trying to negotiate a severe refinancing with creditors. The tribal council says the community “is pulling together,” but a tribal elder was less sanguine in a comment to an Associated Press reporter. “Our stress levels are very high up here,” Loretta Libby remarked. “I just don’t know what’s going to happen.”

Nationally, further expansion of Indian gaming may be geographically limited, Washburn says. “There’s not a whole lot of undeveloped markets,” he says. “Most of the tribes that have markets for gambling have been offering it already.”



Felix Stein

Bigger than the Pentagon, the Foxwoods Resort Casino in Connecticut, owned by the tiny Mashantucket Pequot Tribe, is the nation’s largest casino.

The lagging economy also poses a challenge, according to Giles. “It’s a business that’s dependent on consumers and their ability to spend entertainment dollars,” he says. “Until the economy gets stronger, we’re going to remain where it’s at.”

“There are plenty of tribes with expansion plans, but the market’s going to have to be more secure for the tribes to do that.”

— **Kenneth Jost**

¹ Background drawn from Michael Sokolove, “A Big Bet Gone Bad,” *The New York Times Magazine*, March 18, 2012, pp. 36ff. See also Michael Melia, “Conn. tribe sees fortune reversal amid casino woes,” *The Associated Press*, March 28, 2012.

² For previous coverage, see Peter Katel, “American Indians,” *CQ Researcher*, April 28, 2006, pp. 361-384, updated Aug. 5, 2010; “Indian Casinos Rake in Billions,” in Patrick Marshall, “Gambling in America,” *CQ Researcher*, March 7, 2003, pp. 214-215.

³ For a full account of legal background, see Kevin K. Washburn, “The Legacy of Bryan v. Itasca County: How an Erroneous \$147 County Tax Notice Helped Bring Tribes \$200 Billion in Indian Gaming Revenues,” *Minnesota Law Review*, Vol. 92, (2008), pp. 919 ff.

Critics find it unseemly, or worse, for state governments to depend on gambling for revenue, especially as more promotion is needed to keep up sales. “The public voice of American government today is lotteries and casinos,” says Bernal with Stop Predatory Gambling. Apart from military recruitment, lotteries are virtually the only program that governments routinely advertise. “It’s a government program that’s based on pushing citizens into deeper personal debt and creating addiction to feed off it,” he says.

“Lotteries have become quite aggressive” in their marketing, according to Whyte with the problem-gambling council. “You would never see a billboard saying buy another package of

Luckies because we need the revenue,” Whyte says. “But that’s exactly what you see on state lotteries, operating and profiting from an addictive product.”

Morse, the Creighton law professor, finds lotteries especially “pernicious” because they draw players primarily from the less well-educated and the less well-to-do. “If you ask in an office, almost none of the professional staff play,” Morse says. “The support staff plays almost every week, and they spend a lot of money.” Rockefeller Institute analyst Dadayan similarly calls lotteries “a very regressive tax.”

Gale dismisses the criticisms. He emphasizes first that lotteries are strictly voluntary. “If you don’t pay your taxes,

what happens to you? They may come after you and haul you off to jail,” Gale explains. “If you don’t buy your lottery ticket, what happens to you? Nothing. It’s a choice that people have.”

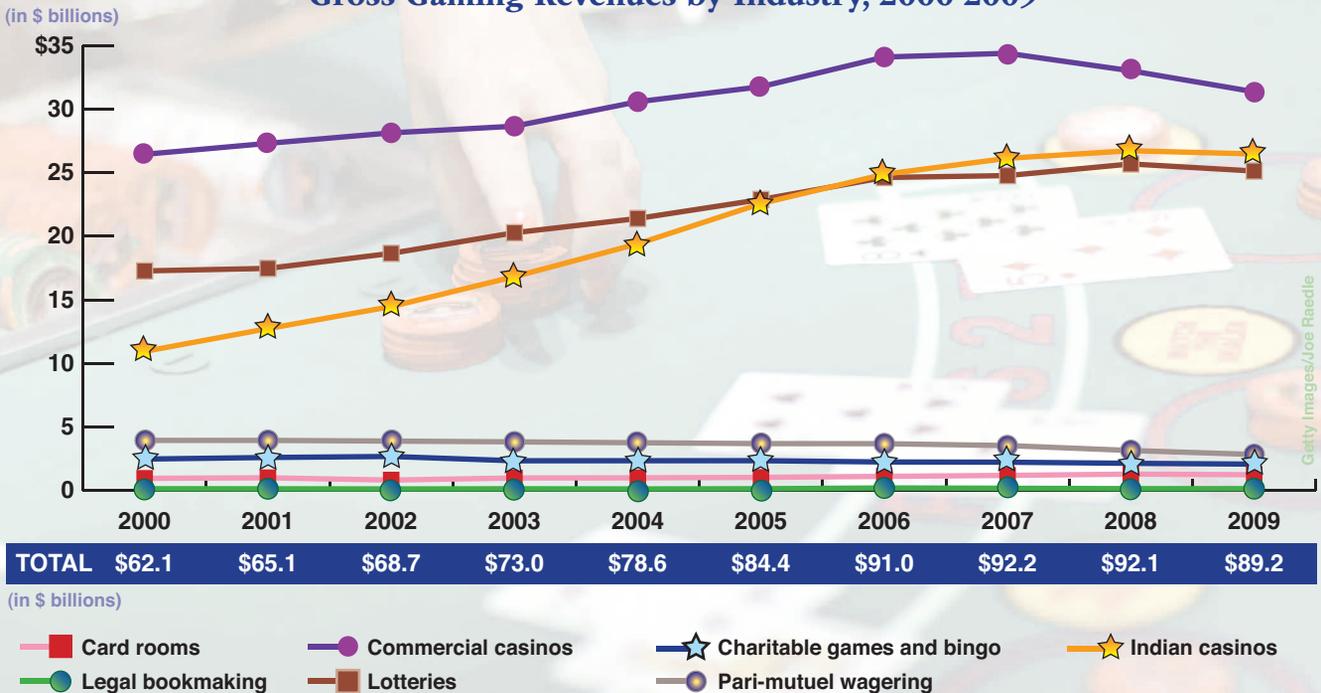
Gaming industry executive Fahrenkopf echoes the point. “Lotteries are a tax on the willing,” he says.

Gale also disagrees that lotteries draw primarily from lower socioeconomic classes. “I don’t believe it’s the lower-income folks who are supporting the games,” he says. “Pretty much the demographics of the lottery player tracks the demographics of the state’s population.” He acknowledges that lower-income players may spend a larger percentage of their income on lotteries than higher-income players do,

Casino and Lottery Revenues Rose

Total gaming revenues rose nearly 44 percent, from \$62 billion in 2000 to about \$89 billion in 2009, the latest year for which data are available. They hit \$92 billion in 2007 but then dipped during the next two years amid the nation's steep economic downturn. Commercial and tribal casinos accounted for 65 percent — or \$58 billion — of 2009 revenue. Lotteries accounted for 28 percent, or \$25 billion.

Gross Gaming Revenues by Industry, 2000-2009



Source: "Gaming Revenue By Industry: 2000 to 2009," U.S. Census Bureau, September 2011, www.census.gov/compendia/statab/2012/tables/12s1259.xls

but he says the same comparison is true for expenditures on groceries or other budget items.

Overall, lottery money represents only a small — and a declining — fraction of state budgets: "niche" revenue, as an expert with the National Conference of State Legislatures once put it. Net proceeds from lotteries amounted to 1.19 percent of total state revenue in 1997; by 2006, they amounted to only 0.97 percent of total state revenue — midway between motor vehicle license taxes (1.07 percent) and tobacco excise taxes (0.82 percent).¹¹

For some states, the percentages are higher — more than 7 percent in Rhode Island, South Dakota and West Vir-

ginia, according to the nonpartisan Tax Foundation.¹² Whatever the amounts, gambling consultant Christiansen says state governments count on the money. "If you're a state treasurer, I will tell you that numbers like that are meaningful," he says.

Advertising and promotion are "absolutely" essential to keeping up demand, according to St. Mary's political scientist Pierce. "Advertising is really the only way for states to keep their lottery at their current level," he says. "If they didn't do that, they would probably see noticeable drops in revenue."

Gale acknowledges as much. "Lotteries having a product to sell are no

different from Coke or Pepsi," he says. "They have to maintain communication with their players." Bigger jackpot games are one draw. "Yes, it's absolutely a way to bring in new players," he says.

The odds against winning or sharing in a nine-figure jackpot are nearly astronomical, of course: 176 million to 1 in the March 30 drawing. But Gale emphasizes the availability of smaller prizes in the games as well. "Lots of people are winning lots of times on all the lottery games," he says.

Despite the efforts of governments to boost gambling revenue, Dadayan warns against relying too much on

gambling for state budget needs. “In the long run, the revenues from gambling are much less than the pending needs,” she says. “States cannot count on gambling as a sustainable source of revenue for funding education and other services.”

Do states benefit from casinos?

When the Iowa legislature authorized riverboat casinos in 1989, it required an initial vote in the county where the vessel was to be docked and subsequent votes every eight years for the operator’s license to be renewed. Two decades later, the legislature in 2011 amended the law to eliminate the need for continuing referendums after an initial renewal.

In urging the change, Sen. Jeff Danielson, a Cedar Falls Democrat and floor manager for the legislation, noted that counties with existing casinos had routinely approved gambling referendums by margins of 70 percent or higher. The renewal requirement made it harder for casinos to borrow money, Danielson explained, because banks are reluctant to extend favorable rates to borrowers who need voter approval every eight years to stay in business.¹³

Gaming association president Fahrenkopf points to the development as evidence of the growing acceptance of casinos in communities with gambling operations. Further evidence along the same line comes from a poll of elected officials and civic leaders in casino states other than Nevada, published in the association’s most recent annual report.

