



NATIONAL GAMBLING IMPACT STUDY COMMISSION

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TO THE PRESIDENT, CONGRESS, GOVERNORS, AND TRIBAL LEADERS:

At the inaugural meeting of this Commission two years ago, I stated that we had been charged by Congress with "a very broad and very difficult task – to conduct a comprehensive legal and factual study of the social and economic implications of gambling in the United States." We have now completed that task. This Report presents the principal findings of that effort and the recommendations we believe provide a coherent framework for action.

The Commission devoted considerable attention and resources to discharging its responsibilities, efforts which included holding a series of hearings around the country in which the Commission and its Subcommittees received testimony from hundreds of experts and members of the public; making several site visits; commissioning original research; conducting surveys of the existing, wide-ranging literature; and soliciting and receiving input from a broad array of individuals and organizations.

Despite these extensive efforts, we have not exhausted the topic: the subject of gambling's impact is too extensive to be fully captured in a single volume. Through our contracted research, we have added important new information in several fields; but the need for additional research remains. In fact, one of our most important conclusions is that far more data is needed in virtually every area. But even though the need for additional information cannot be contested, this cannot be allowed to become an excuse for inaction. It is likely that necessary information will always be in short supply and insufficient to compel agreement on controversial issues or to lay out a road map for the future. However, it is our belief that we have substantially reduced the uncertainties that are an inevitable part of that process.

Two years ago, I also stated that this Commission had a diverse make-up, representing broad differences of opinion, and that I expected that diversity to be fully and forcefully voiced. I believe anyone who has been present at any of our proceedings will acknowledge that that was an accurate forecast. That diversity did not necessarily make for quick decisions or easy consensus, but it did ensure a healthy representation of a wide range of interests and perspectives. One need not claim perfection for the process to understand that this approach is the foundation of representative democracy.

In the end, however, the unanimous adoption of this Report speaks for itself. That is not to say that every Commissioner has agreed with every point or recommendation. Even in areas of agreement, each Commissioner brought to our work his own point of view, some of which is reflected in the individual statements appended to this Report. But the determination of the Commissioners to search for common ground without sacrificing a vigorous advocacy of their perspective is a testament to their dedication to public service.

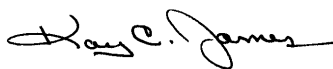
This is the Report of a national Commission to the President, Congress, State Governors, and Tribal Leaders. But although the growth of gambling is a national phenomenon, gambling itself is of greatest concern to the individual communities in which it operates or is proposed to operate. It is at that level that its impact is felt most keenly and where the debates surrounding this issue are most energetically contested. Those communities form no common front: one community may welcome gambling as an economic salvation, while its neighbor may regard it as anathema. As such, there are few areas in which a single national, one-size-fits-all approach can be recommended.

Thus, with only a few exceptions in areas such as the Internet, we agree that gambling is not a subject to be settled at the national level, but is more appropriately addressed at the state, tribal, and local levels. It is our hope that this Report will help spark a review and assessment of gambling in those same communities and jurisdictions. For that reason, we have recommended a pause in the expansion of gambling in order to allow time for an assessment of the costs and benefits already visible, as well as those which remain to be identified. The only certainty regarding these reviews is that any results will be as individual as the communities undertaking them: some will decide to curtail the gambling they already have, others may wish to remove existing restraints. Still others may conclude that their situation requires no change. What is most important, however, is that these reviews take place and that whatever decisions are made are informed ones.

The recommendations in this Report are not self-enacting. In the end, the usefulness of the Commission's work can only be measured by the actions of others, be they in government or in the private sector. Regardless of whether or not their actions draw directly upon the recommendations in this Report or are the result of other efforts that this Commission may help prompt, it is our hope that those who bear the responsibility for protecting and promoting the public's welfare will find this Report useful toward that end. That alone would be sufficient reward for our efforts.

I want to express my deep appreciation to the members of this Commission for their perspective, sacrifice, and commitment to a fair, balanced, and objective analysis of the issue. Our ability to come together with a unanimous Report is indicative of their diligence, as well as the outstanding support provided by the Commission's staff.

