



Gambling in Alabama: Costs and Consequences

Introduction

The meteoric growth and influence of casino gambling in America has made it one of the most controversial industries in the nation. While over the past 20 years, casino revenues increased from \$8.7 billion in 1988 to \$32.54 billion in 2008, an increase of 273 percent (182 percent when adjusted for inflation), only the current recession has put the industry in a severe slump.¹

As gambling revenues have increased, so have the number of venues to place a wager. Only three decades ago, Nevada was the only place in the country where casino gambling was legal. Today, according to the American Gaming Association's *2009 Survey of Casino Entertainment*, there are 489 land-based, riverboat and racetrack casinos in 19 states, with an additional 402 tribal casinos offering casino gambling in 24 states.² With almost 900 "destination" casinos, riverboat casinos and "racinos"—slot machines and/or video poker machines at dog or horse tracks—the United States is the undisputed gambling hub of the world.³ By comparison, runners-up France and Russia have less than 200 casinos apiece.⁴

For states, the lure of easy money from gambling is relentless, especially in difficult economic times. In 2009 alone, at least 25 states have proposed or considered expanding legalized gambling.⁵ Since 2007, Kansas has legalized casinos; Colorado has extended its casino hours, legalized more games and raised the limit on bets from \$5 to \$100; Missouri has abolished its casino loss limit; Maryland has legalized slots parlors; and Ohio has approved four large casinos.⁶

The Purpose of This Report

Is legalizing electronic gambling machines to "keep local gambling dollars local" the best strategy for Alabama? If gambling opponents are correct, the damage caused by gambling addiction is widespread enough to affect not just the addicts themselves but large numbers of persons in their communities. These costs could manifest themselves in two ways: *public sector costs*, which are gambling-related costs borne collectively by a community, such as higher taxes and the costs associated with higher crime rates; and *private sector costs*, which represent the

¹ "2009 Survey of Casino Entertainment." American Gaming Association. 19 Jan 2010. <http://tinyurl.com/o2x3hq>.

² *Ibid.*, 4.

³ For this report, "casinos" refer to traditional land-based casinos, "cruises to nowhere," riverboat casinos, and Class III Indian gambling establishments. (Source: Earl L. Grinols and David B. Mustard. "Business Profitability versus Social Profitability: Evaluating Industries with Externalities, the Case of Casinos." *Managerial and Decision Economics*. 22. (2001): 143. Print.) According to the Indian Gaming Regulatory Act of 1988, Class I gambling includes "social games solely for prizes of minimal value." Class I gambling includes traditional Indian games identified with tribal ceremonies and celebrations. Class II gambling includes bingo and "games similar to bingo." Class III gambling includes "all forms of gaming that are not Class I or Class II gaming," such as blackjack, slot machines, roulette, and other casino-style games. (Source: Earl L. Grinols and David B. Mustard, "Casinos, Crime, and Community Costs." *Review of Economics and Statistics*. 88. (2006): 29.)

⁴ "World Casino Directory." 10 Feb 2010. <http://tinyurl.com/yau9t96>.

⁵ Lucy Dadayan and Robert B. Ward, "For the First Time, a Smaller Jackpot: Trends in State Revenues from Gambling." *Fiscal Study*. 21 Sep 2009. Nelson A. Rockefeller Institute for Government, 10 Feb 2010. <http://tinyurl.com/l9bces>.

⁶ Lance Tapley, "Do Casinos Cause Crime?" *The Crime Report* 21 Dec 2009. 19 Jan 2010. <http://tinyurl.com/ykjkx244>.

personal losses borne by problem and pathological gambling,⁷ such as jobs lost, resources wasted and the reduction of disposable income.⁸ In Section I, this report recaps the recent history of the battle over “casino” gambling in Alabama. In Sections II and III, the economic and social effects of legalized casinos in other states are examined to estimate the consequences of legalizing the same type of gambling in Alabama.

Section I: Alabama’s Ongoing Battle with Expanded Gambling

Alabama has not been immune to the siren call of expanding legalized gambling. For almost 30 years, pressure to expand legalized gambling in Alabama has come from two sources: coalitions of gambling supporters and their allies in the State Legislature; and the Poarch Creek Indians, the only federally-recognized tribe in Alabama. Because the Indian Gaming Regulatory Act of 1988 (IGRA) allows federally-recognized tribes to operate Class II games such as bingo and other games similar to it (as long as the state they are in already permits the same type of gambling),⁹ the Poarch Creeks have bingo halls in Atmore, Montgomery and Wetumpka.

Two significant events in 2004 are responsible for the most recent push for expanded gambling in Alabama. The first of these was the ratification of Greene County Amendment 743 in June 2004, allowing “...that specific kind of game commonly known as bingo in which prizes are awarded on the basis of designated numbers or symbols on a card *or electronic marking machine*” (emphasis mine) in Greene County.¹⁰ Shortly after this legislation was passed—and in at least two cases, even before it was ratified¹¹—electronic bingo machines began appearing in gambling venues across the state.

⁷ Several terms are used to define “pathological gambling” and “problem gambling.” Pathological gambling is classified by the American Psychiatric Association’s Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) as an impulse control disorder based on 10 criteria centering, including lying to family members to conceal one’s involvement in gambling, gambling to escape problems, and committing crimes to continue gambling. On the other hand, problem gambling includes those problem behaviors associated with pathological gambling, but individuals labeled as problem gamblers show symptoms of fewer than five of the 10 DSM-IV criteria. Source: United States. *National Gambling Impact Study Commission: Final Report to Congress*. Washington DC: Author, 1999. 10 Feb 2010. <http://tinyurl.com/yk8hrd3>.

⁸ These personal and community-related damages caused by gambling have often been referred to as “social costs.” This term, however, has been the subject of considerable criticism. According to Walker (2003), there are two reasons the literature regarding social costs is deficient: “First, it lacks an appropriate standardized definition of social cost. Second, it lacks a methodology for measuring the value of these costs. As it stands in the literature, individual researchers choose what to include and what to exclude from their cost studies.” Source: Douglas M. Walker, “Methodological Issues in the Social Cost of Gambling Studies.” *Journal of Gambling Studies*. 19.2 (2003): 150.

⁹ “Indian Gaming Regulatory Act Overview.” National Indian Gaming Commission. 28 Jan 2010. <http://tinyurl.com/ybfcblq>.

¹⁰ “Dana Beyerle and Stephanie Taylor, ‘Crush’ Bingo Machines, Tyson Urges.” *Tuscaloosa News*, 3 July 2010. 6 July 2010. <http://tinyurl.com/2873h2l>.

¹¹ In December 2003, Multimedia Games, Inc. installed 300 electronic bingo machines at VictoryLand Dog Track. The following month, the same company installed 194 similar machines at Greenetrack, five months before the amendment was ratified. Source: “Multimedia Games Places Electronic Bingo Player Stations at Second Alabama

The second set of events in 2004 that led to the expansion of electronic bingo machines in Alabama were the questionable gambling-related decisions of Alabama's newly-appointed Attorney General, Troy King. Concerned about the rapid increase in electronic bingo machines in the state, Gov. Bob Riley and Attorney General King went to Washington, D.C. in September 2004 to meet with U.S. Attorney General John Ashcroft, the National Indian Gaming Commission (NIGC) and FBI Director Robert Mueller about what actions the state could take to control the spread of the controversial games. A month later, Attorney General King received a letter from the NIGC stating that they had found evidence that some of the electronic bingo machines at VictoryLand, Greenetrack and White Hall were actually slot machines and therefore illegal. These findings, however, were not shared with the Governor's Office until 2009 when *The Birmingham News* uncovered the letter.¹² Instead, after touring several of the state's electronic bingo halls, Attorney General King issued his own definition of legal bingo in December 2004, which did not mention the NIGC's findings, but instead declared the electronic bingo games at VictoryLand and Greenetrack legal. White Hall, however, was declared illegal on a technicality regarding the procedure for approving local constitutional amendments.¹³