Eighty-three percent of those surveyed said the overall impact of casinos on their communities has been positive, while only 13 percent said the impact had been negative. And 88 percent said the feared negative impacts cited by casino opponents — crime, prostitution and a bad image generally — had not materialized.¹⁴

Industry consultant Christiansen says there has been “a huge historic shift”

in public opinion toward casinos. “Today, when casinos are proposed in a jurisdiction, the response is, ‘Everybody else does. Why haven’t we done this already?’ ”

Casino interests and supporters make their pitch to voters and lawmakers on three major grounds: casinos bring jobs, promote economic development and pay substantial state and local taxes. Overall, commercial casinos employed 339,098 people in 2011 and paid \$12.9 billion in wages, according to the gaming association — both figures slightly below the previous year’s.* Total taxes paid to 22 states amounted to \$406.5 million, up 6 percent from the previous year. Total consumer spending at commercial casinos amounted to \$958.7 million, up from the previous year. “We’re a mainstream industry,” Fahrenkopf says.¹⁵

Critics respond by minimizing the claimed benefits. They note, for example, that casino revenue may simply “cannibalize” business from other, often locally owned, establishments. They also emphasize what they believe are substantial social costs, chiefly increased crime in casino jurisdictions and increased personal bankruptcies among casino patrons.

The social science research cited by the critics is sharply disputed by the industry. “You can’t prove it conclusively to everybody’s satisfaction,” says Morse, the Creighton law professor.¹⁶

The leading academic on the issue is Earl Grinols, a professor of economics at Baylor University in Waco, Texas. In a book published in 2004, Grinols calculated that the social costs of gambling — chiefly, derived from problem and pathological gamblers — exceeded the social benefits by a ratio of 3-to-1. Grinols repeats that estimate in a fact sheet that summarizes testi-

* Tribal casinos are not included; tribal casinos do not pay state taxes but typically agree to share revenue with states in order to secure permission to operate.

mony he gave to Minnesota legislators in 2011 on behalf of the Freedom Foundation of Minnesota, a limited-government advocacy group.¹⁷

In Grinols’ analysis, the principal social cost derives from crimes committed by pathological gamblers, estimated at more than \$4,300 per individual. In his book, Grinols cited studies showing that a majority of gamblers in treatment and a majority of members of Gamblers Anonymous had committed illegal acts as a result of their gambling. He also notes a study used by the congressionally created National Impact of Gambling Study Commission in its 1999 report that found pathological gamblers three times more likely to have been incarcerated at some time in their life than individuals who had not gambled.

Other social costs cited by Grinols include lost productivity and work time, bankruptcy, social service costs, illness and family costs in terms of divorce, separation, child abuse and neglect and domestic violence. In addition, he cited an estimated \$3,800 per pathological gambler in what he called “abused dollars” — in effect, income put at risk in gambling instead of being used for essential needs.

In a more recent overview, Douglas Walker, an associate professor of economics at the College of Charleston in South Carolina, says the crime estimates cited by Grinols and other gambling industry critics are overstated. He also questions the validity of counting gambling losses or bad debts as a “social” instead of an individual cost. On the other hand, Walker also says the tax revenues from the gambling industry may be overstated.¹⁸

Fahrenkopf bluntly rejects the claimed social costs. Critics “are out there arguing that the sky is going to fall, that it’s going to increase bankruptcy, that crime is going to increase,” he says. “That’s never proven true in any place where they’ve made that argument.”

Morse counters that social costs associated with problem gamblers cannot be denied. "To the extent that you make gambling easily accessible," he says, "it's likely that you're going to exacerbate the problems that problem gamblers have."

Should Internet gambling be legal?

Illinois lottery officials think they have a sure-fire idea for boosting ticket sales: the Internet. Beginning on March 25, Illinois became the first state to allow residents to buy lottery tickets online.

Illinois Lottery Superintendent Michael Jones calls the move the beginning of "a new era" that brings the lottery in line with the growing reality of e-commerce. Northstar, the private company that manages the Illinois Lottery, predicts that online sales will attract 600,000 to 1 million new customers, people who have grown up with the Internet but do not think to buy lottery tickets. The company promises user-friendly ticket buying and a registration process that will inhibit underage and out-of-state play.¹⁹

Illinois legislators approved Internet lottery sales three years ago, but the move had been on hold pending an answer from the U.S. Department of Justice on whether online sales would violate the 1961 Interstate Wire Act, which prohibits use of any "wire communication facility" for betting on "any sporting event or contest." The Justice Department replied in December 2011 that the act applies only to sports betting.²⁰

The Illinois move holds out the prospect of increased sales for the state's 38-year-old lottery but is also stirring concern among the existing network of retail outlets, which fear reduced sales and commissions. But the Justice Department opinion has bigger implications nationwide because it lifts what had been thought to be a broad federal prohibition against Internet gambling, including online poker.

"This is hugely important," says Las Vegas gaming law expert Cabot. "It ef-

fectively says to the states that with the exception of sports, you are free to do whatever you want to do on an intrastate basis."

The enthusiasm within the gambling industry is matched by concern among the industry's critics, who fear that the Internet will add to the social costs of problem gambling. "Now the big push is to open a lottery and a casino and a lottery retailer in every home, office, dorm room and smart phone in America," says Bernal with Stop Predatory Gambling. "Internet gambling will be open 24 hours a day, seven days a week, right in your home or office or on your phone."

Online poker, offered by sites based outside the United States, exploded by 2005 into a \$2.5 billion industry despite the Justice Department's previous stance against Internet gambling and despite concern on Capitol Hill.²¹ Congress responded in 2006 by passing the Unlawful Internet Gambling Enforcement Act, which made it illegal for financial institutions to process payments for online betting.²²

Some online sites closed down after President George W. Bush signed the measure into law on Oct. 13, 2006. The Justice Department stiffened its stance in April 2011 by obtaining indictments against the operators of three offshore poker sites, two based in Antigua and one on the Isle of Man, for allegedly violating the law. By January 2012, prosecutors had obtained convictions against three of the 10 defendants.²³

The casino industry has historically resisted Internet gambling, fearing competition but emphasizing concerns about consumer protection. "Millions of Americans have been going online with no consumer protection whatsoever, no jobs being created and no taxes being paid," Fahrenkopf says. But he says the industry now supports federal legislation that would allow states to permit online gambling with sufficient safeguards.

With Internet gambling legislation failing to advance in Congress, how-

ever, federal policy is uncertain, and the initiative lies with the states. "The debate now is whether the feds will allow it or will leave it to the states," industry consultant Christiansen says. "The question is difficult to predict because the politics are extremely complex."

States are showing interest but exercising caution. The Iowa Senate approved legislation in March to permit online poker, but the bill was blocked in the House. California and New Jersey legislators are also studying the issue. Meanwhile, Nevada is already accepting applications for online casinos, with decisions expected by the end of the year.²⁴

Christiansen says lottery states likely will look to Illinois' experience with online sales before proceeding on their own. New York, which began offering a limited online lottery game in 2005, has plans in the works for two additional jackpot games online.

Despite the legal uncertainties, William Eadington, director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada-Reno, says there is "a degree of inevitability" about online gambling. And he discounts the critics' concerns that the Internet will add to the social costs, noting that online gambling is already legal in Britain and several other European countries. "The experience in Europe suggests that it's not going to ravage society," Eadington says. "The social costs are not going to be that different." ■

BACKGROUND

Gambling Debates

Gambling reached its present level of acceptance in the United States only after long-held objections based on religious views and social costs

Continued on p. 536

Chronology

Before 1960

Commercial gambling, lotteries are illegal nationwide as 20th century begins.

1931

Nevada legalizes casinos; Las Vegas becomes tourist mecca for gamblers.

1950-1951

Senate investigative committee documents links between organized crime, gambling.

1960s-1980

First state-sponsored lotteries; New Jersey legalizes casinos.

1964

New Hampshire becomes first state in modern era to sponsor lottery. Three more states follow: New York (1967), New Jersey (1970), and Massachusetts (1974).

1971

North American Association of State and Provincial Lotteries formed.

1972

National Council on Problem Gambling founded.

1976

New Jersey legalizes casinos in bid to revive Atlantic City.

1980

American Psychiatric Association recognizes pathological gambling as mental disorder.

1980s-1990s

More states sponsor lotteries, approve casino gambling; Indian tribes gain conditional

right to operate casinos on tribal lands.

1985

National Indian Gaming Association founded.

1987, 1988

Supreme Court says tribes can operate gambling facilities on reservations in states where gambling is legal (1987). . . . Indian Gaming Regulatory Act requires states, tribes to negotiate over gambling operations (1988).

1994

National Coalition Against Legalized Gambling founded; reorganized in 2008 as Stop Predatory Gambling.

1995

American Gaming Association founded.

1996

Supreme Court rules that tribes cannot sue state governments for damages for refusing to negotiate gambling compacts.

1997

Poll finds that a majority of Americans — 52 percent — had played a lottery within previous year.

1999

National Gambling Impact Study Commission calls for rollback in “convenience” gambling; recommendations not acted on.

2000-Present

More state lotteries are launched; casino competition intensifies in Northeast; online poker booms.

2002

Macau permits privately owned casinos; surpasses Las Vegas as world's biggest gambling center by 2007.

2005

U.S. online poker revenue is estimated at \$2.5 billion, despite legal curbs.

2006

Unlawful Internet Gambling Enforcement Act prohibits use of credit cards or online payment systems for Internet gambling in United States.

2007-2008

U.S. economy falls into recession; gambling revenues drop.

2008

Arkansas becomes 43rd state to legalize lottery; ballot measure to earmark revenues for college scholarships approved with 63 percent of vote.

2010

Delaware, Pennsylvania permit table games at existing slots casinos. . . . Washington, D.C., quietly approves measure to permit online gambling; after controversy, measure repealed in February 2012.

2011

Massachusetts permits three casinos and one slots-only facility in state (Nov. 22). . . . Nevada Gaming Commission permits online poker (Dec. 22). . . . Justice Department says states can permit intrastate online gambling, except on sports (Dec. 23).

