



Casino Gambling Will Create More Costs Than Benefits in New York State

Michael Cimasi and Alexis Leonard

Introduction

In November 2013, New York State voters will decide whether to amend the state constitution to expand casino gambling. Currently, the state has five casinos run by Indian tribes. The proposed amendment would allow up to seven non-tribal casinos in areas not including New York City and not including areas, such as Western New York, where the state is bound by an exclusivity agreement with an Indian tribe. A law expanding casino gambling has passed the state legislature, but, because the state constitution forbids gambling, it will not take effect unless voters decide to amend the constitution. This policy brief argues that casino gambling creates far more costs than benefits and exacerbates poverty among the state's residents.

New York State voters should reject expanded casino gambling, because it will create far more costs than benefits.

Brief History of Casino Gambling in New York

Gambling has long been seen as a societal problem, and it was banned in the New York State constitutions of 1821, 1846, and 1894.¹ Three exceptions have been created since then to allow (1) the state-run lottery; (2) pari-mutual wagering on horses and dog racing; and (3) charitable gambling.² New York also made gambling compacts with the Oneida and Mohawk Indian Tribes in 1993 and with the Seneca Nation in 2001, allowing for five tribal casinos.³ By 2004, New York was the third highest wagering state in the nation, behind only Nevada and New Jersey, with total wagering of \$35 billion dollars.⁴

What is Casino Gambling?

In general, casino gambling consists of slot machines; table games such as poker and roulette make up a very small portion of casino revenues.⁵ Casinos strive to create an atmosphere that encourages people to gamble for long stretches of time, and as often as possible. This commonly takes the form of long rows of slot machines illuminated with neon lights, complemented by cheap or free drinks and easily accessible credit. Casino patrons bring only 40% to 60% of the money they gamble with them to the casino in cash; the remaining is derived from ATM withdrawals, credit markers, and cash advances.⁶

What are the Social Costs of Gambling?

Gambling often becomes an addiction that can lead to bankruptcy, depression, drug addiction, and crime.⁷ Most disturbingly, “approximately one in five pathological gamblers attempts suicide, and the suicide rate for pathological gambling is higher than for any other addiction.”⁸

Problem gambling drives many people into financial ruin. In a 1995 study of 105 bankruptcies in Minneapolis, over 50% showed gambling losses, averaging \$22,000 per household.⁹ Gambling has been linked to higher rates of crimes such as larceny, burglary, and auto theft, as well as fraud, forgery, tax evasion, and confidence scams.¹⁰

How does Casino Gambling Affect Poverty?

Gambling is marketed as entertainment, but people with low incomes often turn to gambling as a “Hail Mary” attempt to get out of poverty. Unfortunately, those with the least resources are the most prone to become problem gamblers. The National Gambling Impact Study Commission found that “of people with incomes under \$24,000, over their lifetimes,

“Nun Faces Grand Larceny Charge Tied to Casino Gambling”

*- Buffalo News
11/5/12*

“Mother Gambles Away Thousands of Dollars Meant to go Towards the Treatment of her Cancer-Stricken Son”

*-WGRZ
9/14/11*

“Paralegal Pleads Guilty to Embezzling \$311,000 from Elderly Widow to Support Gambling Addiction—Earns Prison Time Up to 4 Years”

*-Buffalo News
10/19/12*

“Employee to go prison, pay back \$1.3M.”

*-WIVB
7/22/13*

7.3 percent are at-risk gamblers, 1.6 percent are problem gamblers, and 1.7 percent are pathological gamblers.”¹¹ Furthermore, research has found that “people in the most disadvantaged neighborhoods gamble, on average, 72 times per year, while those in the least disadvantaged areas gamble only 29 times per year.”¹²

Already disadvantaged groups face particular harms from gambling. Blacks are 30% more likely to develop a gambling problem than whites over their lifetimes, and Hispanics are nearly twice as likely.¹³ Individuals without a high school diploma are 35% more likely to develop a gambling problem than college graduates.¹⁴

In addition to hurting those currently living in poverty, gambling can cause a downward spiral, thrusting many working and middle class individuals into poverty. As early as 1986, it was estimated that 1.4 million New Yorkers, or 7.3% of the Empire State, were problem gamblers – at that time, the highest rate of problem gamblers in the country.¹⁵

Will Expanded Casino Gambling Help or Hurt the State’s Economy?

