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INTRODUCTION

Since the mid-1970's, 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

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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

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from 0.30 percent to 0.74 between 1974 and 1997. Especially striking is the increase over time in states with lottery and/or casino gambling.

In 1982, gross gambling revenues (dollars wagered minus payouts) totaled \$10.4 billion. In 1997, gross gambling revenues had increased to more than \$50 billion. The amount of money spent on gambling compared with amounts spent on other leisure activities is noteable. In 1997, Americans spent \$495.9 billion on leisure goods, services, and activities; more than \$1 in \$10 (\$50.9 billion) was spent on gambling, not including monies spent by gamblers on hotels, food, transportation, and other expenses. In terms of "destination leisure"

*These numbers must be viewed with caution. For a fair and accurate understanding of the actual size and potential profitability of the entire industry or any of its segments, it is critical to note the difference between the figures for "total money wagered," known in the trade as "handle," and "gross gambling revenue." The two terms are not interchangeable. The ratio between them is on the order of 10 to 1 for the entire industry and 25 to 1 for casino gambling. It is easy to see how, taken out of context, figures for "money wagered" and for "gross gambling revenue" might be easily misinterpreted, especially by the layman.

INCREASE IN STATES WITH LOTTERY AND CASINO GAMBLING: 1973 VERSUS 1999*



*Excludes pari-mutuel gambling.
SOURCES: Gross Annual Wager, *Gambling in America*, 1997 and 1998; *Casino Business Directory*, 1998.

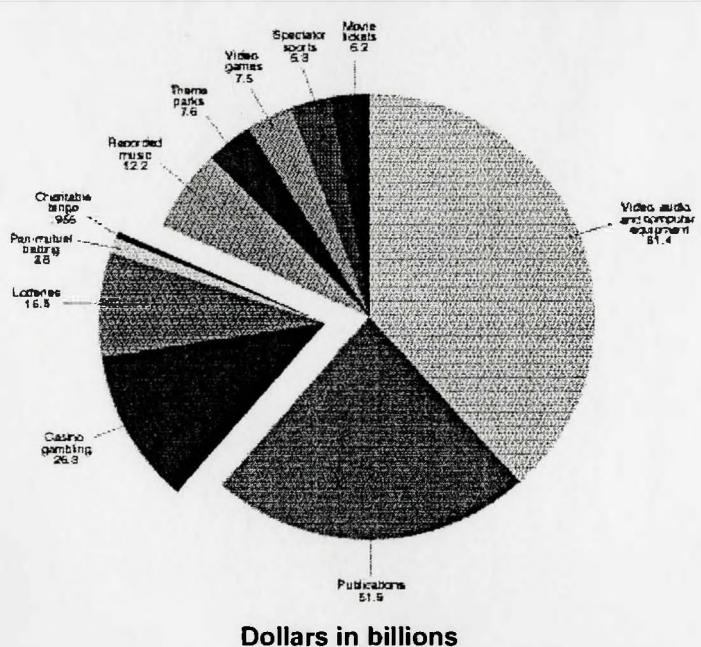
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(e.g., spectator sports, cruise ships, theme parks, concerts), the 1997 figure is \$81.8 billion, with "destination" gambling accounting for \$30.1 billion, or more than one-third of those revenues.

Before the beginning of this decade, legalized casinos operated in just two jurisdictions: Nevada and Atlantic City. Currently, casinos are authorized in 28 states and have created over 700,000 direct and indirect jobs with wages of approximately \$21 billion. With the multiplication of locations, there was a metamorphosis of the types of casinos:

⁹The 1997 Gross Annual Wagering in the United States: Economic Impacts of Casino Gaming in the United States: Volume 1: Macro Study. DRI, Inc. 1998.

COMPARISON OF AMOUNTS SPENT IN 1997 ON GAMBLING VERSUS OTHER LEISURE ACTIVITIES



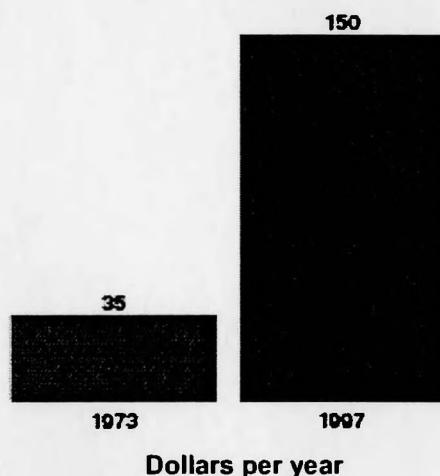
¹⁰The 1997 Gross Annual Wagering in the United States: Economic Impacts of Casino Gaming in the United States: Volume 1: Macro Study. DRI, Inc. 1998.

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In addition to "destination" casinos in Nevada and Atlantic City, there are nearly 100 riverboat and dockside casinos in 6 states and approximately 260 casinos on Indian reservations. The expansion of gambling to these new sites is seen by one leading researcher as "the most significant development" in the industry in the 1990s.

The number of state lotteries—the second largest type of gambling in terms of revenues—has expanded rapidly during the last quarter century. In 1973, seven states had lotteries, with total sales of \$2.0 billion. By 1997, state lotteries operated in more than five times as many states and garnered \$34 billion in sales, not including money from the new and fast-growing electronic gambling device (EGD) segment. Perhaps most dramatic, per capita lottery sales climbed from \$35 in 1973 to \$150 in 1997.

