

# Oregon Lottery: Agency pushes slot machines as problem gamblers pay the price

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In 2011, a team of Texas consultants hired by the Oregon Lottery visited dozens of Portland-area bars, restaurants and “delis” with video slot and poker machines to ask hundreds of patrons about their gambling habits.

What they found is the exact opposite of the fun-loving image the lottery has cultivated for years.

The biggest chunk of players, according to **documents obtained by The Oregonian**, park in front of a machine and gamble alone until all their money is gone.

“Video lottery is currently a solitary exercise,” Mozak Advertising & Insights concluded in bold green type, adding that “running out of money” is the primary reason for ending a gambling session

It’s a classic description of problem gambling.

And it fits with other records analyzed by The Oregonian showing that most of the lottery’s revenue comes from just a sliver of players who lose thousands of dollars a year. Some wind up bankrupt, divorced, unemployed or suicidal.

Yet lottery officials expressed no alarm. Instead, they’ve embarked on one of the agency’s most aggressive marketing efforts yet to increase play on the machines, considered by problem gambling experts to be among the most addictive forms of gambling on the planet.

Together, the findings and marketing plan paint a disturbing picture of a state agency knowingly -- and increasingly -- siphoning money away from a relatively small group of problem gamblers to pay for schools, parks, business development and other programs.

“It puts the government in the business of vice,” says Roger Humble, an addiction counselor who has treated more than 1,300 problem gamblers at the **Bridgeway** clinic in Salem. “We play them as suckers to help us pay our taxes.”

**“Bled slowly”**

The Oregon Lottery's **marketing plan** declares that 2014 "will be a milestone year for Video Lottery," with efforts to attract younger players and install new machines across the state.

It's no wonder lottery officials are targeting video machines. The numbers tell the story:

In the fiscal year that ended June 30, the lottery netted \$856 million from all its games: Powerball, Megabucks, scratch tickets, Keno and video machines. A whopping \$737 million — 86 percent -- came from video.

## **Fewer players generate most of the revenue**

A **November 2012 survey** commissioned by the lottery shows that 48 percent of Oregon adults played at least one lottery game in the previous year. But just 10 percent played a video game and only half of those played at least once a month.

At the same time, an estimated 2 to 4 percent of the population has some kind of gambling problem, most experts in the field agree. Oregon's share is estimated to be between 35,000 and 80,000.

What games do they play? Addiction counselors report that 75 to 90 percent who seek treatment for gambling problems play Oregon Lottery slot and poker machines.

Lottery officials, along with state policymakers, have long known that addicted gamblers do more than their share to prop up state lottery revenues. What's new is the state's fervor in feeding their addiction.

The five-member state Lottery Commission last year approved spending \$250 million over the next five years to replace the agency's 12,000-plus video machines with state-of-the-art models. The first 3,000 machines are on order and could be in taverns, restaurants, strip clubs, bowling alleys and gambling-oriented "delis" in Portland and along the Interstate 5 corridor by late spring.

Created with help from math experts and neuroscientists, the machines are part of a new generation of electronic slots meant to attract younger customers used to playing arcade-style video games. They feature detailed color graphics and exotic names such as Golden Goddess and Shadow of the Panther.

But they're all designed with one goal, says **Natasha Dow Schüll**, an anthropologist at the Massachusetts Institute of Technology and author of "Addiction by Design," a book about the link between video slots and compulsive gambling.

"They're catering to the ones who want to zone out or escape," Schüll says. "These machines are geared to provide that kind of experience."

The idea, Schüll says, is to lull players into a sense that they're winning even as they slowly lose by returning 60 to 90 percent of the money they drop into the machines.

“You don’t really notice that your money is going away,” she says. “As one industry designer told me, some gamblers like to be bled slowly.”

In the Oregon Lottery’s case, gamblers fed a jaw-dropping \$9.9 billion into the machines in fiscal 2013, according to **lottery financial statements**. They walked away with about \$9.2 billion, a return rate of 93 percent. But that 7 percent loss represents a \$1 billion boost to the state budget every two years -- money that few are willing to walk away from, regardless of who pays it.

Problem gamblers pay a steep price and so does society, counselors say.

Addicts steal from their employers, from stores and from family members to get money to play, says Humble, the Bridgeway counselor. They wind up in trouble with the law or ostracized from their families. Often, they contract health problems, such as hypertension, that land them in the hospital.

“It’s incredible how going like this,” Humble says, mimicking the motion of pushing a slot machine button, “can create a monster.”

### **Slots push aside poker**

Oregon Lottery leaders plan to increase profits from video games by \$10 million, or 3 percent, in fiscal 2014. The focus clearly is on electronic slot games -- “line games” that mimic slots. The games are shoving aside video poker as the game of choice.

The Mozak study shows 55 percent of players prefer line games, compared with 28 percent who prefer video poker. The remaining players divide their gambling time evenly.

The agency’s marketing plan calls for on-site advertising to bring in new players, lottery-sponsored events to teach newcomers how to play slot machines, and research into potential “mobile gaming” -- think iPads in bars -- as an extension to playing video slots.

The agency’s enthusiasm for the games worries mental health and addiction experts. Jeff Marotta, a nationally recognized consultant on problem gambling who lives in Portland, read the Mozak report and came away shaking his head.

