

## GAMBLING: THE CANCER OF THE 21<sup>ST</sup> CENTURY

*Testimony of Paul D. Scianna, Executive Director – Family Policy Center*

*Presented to the National Gambling Impact Study Commission*

*May 21, 1998*

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**T**he citizens of Missouri twice rejected the spread of legalized gambling before it was narrowly approved by voters in November 1994. Gambling interests spent more than \$12 million in a campaign, which promised voters a return to the Mark Twain-era of steam-driven paddleboats *cruising* the Mississippi and Missouri Rivers. The industry also assured citizens that safeguards would be in place to help combat the “evils” of gambling.

Since 1994, Missourians have watched in disbelief as the gaming industry has broken nearly every promise it made. First, the casinos quickly petitioned the General Assembly to drop cruising requirements, contending the river was “too dangerous.” The legislature complied and since then, gambling lobbyists have besieged legislators with requests to grant other concessions, including the repeal of the \$500 loss limit per two-hour “simulated cruise”.

Missouri voters explicitly approved floating casinos “on or upon the Mississippi and Missouri rivers.” However, several companies built their boats on man-made lagoons—well off the river. When the Missouri Supreme Court found these boats in violation of the State Constitution, the industry immediately took action—not to correct the illegality—but to begin gathering petition signatures in an effort to place the issue on the ballot this November.

By its actions, the gambling interests have made their goal very clear: They want to repeal all voter-approved safeguards (measures intended to protect those who have a tendency to become addicted to gambling) and operate with few or no restrictions.

### TARGETING THE POOR

Sadly, the poor are the most seriously affected when they gamble, because they cannot afford even the smallest loss. Statistics show that those in the lower income bracket lose three times as much money to gambling (as a percentage of income) than do those at the wealthier end of the scale. For the poor, gambling money is not discretionary spending money. Their gambling losses will likely take away from grocery funds, children’s clothing money or their housing allowance.

Yet, those who work with the poor complain that there are more casino billboards in the inner city—where lower income people live—than anywhere else. Some believe the industry is actually “targeting the poor” with the lure of becoming wealthy through gambling.

An indicator of the impact gambling is having on the poor is the explosive growth of pawn shops—the “banks of the poor.” In the Kansas City area, more than 50 pawn shops are now in operation, compared with just four in 1979. In the first eighteen months after riverboat gambling arrived, 12 new pawn shops opened.

We now have pawn shops that will pay cash for your car (up to one-half of its *wholesale value*) and then give you a ride to the river boats!

#### THE WEAK AND WOUNDED

It's not just the poor who are lured to the boats and entangled in the sophisticated web of addiction. I have heard the stories of individuals and families from all walks of life who are dealing with the fallout of gambling addiction. There are stories of strained marriages and family relationships, divorce, embezzlement, financial ruin, suicide and murder—all related to a gambling addiction. Here are but a few examples of broken lives—shattered by an addiction to gambling:

- A stockbroker who is in financial ruins ... although he invests other people's money, his mother must now manage his check book;
- A school teacher who makes the rounds on payday to multiple loan companies (20 to 30) just to pay the interest on the loans he's taken out;
- A computer company employee who stole \$12,000 of new equipment and pawned it for gambling money;
- An addiction therapist who ran up huge credit card debts and tried to kill himself by drinking poison. His wife and daughter found him unconscious. He survived, but has since relapsed into his compulsive behaviors at least once.
- A St. Louis-area woman who, after losing her children's college fund at the boats, sent her kids off to school; walked down the steps to her basement and fatally shot herself in the head with a .357 magnum.

The list could continue. My only limitation is the time and space allotted for my testimony—not a lack of stories about otherwise innocent people whose lives have been altered or destroyed by gambling.

Since casino gambling was introduced in Missouri, it's estimated that between 100,000 and 200,000 people have become compulsive gamblers. Some experts believe that number may go as high as 250,000 before it starts leveling off.

#### CIGARETTES AND GAMBLING

Much attention is being given to the giant tobacco settlement recently agreed to after it was disclosed that cigarette companies knew of the harmful effects of smoking and actually took actions which resulted in a higher addiction rate. It wasn't but a few years ago that we had doctors, university professors, elected officials and the tobacco industry all telling us that cigarette smoking was good for us.

Looking back twenty or thirty years ago, who would have thought that we would hear such admissions by the tobacco industry which have resulted in this massive settlement? It just took one person stepping forward and telling the truth. The result has been an endless procession of tobacco executives confessing to the tactics of the industry.