In the current economy, law makers see casinos as quick revenue. But one must investigate the cost of this immediate revenue. State casino revenue is like borrowing from a loan-shark: the cash spends quickly, but the compounding costs are economically and socially devastating. As discussed above, of all individuals with incomes under \$24,000, over 10% will engage in a level of gambling that make them at-risk gamblers, problem gambler, or pathological gamblers.¹⁶ State residents routinely gamble themselves to, or below, the poverty line and then need public assistance to make ends meet. This vicious cycle will repeat

“A Postal Carrier Admits Stealing \$400K From an Elderly Man to Finance a Gambling Habit”

-Buffalo News
7/12/13

“Falls Roofer Admits Defrauding Now-Destitute Elderly Man out of \$600K”

-Buffalo News
5/16/13

“91-year-old Retired Priest Taken Advantage of by an Addicted Gambler for More Than \$500,000”

“Army Reservist Pleads Guilty on Fraud Charge”

-Buffalo News
5/29/13

itself, and the costs to government and society will outweigh the benefits. The increased regulatory costs of gambling alone are huge. A 1999 Louisiana study calculated that state's cost of gambling regulation to be \$50.02 million per year.¹⁷

It is unlikely that New York will become an international destination for "high rollers" or even out-of-state gambling tourists. With the proliferation of casinos in the Northeast, the average distance traveled for casino gambling is continually diminishing. According to researchers, the Northeast U.S. now faces gambling saturation, with dozens of casinos in New Jersey, Connecticut, and Pennsylvania, and casinos on the way in Massachusetts.¹⁸ Thus, most of the customers will be local state residents.

The dollars spent at casinos and jobs added will simply take dollars and jobs away from other establishments (restaurants, bars, etc.) and employers in the casino's immediate area.¹⁹ In this way, casinos will not create "new" jobs, but rather shuffle low wage jobs from one employer to another, while causing remarkably high levels of collateral damage in the process. Furthermore, because slot machines are a very efficient way to make money with almost no human labor required, casinos will kill more jobs in other sectors than they create within their own walls.

In short, state authorized casino gambling is fiscal and economic regression, not real economic development. The social and fiscal woes that Albany will sow in this effort will far exceed any harvest from slot machine profit sharing—and the worst of these consequences will be visited on the most disadvantaged and at-risk populations in the state.

"Arcade Woman Steals \$1.3 Million from Employer, Spends on Gambling"

*-Buffalo News
4/29/14*

"Housing Counselor Gets 6 Years for Stealing from Clients"

*-Buffalo News
10/6/11*

"Jailed Lawyer Latest to Blame Casinos for his Crime"

*-Buffalo Business First
9/6/12*

"Former Depew Teacher Pleads Guilty to Stealing from PTO"

*-WGRZ
10/10/12*

¹ Senator Frank Padavan, *All Gambling All the Time: Turning the Empire State into the Gambling State*, Pg. 10 (April 2004) (“Padavan Report”).

² Padavan Report at 7-11.

³ Meyer, Brian (2009). Ground broken for bigger casino (2009). *The Buffalo News*, 20 October 2009.

⁴ Volberg, Rachel A. (1994). The Prevalence and Demographics of Pathological Gamblers: Implications for Public Health. *American Journal of Public Health*, 84 (2), 237-241.

⁵ Beebe, Michael, Dan Herbeck, and Lou Michel (2002). Senecas vote yes: slim margin favors gaming off reservation. *The Buffalo News*, 15 May, 2002.

⁶ Beebe, Michael (2009). Casino opponents file new federal lawsuit. *The Buffalo News*, 1 April, 2009.

⁷ Padavan Report at 42.

⁸ Eadington, William R. (1999). The Economics of Casino Gambling. *Journal of Economic Perspectives*, 13(3), 173-192.

⁹ Gambling in American at 140.

¹⁰ Gambling in America at 133-34.

¹¹ Better Government Association (1995). "Statement of J. Terrence Brunner, Executive Director," November 3, 1995

¹² Blalock, Garrick (2007). Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries. *American Journal of Economics and Sociology*, 66(3), 545-570.

¹³ NGISC 1999 at 4-8.

¹⁴ NGISC 1999 at 4-8.

¹⁵ Padavan Report at 48.

¹⁶ Blalock, Garrick (2007). Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries. *American Journal of Economics and Sociology*, 66(3), 545-570.

¹⁷ Gambling in America at 144.

¹⁸ McKinley, Jesse and Charles Bagli. “Success of Cuomo’s Plan for More Casinos Relies on His Power of Persuasion.” *New York Times*, June 16, 2013.

¹⁹ Eadington, William R. (1999). The Economics of Casino Gambling. *Journal of Economic Perspectives*, 13(3), 173-192.

Michael Cimasi drafted this brief as a law student at the SUNY Buffalo Law School. Alexis Leonard supplemented it as a Cornell University ILR School High Road Fellow at the Partnership for the Public Good.

Partnership for the Public Good

www.ppgbuffalo.org

237 Main St., Suite 1200, Buffalo NY 14203