Once Attorney General King established his own criteria as to what constituted legal electronic bingo in Alabama, the Poarch Creeks joined in the electronic bingo frenzy, preemptively installing hundreds of the machines at their own gambling halls on the grounds that the state could not prevent the tribe from operating the machines because it had already legalized electronic bingo. According to the Indian Gaming Regulatory Act of 1988 (IGRA), federally-recognized tribes could only operate Class III gaming if they either established a compact with the state, usually in return for a share of the gambling profits—which no governor since 1988 has been willing to do—or if the state had already legalized an identical form of Class III gaming. Despite the fact that Alabama has not legalized Class III games, the Poarch Creeks opened their Wind Creek Casino in Atmore in January 2009. The 17-story resort, which has 236 rooms and four restaurants, also has 1,600 electronic gaming machines, making it the third largest gambling site of its type in the nation.¹⁴

A Rift between the Governor and Attorney General. Attorney General King's controversial decisions regarding the legality of electronic gambling machines set the groundwork for a series of clashes over the next six years between him and the Governor. The first of these conflicts came in 2006, when Attorney General King and Gov. Riley disputed the legality of "sweepstakes" machines operated by businessman Milton McGregor at the Birmingham Race Course. While the Governor argued that the machines were indeed slot machines and therefore illegal, Attorney

Dog Racing Facility; Expands Company's Installed Base in Charity Bingo Market." *BNet.com*. 7 Jan 2004. 6 July 2010. <http://tinyurl.com/36nhgsv>.

¹² Mike Perrin, "AG Troy King, Gov. Bob Riley Spar over Bingo Report." *Birmingham News*, 28 June 2009. 18 May 2010. <http://tinyurl.com/l1npza>.

¹³ State of Alabama, Office of the Attorney General, "A.G. King Announces Findings of His Gambling Review." 1 Dec 2004. 18 May 2010. <http://tinyurl.com/3xqtslt>.

¹⁴ "Wind Creek Casino & Hotel." 28 Jan 2010. <http://tinyurl.com/ydrxchr>.

General King refused to pursue that course of action. In December 2006, the Alabama Supreme Court sided with Gov. Riley in declaring that the machines at the Birmingham Race Course were indeed slot machines.¹⁵

A second confrontation between Attorney General King and Gov. Riley began in early 2008, when King approved electronic bingo permits for the proposed Country Crossing Casino in Houston County only a few weeks after attending a party at the developer's home.¹⁶ King also issued an opinion later in the year which stated that the developers of Country Crossing could receive compensation in the form of a percentage of bingo revenue, even though his earlier permit prohibited such compensation.¹⁷

The gap between the Governor and the Attorney General reached its zenith in late 2008 after Gov. Riley formed a Task Force on Illegal Gambling to enforce the slot machine law across the state. Throughout the year, as the Governor's Task Force raided one gambling venue and threatened to raid more, the Attorney General declined to help the Task Force, directed it to not conduct any additional raids without his permission, and even tried to fire Task Force commander John Tyson in March 2010.¹⁸

The Push for Electronic Bingo Intensifies. Throughout 2009 and 2010, as it became more likely that the legality of Alabama's electronic bingo machines would be decided by the state's Supreme Court instead of by a vote of the people, unprecedented attempts were made by gambling supporters to push expanded gambling as an economic engine for the state. The first of these attempts, artfully titled "Sweet Home Alabama," debuted in early 2009 with the intent of setting up a limited number of "points of destination" for electronic gambling across the state. In return for allegedly eliminating illegal gambling by establishing a gaming commission, the state would have received some gambling revenue for public education and Medicaid.¹⁹ By May, though, the bill had died in the Senate, the victim of insufficient legislative support.²⁰

In November 2009, supporters of expanded gambling in Alabama were dealt another defeat when the Alabama Supreme Court established a six-point test that clearly defines "legal" bingo. The effects of the Court's decision have already been far-reaching. First, the Court used this test/definition in January 2010 in their ruling against an electronic bingo ordinance for the city of

¹⁵ Barber v. Jefferson. 960 So. 2nd 599. Alabama Supreme Court. 1 Dec 2006. 18 May 2010. <http://tinyurl.com/37u7hrd>.

¹⁶ Bob Blalock, "Our View: Attorney General Troy King's opinion on Houston County gambling question is tainted." *Birmingham News*. 3 May 2009. 19 May 2010. <http://tinyurl.com/29ozsg7>.

¹⁷ State of Alabama, Office of the Attorney General, Opinion. 19 Sep 2008. 19 May 2010. <http://tinyurl.com/284ml87>.

¹⁸ George Altman, "John Tyson Says He Won't Step Down from Illegal Gambling Task Force." *Birmingham News*, 22 Mar 2010. 19 May 2010. <http://tinyurl.com/3xg4kzb>.

¹⁹ Sondra Washington and Jennifer Davis Rash, "Sweet Home Alabama Bill Amended to Take Away, Add 'Points of Destination.'" *The Alabama Baptist*. 8 April 2009. 19 May 2010. <http://tinyurl.com/2weekyl>.

²⁰ Greg Richter, "'Sweet Home Alabama' Bill Dead." *Birmingham News*. 6 May 2009. 19 May 19, 2010. <http://tinyurl.com/39bnh63>.

Ashville.²¹ Second, by establishing a narrow, traditional definition of “bingo,” the Court’s ruling nullified claims that the language of Greene County’s Amendment 743 legalized electronic bingo machines. Finally, because the Court has established what constitutes legal bingo in Alabama, the bingo machines operated by the Poarch Creeks will either have to pass the same test or be removed.

Regardless of these setbacks, efforts to legalize electronic bingo continued in the 2010 legislative session, and centered on a grassroots effort to legalize the machines at Country Crossing. The \$87 million casino and country music destination, which opened in November 2009, has 1,700 electronic gambling machines.²²

During the session, three gambling bills were introduced, each with the same goal: legalize electronic bingo games in Alabama. The first of these—HB 5047—which was introduced by Rep. Marcel Black (D-Colbert), passed out of the Tourism and Travel Committee on a voice vote, but was indefinitely postponed in the House after it became clear that the bill granted both a gambling monopoly and criminal immunity to current owners.

The second bingo bill of the session—SB 380—which was introduced by Sen. Roger Bedford (D-Russellville) was somewhat more successful. An austere bill, it proposed limiting the number of legal electronic bingo sites in the state to less than a dozen.²³ Ironically, the bill’s strictness also led to its downfall; because the districts of some senators would have fewer gambling venues than they wanted, several of them who would have otherwise voted for a less restrictive bill eventually voted against it.

The last gambling bill of the session, which also originated from Sen. Bedford as an amendment to his first bill, was much shorter and less complex. Instead of spelling out the exact number and locations of electronic bingo sites, the bill called for an Extraordinary Legislative Session to work out its details.²⁴ Although the bill passed the Senate, it failed to come up for a vote in the House, on no small account of an announcement of an investigation by the FBI of possible vote buying by pro-gambling lobbyists.²⁵ Without enough advocates left in Montgomery to “let the people vote” on its fate, and to avoid being the victim of a Task Force raid, Country Crossing shut down first in January,²⁶ then again in March.²⁷ It has yet to reopen.

²¹ Will Heath and Gary Hanner, “Alabama Supreme Court Rules Against Electronic Bingo.” *The Daily Home* [Talladega, AL], 29 Jan 2010. 20 May 2010. <http://tinyurl.com/2ub2s7o>.

²² “Bill Would Allow Gambling at Non-Indian Sites in Alabama.” *Breaking News from the [Mobile, AL] Press-Register*. Associated Press, 13 Jan 2010. 28 Jan 2010. <http://tinyurl.com/y95gn47>.

²³ State of Alabama. Constitutional Amendment. SB 380. 4 Feb 2010. 20 May 2010. <http://tinyurl.com/37o6ehy>.

²⁴ State of Alabama. Constitutional Amendment. Substitute for SB 380. 3 Mar 2010. 20 May 2010. <http://tinyurl.com/3alxkfv>.

²⁵ Kim Chandler, “FBI Conducting Corruption Probe Focused on Gambling, Bingo Bill Passed by Alabama Senate.” *Birmingham News*, 2 Apr 2010. 20 May 20, 2010. <http://tinyurl.com/yay9ug4>.