2012

New York legislature gives initial approval to constitutional amendment to legalize casinos. . . . Retired Illinois couple win \$218 million share of record \$656 Mega Millions jackpot in March 30 drawing; winners in Kansas, Maryland not identified. . . . California, New Jersey legislatures consider online gambling bills. . . . Rhode Island to vote on permitting table games at slot parlors (Nov. 6).

Problem Gamblers Struggle to Beat Habit

“Each day I make that commitment to not gamble today.”

Ted Hartwell began playing poker as a youngster, under the tutelage of his father, a professor at Texas Tech University. He played in college, earning enough to get his own apartment, and he played more once he got a job in Las Vegas. Eventually, Hartwell was playing video poker so often that he lied to his family and coworkers about the time spent and the money lost — and lied to himself about his ability to stop.

Carol Hare began gambling two years after moving to Las Vegas to help relieve stress from marital difficulties. The gambling accelerated after her divorce the next year. Video poker became the primary focus of her life. She lost jobs, lost friends and lost time with her three young children. She wrote bad checks to get cash to keep playing, got an eviction notice and contemplated suicide.

Today, Hartwell and Hare are both recovering gambling addicts. Hare has not gambled for 21 years, Hartwell for five. Hare deals daily with the issue as executive director of the Nevada Council on Problem Gaming, a private, nonprofit counseling and referral center. The issue is also constantly on Hartwell’s mind. “Each day I make that commitment to not gamble today,” Hartwell explains, “recognizing that people who’ve had a lot more time in recovery than I had have gone back.”

Problem gamblers number in the tens of thousands in Nevada and in the millions in the United States. A study commissioned by the Nevada legislature in 2002 estimated that 2.1 percent of the state’s population met the definition of “pathological”

gamblers laid out in the American Psychiatric Association’s clinical guide. (*See box, p. 529.*) Another 3 percent met the broader category of “problem” gambler.¹ Based on the state’s current population, that might mean 57,000 pathological gamblers and another 81,000 problem gamblers.

Nationwide, Keith Whyte, executive director of the National Council on Problem Gambling, in Washington, says studies estimate that 1 percent of the population meet the definition of pathological gambling — about 3 million people — with another 3 million to 6 million problem gamblers. The total social cost of problem gambling, Whyte says, is \$7 billion per year.²

The resources for helping problem gamblers are greater than when Hare began to face her problem in 1991. “There were no billboards, no newspaper stories, no educational programs,” Hare recalls. She was guided into counseling by an observant bartender, himself a compulsive gambler.

Today, casinos in Nevada are required by law to post information about the national gamblers hot line. And Nevada is one of 35 states with problem-gambling agencies financed in part with public funds, according to Whyte. But he calls the overall funding “a pittance” — about \$60 million per year. In Nevada, Hare says her council’s annual budget once was around \$500,000, but the public funding was cut in half last year when the legislature diverted half of a \$2-per-slot machine fee earmarked for the agency to the state’s general fund.

Continued from p. 534

yielded to a relaxed morality and an insistent drive by states and Indian tribes for new revenue sources. At the start of the 20th century, every form of non-social gambling except betting at horse racing tracks was illegal virtually nationwide. Those bans fell over the course of the century — first in a few states and then in a rush to legalization by the end of the 1990s.²⁵

Lotteries were a common means of public financing in colonial America and in the first decades of U.S. independence. The colonies used lotteries because England denied them any taxing powers. The earliest American universities — including Harvard, William and Mary and Yale — were funded in part through lotteries. After independence, states used lotteries be-

cause no other major tax mechanisms had been created. Recreational gambling was also common, especially in the South and along the Western frontier. But there was also opposition, based on religious beliefs dating from the Puritan era and on more specific concerns over time about crime and corruption and the social inequity of deriving funds from the poor by holding out the promise of easy wealth.

The opposition to gambling gathered strength from the 1830s and became established national policy by the end of the century. States dropped and in many cases specifically banned lotteries, whether public or commercial. The last of the legal lotteries, the state-chartered Louisiana Lottery Company, established in 1864, was so tainted with corruption that Congress passed laws

in the 1890s to prohibit interstate mailing or transportation of lottery materials. In upholding the interstate transport ban in 1903, the Supreme Court condemned “the wide-spread pestilence of lotteries.”²⁶ Meanwhile, professional gamblers had given recreational gaming a bad reputation as well, thanks to sometimes shady practices and the seemingly inherent association with alcohol and prostitution. Congress reflected early 20th-century national sentiment by requiring territorial Arizona and New Mexico to prohibit casinos in order to gain statehood.

The modern era of gambling began in Nevada, a state with a history of widespread legal gambling until a legislated ban in 1909. The ban did not eliminate gambling but drove it underground. The legislature then lifted the

Scientific understanding of problem gambling has also advanced in the past two decades. Today, gambling addiction is recognized as having a biological basis, according to Whyte. “The features that characterize substance abuse also characterize gambling addiction,” he says.

Hartwell recalls how the addiction felt. “It goes beyond a pleasure point to an anesthetic effect,” he says. “I was completely checking out when I was gambling compulsively.” Today, understanding the physical sensations of addiction is a big help, Hartwell says.

Despite advances in the science, the treatment options are largely what they were two decades ago: cognitive therapy, group sessions and 12-step protocols. “There are no medications approved yet,” Whyte says. “But there have been some promising trials in the past decade.”

Hare started volunteering with the Nevada council in 1993. Somebody at Harrah’s, one of the big casino companies, heard her talk and helped get her hired for two years as a paid con-



www.lasvegaslover.com

Casinos in Nevada are required by law to post information about the national gamblers hot line. Nevada is one of 35 states with problem-gambling agencies financed in part with public funds. Above, the Las Vegas “Strip.”

sultant on what the company should do about problem gambling. Harrah’s decided to help beef up the council, and Hare became a full-time staff member in 1996.

Today, she says the gaming industry recognizes its responsibility to help with prevention and treatment of problem gambling. Frank Fahrenkopf, president of the American Gaming Association, says the industry provides about \$20 million per year toward the effort. Says Hare: “We would like for

them to do more.”

“This is a mental health disorder,” she adds. “It’s in everybody’s interest that more be done.”

— **Kenneth Jost**

¹ Cited in J. Patrick Coolican, “Tony’s Story: The pull of a drug, the push to the brink,” *Las Vegas Sun*, Nov. 22, 2009.

² For a comprehensive though dated overview, see “Problem and Pathological Gambling” in National Impact of Gambling Study Commission (1999), <http://govinfo.library.unt.edu/ngisc/reports/4.pdf>.

ban in 1931 to allow the little desert town of Las Vegas to profit from the influx of thousands of construction workers building Boulder Dam (now Hoover Dam), about 30 miles to the south. Organized-crime figures provided some of the financing and much of the expertise for the first casinos. The town grew slowly at first, then more rapidly after World War II as tourism boomed in economic good times. With Reno and Tahoe its only competition, Las Vegas rose to become the gambling capital of the nation and, to some extent, the world.²⁷

Legal lotteries returned to the United States beginning in 1964, but only after proposals were defeated or failed to come to a vote in several states — including Nevada — and in Congress.

Low-tax New Hampshire debuted with

a sweepstakes-style lottery after the legislature authorized a referendum that won approval with 73 percent of the vote. Poorly run — too complicated, not enough outlets — the lottery netted only \$2.7 million for state education, short of the projected \$4 million. New York followed in 1967, but its lottery also fell short of expectations. New Jersey is credited with launching the first successful modern lottery in 1971, two years after gaining approval with 82 percent of the vote. New Jersey grossed \$137 million in sales in its first year — more than five times the projected amount — thanks to aggressive marketing, widespread availability and frequent prizes. Eleven states followed suit by the end of the decade.²⁸

Casino gaming had failed to advance, in part because of congressional hearings in the early 1950s documenting the

link to organized crime. Proposals to legalize casinos failed in several states, including New Jersey in 1974. Two years later, however, the state’s voters narrowly approved a proposal to allow casinos in Atlantic City, a once-prosperous shore resort much in need of revitalization. The first of what would eventually become a dozen casinos opened in 1978, but Atlantic City’s hoped-for boom failed to materialize because of Las Vegas’s stronger appeal for fun-seeking tourists and the later legalization of state and tribal casinos elsewhere in the East and Mid-Atlantic regions.

Betting on Games

Gambling grew in the 1980s and 1990s as one state after another as

well as many Indian tribes bet on lotteries or casinos for needed revenue. By the end of the century, lotteries had become a commonplace activity for a majority of Americans. Commercial or tribal casinos were operating in a majority of states. Tens of thousands of electronic gaming devices (EGDs), including slot machines, video poker, video keno and so forth, had been installed in bars, truck stops, convenience stores and other locations — legally in some states, more dubiously in others. And Internet gambling was rapidly increasing after debuting with the birth of the World Wide Web in 1995.²⁹

The rapid spread of lotteries in the 1970s continued in the next two decades, with lotteries operating in 37 states and the District of Columbia by 1997 and sales that year totaling \$34 billion. A national opinion poll in 1997 found that 52 percent of Americans had played a lottery within the previous year; per capita annual spending on lotteries in states with legal games was put at \$150. To boost sales, states adopted more frequent prize drawings. To meet competition from large lotteries, six states and the District of Columbia formed the Multi-State Lottery Association in 1987, joined by nine more, before its Powerball game debuted in 1992. Despite the remote chance of a jackpot, Powerball took in more than \$1 billion in the next few years.

Casino gambling advanced less rapidly, abetted by states' desires for revenue but slowed by still strong concerns about the social effects of commercial gaming. The nine states that legalized casinos from 1989 till the end of the century typically confined them to specific locations targeted for economic development, such as "historic" Deadwood in South Dakota's Black Hills region (1989). States along the Upper Mississippi Valley — Iowa, Illinois and Missouri — approved riverboat casinos one after another specif-

ically to draw customers from the state on the river's other side. By 2000, commercial casinos' gross revenue had risen to \$26.5 billion, according to Christiansen Capital Advisors' compilation. In a telling bow to revenue needs, Iowa legislators initially set a \$5 limit on casino bets but lifted the restriction in 1994.