“The most disturbing aspect of this study is that it is clearly focused on assisting the Oregon State Lottery to strategize ways to increase player volume,” Marotta said in an email. “I don’t believe a state agency should be aggressively pushing the public to participate in an activity that has well documented risks associated with its addictive potential.”

Marotta, who has consulted with the Oregon Lottery on problem gambling, said the recent voter rejection of a private casino in Gresham shows the public doesn’t want an expansion of gambling in the state.

“So why,” he asks, “has the lottery recently invested in research and advertising to promote a form of gambling that addicts more Oregonians than any other form of gambling?”

Les Bernal, an outspoken critic of state-run lotteries, puts it more bluntly.

“That’s a government program that’s consciously exploiting the addiction of its own citizens,” says Bernal, who heads the Washington, D.C.-based group **Stop Predatory Gambling**. “How many people are injured every year by the Oregon Lottery’s machines? Instead of stopping, they’re saying, ‘You know what we’re going to do? We’re going to bring in new machines.’ How incredible is that?”

### **Director denies findings**

The Oregon Lottery spends heavily to research nearly every aspect of its player base. Contracts with Mozak, the Texas firm that conducted the interviews of video players in bars, came to \$275,000 alone.

As part of its research, Mozak also brought 130 gamblers into a room in Portland filled with video machines and closely studied their habits and preferences. Lottery officials rejected The Oregonian’s request to look at results from the study, citing a “trade secrets” exemption from state public records law.

Despite all the data, the lottery’s director either doesn’t understand or won’t acknowledge the extent to which the agency relies on problem gamblers for revenue.

In a lengthy interview with The Oregonian, lottery Director Larry Niswender defended the lottery’s practices and denied that the agency targets problem gamblers. He also disputed data showing that an outsize share of lottery revenue comes from a small group of players. He offered no explanation for Mosak’s finding that lone players gamble until they empty their wallets or purses.

“We’re operating under a framework set in the constitution, approved by voters,” said Niswender, who **announced he is retiring** from the lottery at the end of the month. Former state Labor Commissioner Jack Roberts takes over as director Dec. 1.

Voters overwhelmingly approved creating the lottery in 1984, Niswender said, and surveys show strong support today. And the whole point is to raise as much money as possible to substitute for tax increases, he said.

Niswender also pointed to a new responsible-gambling plan developed by lottery staff that will be implemented next year. The plan calls for the lottery to establish a “responsible gaming code of practice” but largely continues practices in place, such as clocks on game screens and prominent display of the **877-MYLIMIT** help number for problem gamblers.

The lottery’s goal, Niswender said, “is to attract new players so we don’t have a few that play a lot, we have a lot playing a little.” He questioned lottery data showing the opposite.

“I have a hard time believing there’s a very small number of people generating what is probably between \$12 million to \$14 million a week in revenue,” Niswender said. “It’s got to be a broad diverse player base.”

But later, his research staff confirmed through lottery spokesman Chuck Baumann that the lottery’s video revenue does come from a small segment of players.

As far as the finding that most play alone, Niswender referred to surveys in which video players reported playing mainly for fun. “It’s to hang out with friends,” he said.

### **“Anything but a social thing”**

A visit to just about anyplace with lottery video games offers a different view.

On a recent Wednesday afternoon at top grossing lottery outlets, people sat at the machines, quietly feeding in \$5 and \$20 bills.

At Ace Tavern on Northeast Sandy Boulevard, patron Amanda Elliot watched while two women who declined to give their names played slot machines in silence.

“Your focus is on the screen,” said Elliot, who rarely plays. “It’s anything but a social thing.”

Habitual players say they may go to casinos with friends, but they play Oregon Lottery alone.

“I have no interest in interacting with other people while I’m gambling,” says Kitty Martz of Northwest Portland, who recently completed a gambling treatment program. “I can’t stand to have someone even comment, ‘Looks like you’ve got a win there.’” She says she would wear a “gambling suit” that included ear buds to block outside noise and a scarf to hide her face.

Martz, 44, is a world traveler who once had a thriving home-remodeling business. Once she fell into the grip of video poker and slots, she started blowing through her and her now ex-husband’s life savings.

“A lot of people think it’s a tax on the stupid,” Martz says. “Really, we’re behaving exactly the way the machines want us to.”

### **A devil’s bargain**

The lottery has always been something of a devil’s bargain, suggests Peter Bragdon, who helped lead a 1995 task force on state-run gambling. The task force, established by Gov. John Kitzhaber, issued a widely publicized report warning that the state was becoming overly dependent on money that came at least in part from gambling addicts.

Years later, Bragdon was serving as chief of staff to then-Gov. Ted Kulongoski, who also served on the task force and helped write the report. The state was in the middle of a budget crisis, and “pressure was intense” to increase lottery profits, Bragdon said.

At the time, the state had video poker but not slots because of their addictive allure. First the state loosened rules to allow six video poker machines per establishment instead of five. Then the governor decided to allow slot machines.

“It’s not pressure from gambling interests, it’s pressure from people who want to spend the money,” Bragdon says. “You’ve got the reality of getting people to play these games, but you’re also looking at a budget where you’ve got really vulnerable people losing medicine, losing shelter, school doors closing early.

“And you’ve got to make a choice.”

-- Harry Esteve

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