

## Illinois Likely Target for 'Predatory Marketing' by Gambling Industry

Testimony of Joe E. Clark, Illinois Family Institute before the  
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Two weeks ago, I spoke with a middle aged mom I'll call Amy, (not her real name). Amy lives in a western suburb and is fighting for possession of her home, negotiating with creditors on all fronts, trying to fend off the IRS for 2 years of her husband's non-filing, borrowing money to pay college tuition lost by her husband, shutting down his access to credit which includes her, and filing for divorce. Having fallen from a secure, six figure income setting because of her husband's gambling addiction, Amy continues to be included in the predatory marketing practices targeting the addiction of her husband, who has managed to entangle her as well. Offers for free limo trips to casinos, free travel, food, 'points' toward prizes, VIP treatment and even birthday cards have clearly marked Amy and her husband as members of the "player's" or "slot clubs."

Cases similar to Amy's have caused a state senator to file legislation that will allow a judge to grant a TRO (temporary restraining order) to keep casinos from seizing family assets without a cooling off period. Hopefully our Illinois General Assembly will pass this limited, family asset protection this week. The *Springfield Journal-Register* has reported that the head of the Illinois Gaming Board agrees casino's have begun to go after spouses' assets for gambling debts incurred by their partners. How has Illinois gambling come to this and where is it headed?

It is with a great sense of urgency that I appear here before you today! Last year, 1997, marked the first year in which the Illinois river boat casinos suffered a decline in gambling revenue (6.8%).<sup>1</sup> While some say the Illinois market is 'saturated' others argue that revenue is being lost to neighboring states especially from the Chicago market where claims are made that over \$500M<sup>2</sup> is being lost to the Indiana boats and therefore gambling must allowed in Chicago. Illinois politicians probably lack the political will long term to resist this industry, yet all indicators say such an expansion must be resisted!

### Illinois Demographics Raise Concerns of Senior Citizen, Female & Lower Income Gamblers Becoming "Slot Club" Targets:

As shrewd business men and women, casino owners and managers have already begun taking steps to address the declining revenue, and it appears that players and slot clubs are their answer. Slot club members are only a third of the participants stopping on the boats, yet they account for almost 60% of the visits. It is the approach to these slot club members that I am describing as predatory.

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Unfortunately, it is also becoming clear that EGDs (electronic gaming devices or 'slots') are the most addictive form of gambling, and that these same casino's are becoming more dependent on their revenue. Casino dependency on earnings from EGDs on the Illinois boats has almost doubled, from 42% in 1991 to 74% last year <sup>4a</sup>.

Again, according to our state Gaming Board's own statistics, of people visiting the Illinois boats;

- 4 of 10 are over age 55
- 6 of 10 are women
- 3 of 10 have income of less than \$30K annually.<sup>4b</sup>

#### Lower Income Gamblers A Concern:

These gamblers are wagering an increasing percentage of their disposable income. Lafleur's World Gambling Abstract documents that in 1993, Illinoisans bet 1.55% of their per capita personal income. This had grown to 6.06% by 1996, second in the midwest only to Iowa's 10.18% which is the highest in the nation, outside Nevada and New Jersey. That same report noted that the per capita personal income in 1996 was \$25,225.

With an official poverty level for a family of 4 being \$19,500, it is quite disturbing to consider the portion of discretionary income being wagered on the river boats, and what families are doing without. Both the Illinois Gaming Board and the Illinois Better Government Association confirm that at least 14% of gamblers fall below the aforementioned poverty line.<sup>5</sup> Almost 35% of gamblers' have income below, or uncomfortably near the official poverty level for a family of four!

#### Older Gamblers Likely:

Additionally, the age profile of Illinois is changing dramatically, during the 10 year period, 1995 to 2005, the number of people aged 55 to 70 will increase by one third <sup>6</sup>, while the age 35 to 55 group (currently accounting for 45% of casino visits) grows by a modest five percent <sup>7</sup>. This means that by 2005, 6 out of 10 casino visitors are likely to be over 55!

To restate the obvious, as revenues are declining, casinos are most likely to aim their slot club perquisites to an older, increasingly female and less wealthy group of gamblers. It is not very comforting to visualize so many senior citizens catching casino provided buses from their retirement homes to gamble with retirement savings and social security checks.