²⁶ “Troopers Stand Ready at Country Crossing: Facility Closed.” *Dothan Eagle*. 29 Jan 2010. 20 May 20, 2010. <http://tinyurl.com/38lnbas>.

In May 2010, the Alabama Supreme Court ruled 9-0 that Gov. Riley has the authority to act as the state's chief law enforcement officer, giving him the authority to conduct more raids on gambling sites believed to be operating illegally. At the same time, Attorney General King washed his hands of the gambling issue, stating instead that he would focus on other issues for the remainder of his term.²⁸ On June 1, he was defeated in the Republican primary.

Section II: Economic Costs

Do Casinos Contribute to Economic Growth?

It is obvious that the gambling industry contributes tax money to state and local governments; even in the current recession, total (non-Indian) casino contributions in FY 2009 totaled almost \$4.5 billion.²⁹ The effects of the industry on per-capita income are less clear. While the social costs and benefits of legalized gambling have been studied at length, much less research has been conducted on the extent to which its presence contributes to economic growth.

To answer this question, economics professors Douglas Walker of the College of Charleston and John Jackson of Auburn University analyzed 15 years of casino revenue data (1991-2005) to measure its effect on per-capita income in the states where casinos were located. Using sophisticated Granger-cause analysis³⁰, they found that (1) casino revenues did not increase per-capita income; (2) increases in per-capita income did not improve casino revenues; (3) and for the handful of states with no (non-Indian) casino gambling in neighboring states, casino revenues had no significant effect on per-capita income, either.³¹

To decipher these findings, Walker and Jackson offered two explanations. First, the effect of new casinos on per-capita growth may be diluted because of competition for gambling dollars from other states, or different types of gambling venues within the same state. In other words, because of the already-crowded gambling market, the days of building a casino and expecting a boost to per-capita income may be over.

A second explanation is that casinos have a long-term effect of "cannibalizing" their local economies. After providing an initial boost to per-capita income, the casino's effect wears out, and any additional gains in revenue come at the cost of other businesses and industries.³² An example of this type of cannibalization can be found in a 2003 analysis by the Anderson Economic Group on the economic impacts of a tribal casino in Michigan's Wayland Township. According to their report, between 46 percent and 57 percent of anticipated revenue for a casino

²⁷ Greg Phillips, "Country Crossing Delays Reopening." *Dothan Eagle*. 23 Mar 2010. 20 May 20, 2010. <http://tinyurl.com/ykney8o>.

²⁸ "Attorney General Troy King Says He's Turning All Bingo Matters Over to Gov. Riley." *Associated Press*. 24 May 2010. 25 May 2010. <http://tinyurl.com/2bp8a6a>.

²⁹ Dadayan and Ward, 14.

³⁰ Granger-cause analysis is a "statistical concept of causality that is based on prediction." It uses time-lagged values of X to predict Y in such a way that X can only predict future values of Y, but not the other way around. Source: "Granger causality." Scholarpedia.org. 3 Feb 2010. <http://tinyurl.com/34rrvhj>.

³¹ Douglas M. Walker and John D. Jackson, "Do Casinos Cause Economic Growth?" *American Journal of Economics and Sociology* 66.3 (2007): 593-607. 27 Jan 2010. <http://tinyurl.com/yema576>.

³² *Ibid.*

would come from non-casino-related goods and activities, while the balance would come from expenditures that would have otherwise been made at other casinos.³³

A third possibility that Walker and Jackson do not discuss: only a small percent of the casino's profits stay in the community. For example, according to 2007 tax records from the White Hall Gaming Center, \$12.5 million—almost two-thirds of the center's revenue—went to out-of-state gambling machine suppliers for software licensing fees.³⁴

The implications of Walker and Jackson's findings on legalizing casinos in Alabama are clear. For Alabama to become a true destination for gambling, it would have to enter an already-saturated market. With more than 100 casinos along the Mississippi River within a day's drive for tens of millions of people, Indian casinos in Florida and state-sponsored lotteries in Georgia, Florida and Tennessee, there would be little reason for tourists to come to Alabama just to gamble. Moreover, if casinos were legalized to keep Alabamians from gambling elsewhere, it would be an admission that it is Alabamians the gambling interests want to prey upon. And not just any Alabamians, but those who can't afford to travel to other destinations.

Are Casinos Recession-Proof?

Despite the lure of using gambling as a means to create jobs and shore up state and local coffers when tax revenues fall, casinos are not immune to economic downturns. And, when money is tight, casinos lay off employees and postpone costly projects, just like traditional businesses.

In September 2009, the Rockefeller Institute of Government found that state income from all forms of gambling fell 2.8 percent in FY 2009. For casinos, the drop was 8.5 percent. Of the 12 states where non-Indian commercial casinos are operated, eight reported declines in revenue; only Pennsylvania and Missouri reported increases in revenue of greater than two percent (63 percent and 6.6 percent, respectively).³⁵ The study also questioned the wisdom of using gambling revenues to pay for social services. "Expenditures on education and other programs will generally grow more rapidly than gambling revenue over time," said Lucy Dadayan, a senior analyst at the Institute. "Thus, new gambling operations that are intended to pay for normal increases in general state spending may add to, rather than ease, long-term budget imbalances."³⁶

³³ "Market and Economic Impacts of a Tribal Casino in Wayland Township, Michigan." Anderson Economic Group. 13 Mar 2003. <http://tinyurl.com/3aavhg9>.

³⁴ 2007 Form 990 filed by Cornerstone Community Outreach, the nonprofit organization that nominally operates White Hall Entertainment Center.

³⁵ If revenues are adjusted for inflation, 10 of the nation's 12 casino states lost revenue compared to 2008. Pennsylvania's increased casino revenues are the result of placing the state's only casino in the former steel city of Bethlehem, where its proximity is enticing gamblers who would otherwise head to Atlantic City. Missouri's smaller increase in revenues came from the addition of a twelfth riverboat casino in the state: without it, revenues would have been flat. Source: Dadayan and Ward, 12-13.

³⁶ Ben Rooney, "States: No Luck from Gambling." *CNNMoney.com* 21 Sep 2009. 10 Feb 2010. <http://tinyurl.com/lr97la>.

In Florida, for example, the proceeds of the state lottery and slot machines go to education. Nevertheless, the state's inflation-adjusted share of per-pupil spending has actually fallen since 1990 because the revenues from the lottery merely replaced money that was already earmarked for it, providing no gain in spending. And the slots, which gambling supporters claimed would produce at least \$438 million in their first year of operation, brought in less than one third of that amount.³⁷

The following are examples of how various states with established, large-scale gambling operations have been hurt by the current recession:

Nevada. In 2008, 26 percent of the Silver State's \$3.05 billion general fund budget came from gambling revenues.³⁸ Partly because of corresponding declines in tourism (-7 percent) and gambling (-15 percent), Nevada had to deal with a \$1.09 billion budget gap for FY 2009, which represented a 28 percent shortfall in the state's general fund budget. In FY 2010, the forecast is worse: a gap of \$1.2 billion, or 31 percent, of Nevada's proposed general fund budget.³⁹ As a result of these declines in business, 27,500 jobs in Las Vegas' hotel-casino industry (15 percent of the city's total) have been cut since December 2007. These job losses have contributed to Nevada's unemployment rate soaring from 8.4 percent December 2008 to 14 percent in May 2010, the highest unemployment rate in the nation.⁴⁰

In response to these developments, a roundtable discussion hosted in Las Vegas by the Lied Institute of Real Estate Studies at UNLV in August 2009 concluded that the city must diversify if it hopes to recover more quickly from future economic downturns. According to John Restrepo, principal of Restrepo Consulting Group, Las Vegas and the surrounding region have become addicted to the "hypergrowth" that came with large-scale gambling. "We are finding out, Restrepo noted, "that an economy based on discretionary spending is not built on a strong foundation for long-term economic and community sustainability."⁴¹

Mississippi. Four percent of Mississippi's general fund budget comes from gambling revenues. According to data from the Mississippi Gaming Commission, the annual tax revenues generated by casino gambling in 2009 fell \$32.4 million from their high a year earlier, a decline of 10.4 percent. Moreover, gross monthly gambling revenues for November and December 2009 were at their lowest since December 2005, after Hurricane Katrina knocked out all of the state's Gulf

³⁷ Michael R. Vasquez, "Gambling No Prize for Schools." *Miami Herald* 27 Apr 2009. 1B-2B.