Indian tribes entered the casino business only after a legal and political battle in the courts and in Congress over their power to allow casinos on tribal reservations. The Supreme Court backed tribes with a 1987 decision allowing them to operate casinos in states that permitted gambling; Congress gave the states significant leverage the next year by passing the Indian Gaming Regulatory Act to require tribes to negotiate with state government over terms of operation. Some states balked, and the Supreme Court in 1996 ruled that tribes could not sue a state for damages for refusing to negotiate.

Despite the difficulties, tribal gaming spread, with 146 tribes operating casinos in 24 states by the end of the decade; revenue ballooned from \$212 million in 1988 to \$6.7 billion in 1997. Combined with legal states with no tribal operations, casinos could now be found in 28 states altogether.

In addition to lotteries and casinos, stand-alone slot machines, video poker, video keno and other EGDs proliferated in the 1980s and '90s. South Carolina, which legalized cash payoffs from video poker in 1991, had 34,000 machines in operation in 1999, with \$2.5 billion in gross receipts and licensing fees to the state totaling \$60 million. Even so, the machines were banned in 2001 after the state supreme court blocked a proposed referendum to determine their legality.

Besides South Carolina, several other states had at least 10,000 EGDs, including some such as Alabama, New Jersey and West Virginia, where machines were labeled "for amusement only" and cash payoffs were made surreptitiously. "Such devices provid-

ed only minimal revenue and none of the claimed benefits in employment and economic development. In addition, video poker in particular was lastingly stigmatized by clinical psychologist Robert Hunter as "the crack cocaine" of gambling because of the addictive nature of a rapid-fire game with the seeming prospect of skill-based payoffs.³⁰

By the mid-1990s, Congress had grown sufficiently concerned to create a commission in 1996 to study the impact of gambling — much like one in the 1970s that had come up with a laundry list of recommendations, few of which were adopted. The report by the new National Gambling Impact Study Commission, released June 18, 1999, set out 76 recommendations, including a moratorium on further expansion of gambling. The report also urged reduced advertising of state lotteries, a ban on Internet gambling and expanded research about and treatment for problem gambling.³¹

Today, commission member Richard Leone, a senior fellow with the Century Foundation, a nonpartisan think tank in New York City, credits the commission with encouraging research and helping prompt Congress to ban use of credit cards for Internet gambling. Otherwise, he says he was "disappointed by the lack of impact."

One More Round

Gambling gained legal status in a few more states in the 21st century, leaving Hawaii and Utah as the only states with no state- or tribal-sponsored or commercial gaming. Internet gambling, especially online poker, grew robustly, even in the face of the federal government's official position that using the Internet to bet across state or national borders was illegal. The old forms of gambling — parimutuel wagering on horse or dog racing and charitable games and bingo —

continued to decline, but the take for lotteries and commercial and tribal casinos alike grew steadily except for a dip after the 2008 economic downturn.

State-sponsored lotteries won approval in four Southeastern states in the 2000s after campaigns tied to education funding overcame religious-based opposition.³² South Carolina voters approved a lottery in 2000 by a comfortable 54 percent to 46 percent margin despite opposition from the state Chamber of Commerce,

NAACP and church groups. Tennessee voters followed suit, with 58 percent approval. In North Carolina, the legislature approved a lottery in 2005, with a tie-breaking vote cast by the state's Democratic lieutenant governor. Voter approval of the lottery referendum in Arkansas in 2008 left Alabama and Mississippi as the only holdout states in the Southeast. Religion was seen as the main barrier in Alabama, but in Mississippi fear of competition with casinos was seen as a bigger factor.

Meanwhile, casino gaming advanced in the Mid-Atlantic region as neighboring states in the geographically compact area maneuvered either to capture customers outside their borders or hold on to gambling dollars from their own residents. New York touched off the border war in 2002 by approving six new tribal casinos as well as slots at five horse-racing tracks — so-called “racinos.” Maryland voters gave 59 percent approval in November 2008 to a constitutional amendment allowing slot machines at five



AFP/Getty Images/Karen Bleier

Online poker, offered by sites based outside the United States, exploded by 2005 into a \$2.5 billion industry despite Justice Department opposition and concern on Capitol Hill. But last December the department lifted what had been thought to be a broad federal prohibition against Internet gambling, including online poker. States are showing interest but exercising caution. So far, Nevada is the only state with legal rules on the books to allow Internet gaming; online sites may be up and running by the end of 2012.

sites. West Virginia approved table games for a horse track in Charles Town, W. Va., late in 2009. Pennsylvania and Delaware both acted in January 2010 to approve table games at existing casinos. The movement reached Maine in November 2010 as voters approved a \$165 million casino and resort in a small town near the New Hampshire border.³³

As lotteries and casino gambling steadily grew, betting on the Internet was exploding despite mixed signals as to its legality. In 2001, Christiansen Capital Advisors estimated online poker revenues at \$82 million. By 2005, the figure had increased nearly 30-fold to \$2.4 billion. An estimated 1.8 million people were playing nightly, two-thirds of them Americans.³⁴ Until December 2011, the Justice Department clung to its position that all online gambling was illegal, not just sports betting, even in the face of a federal appeals court opinion in 2002 rejecting the position.

The government had no practical

way, however, to go after the estimated 23 million people in the United States betting online or to shut down the offshore Internet sites in such places as Antigua, Barbuda, Gibraltar and the Isle of Man. Congress gave the government a tool with the 2006 credit-card transaction ban, which anti-gambling senators slipped somewhat unnoticed into a port-safety bill with no public hearing.³⁵ But online poker continued to grow. *Financial Times* estimated revenue in 2008 at \$5.9 billion, more than double Christiansen's estimate in 2005. Meanwhile, Antigua was continuing to contest the

validity of the U.S. ban before the World Trade Organization. The WTO had issued a mixed ruling in April 2005 that upheld the United States' right to restrict Internet betting but also found the law discriminatory because remote gambling on horse racing was allowed.³⁶

U.S. gambling interests also faced another economic threat from overseas: the rise of Macau and Singapore as major gambling meccas drawing not only Asian but also U.S. customers. Macau, the former Portuguese colony that China has overseen since 1999 as a separate administrative region, had been a gambling center since the mid-19th century. By ending a monopoly system for casino franchises, Macau's government opened the door in 2002 to new operators; by 2007, the build-up enabled Macau to surpass Las Vegas as the world's biggest gambling center. Meanwhile, Singapore was also advancing as a gaming resort destination. By mid-2011, it too was being projected to pass Las Vegas.³⁷

With overseas competition increasing, U.S. gambling interests took another hit as the country fell into a recession beginning in December 2007. Overall revenue from lotteries and commercial casinos fell in fiscal 2009 for the first time since the late 1970s, according to the Rockefeller Institute.³⁸

In response, 10 states enacted measures to expand gambling in fiscal 2010, according to the institute. By the end of 2011, the casino industry was striking an upbeat pose after what it conceded had been “difficult” years. “The slow and steady recovery of the commercial casino industry is well underway,” according to the American Gaming Association’s annual report.³⁹ ■

CURRENT SITUATION

Competing for Customers

The competition for gambling patrons is heating up in the Northeast Corridor, with New York and Rhode Island considering moves to legalize full-service casinos to undercut gaming facilities in neighboring states.

Rhode Island voters are being asked to approve two referendums submitted by the state legislature that would allow table games at the state’s existing two slot parlors. The Twin River and Newport Grand facilities are both located near the state’s border with Massachusetts, which is moving toward opening full-service commercial casinos for the first time.

New York is in an early stage of a plan strongly pushed by Gov. Andrew Cuomo to amend the state’s constitution to permit as many as seven full-service casinos in the state. After initial approval by the New York legislature in March, the amendment needs a sec-

ond legislative vote next year and statewide approval by voters to be adopted. Currently, New York has nine commercial racinos and five tribal casinos.

Rhode Island lawmakers are pushing the plan defensively to avert a potential loss of revenue after Massachusetts opens what are expected to be three “super-casinos” in the compact New England region. The Rhode Island slot parlors already face formidable competition from the giant tribal casino Foxwoods in southern Connecticut.⁴⁰

Gambling revenue amounts to slightly more than 10 percent of Rhode Island’s total revenue. Expansion of the existing slot parlors is “an absolute economic necessity,” says Gary Sasse, a former state revenue director and now director of the Institute for Public Leadership at Bryant University in Smithfield. “We have to protect that economic base,” he says.

Approval of the referendums is regarded as all but certain even though Rhode Island voters rejected a proposal in 2006 to permit a full-scale casino to be operated by the Narragansett tribe. But Leonard Lardaro, an economics professor at the University of Rhode Island in Kingston, calls the move “a quick fix” that will not protect gambling revenue in the long term or address the state’s broader economic challenges.

“Once Massachusetts comes on line, we’ll lose all the migration from the north of us,” Lardaro says. “My worry is that this is going to be seen as a substitute for Rhode Island making the structural changes if Rhode Island is going to be successful going forward.”

In New York, Cuomo, a Democrat in the second year of a four-year term, included expanded gambling as one of a series of economic-improvement measures that he recommended to the Democratic-controlled state Assembly and Republican-controlled state Senate in January. The New York Gaming Association, representing the existing racinos, released a report the

same month saying that expanded gambling would result in \$1.8 billion in construction and eventually generate about \$350 million per year in state and local revenues.⁴¹

New York’s gaming establishment already faces competition from casinos in three of the state’s biggest neighbors: Connecticut, New Jersey and Pennsylvania, which legalized casinos in 2010. New York legislators gave initial approval to the proposed constitutional amendment as the annual session drew to an end in late March. But Cuomo is now catching flak on the proposal after *The New York Times* disclosed that the gaming association had contributed \$2 million in December to the Committee to Save New York, a business and labor coalition closely allied with Cuomo.⁴²

Cuomo denied any connection between the contribution and his support for expanded gambling. But Paul Davies, a journalist who writes the blog *Get-GovernmentOutofGambling.org* under the auspices of the conservative-leaning Institute for American Values, says the disclosure indicates that “money and influence” are behind the push for gambling. “There’s not a whole lot of due diligence or cost-benefit analysis that goes into trying to determine whether states should get into the gambling business,” he says.