Consider the case of Carol and Skip Warriner, aged 63 and 69 respectively. Well known on the Joliet river boats, Carol was the obsessive gambler who first committed suicide. Disabled and saddled with monstrous debt she had left, Skip had wanted to join her, instead he followed. They had lost over \$200,000 including their house. How can we stand by and allow such folks to be drawn into such desperate situations?

### What About Bankruptcies?

Over the past decade, consumer debt (not counting auto purchases) has grown 197% almost doubling.<sup>8</sup> Chapter 7 and 13 bankruptcies in Illinois have grown more than 215% (to over 63,000)<sup>9</sup> amid growing evidence of linkage to gambling. As we await a Congressional study due later this year, SMR Research Corporation of Hackettstown N.J. has drawn a connection between the spread of legalized gambling in 298 counties and the number of bankruptcies in those counties. SMR contends that 18% more bankruptcies occur where legalized gambling exists.

A sampling of bankruptcy attorneys in Illinois indicated a solid 10 to 15 percent of their clients identify gambling as a major contributor to the bankruptcy, consistent with the SMR study. Extrapolating the experience of these law firms to all of Illinois would mean that as many as 6,300 to 9,500 families were devastated in 1997 by gambling related bankruptcies.<sup>9</sup> Perhaps a contributing factor is identified by the report released last Friday by *The Regional Economics Applications Laboratory*, which indicates Illinois gamblers lose 24% more on average than gamblers in other states.<sup>10</sup>

### Recommendations to the Commission:

1. As a proponent of limited government, Illinois Family Institute will generally oppose expanding federal government regulation. However, with this industry, I believe we are at a very critical time in Illinois. State and local politicians may be too indebted to the gambling industry or too addicted to gambling tax revenues to take the long view. Consider two other legal, but potentially addictive products, tobacco and alcohol, whose marketing efforts are receiving a great deal of federal scrutiny. *At a minimum, this Commission should recommend that the marketers of gambling's false promise should be heavily regulated and all expansion ceased until we know more about the long term impact of gambling on our families and our society.*

2. This Commission can perform a true service by also providing fact based studies that will greatly clarify the true impact of gambling on families and the true cost of gambling to society. Domestic violence, divorce, crime and suicides are all areas where extensive research is needed to understand the interconnectednesses of these issues.

### Conclusion:

Illinois newspapers provide numerous additional anecdotes of other areas of concern; a mom who leaves her toddler in the car to spend several hours on a river boat, domestic violence in the form of severe spouse abuse when a husband learns of a credit card debt his wife has accumulated. In closing, let me appeal to each of you on the commission to take the high road in your deliberations. Certainly you each bring your different perspective to this issue. Each of you probably have children or other family members that live in close proximity to gambling facilities. In your deliberations, please remember that a society is judged by how well it protects and cares for those members least able to care for themselves. Help us support and protect those people as if they are members of your own family, because in the final analysis, they are. They and we are members of the 'family of man.'

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Sources:

1. Illinois Gaming Board 1997 Annual Report, p. 12.
2. Ibid
3. Lorenz, Valerie. Statement before a hearing of U.S. House of Representatives Committee, 9/21/94.
- 4a. Illinois Gaming Board 1997 Annual Report, p. 7 & 8
- 4b. Ibid, p.14
5. Better Government Association, Demographic Survey of River boat Casino Patrons In Illinois, page 9, Table 2, April 26, 1996.
6. U.S. Bureau of the Census, Population Division, Population Paper Listing #47, Population Electronic Product #45 Illinois Population Projections 1995 to 2025; ilprsrel.txt at [www.census.gov](http://www.census.gov). p 1 & 2.
7. Ibid, Illinois Gaming Board 1997 Annual Report, p. 7
8. Bloomberg Financial Markets, U.S. Treasury Department Data Base, consumer credit revolving and other.
9. Interviews of Bankruptcy Attorney's by IFI Staff.
10. "Report gives lopsided look into riverboat economics:" Ted Gregory, Chicago Tribune, Friday May 15, 1998 page D-2.