³⁸ Nevada Office of the Governor, *Executive Budget in Brief: 2009-2011 Biennium*. Carson City: Author, 2009. 10 Feb 2010. <http://tinyurl.com/yea2eto>.

³⁹ "State Budget Update: July 2009." Jul 2009. National Conference of State Legislators. 10 Feb 2010. <http://tinyurl.com/koun6z>.

⁴⁰ United States Department of Labor, Bureau of Labor Statistics, *Regional and State Employment and Unemployment Summary*. Washington DC: GPO, 18 June 2010. 6 July 2010. <http://tinyurl.com/2u5juy5>.

⁴¹ Buck Wargo, "LV Economic Foundations 'Cracked,' Report Says." *Las Vegas Sun* 15 Jan 2010: n. pag. 22 Jan 2010. <http://tinyurl.com/yh69jl5>.

Coast casinos for more than three months.⁴² When these declines are coupled with the state's other revenue losses, Mississippi's shortfalls are projected to increase, from \$370 million in FY 2010 to \$715 million in FY 2011 to \$1.2 billion in FY 2012.⁴³ To adjust to this downward trend in spending, casinos have laid off almost 4,000 employees since 2006,⁴⁴ helping to boost the state's unemployment rate from 9.8 percent in December 2008 to 10.6 percent in December 2009.⁴⁵ In Tunica alone—the third largest gambling destination in the nation—unemployment has almost doubled, from 6.8 percent in November 2007 to 12.1 percent in November 2009.⁴⁶

The Indian gambling sites operated by Mississippi's Band of Choctaw Indians have also suffered, both as a result of the current recession and overbuilding hotels and casinos on their tribal lands. To help meet its \$100 million annual debt obligation, the Pearl River Resort eliminated 570 jobs in January 2009 and reduced to weekends only the number of days one of its two hotel-casinos would be open.⁴⁷

Connecticut. Prior to the recession, the Foxwoods Resort Casino, which is owned and operated by the Mashantucket Pequot Tribe, was both the most profitable casino in the world, and the largest in terms of floor space dedicated to gambling. Since 2005, Foxwoods' revenues have steadily fallen from a high of almost \$820 million to about \$709 million in 2009, a decline of more than 13 percent. Likewise, transfers to Connecticut's general fund have dropped from almost \$205 million in 2005 to \$177 million in 2009.⁴⁸

With casino revenues down, the tribe has cut 800 of its 11,000 workers and is on the verge of defaulting on \$2.3 billion in debt. This is because sovereign tribes, which the federal government considers "governmental units," cannot use bankruptcy courts to restructure their payments, give non-tribe creditors ownership in the casino, or sell off tribal land to erase debts.⁴⁹ Moreover, the tribe has a memorandum with the state of Connecticut guaranteeing the state 25 percent of the tribe's profits or \$80 million a year, whichever is higher.⁵⁰ Because creditors could only seize

⁴² Mississippi State Tax Commission. Miscellaneous Tax Division, *Tax Revenues from Gaming*. 1 Jan 2010. 22 Jan 2010. <http://tinyurl.com/ykc3bo3>.

⁴³ Mississippi Office of the Governor. *FY 2011 Executive Budget Recommendation*. 16 Nov 2009. 22 Jan 2010. <http://tinyurl.com/ybxyvlt>.

⁴⁴ Mississippi Gaming Commission, *Quarterly Survey Information: July 1, 2009 - September 30, 2009*. 26 Jan 2010. <http://tinyurl.com/y8aqebr>.

⁴⁵ United States Department of Labor, Bureau of Labor Statistics, *Regional and State Employment and Unemployment Summary*.

⁴⁶ Mississippi Department of Economic Security, *Labor Market Data: 2009*. 23 Dec 2009. 26 Jan 2010. <http://tinyurl.com/yesre2b>.

⁴⁷ Debbie Myers and Jim Prince, "Resort Lays Off 570, Closing Golden Moon on Weekdays." *Neshoba Democrat* [MS] 7 Jan 2009. 7 July 2010. <http://tinyurl.com/344ay33>.

⁴⁸ Connecticut Division of Special Revenue, *Foxwoods Casino: Schedule of Selected Video Facsimile/Slot Machine Data for the Period January 1, 1993 through December 31, 2009*. 26 Jan 2010. <http://tinyurl.com/yasv5rr>.

⁴⁹ John Froomjian and Donald Wittkowski, "Indian Casinos Not Immune to Troubles during Recession." *PressofAtlanticCity.com*. 1 Nov 2009. 26 Jan 2010. <http://tinyurl.com/yfxassf>.

⁵⁰ Veronica Rose, *Indian Slot Machine Payments to Connecticut (revised)*. Connecticut. General Assembly. Office of Legislative Research. 8 Aug 2001. 26 Jan 2010. <http://tinyurl.com/yde7s7r>.

what profit is left, if any, investors may have second thoughts about the security of financing loans to Indian casinos.⁵¹

Similar bad times have hurt Connecticut's other mammoth Indian casino, the Mohegan Sun. Since 2007, the casino's revenues have fallen 12 percent, from almost \$917 million to less than \$803 million in 2009.⁵² "In addition to a hiring freeze, Mohegan cut its 9,500 employees' salaries by 4 percent to 10 percent, with executives taking the biggest hit." The tribe's planned casino expansions have also been postponed.⁵³

Casinos and Job Creation

When new businesses come to a community, they are often accompanied by an increase in the number of (potentially better) jobs and a subsequent decline in the unemployment rate. With casinos, however, other less desirable outcomes can be expected.

In 2001, Baylor University Economics Professor Earl Grinols assessed the social value of casino gambling on a cost-benefit basis. Armed with the understanding that "gambling creates certain social costs that other entertainment industries do not," he found industry-financed studies report the effect of a casino on jobs, yet rarely compute the value of those jobs to residents:

The most common misperception about the social evaluation of gambling is the belief that counting jobs created by casinos is the way to measure benefits. Jobs are not a benefit, and more jobs in an area may even be harmful to existing residents. In other cases more jobs may be the means to benefits.⁵⁴

Grinols notes that, in the case of gambling, a new casino might also (1) supplant business and jobs from existing businesses, creating no new jobs or economic development; (2) create jobs by bringing in outside workers but reducing jobs in perimeter communities, creating no new economic development; or (3) take jobs from the existing employee base, but the financial success of the new casino surpasses the negative effect of the jobs lost, creating economic development. In all of these cases, job creation is irrelevant to economic development.⁵⁵

Casinos can create significant numbers of jobs in enclaves of extreme poverty such as Tunica, Mississippi. Because no other jobs are available, casinos can become the de facto employers. This type of massive economic boost is much more likely to be the exception than the rule and should not be counted on unless a casino is located in a similar environment. In a 2007 article for CNN Money, *Fortune* author Stephanie Mehta noted:

⁵¹ Froonjian and Wittkowski, *Ibid.*

⁵² Connecticut Division of Special Revenue, *Mohegan Sun Casino: Schedule of Selected Video Facsimile/Slot Machine Data for the Period October 1, 1996 through December 31, 2009*. 26 Jan 2010. <http://tinyurl.com/yac36fz>.

⁵³ Froonjian and Wittkowski, *Ibid.*

⁵⁴ Earl L. Grinols, "Cutting the Cards and Craps: Right Thinking about Gambling Economics." *Gambling: Debating the Issues*, ed. Gerda Reith. New York: Prometheus, 2003. 4. 27 January 2010. <http://tinyurl.com/y8I53cf>.

⁵⁵ *Ibid.*, 5-6.