With a statewide vote still at least a year away, a Siena College poll taken before the legislative vote showed New Yorkers almost evenly split on the proposal: 49 percent opposed, 48 percent in favor. A month earlier, supporters had the edge: 52 percent to 44 percent.⁴³ Davies concedes that if the measure does get on the ballot, supporters, including gaming interests and labor unions, will be able to outspend any opposition groups that form.

Meanwhile, Maryland is opening a new stage in casino customer chasing with the debut of a mega-facility at a suburban shopping mall popular with

Continued on p. 542

At Issue:

Do lotteries take advantage of the poor?



LES BERNAL
EXECUTIVE DIRECTOR, STOP PREDATORY GAMBLING

WRITTEN FOR *CQ RESEARCHER*, JUNE 2012

after 40 years, only the willfully ignorant and the uninformed still claim government lotteries do not prey on the poor and least educated Americans.

Charles Clotfelter, a Duke University professor considered one of the nation's most respected lottery researchers, has said, "It's one of the easiest things to measure. The lottery is something for poorly educated and lower-income people." And lottery researcher Ross Rubenstein of Syracuse University has said there is no debate among scholars on whether lotteries prey on the poor. "There's simply no disagreement about it," according to Rubenstein.

The only people who claim otherwise are the state lotteries themselves, the gambling-interest groups that support them and the political leaders who approve of the schemes.

It helps explain why in a state such as Massachusetts, which operates one of the most profitable lotteries in America, the lottery's own survey data showed that only 9 percent of the public agreed that "the lottery improves the quality of life for the state's citizens."

To counter this reality, government lotteries have spent enormous sums of public dollars promoting the deception that they are doing a "social good," convincing the mass media to present the lottery program as a great debate rather than as a failed policy in which evidence continues to mount that lotteries prey on low- to middle-income citizens.

In 2008, *The New York Times* revealed lotteries extract 80 percent or more of their profits from 10 percent of their players — money derived from lottery outlets that are heavily concentrated in lower-income areas.

Severe economic times provide lotteries the chance to further intensify their profit making from America's desperate poor. Citizens play the lottery even more when times are tough, according to a study by Yale's Emily Haisley in *The Journal of Behavioral Decision Making*.

Perhaps the biggest indictment of government lotteries is that more than one in five Americans believe playing the lottery represents the most practical way to build wealth. The same 2006 survey by the Consumer Federation of America found the percentage was even higher among lower-income individuals, with 38 percent of those who earn less than \$25,000 pointing to the lottery as a solution.

"No taxation without representation" was one of America's founding principles. After 40 years of government using lotteries to prey on its own citizens, the time has come to add the principle of "no taxation by exploitation" right beneath it.



GORDON MEDENICA
PRESIDENT, NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES; DIRECTOR, NEW YORK LOTTERY

WRITTEN FOR *CQ RESEARCHER*, JUNE 2012

many myths about lotteries have survived for years. One of the more humorous is that the odds of winning the lottery are worse than getting hit by lightning. The story gets retold by journalists who may only focus on the odds of winning one of the top prizes in a big-jackpot game. In fact, roughly 1,000 people nationwide win at least \$1 million from lottery games every year, but only about 250 get hit by lightning.

Another myth is that only poor people play the lottery. One reason many states started lotteries was to stop the illegal numbers rackets that preyed on players and did nothing to raise money for good causes. By making the games legal, credible and honest, states helped both the players and their lotteries' designated good causes.

But lotteries today offer many more games than just the daily numbers games. We have big-jackpot games like Mega Millions and Powerball, local jackpot games like Lotto, social-environment games like Keno and dozens of instant "scratch-off" games at a variety of price points. The lottery industry has become quite sophisticated at reaching all types of players with different kinds of games.

The demographics of lottery players almost perfectly match the demographics of the population at large. With so many people playing lottery games, it's simply not possible for any one segment of the population to dominate.

Another myth is that lottery play is a "regressive tax on the poor." But "regressive" is an economist's term for something that costs a larger percentage of someone's low income. By this definition, all consumer products, from milk to movies, are regressive. And lottery play is voluntary, not a tax.

Playing the lottery is simply an inexpensive form of entertainment. People play for a bit of excitement. Why is it that lotteries are judged by financial standards instead of by the entertainment they provide? The press is filled with stories about "poor odds," "bad investments" and "financial illiteracy" when discussing lotteries, but not when discussing other popular entertainment.

Lotteries provide a very secure, well-run form of entertainment for the large majority of the population that enjoys playing. They also provide much-needed funding for many good causes, such as education, the environment, veterans, local municipalities, old-age programs and scholarships. Lotteries raised almost \$20 billion for good causes in North America last year; we are very proud of the contributions we make every day.

Continued from p. 540

area residents and interstate travelers. Maryland Live! debuted on June 6 at the Arundel Mills mall, about 15 miles southwest of Baltimore, with about 3,200 slots and other electronic games ready for an anticipated capacity crowd of 12,000. Plans call for 4,750 machines in all when completed. The casino is believed to be the first to be placed at an existing mall outside Nevada, but plans are either in the works or on the drawing boards for more gaming establishments to be placed in urban centers — making them more convenient to walk-in instead of drive-to customers.⁴⁴

Looking Online

Lawmakers in California and New Jersey are moving ahead with proposals to legalize Internet gambling in their states even as bills to allow online gaming are failing to advance in other states.⁴⁵

Meanwhile, family-values advocacy groups are urging Congress to enact a federal ban on Internet gambling. A ban would effectively nullify the Justice Department's late-2011 legal opinion clearing the way for states to allow online wagering on an intrastate basis.⁴⁶

So far, Nevada is the only state with legal rules on the books to allow Internet gaming. The Nevada Gaming Commission approved regulations for online poker on Dec. 22, 2011, coincidentally one day before the Justice Department opinion was publicly announced. Nevada had had a law on the books for years to allow Internet gambling, but had been marking time because of legal doubts and because of opposition from some major gambling companies. Online sites in Nevada may be up and running by the end of 2012.⁴⁷

Both New Jersey and the District of Columbia had moved earlier in 2011 toward permitting online poker, but the

moves were thwarted. In New Jersey, Republican Gov. Chris Christie vetoed a bill on March 3 that would have legalized online gambling in the state. Along with criticizing some specifics, Christie contended that a referendum would be required to go beyond the terms of the 1976 ballot measure that allowed casino gambling only in Atlantic City.⁴⁸

In Washington, an online gambling measure was included with little public attention in a budget bill passed late in 2010. The move provoked sharp controversy as D.C. officials began steps to implement it in fall 2011. In February, the D.C. City Council voted 10-2 to repeal the measure.⁴⁹

The online gaming bills in California and New Jersey both have strong support but also face political cross-currents. In New Jersey, the issue pits lawmakers who view online gaming as a way to bolster Atlantic City's sagging casinos against others who want to allow online gambling at the state's horse tracks. In California, the principal bill would allow tribal casinos, card clubs and horse tracks to offer online poker immediately and other games such as 21 later; the state's Indian gaming association wants to allow online poker only, in order to protect brick-and-mortar casinos, while some tribes oppose the bill altogether.

With an estimated 2 million online poker players in the state, California represents a lucrative market for Internet gambling even on an intrastate basis. State Sen. Roderick Wright, a coauthor of the legalization measure, said California is "the leading Internet gaming market in the world" but is making "no money" from the games and has "no [consumer] protections for our citizens who play."⁵⁰

Wright, a Democrat from Los Angeles County, is cosponsoring the bill with the Senate's Democratic leader, Darrell Steinberg of Sacramento. Both men are drawing scrutiny because of campaign contributions from gambling

interests: \$170,000 in donations to Wright since his 2008 campaign and \$1.36 million in the past year to the Democratic Central Committee, which helps finance the party's legislative candidates in the general election. Steinberg says online gaming will bring in at least \$200 million a year for the severely cash-strapped state government.

The New Jersey legislation gained approval from the state Assembly's gaming committee on May 10 after having been cleared in early March by the Senate panel with gambling jurisdiction. Democratic Assemblyman John Burzichelli, a sponsor, says online gaming will "rejuvenate our tourist industry" and also increase "employment, capital investment and much needed urban redevelopment." In opposing the bill, Assemblyman Ralph Caputo, also a Democrat, criticized limiting online sites to Atlantic City.

Prospects for the bill are clouded in part because of questions about the views of Christie, often mentioned as a possible running mate for presumptive GOP presidential nominee Mitt Romney. Christie's decision to back out of an address before a state gambling conference in May prompted speculation that he wanted to skirt what is a red-flag issue for some social conservatives. Romney has said he opposes Internet gambling.⁵¹

Among other states, Utah has protected its gambling-free status by passing preemptive legislation to prohibit online gaming in the state. Republican Gov. Gary Herbert signed the bill into law in late March after a 62-10 vote in the state Assembly and unanimous approval in the state Senate. The measure includes a provision that calls for opting out, if possible, of any federal law that gives blanket permission for Internet gaming.⁵² Elsewhere, Internet gaming bills have failed in Hawaii — the nation's only other gambling-free state — and in Iowa and Mississippi.

Despite the limited advances so far, some gambling experts see online gaming as all but inevitable. “If it starts to go on a state-by-state basis, it will roll across the country just like lotteries did,” says Las Vegas attorney Cabot. ■

OUTLOOK

All About the Money

The Minnesota Vikings wanted the state to pick up most of the tab for a new and much needed \$1 billion football stadium, but the state had no readily available revenue source for its share. So, as part of a protracted political fight, the state legislature hit on the same, pain-free solution that lawmakers in other states have looked to in recent decades to ease fiscal woes: gambling.

