

## Prologue

The state of South Carolina has a history of gambling activity and venues including horse racing, dog fighting, sports betting, dogfighting and lotteries. The results have been so abhorrent that until recently South Carolina had no legalized forms of gambling and actually had a constitutional amendment forbidding lotteries. However, in 1993 judicial decisions and legislative action legalized Video Poker payouts. Since that time Video Poker has grown almost exponentially throughout South Carolina.

Dr. Cathy Pike and I were commissioned to conduct research on the impact of Video Poker on the gamblers in South Carolina. On November 7, 1997, we sent researchers into all forty-six counties of South Carolina to interview individuals playing Video Poker. This was not a prevalence study, but rather an on-site examination of gambler's cognitions, behaviors and emotions. We were also interested in gathering information about who was gambling in South Carolina and what induced them to play. A copy of our preliminary findings were submitted on December 12, 1997, to a federal judge who was hearing a case against the Video Poker operators in South Carolina. The results of our study were also forwarded to Dr. Timothy Kelly and copies can be obtained from him.

It should be noted that South Carolina law does allow for bingo as a form of gambling, but since 1994 the predominate game has been Video Poker. During this brief period Video Poker has become a vast industry with gross receipts approaching three billion dollars and over thirty-one thousand licensed machines. The Video Poker industry has become so powerful that the current governor may be ousted by a gambling industry backed opponent.

It should also be noted that almost all of South Carolina's gambling would be considered neighborhood gambling as there are no true destination casinos and perhaps no true casinos. Gambling establishments in South Carolina limited to five machines, although loopholes have provided for the establishment of "video malls" with as many as one hundred machines. The closest thing we have to destination casinos are the truck stops on I-95. Most Video Poker machines in South Carolina are found in convenience stores, bars, restaurants, golf courses, bowling alleys, gas stations, clubs, Laundromats, bus stations, arcades and even hair salons. With a Video Poker machine for every square mile in this state you are never far from the opportunity to gamble.

### 1. How are local casinos different from tourist destination casinos?

As noted there are no true destination casinos in South Carolina unless you count the truckstops on I-95 that seem to lure truckers from all over the East coast. We do not have businessmen from Indiana fly in for weekend Video Poker junkets like we do for golf weekends. Tourists that play Video Poker in South Carolina play because they are here, and it is doubtful that many come to South Carolina for the express purpose of gambling. Our 1997 study showed that almost ninety percent of the players interviewed were residents of South Carolina. If ninety percent of the patrons in Las Vegas were residents of Nevada it is doubtful that the casinos could be profitable very long.

Just this week it has been announced that a floating casino will be docked in the Myrtle Beach area in order to draw from the tourist trade. The boat, as described by a local paper as anything but luxurious, will be able to hold 400 patrons thus making it the largest casino in the state.

Because there are no destination casinos in South Carolina there has not been the large capital expenditures and resultant economic growth that can be seen in areas like Las Vegas. The typical Video Poker machine in South Carolina is likely to be found in a dark corner of a convenience store. For the store owner the only expenditure was paying a clerk to move the surplus cases of beer to make room for five machines. There is no glitz, no floor show, no landscaping, no dealers, no gourmet meals and no white tigers. But you can purchase beer, milk, bread and gas.

### 2. Where are the neighborhood casinos located and how are they marketed?

Video Poker machines in South Carolina can be found anywhere that is not prohibited by law and many places that are prohibited by law. The law clearly states that a license to operate a Video Poker machine cannot be awarded to a location that also has a license to sell alcoholic beverages, but many machines can be found in bars. Perhaps some of the more unusual locations for Video Poker machines are tanning salons, real estate offices and hair salons. There are currently 7,686 different locations in South Carolina licensed to operate Video Poker machines. The machines are mostly found in convenience stores, gas stations, bars and restaurants, but the number of "video malls" with more than five machines are growing.

Marketing of gambling in South Carolina is restricted by a law that states "no person...may advertise in any manner for the playing of machines." When told of this law visitors often ask how it is that they see signs in local convenience stores that

draw attention to the machines or billboards on the roadside that speak of casinos. I have no answer.

Perhaps the most insidious form of marketing involves numerous illegal inducements. About 78% of the players in our study said that they had been offered one or more illegal inducements that encouraged them to play longer or more often. These inducements ranged from having alcohol on site (46.9%), to being offered sexual companionship (10.2%). Others reported such things as having taxis sent for them, free massages, free film development, holding checks, extending credit and having machines kept open on Sunday.

The proximity of machines is the largest inducement in South Carolina. With 31,000 machines in this small state there is one machine for every square mile. Not surprisingly 61.9% of the players we interviewed said that it was this proximity that induced them to play. These machines are truly everywhere and accessible to everyone.