If all things were made known about the operation of casinos, might we see a similar concept applied to the gambling industry? Today, we have university professors, economists, elected officials and the gaming industry telling us much the same thing—gambling is good for the economy, jobs, education and the community. But, we're also living in the age of computerized slots—programmed with their carefully calculated “near misses” and precision payoffs—resulting in otherwise innocent Americans becoming gambling addicts—much the same way tobacco companies hooked the unsuspecting cigarette consumer.

One day we may know the facts behind behind the explosive growth of gambling and its harmful effects. If this commission does its work, that day—for the benefit of many individuals and families—will come sooner rather than later. In the meantime, gambling is a cancer that continues to eat away at the health and stability of individuals, families, communities and ultimately, our nation.

**MISSOURI GAMBLING IMPACT QUESTIONS AND ANSWERS**  
Supplement to Testimony Presented to the  
National Gambling Impact Study Commission  
May 21, 1998

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**Question 1: *What testimony is being presented by the Family Policy Center?***

**Answer:** Paul Scianna, executive director of the Family Policy Center, was asked to join representatives from four Midwestern states and present information about the social impacts that have resulted from the presence of gambling in Missouri. In preparing for this testimony, we spent time with a number of people who have direct, daily contact with individuals and families who are being impacted by legalized gambling. The list includes:

- A psychologist who has treated more compulsive gamblers than any other professional in the state;
- A police detective whose full-time assignment is to keep track of all pawnshop activity in the Kansas City metropolitan area;
- A vice-president of Consumer Credit Counseling Service;
- A representative from the Region 13 office of the United States Trustee, responsible for oversight of bankruptcies in Missouri, Arkansas and Nebraska;
- An attorney who serves as a panel trustee for the Region 13 office;
- A representative from the International Union of Gospel Missions, which conducted a survey showing how gambling affected clients coming into rescue missions;
- A Drug and Alcohol Group Leader at City Union Mission Family Center; and,
- Individuals who shared personal stories of how gambling has impacted their families

**Question 2: *What were some of your findings in these interviews?***

**Answer:** What we found was all bad news. None of the individuals we spoke with had any glowing stories of people "hitting it big" and "living happily ever after." No one spoke of the wealth and success seen on billboards and portrayed in radio and television advertisements that promote gambling. Instead, we heard stories of individuals and families facing strained marriages and family relationships, divorce, embezzlement, financial ruin, addiction and even suicide. The following are a few examples:

- A stockbroker who's taking care of other people's money, but due to his gambling addiction is in financial ruin and must have his mother regulate his check book;
- A teacher who has lost everything through gambling and must visit multiple (20 to 30) loan companies each payday, just to pay the interest on the loans he has taken out;
- A mother of two children who ended up at City Union Mission after she lost a \$60,000 inheritance;
- An employee of a computer company who embezzled \$12,000 worth of new equipment and pawned it for gambling money;
- A couple who visited a riverboat to celebrate their anniversary. For the husband, this one trip began a long journey of compulsive gambling that continues. The wife knows of at least \$10,000 in gambling debt and the couple's relationship has suffered greatly;
- A St. Louis woman who shot herself in the head with a .357 magnum revolver, in the basement of her home, after losing her children's college money at the boats;
- An addiction therapist who ran up huge credit card debts and tried to kill himself by drinking a bottle of poison he kept in the garage. He survived, but has relapsed into his compulsive behaviors at least once.

**Question 3: What data do you have to prove that any of these stories were caused by gambling?**

**Answer:** Until recently, there hasn't been a lot of solid data to help prove a cause-and-effect relationship between gambling and, let's say, the increase in bankruptcies or homelessness. But that is beginning to change. The Kansas City-based International Union of Gospel Missions conducted a nationwide survey of homeless men and women coming into the shelters in their organization, and found that 70 percent believe the prevalence of gambling opportunities, including lotteries, makes it more difficult for them to put their lives back together. Eighteen percent said that gambling had a direct impact on their homeless situation, and 86 percent said that gambling is addictive.

The survey's findings correlate with the anecdotal evidence we gathered in our own research. The rescue missions tell us that they are seeing more and more families with financial trouble resulting from their involvement with gambling. Several of the people we spoke with clearly felt that gambling proponents have targeted inner city residents with their marketing efforts. One told us of a woman who would take several of her friends to the riverboats directly after picking up their welfare checks.

A more empirical measure of the financial impact has been the rise in bankruptcy rates in Missouri. In Kansas City, there were 5,462 Chapter 7 cases filed in 1994. In 1997, that number increased to nearly 9,500 cases. St. Louis has shown similar increases. Our conversations with a bankruptcy trustee and a vice-president at Consumer Credit Counseling Service (CCCS), indicated that many of these bankruptcies are tied to problems with gambling.