The deal, cleared by the legislature on May 10, allows the existing \$1 billion charitable games industry — licensed to help fund nonprofit organizations — to initiate electronic gaming on so-called pull-tabs games now played on cardboard. *The hoped-for revenue boost from young, hip customers is intended to generate \$348 million in additional state taxes earmarked for the stadium while also providing more money to fund nonprofit organizations. ⁵³

Minnesota is following the example set by every other state and Indian tribe that has legalized gambling over the past 81 years. Whatever ap-

* A pull-tab is a gambling ticket with a set of images on the front and perforated windows on the back that conceal images; the player wins, with an instant payout, if the images on the back, once disclosed, match those on the front. An electronic pull-tab adds images and sound and also eliminates the need to physically remove tabs.

peal gambling has as entertainment, government officials view it primarily as a source of revenue. But experts, including industry supporters and critics, are now warning that it is becoming harder for states to draw more money out of Americans’ urge to gamble.

“Gambling is going to become an increasingly less important source of revenue for governments,” says University of Nevada professor Eadington. “There’s a cap on how much people are willing to spend on gambling.”

Faced with lagging tax flows from gambling, states turn — as in Minnesota — to ideas for attracting new customers or drawing more money from existing customers, according to St. Mary’s professor Pierce. The prospect of a decline “makes states desperate to do just about anything to maintain the revenue,” he says.

Anti-gambling advocates view the states as partners in an unwholesome alliance with a profitable industry adept at using its political influence to further its ends with little regard for the public interest. “The casino interests spend a ton of money,” says Get Government Out of Gambling blogger Davies. “There really is no one on the other side that has the deep pockets to wage a battle. And the media usually doesn’t do a very good job of documenting both sides.”

Casino interests contribute heavily to political campaigns for an industry of its size, according to data compiled by Citizens for Responsive Politics, a campaign finance monitoring group. Federal campaign contributions for the 2008 election cycle totaled \$17.7 million, the group says, about two-thirds to Democrats. For 2012, contributions are already at \$20 million, about evenly divided between Democrats and Republicans. ⁵⁴ “These guys are some of the biggest funders of political campaigns,” says Stop Predatory Gambling’s Bernal. “They give money to all sides.”

The critics say it is unwise for the government to rely on gambling taxes as an important revenue source. “It’s a bad way to fund your government,” says Davies. Bernal goes further. “It’s immoral for government to prey on its own citizens,” he says. “Citizens are not calling up legislators demanding more places to lose money,” he adds.

Gaming industry chief Fahrenkopf dismisses the critics as out of step with the public. “The people who oppose the gaming industry view it as an illegal industry, as an immoral industry,” he says. “But the majority of people don’t view it that way.”

As for preying on customers, Fahrenkopf says gamblers do not harbor illusions about the odds. “Most people know that when they go to a casino, the odds are in favor of the casino,” he says. Fahrenkopf insists the industry does its part to control problem gamblers on the floor and to help fund research and treatment.

The lottery industry also touts its efforts on the issue. “The industry and the individual states are trying to be responsible, reminding people out there that this is a game,” says lottery association executive director Gale. The association’s home page features this message: “Remember to Play All Lottery Games Responsibly.”

The critics are determined to dig in. “The failed government policy of predatory gambling will be one of the biggest issues of this decade,” says Bernal. Eadington disagrees. “The anti-gambling movement has lost its punch,” he says. “The war is almost over.”

Meanwhile, the Mega Millions jackpot started over after the record-busting payout for the March 30 drawing. Some lucky winner or winners in California, unidentified so far, are holding the ticket for the \$32 million jackpot from the May 29 drawing. Drawings are held Tuesdays and Fridays, every week, with winning prizes starting at \$2. Overall, chances of winning a prize are 1 in 40. ■

Notes

¹ Quote taken from video clip of April 18 news conference by the *Belleville* (Ill.) *News-Democrat*, posted on YouTube: www.youtube.com/watch?v=-7VVpowVAY. For print coverage, see Stacy St. Clair, "The best-kept Mega secret in Red Bud," *Chicago Tribune*, April 19, 2012, p. C1; Nicholas J. C. Pistor, "A Mega Moment for Red Bud Retirees," *St. Louis Post-Dispatch*, April 19, 2012, p. A1.

² See "Mega Millions Jackpot History," www.megamillions.com/winners/jackpohistory.asp.

³ "State Government Finances: Income and Apportionment of State-Administered Lottery Funds, 2010," U.S. Bureau of the Census, www.census.gov/govs/state/10lottery.html.

⁴ "State of the States: The AGA Survey of Casino Entertainment, 2012," American Gaming Association, p. 2, www.americangaming.org/files/aga/uploads/docs/sos/aga_sos_2012_web.pdf.

⁵ For previous *CQ Researcher* coverage, see Patrick Marshall, "Gambling in America," March 7, 2003, pp. 201-224, and two reports by Richard L. Worsnop: "Gambling Under Attack," Sept. 6, 1996, pp. 769-792; and "Gambling Boom," March 18, 1994, pp. 241-264.

⁶ Patrick A. Pierce and Donald E. Miller, *Gambling Politics: State Government and the Business of Betting* (2004), pp. 2-3, 4. Pierce is a professor of political science; Miller, now deceased, was a professor of mathematics.

⁷ Cited in Michael Sokolove, "A Big Bet Gone Bad," *The New York Times Magazine*, March 18, 2012, pp. 36ff. See "State of the States," *op. cit.*, p. 21. Revenues in Pennsylvania are divided between the state gaming fund and general fund, horse racing industry, economic development and local governments.

⁸ For highlights, see "Casino City's Indian Gaming Industry Report," 2012 edition, www.casinocitypress.com/gamingalmanac/indiangamingreport/. For coverage, see "American Indian tribes' casinos see turnaround," *The Associated Press*, March 6, 2012.

⁹ Edward A. Morse and Ernest P. Goss, *Governing Fortune: Casino Gambling in America* (2007). Goss is a professor of economics at Creighton.

¹⁰ Quoted in Charlie Frago and Michael R. Wickline, "Passage of all 5 ballot issues stuns some," *Arkansas Democrat-Gazette*, Nov. 6, 2008. The 2008 measure was approved by a vote of 648,122 (62.83%) to 383,467 (37.17%); the vote in 2000 was 309,482 (36.24%) to 544,550 (63.76%). See "Arkansas Secretary of State: Historical Initiative and Referendum Results," www.sos.arkansas.gov/elections/Documents/Initiatives_and_Amendments_1938-2010.pdf.

¹¹ See "Lotteries as a State Revenue," National Conference of State Legislatures, www.ncsl.org/issues-research/econ/lotteries-as-a-state-revenue.aspx.

¹² "Lottery Revenue as a Percentage of Own-Source Revenue by States, Fiscal Year 2008," Tax Foundation, March 25, 2010, <http://taxfoundation.org/article/lottery-revenue-percentage-own-source-revenue-state-fiscal-year-2008>.

¹³ See William Petroski, "Senate passes proposal to study Internet poker," *Des Moines Register*, April 21, 2011, p. B3.

¹⁴ "State of the States," *op. cit.*, pp. 23-27.

¹⁵ *Ibid.*, pp. 5 (spending), 6 (revenue), 7 (employment).

¹⁶ See Morse and Goss, *op. cit.*, chaps. 4 (economic development), 5 (social costs).

¹⁷ See Earl L. Grinols, *Gambling in America: Costs and Benefits* (2004); Earl L. Grinols, "Gambling Economics: Summary Facts," April 29, 2011, www.freedomfoundationofminnesota.com/Websites/freedomfoundation/Images/Gambling%20Economics-%20Summary%20Facts%20by

www.freedomfoundationofminnesota.com/Websites/freedomfoundation/Images/Gambling%20Economics-%20Summary%20Facts%20by pdf.

¹⁸ See Douglas M. Walker, "Overview of the Economic and Social Impacts of Gambling in the United States," in Leighton Vaughan Williams and Donald Siegel (eds.), *Handbook on the Economics of Gambling* (forthcoming), http://walker.d.people.cofc.edu/pubs/2012/OxfordCh_dist.pdf.

¹⁹ See "Illinois Lottery Launches Internet Sales on Sunday," press release, March 26, 2012, www.illinoislottery.com/content/dam/ill/documents/subsections/pr/InternetSales.pdf. For coverage, see Jim Jaworski, "Jackpot tickets just a click away," *Chicago Tribune*, March 30, 2012, p. 3.

²⁰ See "Whether Proposals by Illinois and New York to Use the Internet and Out-of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act," U.S. Department of Justice, Sept. 20, 2011, www.justice.gov/olc/2011/state-lotteries-opinion.pdf. The citation for the law is 18 U.S.C. §1084. For coverage, see Edward Wyatt, "Web Gambling Given a Boost in U.S. Ruling," *The New York Times*, Dec. 25, 2012, p. A1; some background drawn from article.

²¹ See Brad Stone, "Going All In for Online Poker," *Newsweek*, Aug. 15, 2005, p. 40, www.the-dailybeast.com/newsweek/2005/08/14/going-all-in-for-online-poker.html.

²² See Heather Timmons and Eric Pfanner, "U.S. Law Causing Turmoil in Online Gambling Industry," *The New York Times*, Nov. 1, 2006, p. C3; Eric Pfanner, "Online-Gambling Shares Plunge on Passage of U.S. Crackdown Law," *ibid.*, Oct. 3, 2006, p. C3.

²³ Matt Richtel, "Authorities Crack Down on 3 Poker Sites," *The New York Times*, April 16, 2011, p. B1. For ongoing coverage, see *Internet Gambling News*, www.casinogamblingweb.com/main/other-gambling-news/internet-gambling-bill-news.jsp.

²⁴ See James Q. Lynch, "Online poker bill is dead, House speaker says," *Quad City Times*, March 15, 2012, p. A1; Tom Jones, "Online Poker Moves Closer in Iowa After Senate Approval," *Casino Gambling Web*, March 14, 2012, www.casinogamblingweb.com/gambling-news/gambling-law/online_poker_moves_closer_in_iowa_after_senate_approval_57735.html; See Richard N. Velotta, "Nevada approves nation's first regulations for Internet poker play," *Las Vegas Sun*, Dec. 22, 2011.

