



## **Gambling in Alabama: Costs and Consequences Executive Summary**

### **The Problem**

The meteoric growth and influence of casino gambling in America has made it one of the most controversial industries in the nation. 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.

Gambling proponents have made repeated efforts to expand gambling in the state of Alabama. The most recent fight for electronic machine gambling began in 2004, when a constitutional amendment to legalize bingo in Greene County was ratified containing the following words, which allowed:

“...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 added).

Shortly after this legislation was passed, electronic bingo machines began popping up, not just in Greene County, but across the entire state.

Since then, two strong pushes for legalized electronic machine gambling were made in the State Legislature, one in 2009 and another in 2010. Both died, though, the victims of insufficient legislative support, a State Supreme Court ruling that defined what constituted legal bingo, and indictments of several legislators and lobbyists on charges of bribery.

### **Our Solution**

Alabama does not need to legalize electronic machine gambling. The social and economic costs associated with this form of gambling outweigh any benefit the state and its communities might realize.

Casinos are not immune to economic downturns. When money is tight, casinos lay off employees and postpone costly projects, just like traditional businesses.

- Since the recession began, Las Vegas' hotel-casino industry laid off almost 30,000 employees by mid-2010, and the state of Nevada, which gets about a fourth of its revenue from gambling taxes, is facing a severe budget shortfall.
- In Mississippi, gambling revenues in January 2010 were the lowest they've been since 2005, when Hurricane Katrina knocked out all the state's Gulf Coast casinos for more than three months.
- In Connecticut, the home of the Foxwoods Resort Casino, the largest Indian casino in the world, jobs have been cut and profits are down to the point that the tribe is on the verge of defaulting on \$2 billion worth of debt.

Little economic gain. The profits from electronic machine gambling rarely reach outside the casino. In 2007, economics professors Douglas Walker of the College of Charleston and John Jackson of Auburn University analyzed 15 years of casino revenue data to measure its effect on per-capita income in the states where casinos were located. They found that casino revenues did not increase per-capita income, nor were increases in per-capita income related to improved casino revenues. Walker and Jackson speculate that the absence of relationships may be the result of two things: an already-saturated gambling market; and the tendency for casinos to "cannibalize" their local economies by taking money that would otherwise go to existing, non-gambling businesses.

Addiction. For a small number of players, the social costs of machine gambling can also be high. Machine gambling is the fastest form of gambling, with bets being made and decided in seconds. The games require little or no skill, and because players are not in competition with anyone else, they are very attractive to new, inexperienced gamblers. These traits make machine gambling one of the fastest ways for players to become addicted. Whereas it can take up to five years for someone to become addicted to sports or pari-mutuel gambling, machine gamblers can become addicted in a little more than one year.

Criminal costs. When destination gambling sources such as casinos first open their doors, crime rates drop, usually as a result of higher employment and a stronger police presence. However, after about 3 years, the local crime rate surges past the pre-casino crime rate in every category except murder.

Based upon the model used, the social costs to society for these games would likely be between \$150 million and \$450 million per year.