Tunica is a powerful example of what legalized gambling can do for a poor area. The problem now is what to do next: gambling appears to have peaked here. For roughly the past six years, gaming revenue in the region has been flat. Local leaders say consolidation in the industry has prevented casino operators from making further investments that might lure new visitors....

Gaming industry experts say there is no precedent for Tunica's plans to reinvent itself yet again. "I can't think of a market that introduced gaming as an impetus for generating jobs that then diversified to the point that gaming became secondary," says Michael French, a partner in PriceWaterhouseCooper's hospitality and leisure practice.

Furthermore, the world has changed dramatically since Tunica first embraced casinos 15 years ago. Instead of competing with the county next door for jobs and economic opportunities, communities, even rural ones like Tunica, need to think about rivals in emerging markets such as China and India. "Casinos don't grow skills," says Mark Minevich, an international strategic advisor. "They don't nurture talent."⁵⁶

Section III: Social Costs

For most people, gambling is generally a positive experience. However, for a minority, gambling creates difficulties of varying severity and duration that also result in harm to people close to them and to the broader community.⁵⁷

The Dangerous Appeal of Electronic Gambling

While Wind Creek Casino, Country Crossing and the other gambling sites that have appeared across Alabama identify themselves as "casinos" or the more harmless-sounding "bingo halls," the type of gambling they offer is very different from that of traditional casinos or bingo halls. Instead of offering table games or bingo on paper cards, these sites have nothing but row upon row of electronic gambling machines. These machines have a very different appeal than traditional forms of gambling, and they come with their own side effects, too.

Unlike traditional forms of casino gambling, electronic gambling machines offer very fast play and require little or no skill. As psychiatrist Robert Breen of Rhode Island Hospital notes:

Machines are the fastest, most continuous medium of gambling. Bets can be made and decided in a matter of seconds, with virtually no delay before the pattern is repeated. Machines are non-threatening and user-friendly to the uninitiated; thus, they may offer an unparalleled "gateway" activity to gambling for young, naïve, or inexperienced players.⁵⁸

⁵⁶ Stephanie H. Mehta, "Legalized Gambling Lifts a Depressed Town." *Fortune* 15 Mar 2007. 27 Jan 2010. <http://tinyurl.com/y9lwwek>.

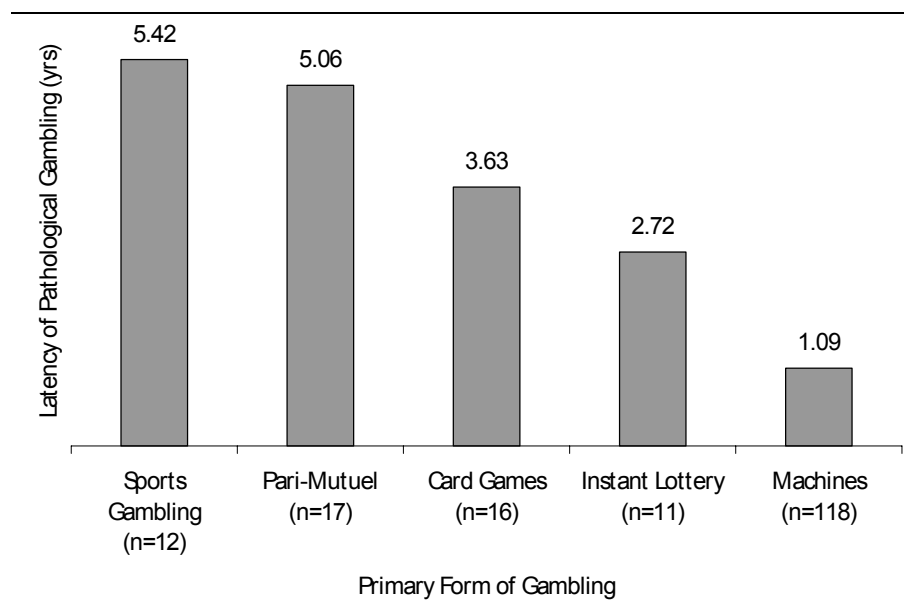
⁵⁷ M. W. Abbott and Rachel A. Volberg, *Gambling and Problem Gambling in the Community: An International Overview and Critique*. Report Number One of the New Zealand Gaming Survey. New Zealand. Wellington. Department of Internal Affairs, Dec 1999. 9. 10 Feb 2010. <http://tinyurl.com/yldlfg2>.

⁵⁸ Robert B. Breen, "Rapid Onset of Pathological Gambling in Machine Gamblers: A Replication." *International Journal of Mental Health & Addiction* 2.1 (2004): 44. 2 Feb 2010. <http://tinyurl.com/yz3gtb3>.

Not only do electronic gambling machines have a different appeal than traditional casino games, they are more addictive, and the gambling industry knows it. According to Eugene M. Christiansen, chairman of Christiansen Capital Advisors, LLC and publisher of *The Gross Annual Wager of the United States*, machine gambling is “demonstrably dangerous.”⁵⁹

One of the greatest harms of machine gambling is the rapidity with which it creates addicts. In 2004, Breen analyzed self-reports from 180 pathological gamblers in treatment at Rhode Island Hospital’s Gambling Treatment Program. Not only did the majority (66 percent) of those in treatment report addiction to electronic gambling machines, the onset of addiction was much faster than for those addicted to other forms of gambling (see Figure 1).

Figure 1: Latency of Pathological Gambling Onset for Different Primary Forms of Gambling



The Personal Costs of Gambling Addiction

Personal debt. One of the most common manifestations of gambling addiction is spending beyond their means on gambling. Pathological gamblers often follow a predictable path of exhausting personal resources, selling insurance policies and possessions and “borrowing” from friends and relatives. Their search for funds may lead them to acquire multiple credit cards that they use to the limit, with the expectation that all will be paid off when the “next big win” comes along.⁶⁰ On average, pathological gamblers have more than double the debt of non-gambling households.⁶¹ Consider the following:

⁵⁹ Eugene M. Christiansen and Sebastian Sinclair, “The Gross Annual Wager of the United States: 1999, Executive Summary.” *Christian Capital Advisors*. 1999. Author, 9. 10 Feb 2010. <http://tinyurl.com/ybo8a7s>.

⁶⁰ Grinols and Mustard, “Business Profitability versus Social Profitability.” 151.

⁶¹ National Gambling Impact Study Commission, *Final Report to Congress*, 7-21.

- In California, problem and pathological gamblers account for less than five percent of all gamblers, yet account for 52 percent of the money lost in casinos, according to a 2006 prevalence survey by the National Opinion Research Center.⁶²
- A 2004 study by Christiansen Capital Advisors for Harrah's found that 26 percent of players were contributing 82 percent of the profit.⁶³
- A 2007 study of more than 6,600 Ontario residents found that the 4.7 percent who were either problem or pathological gamblers accounted for approximately 36 percent of all gambling revenue in the province.⁶⁴

Productivity and job loss. Problem and pathological gamblers often impose costs on their employers in the form of an unreliable presence on the job and reduced productivity when present.⁶⁵ Consider the following:

- Between 21 percent and 36 percent of problem gamblers in treatment have reported losing a job because of their gambling.⁶⁶
- Problem and pathological gamblers are two to three times as likely, respectively, to have received unemployment benefits during the past 12 months than non-gamblers.⁶⁷

Mental Costs

The cost of pathological gamblers to society is expressed in more than dollars and cents. The gambler himself often degenerates from an honest, intelligent person to one who has almost no appreciation for the consequences of his actions. In fact, the likelihood of a gambling addict having another mental disorder is quite high:

- A prevalence study released in 2005 by psychiatry professor Nancy Petry and her associates at the University of Connecticut School of Medicine in Farmington found that almost half of all pathological gamblers also had a mood disorder, 41 percent had an anxiety disorder, and 61 percent had a personality disorder.⁶⁸

⁶² Rachel A. Volberg, *California. 2006 California Problem Gambling Prevalence Survey: Final Report*. Chicago: National Opinion Research Center, 2006. 10 Feb 2010. <http://tinyurl.com/ybjhmvk>.

