

May 14, 2009

VOTE NO ON SB349

New Facts about the Costs of Video Poker

Video Poker was legalized in South Carolina until the Supreme Court ruled it was unconstitutional. Illinois Legislators can learn much from studies conducted in South Carolina and South Dakota.

South Carolina Center for Gambling Studies

- There was a **400 percent increase** in the number of gambler's anonymous groups in South Carolina since video poker payouts were legalized in 1994.
- Research data gathered in 1997 suggests that as many as **20% of current video poker players** in South Carolina may meet the criteria for **pathological gambling**. **The data also suggest that African-American gamblers in South Carolina might be twice as likely to meet the criteria for pathological gambling.**
- In South Carolina it is unlawful to offer any inducement to play video poker. Although this would include free food or drinks, sexual companionship, jackpots, credit, taxi rides or even advertising... **78% of the gamblers** surveyed in 1997 said that they had been **offered at least one illegal inducement** to play video poker.

An Economic Analysis of Machine Gambling in South Carolina by William N. Thompson, Ph.D. and Frank L. Quinn, Ph.D. , May 18, 1999

- The machines generate revenues of \$610 million, however **less than 20% of this amount (\$122 million) comes from out-of-state players**. The state economy loses \$133.3 million due to out-of-state employees wages, the cost of the machines (almost all manufactured out-of-state), profits leaving the state (assumed to be 20% of owners' profits), and excess federal taxes. (*An Economic Analysis of Machine Gambling in South Carolina*)
- **Effective regulation will add a cost burden** of \$30 million to the taxpayers of the state.
- **The individual compulsive (pathological) gambler imposes an annual cost of \$6299 on other people in the state--\$1479 in services that are rendered by the government. Problem gamblers impose costs on other South Carolinians of \$3338 per year, \$783 being costs of government services.**
- **The total negative cost of machine gambling is \$212 million. However, if this money would be available to positive uses in the state, it would be enhanced by a multiplier of at least two. Hence, we conclude that machines impose a cost of \$424 million upon citizens of the state each year. NOTE: These costs were calculated 10 years ago and would be much higher today.**

A Natural Experiment in South Dakota

- When video lottery machines were turned off in South Dakota, the inquiries about gambling and the number of individuals receiving treatment for problem gambling

diminished abruptly. When the machines were turned back on, there was a prompt increase in both of these categories.

These changes occurred despite the fact that alternative forms of legal gambling were available (i.e., scratch tickets, Indian Reservation casino gambling, and multi-state lotteries). This suggests that video lottery gambling machines presents a unique risk for the development of problems severe enough to prompt treatment. These data suggest little substitution of other forms of gambling occurred when video lottery gambling was not available. (*South Dakota Journal of Medicine Vol 49*)

Why Are Video Poker Machines So Addictive?

“...There are specific features of a gambling stimulus that promote persistence and/or return to play... These features are present and maximized in video lottery machines...” (*Morgan et. al., Journal of Gambling Studies Vol 12(4) Winter, 1996*)

- Immediate reinforcement coupled with no-aversive auditory and visual cues.
- Frequent near misses and small wins with less frequent larger wins.
- Variable level of betting coupled with the illusion of skill, promoting an illusion of control over the stimulus and outcome.
- A wagering cap that tends to prolong play and thus promotes the illusion of competency.
- The ability to promote dissociative-like experiences and/or a sense of escape.
- The ability to switch quickly to another type of gambling and then back to the more preferred or familiar type.
- The machines pay credits for winning, thus contributing to the likelihood that the gambler will persist at play as opposed to stopping with money in hand.

Senate Executive Subcommittee on Gambling Issues 2002 Report on Video Gambling

Senator Walter Dudyycz sponsored legislation to regulate and tax video gaming in liquor licensed establishments in Illinois in 2001. **Statewide, only 7.24% of local governments responded favorably to regulating and taxing this form of legalization.** After careful evaluation of the issue, it was determined there was insufficient support to warrant movement of the legislation. Senator Dudyycz then began seeking input on ways to help regulate and prevent the illegal activity from occurring.

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