3. *What is their effect on Pathological Gambling, if any?*

Accessibility is the cornerstone of pathology. Familiarity breeds attempt. With a gambling venue in every neighborhood it is certain that more people will be exposed to gambling and perhaps more people will develop pathological gambling behavior. Certainly in South Carolina we have seen a marked rise in people seeking help for gambling problems since Video Poker was legalized 1994. The number of GA groups have increased 300%.

It is too soon to gauge the impact of neighborhood casinos on children in South Carolina, but certainly they are experiencing it first hand in large numbers and this must destigmatize gambling. Oddly South Carolina law prohibits payouts to anyone under 21 years of age, but it does not prohibit anyone under 21 from playing Video Poker.

4. *How is convenience gambling regulated? How are venues/distributors licensed?*

In South Carolina the regulation and licensing of Video Poker is handled by the Department of Revenue. The best that can be said is that this task has proved too daunting for them. The Video Game Machine Act spells out the laws pertaining to Video Poker. Most professionals from outside the state view these regulations as inadequate and naive. For example, obtaining a license to operate Video Poker machines requires no background check.

5. *Who is responsible for oversight of games at convenience locations?*

In South Carolina all oversight is the responsibility of the Department of Revenue and the State Law Enforcement Division. Currently their hands appear tied by a silent Supreme Court, a reluctant Legislature and an Attorney General that keeps changing his mind. It appears that the Department of Revenue currently relies on the licensed operators to monitor themselves and to report receipts and profits using an honor system.

6. *Who owns the machines, what are the profits and how are they distributed?*

The machines are independently owned and operated. In South Carolina there were 456 separate machine owners licensed in 1997. The top five owners controlled 8,833 machines, or 31% of all the machines in the state. The top owner was licensed to operate 3,944, or about 11% of all the machines in the state. The reported gross profit per machine averaged just over \$21,000 in 1997.

The Department of Revenue reported that in 1997 the total gross receipts from all machines equaled \$2,113,686,215 and they paid out \$1,503,144,748 (71%) with gross reported profits of \$609,723,810. In South Carolina the profits are generally divided between the licensed operator and the venue owner.

7. *How prevalent is convenience gambling? Are there restrictions on its placement? Its spread?*

A thorough prevalence study of gambling in South Carolina is yet to be done. A non scientific study conducted in the summer of 1997 suggested that as much as two-thirds of the adult population might engage in playing Video Poker at times. The study conducted by Dr. Pike and I later that year suggested that certain populations such as women and minorities might be more susceptible to Video Poker than the general population.

There are some restrictions on the location of gambling machines in the vicinity of churches and schools (300 to 500 feet depending on whether it is in the city or the county). And there are laws which limit location of gambling to sites which do not hold liquor licenses, but these do not seem to be enforced. In general, you can put a video poker machine almost anywhere in South Carolina.

There are currently no limits to the spread of machines or their numbers. Recently the two candidates for governor have discussed a cap or a freeze on the number of machines. The number of machines grew by more than 30% from 1996 to 1997.

8. *What is the social impact of convenience gambling on local communities?*

The social impact of convenience gambling is too large a topic to fully discuss in this space, but I would be considered neglectful if I did not mention some of the impact convenience gambling has had on South Carolina. However, if the predictions based on our study are correct South Carolina may not fully suffer the impact of Video Poker for several years as the number of problem gamblers grow to a critical mass.

Convenience gambling to date has afforded South Carolina none of the capital investment that is sometimes associated with gambling. To date it appears that the Video Game Machine Act established a private license enabling a few people to tax the ill-informed, the weak and the greedy. To date the machines appear to take large amounts of money out of local economies and return very little. To date little in the way of entertainment appears forthcoming from the machines in South Carolina.

The impact of these machines on families made national headlines when a mother left her 10 day old child sleeping in a car on a hot August day for 9 hours while the mother played Video Poker. This tragedy was underscored by the 13% of the people in our survey who said they had at least one other family member who had a gambling problem. While gathering research data I have observed small children forced to accompany their parents to convenience stores to gamble late into the night. As a therapist I have treated numerous elderly patients who have lost everything they own and young patients who are swamped by debt. I am firmly convinced that most of these people would never even gamble if it had not been for the availability of the "local casinos."

**Biographic Note:**

I have been a resident of South Carolina since 1976 and have spent most of those years providing direct treatment to individuals and families suffering from addictive problems. Since 1990 I have served as the Director of Outpatient Services at Carolina Psychiatric Services in Columbia, South Carolina. Much of the last two years has been spent doing research about Video Poker in South Carolina and educating others about gambling in our state. I also currently serve as the Director of the South Carolina Center for Gambling Studies.

**FINAL NOTE**

I wish to thank the Commission for allowing me to share my experience and research. South Carolina currently provides almost laboratory conditions for studying the impact of convenience gambling and I hope our research will one day make a significant contribution to the understanding of gambling behavior and gambling pathology.

This document is respectfully submitted on November 1, 1998, by Frank L. Quinn, Ph.D.