CCCS told us that several years ago, before the market was saturated with riverboats, they saw about one case per year connected with gambling. Now they see 10 to 20 *per month!* The bankruptcy trustee told us that in a number of cases where she has investigated financial records, she has found ATM charges that originated on the gambling boats.

A common pattern that emerged as we gathered information is the reluctance of those with gambling problems to admit the source of their financial troubles. They may try to hide their gambling by using their paycheck to gamble, and then pay for basic needs with credit; or they'll buy merchandise with credit and either sell or pawn it for gambling money. Gamblers seem to be very adept at hiding what they're doing from family and friends.

**Question 4: Doesn't gambling add a lot to the community by providing jobs and tax dollars for education? Isn't there a net gain from the benefits of gambling revenue?**

**Answer:** There's no disputing the fact that the boats have brought jobs to communities where they locate. But we must look to the long-term costs to our culture and our communities. Studies of gambling's impact in the states of Connecticut and Wisconsin have shown a net economic loss, and that's before heavy social costs are factored into the formula. We strongly doubt Missouri's long-term situation will be any better.

The notion that gambling would provide more revenue for education was used to sell the expansion of gambling to the public. The actual dollars available to education don't represent a large percentage of total state education revenues, and there is a danger that our schools will become gambling revenue "addicts." We spoke with an economics professor who postulates that down the road, we may see education dollars dwindle as the boats continue to lose revenue. The schools will be forced to replace that money from some other source, or reduce staff and/or services.

**Question 5: So, is your goal to shut down all the boats and gambling outlets in Missouri?**

**Answer:** Clearly that is not a realistic goal. The goal is to raise public awareness concerning the impact of gambling on our communities and how it destroys families, by luring the unsuspecting into a lifestyle of compulsive gambling. We need to tighten restrictions and safeguards that were agreed to by the gambling interests and the citizens of Missouri when the boats were first allowed to come into our state. We hope that when people know the full story of gambling's impact, they will not tolerate any further spread of its influence or its freedom to operate with few restrictions, and will in fact, insist that it be more tightly regulated.

### Selected Quotes From Our Interviews

*"Since the boats came here, there's been an increase in the number of people pawning their own property. Even with the loss of four pawnshops in the past year, the number of transactions continues to increase."*

**-Detective Mike Stuart, KCMO Police Department**

*"We've had a large number of consumer filings (of bankruptcy) in the last two or three years in particular. Typically they're characterized by a large amount of credit card debt. In some of those cases, we have reasonable information that they have taken cash advances to go down to the boats."*

**-Jerry Phillips, Assistant Trustee, U.S. Trustees Office**

*"Involvement with gambling is not an area that people will often reveal to us. It seems to be one of those hidden things."*

**-Lorraine Minor, City Union Mission**

*"In some cases I'll ask to see bank records looking for payments they might have made to creditors. I'm trying to get a feel for the assets they have and I'll see riverboat ATMs on their statements."*

**-Erlene Krigel, Panel Trustee, U.S. Trustees Office**

*"We are seeing a dramatic increase in the rate of bankruptcies and cases of fraud. There is a clear correlation between these increased rates and the presence of riverboat casinos."*

**-R. Crosby Kemper III-President, UMB Bank-St. Louis**

*"There are folks who argue that it's just another form of entertainment and that the majority of people can handle it without becoming addicted. But it's like any other form of addiction we see ... once there is an appetite for a little of it, it seems that the appetite continues to grow. The addictive nature of gambling causes families to fall apart."*

**-Phil Rydman, International Union of Gospel Missions**

*"In 1995, just prior to the casinos opening, there was one Gamblers Anonymous meeting every week. Now there are nine every week. I expect that a year from now that number will double. I don't know how else to say it other than that it destroys relationships; it destroys families."*

**-Stanley Bier, Psychologist**

*"We would see one gambling case a year before the casinos came in. At this point we're seeing between 10 and 20 every month with gambling-related problems. And those are only the ones that we can track. It could be much higher."*

**-Jeff Sheets, Consumer Credit Counseling Service**

*"If you look around, you'll see that there are more casino billboards in the inner city. The inner city is where the lower income people live. They're targeting them with the promise of becoming more financially secure through gambling, with the promise of wealth."*

*"I don't know anybody who has come out on top—whose life is better—through gambling at the casinos. I don't know anyone."*

**-Betty Lee, City Union Mission**

*"There's been a real behavior change. He used to be very pleasant to be around, cooperative and always wanted to help around the house. Now there's a lot of cussing, he's drinking more and is not cooperative. I am amazed how much it has changed him as a person."*

**-Wife of a gambling addict describing her husband's character change**