⁶³ Brent Castillo, "Consider the Cost of Expanded Gambling." *Wichita Eagle* 29 Mar 2007.

⁶⁴ Robert J. Williams and Robert Wood, "The Proportion of Ontario Gaming Revenue Derived from Problem Gamblers." *Canadian Public Policy* 33.3 (2007): 367-388. 11 Feb 2010. <http://tinyurl.com/ydsqsr>.

⁶⁵ Grinols and Mustard, "Business Profitability versus Social Profitability." *Ibid*.

⁶⁶ Henry F. Lesieur, "Costs and Treatment of Pathological Gambling." *Annals of the American Academy of Political and Social Science*. 556. (1998): 153-171.

⁶⁷ National Gambling Impact Study Commission, *Final Report to Congress, Ibid*.

⁶⁸ Nancy M. Petry et al, "Comorbidity of DSM-IV Pathological Gambling and Other Psychiatric Disorders: Results from the National Epidemiologic Survey on Alcohol and Related Conditions." *Journal of Clinical Psychiatry* 66.5 (2005): 564-574. 10 Feb 2010. <http://tinyurl.com/yjluuvud>.

- According to the National Opinion Research Center, problem and pathological gamblers are four times more likely to have poor mental health, and are almost twice as likely to have received psychiatric treatment in the past year.⁶⁹
- Pathological gamblers are almost four times as likely to have attempted suicide as non-pathological gamblers.⁷⁰

Co-addiction. For many problem and pathological gamblers, the lure of gambling is not their only addiction. In the same way many gambling addicts also have one or more mental illnesses, alcohol and drug use are also very common among pathological gamblers:

- Almost 75 percent of lifetime pathological gamblers have a problem with alcohol; 60 percent have nicotine dependence; and 38 percent have a drug use disorder.⁷¹
- A 2006 survey by the National Opinion Research Center of the prevalence of problem and pathological gambling in California found that gambling addicts are much more likely to smoke, drink, and/or use illicit drugs than other gamblers and non-gamblers.⁷²

Effects on others. Problem gamblers are not the only ones who suffer because the average pathological gambler affects, directly or indirectly, eight other people, including family, friends, and co-workers.⁷³

- A woman whose husband is a problem gambler is 10.5 times more likely to be the victim of domestic violence than one whose spouse does not have a gambling problem.⁷⁴
- According to the National Opinion Research Center, 53 percent of pathological gamblers reported having been divorced, versus 30 percent of low-risk gamblers and 18 percent of non-gamblers. The same report also found respondents representing approximately two million adults identified a spouse's gambling as a significant factor in a prior divorce.⁷⁵

Gambling Availability and the Prevalence of Addiction

If casino gambling is legalized in Alabama, its accessibility would almost certainly draw people into gambling who have not gambled previously. Inevitably, some of these would become problem or pathological gamblers. Years of research show that access to gambling is a strong predictor of the number of people who both gamble and wind up being addicted to it:

⁶⁹ *Ibid.*, 29.

⁷⁰ Stephen C. Newman and Angus H. Thompson, "A Population-Based Study of the Association between Pathological Gambling and Attempted Suicide." *Suicide and Life-Threatening Behavior*. 33.1 (2003): 80-87.

⁷¹ Petry et al., *Ibid.*

⁷² Volberg et al. "2006 California Problem Gambling Prevalence Survey."

⁷³ Susan Barbieri, "The Addiction of the 90's." *Washington Post* 30 Nov 1992: D5.

⁷⁴ Robert L. Muelleman et al, "Problem Gambling in the Partner of the Emergency Department Patient as a Risk Factor for Intimate Partner Violence." *Journal of Emergency Medicine*. 23.3 (2002): 307-312.

⁷⁵ Volberg et al, "2006 California Problem Gambling Prevalence Survey." 86-88.

- In 1999, psychologist and researcher Robert Ladouceur and his associates directly tested the effect of increased availability of gambling activities and the rate of pathological gambling in a Canadian community by conducting two prevalence studies separated by seven years. They found that, not only had significantly more people gambled, but the number of those manifesting signs of pathological gambling increased by 75 percent.⁷⁶
- In 2004, psychologist John Welte and his associates at the Research Institute on Addictions used census tract data to find that living within 10 miles of a casino is associated with a 90 percent increase in the likelihood of being a problem or pathological gambler.⁷⁷
- As casinos have spread across the country, so has the prevalence of gambling addicts. In 1997, a meta-analysis of 120 previously-conducted studies by Harvard Medical Center's Division on Addictions of all gambling prevalence rates from 1975 to 1996 found that pathological gambling increased from 0.84 percent prior to 1993 to 1.29 percent after 1993 among adults in the general population, while problem gambling rose from 2.93 percent to 4.88 percent, an increase of 1.95 percent.⁷⁸
- In 2004, the same group found that the counties in Nevada with the greatest access to casinos had the highest problem gambling rates, while the four with the least access had the lowest rates.⁷⁹
- Casino gamblers are especially likely to develop gambling addictions. According to the National Opinion Research Center, 4.6 percent of casino patrons are problem gamblers and another 6.4 percent are pathological gamblers, notably higher than the national average.⁸⁰

Estimating the Prevalence of Problem and Pathological Gamblers in Alabama

Because some Alabamians are crossing state lines to gamble, Alabama already has gambling addicts. Their prevalence, though, is largely unknown because no state-specific studies to identify problem and pathological gamblers have ever been conducted in Alabama. Since large-scale gambling operations have only recently come into the state, it could be assumed that Alabama's prevalence rates of problem and pathological gamblers are lower than the national

⁷⁶ Robert Ladouceur et al, "Prevalence of Problem Gambling: A Replication Study 7 Years Later." *Canadian Journal of Psychiatry* 44.8 (1999): 802-804. 2 Feb 2010. <http://tinyurl.com/yeb75bx>.

⁷⁷ John W. Welte et al, "Risk Factors for Pathological Gambling." *Addictive Behavior*. 29.2 (2004): 323-335.

⁷⁸ Howard J. Shaffer et al, "Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Research Synthesis." *American Journal of Public Health*. 89.9 (1999): 1369-1376. This study did not identify significant differences between the prevalence of problem gamblers between the early studies and the more recent ones. The fact that a meaningful trend or difference was not found, however, should not be taken to mean that such a difference does not exist. Shaffer notes that early gambling addiction investigators tended to focus on lifetime instead of past-year addiction rates, just as they tended to ignore problem gamblers in favor of identifying pathological ones. Source: Howard J. Shaffer. Personal interview. 5 Jan 2001.

⁷⁹ Howard J. Shaffer et al, "Laying the Foundation for Quantifying Regional Exposure to Social Phenomena: Considering the Case of Legalized Gambling as a Public Health Toxin." *Psychology of Addictive Behaviors*. 18.1 (2004): 40-48.

⁸⁰ Shaffer et al., 1999.

averages of 1.29 percent and 4.88 percent, respectively, derived by Harvard Medical Center associate psychology professor Howard Shaffer and his associates in 1999.⁸¹

In 2004, University of Illinois at Urbana-Champaign economist Earl Grinols estimated the social costs of gambling on communities where it is legalized. After including costs for increased crime, lost work time, bankruptcies, and other financial hardships, he found that the annual cost to society of gambling addiction to be about \$10,300 per pathological gambler (\$12,000 in current dollars⁸²), and \$2,945 (\$3,430) for each problem gambler.⁸³ If the tax dollars needed to cover some of these costs is included, these totals increase to \$11,304 (\$13,180) and \$3,222 (\$3,750), respectively.⁸⁴

Estimating the Prevalence and Social Costs of Gambling Addicts in Alabama

There are at least three ways to estimate the social costs of expanding electronic bingo venues across Alabama: (1) Assume equal access to electronic gambling machines across the state, with equal costs to all residents; (2) Assume that the costs of legalizing electronic bingo venues are limited to the counties in which the sites are located; and (3) Estimate the population in a 50-mile radius around each venue that would be the potential market for each new gambling site and estimate the costs to the residents of these areas.