²⁵ For compact historical overviews, see Morse and Goss, *op. cit.*, pp. 1-12; Pierce and Miller, *op. cit.*, pp. 9-24; Roger Dunstand,

About the Author



Associate Editor **Kenneth Jost** graduated from Harvard College and Georgetown University Law Center. He is the author of the *Supreme Court Yearbook* and editor of *The Supreme Court from A to Z* (both *CQ Press*). He was a member of the *CQ Researcher* team that won the American Bar Association's 2002 Silver Gavel Award. His previous reports include "Celebrity Advocacy" and "Police Misconduct." He is also author of the blog *Jost on Justice* (<http://jostonjustice.blogspot.com>).

"Gambling in California," California Research Bureau, January 1997, chap. 2, www.library.ca.gov/crb/97/03/crb97003.html#toc.

²⁶ *Champion v. Ames*, 188 U.S. 321 (1903).

²⁷ For a recent history, see John L. Smith, *Sharks in the Desert: The Founding Fathers and Current Kings of Las Vegas* (2005).

²⁸ See Matthew Sweeney, *The Lottery Wars: Long Odds, Fast Money, and the Battle Over an American Institution* (2009), pp. 78-80 (New Hampshire), 82-84 (New Jersey).

²⁹ Account drawn heavily from *National Gambling Impact Study Commission Final Report* (1999), chap. 2, <http://govinfo.library.unt.edu/ngisc/reports/2.pdf>.

³⁰ Hunter quoted in Bennett Liebman, "Not All that It's Cracked Up to Be," *Gaming Law Review*, Vol. 9, No. 3 (2005), p. 446.

³¹ For coverage, see Brett Pulley, "Commission on Gambling Prescribes Broad Changes," *The New York Times*, June 19, 1999, p. A9; Edward Walsh, "Panel Urges Pause in Spread of Legalized Gambling," *The Washington Post*, June 19, 1999, p. A2.

³² For detailed accounts, see Randy Bobbitt, *Lottery Wars: Case Studies in Bible Belt Politics, 1986-2005* (2007).

³³ Some information drawn from Iver Peterson, "And They're Off, as States Race to Add Gambling Sites," *The New York Times*, Nov. 18, 2002, p. B1; Mark Scoloro, "Poker, blackjack now legal at Pa. slots casinos," *The Associated Press*, Jan. 7, 2010.

³⁴ Cited in Stone, *op. cit.*

³⁵ See Frank Ahrens, "New law cripples Internet gambling," *The Washington Post*, Oct. 14, 2006, p. A1.

³⁶ See Fox Butterfield, "U.S. Limits on Internet Gambling Are Backed," *The New York Times*, April 8, 2005, p. C14; Paul Blustein, "U.S. Claims Victory on Web Betting Ban," *The Washington Post*, April 8, 2005, p. E4.

³⁷ See Keith Bradsher, "High Rolling Right Past Las Vegas," *The New York Times*, Aug. 28, 2007, p. C1; David Pierson, "Singapore bets big on casinos — and wins," *Los Angeles Times*, June 22, 2011, p. A1.

³⁸ See Lucy Dadayan and Robert B. Ward, "Back in the Black: States' Gambling Revenues Rose in 2010," Rockefeller Institute, State University of New York-Albany, June 23, 2011, www.rockinst.org/pdf/government_finance/2011-06-23-Back_in_the_Black.pdf.

³⁹ "State of the States," *op. cit.*, p. 11.

⁴⁰ For coverage, see Philip Marcelo, "Spend-ing ramps up on casino issue," *Providence Journal*, May 1, 2012, p. 3.

FOR MORE INFORMATION

American Gaming Association, 1299 Pennsylvania Ave., N.W., Suite 1175, Washington, DC 20004; 202-552-2675; www.americangaming.org. The association, founded in 1995, represents the casino industry.

National Council on Problem Gambling, 730 11th St., N.W., Suite 601, Washington, DC 20001; 202-547-9204; www.ncpgambling.org. The council advocates for programs and services to assist problem gamblers and their families.

National Indian Gaming Association, 224 2nd St., S.E., Washington, DC 20003; 202-56-7711; www.indiangaming.org. The association, founded in 1985, represents organizations, tribes and businesses engaged in tribal gaming enterprises.

National Indian Gaming Commission, 1441 L St., N.W., Suite 9100, Washington, DC 20005; 202-632-7003; www.nigc.gov/. The three-member independent federal commission, established by Congress, regulates gaming activities on Indian lands.

North American Association of State and Provincial Lotteries, One S. Broadway, Geneva, OH 44041; 440-466-5630; www.naspl.org. The association, founded in 1971, represents 52 lottery organizations in the United States and Canada.

Stop Predatory Gambling Foundation, 100 Maryland Ave., N.E., Room 310, Washington, DC 20002; 202-567-6996; <http://stoppredatorygambling.org/>. The organization, founded in 2008 as the successor to the National Coalition Against Legalized Gambling, seeks to end what it calls the "failed policy of predatory gambling."

⁴¹ "Racetrack Casinos in New York State: Current and Future Economic Impacts of Live Table Games," *Appleseed*, January 2012, New York Gaming Association, www.newyorkgaming.org/Libraries/Appleseed_Statewide_Final_Report_2-28-12/Appleseed_Final_Statewide_Report_2-28-12.sflb.ashx. The report was prepared by Appleseed, an economic development consulting firm.

⁴² See Nicholas Confessore, Danny Hakin and Charles V. Bagli, "Gambling Group Gave \$2 Million to a Cuomo Ally," *The New York Times*, June 5, 2012, p. A1.

⁴³ Siena College Poll, March 5, 2012, www.siena.edu/uploadedfiles/home/parents_and_community/community_page/sri/sny_poll/SNY_March_5_2012_ReleaseFINAL.pdf.

⁴⁴ See J. Freedom du Lac, "Betting on a \$500 million draw," *The Washington Post*, June 7, 2012; Alexandra Berzon, "Casinos Chase Better," *The Wall Street Journal*, June 6, 2012, p. C3.

⁴⁵ For ongoing coverage, see *Poker News Daily*, www.pokernewsdaily.com/.

⁴⁶ Wayne Parry, "Groups in 13 states want US to block Internet bets," *The Associated Press*, June 7, 2012.

⁴⁷ See Chris Sieroty, "Online poker site rules approved," *Las Vegas Review-Journal*, Dec. 23, 2011, p. 1D; Richard N. Velotta, "Nevada approves nation's first regulations for Internet poker

play," Dec. 22, 2011. See also Pamela M. Prah, "Nevada Has Head Start as States React to Federal Gambling Decision," *stateline.org*, Jan. 6, 2012, www.pewstates.org/projects/stateline/headlines/nevada-has-head-start-as-states-react-to-federal-gambling-decision-85899375377.

⁴⁸ See Megan DeMarco, "Christie vetoes legalized online gaming," *The Star-Ledger* (Newark, N.J.), March 4, 2011, p. 13.

⁴⁹ Tim Craig, "D.C. web gambling law is repealed," *The Washington Post*, Feb. 7, 2012, p. B1.

⁵⁰ Quoted in Patrick McGreevy, "Offering a cut from Internet poker," *Los Angeles Times*, May 15, 2012, p. AA1. Other background also from story.

⁵¹ See Suzette Pamley, "Politics may be behind Christie's Internet gaming change of heart," *The Philadelphia Inquirer*, May 8, 2012, p. A1.

⁵² Earl Burton, "Utah Becomes First State To Opt Out Of Any Federal Online Poker Regulations," *Poker Daily News*, March 25, 2012.

⁵³ See Jean Hopfensperger, "Minnesota is taking the lead on e-gambling," *Star Tribune* (Minneapolis), May 20, 2012, p. 1A.

⁵⁴ "Casinos/Gambling: Long-Term Contribution Trends," Center for Responsive Politics, www.opensecrets.org/industries/totals.php?cycle=2012&ind=N07 (visited June 2012).

Bibliography

Selected Sources

Books

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

An economics professor now at Baylor University calculates that the social costs of casinos — including bankruptcy, crime, family costs and lost productivity — exceed by a factor of three the benefits, chiefly profits and taxes but excluding jobs. The gambling industry sharply challenges the analysis. Includes notes and 10 pages of references.

Haugen, David, *Legalized Gambling, Facts on File*, 2006.

The book gives an overview of the history and current status of legalized gambling in the United States along with a chronology, bibliography, glossary, list of organizations and agencies, guide to research and multiple appendices with pertinent statutes, reports and court decisions.

Light, Steven Andrew, and Kathryn R. L. Rand, *Indian Gaming and Tribal Sovereignty: The Casino Compromise*, University Press of Kansas, 2005 (paperback edition, 2007).

The co-directors of the Institute for the Study of Tribal Gaming Law and Policy at the University of North Dakota examine the history, laws and current politics of Indian gaming and set out recommendations for reform. Includes detailed bibliographical references.

Morse, Edward A., and Ernest P. Goss, *Casino Gambling in America: Governing Fortune*, University of Michigan Press, 2007.

The book traces the evolution of casino gambling in the United States through the first years of the 21st century, with chapters on the economic benefits, tax revenues and social costs associated with gaming and a detailed description of the regulatory environment at the federal, state and tribal levels. Morse is a professor of law and Goss a professor of economics at Creighton University. Includes detailed notes.

Pierce, Patrick A., and Donald E. Miller, *Gambling Politics: State Government and the Business of Betting*, Lynne Rienner, 2004.

The book focuses on the politics behind the growth of legalized gambling in the United States, especially in regard to the states' role in promoting gambling as a revenue source. Pierce is a professor of political science at St. Mary's College in Notre Dame, Ind.; Miller was a professor of mathematics at St. Mary's until his death in 2008.

Skolnik, Sam, *High Stakes: The Rising Cost of America's Gambling Addiction*, Beacon Press, 2011.

The deputy editor of the *National Law Journal* and an admitted gambling addict uses his personal experience as the backdrop to informative chapters on, among other topics, the states' reliance on gambling revenues, problem gambling among Asian-Americans and the rise of online poker. Includes notes.