On behalf of my fellow Commissioners, thank you for the opportunity to serve the American people.

A handwritten signature in black ink, reading "Kay C. James". The signature is fluid and cursive, with the first name "Kay" and last name "James" clearly legible.

Kay C. James
Chairman

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INTRODUCTION

Since the mid-1970s, America has evolved from a country in which gambling was a relatively rare activity—casinos operating only in the distant Nevada desert, a few states operating lotteries, and pari-mutuel gambling relatively small scale and sedate—into a nation in which legalized gambling, in one form or another, is permitted in 47 states and the District of Columbia. Commercial gambling has become an immense industry. Governments are now heavily involved and increasingly active in pursuit of gambling revenues, either directly through state-owned lotteries and Native American tribal gambling or through the regulation and taxation of commercial operators. Tribal governments, in particular, have become the pacesetters for the rapid growth of gambling activities. Yielding more than \$50 billion in gross revenues and still growing, and with little end in sight to the proliferation of gambling, our country stands at a crossroads. Do we allow gambling to continue to expand, or do we halt its growth until we more fully understand its effects on individuals, communities, and the nation?

There was no single, overarching national decision to turn the United States into a world leader in gambling. Rather, games of chance spread across the map as a result of a series of limited, incremental decisions made by individuals, communities, states, and businesses. Little by little, lotteries expanded, aided by increasingly sophisticated advertising campaigns. Over time, Las Vegas-style casinos multiplied, first in Atlantic City, then on riverboats and Indian reservations. Often with little notice, so-called “convenience” gambling, including such games as video poker, cropped up in corner stores, in gas stations, and on main streets in towns across America. And today the Internet—an unlimited frontier in the proliferation of gambling—beckons millions of existing and would-be gamblers from around the world.

In the next 25 years, gambling could, at its present rate of growth, become more and more like other common and legal, but somewhat restricted, business activities, such as the sale of alcohol or cigarettes. Of course, over time, the basic rules of our economic system would be expected to play a greater role in shaping the pattern of gambling, as

the quasi-monopolistic circumstances of the present are replaced by more routine competition. But with little stretch of the imagination, it is conceivable that someday gambling enterprises may be franchised and, at least in parts of the country, become as common as fast food outlets are today.

The rapid acceleration in the growth of gambling begs a host of questions. How much do we know about the social and economic impacts of gambling? Do its benefits outweigh its costs? Will bringing in gambling help struggling local economies, or will it sap the very citizens it is intended to help? To what extent, if any, does gambling create jobs? Cut welfare rolls? Raise or lower crime rates? How widespread is problem and pathological gambling? Does more gambling automatically mean more problem and/or pathological gambling? No one has definitive answers to these and other questions about gambling, least of all our policymakers, who are now caught short and, in some cases, may be flying blind as they attempt to formulate rational, informed gambling policies.

In 1996, Congress responded to the urgent need for more information about gambling's impact on people and places by mandating the National Gambling Impacts Study Commission (NGISC). Congress instructed the NGISC, within a 2-year period, to "conduct a comprehensive legal and factual study of the social and economic impacts of gambling in the United States." This *Executive Summary* provides an overview of the *Final Report* of the NGISC. It describes the size, scope, and nature of the gambling industry as well as gambling's most problematic issues. It also presents recommendations on gambling to the President, Congress, governors, tribal leaders, and a broad range of individuals within the public and private sectors.

GROWTH OF GAMBLING IN AMERICA

The gambling industry in the United States has grown tenfold since 1975. Today a person can make a legal wager of some sort in every state except Utah, Tennessee, and Hawaii. Thirty-seven states and the District of Columbia have lotteries, 28 states authorized casino gambling (including both commercial casinos and Class III Indian casinos), and 43 states have pari-mutuel betting. Between 1976 and 1997, revenues from legal wagering grew nearly 1,600 percent, and gambling expenditures more than doubled as a percentage of personal income