Model 1: Equal Effects of Electronic Gambling Statewide. If legalizing electronic bingo machines across Alabama equally increased the percentage of adult pathological gamblers from 0.84 percent to 1.29 percent—the estimated numbers of gambling addicts nationally prior to and after 1993, respectively—an additional 16,100 pathological gamblers could be created. In the same way, the number of adult problem gamblers could rise by an additional 70,000 persons.⁸⁵ With an annual social cost of \$13,180 per pathological gambler and \$3,750 per problem gambler, this would create a total social cost of almost \$475 million per year (see Table 2). This estimate does not include the cost of problem or pathological gamblers from other states who might come to Alabama to gamble.

⁸¹ *Ibid.*

⁸² Inflation estimates: U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers – (CPI-U)*. 14 Apr 2010. 27 Apr 2010. <http://tinyurl.com/334qhx>.

⁸³ Mark Reutter, "Social Costs of Gambling Nearly Half That of Drug Abuse, New Book Concludes." *News Bureau Archives*. University of Illinois, 8 Mar 2004. 5 Feb 2010. <http://tinyurl.com/yehjyd8>.

⁸⁴ *Ibid.*

⁸⁵ Alabama's adult (age 18+) population as of July 1, 2009 was estimated at 3,579,844. Source: United States Census Bureau, "18+ Population Estimates: July 1, 2009." 4 Feb 2010. <http://tinyurl.com/ylylxxt>.

Table 2: Social Costs of Legalizing Electronic Machine Gambling—Equal Access and Effects

Addict Type	Estimated Annual Cost per Person	Addicts Created	Total Social Cost
Problem Gamblers	\$3,750	70,000	\$ 212,198,000
Pathological Gamblers	13,180	16,100	262,500,000
	Total	86,100	\$ 474,698,000
	Alabama Adult Population	3,579,844	

Model 2: County-Specific Effects. Model 2 estimates the social costs of large-scale electronic machine gambling only in the counties in which it was allowed in the most recent legislation that specified particular sites (Senate Bill 380). If the social costs estimated by Grinols are multiplied by the number of problem and pathological gamblers that could be created in the counties where legalized electronic bingo venues have been proposed (and, in the cases of the Poarch Creeks, Victory Land, and Greenetrack are already operating), the cost to these counties would be approximately \$153.4 million per year (see Table 3).

Table 3: Social Costs of Legalizing Electronic Machine Gambling, by County of Operation

City (County)	Venue (Type)	2006-2008 Average Population ⁸⁶	New Gamblers		Total County Cost
			Problem (cost @ \$3,750 ppsn)	Pathological (cost @ \$13,180 ppsn)	
Eutaw (Greene)	Greenetrack	7,063*	137 (\$513,750)	32 (\$421,760)	\$935,510
Birmingham (Jefferson)	Birmingham Greyhound Racing	500,518	9,760 (36,600,000)	2,252 (29,681,360)	66,281,360
Theodore (Mobile)	Mobile Greyhound Park	297,431	5,799 (21,746,250)	1,338 (17,634,840)	39,381,090
Hayneville (Lowndes)	White Hall	9,405*	183 (686,250)	42 (553,560)	1,239,810
Shorter (Macon)	VictoryLand	17,500	341 (1,278,750)	79 (1,041,220)	2,319,970
Dothan (Houston)	Country Crossing	72,678	1,417 (5,313,750)	327 (4,309,860)	9,623,610
Wetumpka (Elmore)	Riverside Entertainment Center (Tribal)	57,780	1,126 (4,222,500)	260 (3,426,800)	7,649,300
Montgomery (Montgomery)	Tallapoosa Casino (Tribal)	167,360	3,263 (12,236,250)	753 (9,924,540)	22,160,790
Atmore (Escambia)	Wind Creek Casino (Tribal)	28,871	562 (2,107,500)	130 (1,713,400)	3,820,900
	Total	1,158,606	22,588 (\$84,705,000)	5,213 (\$68,707,340)	\$153,412,340
	Alabama Adult Population	3,579,844			
	Percent in Casino Counties	32.4%			

*2000 Census data used.

⁸⁶ Estimates from U.S. Census Bureau, *American Fact Finder*. 5 Feb 2010. <http://tinyurl.com/8rqqt>.

Model 3: A 50-mile radius of effects. A third way to estimate the social costs to Alabama of legalizing large-scale electronic gambling venues is by identifying the adult population within a reasonable driving distance around each site.⁸⁷ To do this, the estimated adult populations of ZIP codes within a 50-mile radius of each venue were summed.⁸⁸ If a ZIP code population was within driving range of two or more electronic gambling sites, it was counted only once.

About 2.5 million adult Alabamians—70 percent of the adult population—live within 50 miles of at least one proposed and/or existing gambling site (see Table 4).⁸⁹ If the costs estimated by Grinols are multiplied by the number of problem and pathological gamblers that could be created in these ZIP codes, the annual cost to these areas would be approximately \$334 million per year, or \$132 per adult per year.

Table 4: Social Costs of Legalizing Electronic Machine Gambling, by Alabama Population in 50-Mile Radius of Venue

Venue (Type)	Estimated Unique 2010 AL Adult Population in 50-Mile Radius (Total Population)	New Gamblers		Total Radius Cost
		Problem (cost @ \$3,750 ppsn)	Pathological (cost @ \$13,180 ppsn)	
Greenetrack	177,600 (226,232)	3,463 (\$12,987,700)	799 (\$10,533,456)	\$23,520,456
Birmingham Greyhound Racing	1,007,665 (1,088,470)	19,649 (73,685,503)	4,534 (59,764,611)	133,450,114
Mobile Greyhound Park	233,834 (471,873)	4,560 (17,099,111)	1,052 (13,868,695)	30,967,806
White Hall	9,992 (34,672)	195 (730,665)	45 (592,626)	1,323,291
VictoryLand	77,026 (308,591)	1,502 (5,632,526)	347 (4,568,412)	10,200,938
Country Crossing	202,822 (202,822)	3,955 (14,831,359)	913 (12,029,373)	26,860,732
Riverside Entertainment Center (Tribal)	1,917 (488,459)	37 (140,181)	9 (113,697)	253,878
Tallapoosa Casino (Tribal)	0 (494,230)	0 (0)	0 (0)	0
Wind Creek Casino (Tribal)	71,744 (308,591)	1,399 (5,246,280)	323 (4,255,137)	9,501,417
Unique Population Total	1,782,660	34,761	8,022	\$236,078,632
Shared (Not Unique) Population Total	740,535	14,440 (\$54,151,622)	3,332 (\$43,921,131)	\$98,072,753

⁸⁷ This method is similar to that of the Anderson Economic Group (2003), which estimated the potential market for a tribal casino in Wayland Township, Michigan. Instead of using ZIP codes, though, Census blocks were used.

⁸⁸ ZIP codes within a radius of each venue were collected using “ZIP Codes inside a Radius” software available at Free Map Tools (www.freemaptools.com). 13 May 2010.

⁸⁹ Another 737,000 adults live in range of at least one gambling site, but out of state (Florida: 379,000; Mississippi: 358,000). As only Alabama-specific costs were investigated, these were not counted for this study.

Grand Total (May 2010)	2,523,195	49,201	11,354	\$334,151,384
AL Adult Population (July 1, 2009)	3,579,844			
Percent of AL Adult Population in 50-Mile Radius of 1+ Casinos	70.5%			

These effects would likely not be stable over time. Recent research suggests that, once gambling expands into a region or state, the number of persons reporting problems with gambling rises, levels off, and in some cases, even declines over time.⁹⁰ According to this “adaptation” model, eventual decreases in play may come as a result of three factors: (1) “as the novelty of the games wears off; (2) awareness of the risks associated with gambling increases; and (3) more services for problem gamblers become available.”⁹¹ Such declines, however, might not occur for several years, during which time the state would have to bear the cost of the gamblers it helped create.