Smith, John L., *Sharks in the Desert: The Founding Fathers and Current Kings of Las Vegas*, Barricade, 2005.

A veteran Las Vegas journalist traces the city's history as a gambling mecca from its initial ties to organized crime to its present-day dominance by corporate moguls.

Sweeney, Matthew, *The Lottery Wars: Long Odds, Fast Money, and the Battle Over an American Institution*, Bloomsbury, 2009.

Sweeney sketches the rise and fall of lotteries from colonial America through the mid-20th century and then turns a critical eye to the pros and cons of their use as a revenue source by state governments. Includes chapter-by-chapter bibliography.

Wolfe, Alan, and Erik C. Owens, eds., *Gambling: Mapping the American Moral Landscape*, Baylor University Press, 2009.

Essays by 21 contributors from various disciplines cover the politics and policy of gambling, individual behavior and social impact, theology and gambling, and the place of gambling in American culture. Includes detailed notes, 41-page bibliography. Wolfe is a professor of political science and Owens an adjunct assistant professor of theology at Boston College and, respectively, director and assistant director of the Boisi Center for Religion and American Public Life.

Articles

"Bottoming Out: Gambling Addiction in Las Vegas," *The Las Vegas Sun*, Nov. 22-24, 2009, www.lasvegassun.com/gambling-addiction/.

The three-part series by reporters J. Patrick Coolican and Liz Benston profiles compulsive gamblers, examines the physiology of gambling addiction and explores the role of game design in the phenomenon. The Web version includes additional multimedia resources.

"Slot Machines: The Big Gamble," CBS News, "60 Minutes," Jan. 9, 2011, www.cbsnews.com/video/watch?id=7228424n.

Correspondent Lesley Stahl reports on the proliferation of slot machines in the United States — 850,000, more than the number of ATMs — and the increased potential of modern, coinless machines to promote gambling addiction.

Reports and Studies

"Final Report," National Gambling Impact Study Commission, June 18, 1999, <http://govinfo.library.unt.edu/ngisc/index.html>.

Although dated, the 240-page report by the congressionally created commission provides comprehensive background information about the history and recent development of gambling in the United States. Includes references, contact information, glossary and other appendix material.

The Next Step:

Additional Articles from Current Periodicals

Casino Legalization

Bagli, Charles V., "Rivals Ready Onslaught to Sway Casino Debate," *The New York Times*, Feb. 8, 2012, p. A22, www.nytimes.com/2012/02/08/nyregion/legalizing-casinos-leads-to-fighting-among-factions.html?pagewanted=all.

Democratic New York Gov. Andrew Cuomo says the state should legalize full-scale casino gambling.

Hill, David, "Maryland Struggles to Cash in on Gambling," *The Washington Times*, Jan. 17, 2012, p. A1, www.washingtontimes.com/news/2012/jan/16/maryland-struggles-to-cash-in-on-gambling/?page=all.

Because of a lack of interest from qualified developers, Maryland has struggled to develop slots casinos.

LeBlanc, Steve, "Casino Industry Spent Millions Lobbying in Mass.," *The Associated Press*, Feb. 20, 2012, boston.cbslocal.com/2012/02/20/casino-industry-spent-millions-lobbying-in-mass/.

The casino industry has spent more than \$11 million lobbying for the legalization of casinos in Massachusetts.

Internet Gambling

Bedell, Anita, "Internet Gambling Would Provide More Ways for You to Lose," *Rockford (Ill.) Register Star*, Jan. 6, 2012, p. A15, www.rrstar.com/opinions/x735286242/Guest-Column-Internet-gambling-would-provide-more-ways-to-lose.

The problems associated with legalizing Internet gambling far outweigh the benefits, says a church group.

Cooper, Michael, "Mired in Debt, States Pursue Web Gambling," *The New York Times*, Jan. 18, 2012, p. A1, www.nytimes.com/2012/01/18/us/more-states-look-to-legalize-online-gambling.html.

Several states are thinking about trying to plug budget gaps by legalizing, licensing and taxing Internet gambling.

Garcia, Oskar, "World's Richest Casino Exec Opposes Online Wagers," *The Associated Press*, Dec. 7, 2011.

Sheldon Adelson says he opposes online gambling to prevent young people from wagering.

Lotteries

Ford, Beverly, "Dwindling Lottery Dollars Put Municipal Budgets At Risk," *Lowell (Mass.) Sun*, March 25, 2012.

Massachusetts cities and towns are relying more and more on a thinning pool of lottery revenues.

Reitmeyer, John, "Mega Lottery Pays Off for N.J.," *The Record* (Bergen County, N.J.), April 5, 2012, p. A1.

New Jersey collected more than \$40 million from its cut of the record-breaking Mega Millions jackpot in March.

Smith, Rick, "Iowa Lottery Is Watching Illinois' New Online Sales," *The Gazette* (Cedar Rapids, Iowa), March 29, 2012, thegazette.com/2012/03/29/iowa-lottery-is-watching-illinois-new-online-sales/.

The Illinois Lottery is the nation's first to permit the online purchase of lottery tickets.

Social Costs

Boyd-Barrett, Claudia, "Training to Address Gambling Problems," *Toledo (Ohio) Blade*, March 21, 2012, p. B4, www.toledoblade.com/local/2012/03/20/Seminar-to-help-with-gambling-addiction.html.

Officials in Toledo, Ohio, are hosting a specialized training session on preventing compulsive gambling.

Keilman, John, and Art Barnum, "Priest's \$300,000 Theft Puts Spotlight on Gambling Addiction," *Chicago Tribune*, June 12, 2011, articles.chicagotribune.com/2011-06-12/news/ct-met-gambling-priest-0612-20110611_1_gambling-addiction-earl-grinols-regan.

A Chicago-area priest has stolen nearly \$300,000 from his church's collection plate to fund his gambling addiction.

Taylor, Gary, "More in State Seek Help, But Gambling Hotline Funds Cut," *Orlando (Fla.) Sentinel*, Nov. 3, 2011, p. A1, articles.orlandosentinel.com/2011-11-02/news/os-gambling-helpline-stats-20111102_1_gambling-problems-compulsive-gambling-treatment-for-problem-gamblers.

More and more Floridians with gambling problems are reaching out for help, but the state has cut funding for its helpline.

CITING CQ RESEARCHER

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA STYLE

Jost, Kenneth. "Remembering 9/11." *CQ Researcher* 2 Sept. 2011: 701-732.

APA STYLE

Jost, K. (2011, September 2). Remembering 9/11. *CQ Researcher*; 9, 701-732.

CHICAGO STYLE

Jost, Kenneth. "Remembering 9/11." *CQ Researcher*, September 2, 2011, 701-732.

In-depth Reports on Issues in the News

Are you writing a paper?

Need backup for a debate?

Want to become an expert on an issue?

For more than 80 years, students have turned to *CQ Researcher* for in-depth reporting on issues in the news. Reports on a full range of political and social issues are now available. Following is a selection of recent reports:

Civil Liberties

Voter Rights, 5/12
Remembering 9/11, 9/11
Government Secrecy, 2/11
Cybersecurity, 2/10

Crime/Law

Criminal Records, 4/12
Police Misconduct, 4/12
Immigration Conflict, 3/12
Financial Misconduct, 1/12
Eyewitness Testimony, 10/11
Death Penalty Debates, 11/10

Education

Arts Education, 3/12
Youth Volunteerism, 1/12
Digital Education, 12/11
Student Debt, 10/11
Crime on Campus, 2/11

Environment/Society

Celebrity Advocacy, 5/12
Sexual Harassment, 4/12
Internet Regulation, 4/12
Space Program, 2/12
Invasive Species, 2/12

Health/Safety

Alcohol Abuse, 6/12
Traumatic Brain Injury, 6/12
Distracted Driving, 5/12
Patient Safety, 2/12
Military Suicides, 9/11
Teen Drug Use, 6/11
Organ Donations, 4/11

Politics/Economy

U.S.-Europe Relations, 3/12
Attracting Jobs, 3/12
Presidential Election, 2/12

Upcoming Reports

Oil Dependence, 6/22/12

Protecting Marine Mammals, 6/29/12

Privatizing Defense, 7/13/12

ACCESS

CQ Researcher is available in print and online. For access, visit your library or www.cqresearcher.com.

STAY CURRENT

For notice of upcoming *CQ Researcher* reports or to learn more about *CQ Researcher* products, subscribe to the free e-mail newsletters, *CQ Researcher Alert!* and *CQ Researcher News*: <http://cqpress.com/newsletters>.

PURCHASE

To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at \$15. Bulk purchase discounts and electronic-rights licensing are also available.

SUBSCRIBE

Annual full-service *CQ Researcher* subscriptions—including 44 reports a year, monthly index updates, and a bound volume—start at \$1,054. Add \$25 for domestic postage.

CQ Researcher Online offers a backfile from 1991 and a number of tools to simplify research. For pricing information, call 800-834-9020, or e-mail librarymarketing@cqpress.com.

CQ RESEARCHER PLUS ARCHIVE

GET ONLINE ACCESS TO VITAL
ISSUES FROM 1923 TO THE PRESENT



CQ Researcher Plus Archive delivers fast, online access to every *CQ Researcher* report from 1991 to the present, PLUS lets you explore the complete archive of *Editorial Research Reports**

from 1923-1990. Search and browse more than 3,600 in-depth reports.

Loaded with handy online features, *CQ Researcher Plus Archive* provides the trustworthy reporting and the advanced online functionality today's researchers demand. The new "Issue Tracker" feature provides quick links to past and present reports on the specific topics you need.

For a free trial, visit <http://library.cqpress.com/trials>.

For pricing information, call 1-800-834-9020, ext. 1906 or e-mail librarymarketing@cqpress.com.

**Editorial Research Reports*, the predecessor to *CQ Researcher*, provides the same expert, nonpartisan reporting on the vital issues that have shaped our society.

CQ Press • 2300 N Street, NW, Suite 800 • Washington, DC 20037