Criminal Costs

For about as long as casino gambling has been allowed in the United States, a link between gambling and crime has been suspected. According to this theory, by legalizing gambling, the state reduces the stigma associated with it, increasing the number of people who gamble, thus increasing the number of problem gamblers. That, in turn, increases the numbers of those who turn to crime to finance their addiction.⁹² In the words of a 1999 report by the National Research Council: “As access to money becomes more limited, gamblers often resort to crime to pay debts, appease bookies, maintain appearances, and garner more money to gamble.”⁹³ Unfortunately, early studies of this relationship tended to omit critical variables or failed to discuss the theoretical links between the presence of casinos and increased crime. Still, other studies may have been biased because they were sponsored by organizations with agendas either for or against the expansion of gambling.⁹⁴

To address these concerns and provide the most comprehensive study of the links between casinos and crime, a study was published in 2006 by Baylor University Distinguished Professor of Economics Earl L. Grinols and University of Georgia Professor of Economics David B. Mustard. To determine whether the opening of a casino increases crime, Grinols and Mustard used crime data from every county in the United States from 1977 to 1996. Interestingly, Grinols and Mustard found that the local crime rate *dropped* immediately after a casino opened, likely the result of larger police forces and greater employment opportunities for low-skilled labor. This effect, however, was short-lived; by the third year of a casino’s presence, the rate of all major crimes reported by the FBI except murder grew significantly. Moreover, counties adjoining those

⁹⁰ Jamie Wiebe and Rachel A. Volberg, “Problem Gambling Prevalence Research: A Critical Overview.” *Canadian Gaming Association*. Dec 2007. Canadian Gaming Association, 4 Feb 2010. <http://tinyurl.com/yberx4g>.

⁹¹ *Ibid.*, 18.

⁹² “Betting Virginia’s Future on Casino Gambling: Gambling and Crime,” Focus on the Family, 1995. Print.

⁹³ Catherine Korvin, *Pathological Gambling: A Critical Review*. Washington DC: National Academies Press, 1999. 160.

⁹⁴ Grinols and Mustard, “Casinos, Crime, and Community Costs.”

with casinos did not report lower crime rates, suggesting that crime was being created in the counties with casinos, and not merely being shifted among counties. As a result of this study, Grinols and Mustard estimated that 8.6 percent of all property crimes and 12.6 percent of all violent crimes in 1996 in casino counties were due to the presence of a casino, with a social crime cost of about \$75 per adult (\$104 after adjusting for inflation).⁹⁵

Since gambling sites already exist in Elmore, Escambia, Greene, Jefferson, Lowndes, Macon, Mobile and Montgomery Counties, these areas are already feeling the social costs of expanded gambling. When Grinols’ and Mustard’s crime cost estimates are applied, the annual social costs of gambling to these counties are \$112.9 million (see Table 5).⁹⁶

Table 5: Criminal Costs of Expanded Gambling in Alabama, by City and County

City (County)	Adult Population ⁹⁷ (2006-08 3-year average)	Cost @ \$104 per person
Atmore (Escambia)	28,871	\$3,002,584
Birmingham (Jefferson)	500,518	52,053,872
Eutaw (Greene)	7,063*	734,552
Hayneville (Lowndes)	9,405*	978,120
Montgomery (Montgomery)	167,360	17,405,440
Shorter (Macon)	17,500	1,820,000
Theodore (Mobile)	297,431	30,932,824
Wetumpka (Elmore)	57,780	6,009,120
Totals	1,158,606	\$112,936,512

*2000 Census data used.

If Country Crossing is able to re-open, the estimated cost to Houston County could be as high as \$7.5 million, bringing the annual crime cost of these venues to almost \$120.5 million.

Political Cost

National Influence

As gambling has spread across the country in the past 30 years, so has its reach into national and local politics. One group that has tracked the influence of lobbyists for gambling and every other major industry in the U.S. is the nonpartisan, nonprofit Center for Responsible Politics. According to their “Open Secrets” website:

- Between 1999 and 2009, contributions by the gambling lobby to congressional and presidential candidates rose from \$13.6 million to \$25.6 million, an 88 percent increase (46 percent if adjusted for inflation).⁹⁸

⁹⁵ *Ibid.*

⁹⁶ U.S. Census Bureau, *American Fact Finder*, “2006-2008 American Community Survey 3-Year Estimates.” 19 Jan 2010. <http://tinyurl.com/ufd9>.

⁹⁷ *Ibid.*

- From the 1990 political cycle to the 2008 political cycle, non-Indian casino contributions to U.S. congressional and presidential candidates rose 3,485 percent (2,474 percent if adjusted for inflation), from \$478,000 to \$17.1 million.⁹⁹ At the same time, contributions from tribal casinos increased from \$11,350 to \$10.4 million, a jump of 91,000 percent (55,600 percent if adjusted for inflation).¹⁰⁰
- In 1990 gambling was the 75th most influential industry in terms of money given to congressional and presidential candidates. In 2010, it is 31st.¹⁰¹
- The number of lobbyists representing the gambling industry has also risen, from 330 in 1999 to 411 today.¹⁰²

State Influence

Because Alabama is one of the few remaining states without legalized casino gambling, considerable funds have been invested to steer the opinions of the public and public officials toward expanded gambling in the state.

According to audited data from “Alabama Right to Know,” a website dedicated to providing transparency in political contributions at the state level, since 2006 more than \$8.6 million has been spent by gambling interests in Alabama to influence political races and issues (see Table 6).¹⁰³

Table 6: Contributions by Gambling Interests to Influence Alabama Politics: 2006-2010

Contribution Source	Amount
Gateway Gaming LLC	\$ 35,000
Greene Track Inc	1,248,225
Jarrod Massey	305,650
Jefferson County Racing Association Inc	1,383,500
Macon County Greyhound Park Inc	1,376,550
Milton McGregor	1,589,500
PCI Gaming	314,500
Poarch Band of Creek Indians	1,951,500
Ronnie Gilley	405,200
Video Gaming Technologies	13,000
Grand Total	\$8,622,625

⁹⁸ Center for Responsible Politics, “Lobbying Spending Database: Casinos/Gambling 2009.” *OpenSecrets.org*. 1 Feb 2010. 11 Feb 2010. <http://tinyurl.ya4otz3>.

⁹⁹ *Ibid.*, <http://tinyurl.com/yz7gbqa>.

¹⁰⁰ Center for Responsible Politics, “Indian Gaming: Long-Term Contribution Trends.” *OpenSecrets.org*. 1 Feb 2010. 11 Feb 2010. <http://tinyurl.com/y9cs6p8>.

¹⁰¹ “Lobbying Spending Database: Casinos/Gambling 2009,” <http://tinyurl.com/yz7gbqa>.

¹⁰² “Lobbying Spending Database: Casinos/Gambling 1999.” *OpenSecrets.org*. 1 Feb 2010. Center for Responsible Politics, 11 Feb 2010. <http://tinyurl.com/yewajcy>.

¹⁰³ “Alabama Right to Know.” Alabama Policy Institute. 25 Oct 2010. <http://tinyurl.com/35npzvf>.

Conclusion

The economic and social consequences of legalizing casinos in Alabama vastly outweigh any benefits they might bring. With the casino market approaching saturation, and every state around Alabama offering some form of legalized gambling, there is little reason for tourists to consider Alabama casinos a worthwhile travel destination. Alabamians would be the target market of any casino placed in our state.

The public and private sector costs associated with expanding legalized gambling in Alabama would be at least \$120 million per year. About two-thirds of this amount—\$86.9 million—would come as a result of increased crime rates. Other costs, such as family breakdown and suicide, are harder to quantify.

Government has a responsibility to protect its citizens, not make them economic slaves. In the words of Robert Goodman, author of *The Luck Business*:

To move away from the culture of chance and toward policies that promote genuine economic development will mean going beyond the hype of magic bullet cures and focusing instead on incremental, long-term policies. We should seek to better understand and correct the economic circumstances that have forced state and local governments to consider gambling in the first place. This process will require patience, careful analysis, and honest discussion among leaders and their constituents. The reward will be not only the protection of our economy, but a shift from the pathologies of hope to the creation of real hope.¹⁰⁴

¹⁰⁴ Robert Goodman, *The Luck Business*. New York: Touchstone, 1996. 191.