PER CAPITA LOTTERY SALES IN STATES WITH LOTTERIES:
1973 VERSUS 1997*



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Pari-mutuel gambling—horse racing, dog racing, and jai-alai—has not enjoyed the high level of growth that many other segments of the industry have, and its percentage of total gambling revenues has declined significantly over past decades. Of the three segments, horse racing is by far the largest component and has performed the best financially. Legal in 43 states, with over 150 racetracks in the United States, pari-mutuel horse racing generates annual gross revenues of approximately \$3.25 billion, based on a “handle” or wagers of \$15.3 billion. While comparatively small in terms of revenue, the industry has an extensive network of connections throughout the economy, with hundreds of thousands of individuals owing their jobs to the industry.

From informal, illegal office pools to legal bookmaking in Nevada, wagering on sports events is a pervasive activity in our culture. Many gamblers are avid and knowledgeable followers of sports, tracking point spreads on major, and even minor, sporting events by consulting newspapers, radio talk shows, television programs, on-line services, and other sources. There is growing concern regarding increasing levels of sports wagering by adolescents in high school and by young adults on college campuses. A 1996 study sponsored by the National Collegiate Athletic Association found that of the over 2,000 student athletes surveyed in Division I basketball and football programs, 25.5 percent admitted betting on college sports events while in school.

The terms “convenience gambling” and “retail gambling” have been used to describe legal, stand-alone slot machines; video poker; video keno; and other EGD’s that have proliferated in bars, truck stops, convenience stores, and a variety of other locations across several states. However, these terms do not adequately convey the range of locations at which EGD gambling takes place, nor do they describe the spectrum of laws and regulations that apply (or fail to apply) to EGD’s. Some states, including Louisiana, Montana, and South Carolina, permit private sector businesses to operate EGD’s; in other states, such as Oregon and California, this form of gambling is operated by the state lottery. In South Carolina, this form of gambling is increasingly widespread, with 34,000 licensed video poker machines operating at some 7,500 locations.

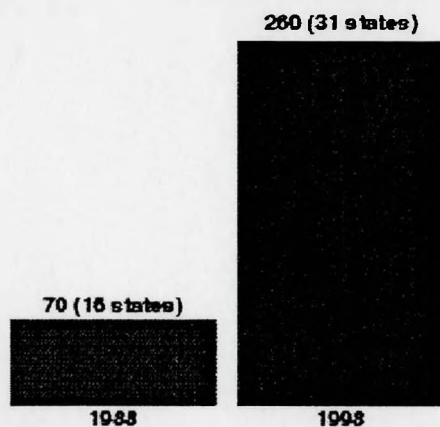
In 1988, Congress passed the Indian Gaming Regulatory Act (IGRA), providing a regulatory framework for casino gambling on Indian reservations. From 1988, when IGRA was passed, to 1998, tribal gambling revenues grew more than thirtyfold, from \$212 million to

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\$6.7 billion. As of 1998, approximately 260 facilities were operating in 31 states. It is important to note that over two-thirds of Indian tribes do not have any gambling at all and that not all gambling tribes benefit equally. In fact, the 20 largest revenue generators in Indian gambling account for 50.5 percent of the total revenue.

The Internet represents a new frontier in the spread of gambling, with the number of on-line bettors continuing to grow every year. The gross revenues of Internet gambling doubled between 1997 and 1998, when they reached an estimated \$651 million. One estimate predicts that Internet gambling will exceed \$2 billion by 2001. Adding to the concern regarding Internet gambling is the issue of access by adolescents and the recent licensing of Internet gambling operators by several foreign governments, including Antigua and Australia, with sites accessible to users worldwide.

INCREASE IN NUMBER OF INDIAN CASINOS AND INDIAN BINGO HALL FACILITIES: 1988 VERSUS 1998

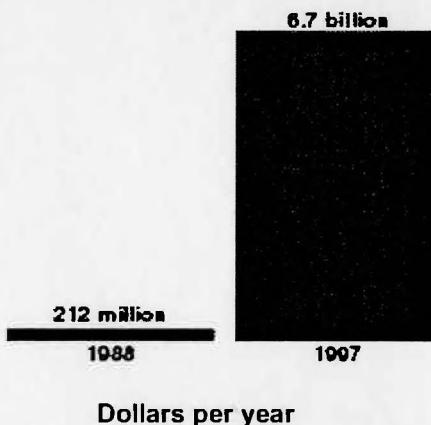


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With the sharp increase of legal gambling in the past 20 years, there is increased concern about problem and pathological gambling. Clearly, more people are gambling, and they are wagering more. Problem and pathological gamblers are distinct from recreational or social gamblers. They cannot control their impulse to gamble and often bring ruin on themselves and their families. Problem and pathological gamblers often lose their jobs, their savings, their relationships, and their dignity. Researchers estimate that between 2.5 and 3.2 million adults in the United States have met the criteria in their lifetime for pathological gambling. Between 1.7 and 2.6 million adults have met the criteria in the past year. Especially troubling, 1.1 million adolescents between the ages of 12 and 18 are also estimated to be pathological gamblers.

INCREASE IN TRIBAL GAMBLING REVENUES: 1988 VERSUS 1997



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1976 FEDERAL REPORT ON NATIONAL POLICY TOWARD GAMBLING

It has been 23 years since the gambling industry and the gambling behavior of Americans have been reviewed by a federal commission. In 1976 the Commission on the Review of the National Policy Toward Gambling issued its Final Report, "Gambling in America." At the time, only 13 states had lotteries, 2 states (Connecticut and New York) had approved off-track wagering, and there were no casinos outside of Nevada. The 1976 Report marked the first time that a national commission had sought to provide methodologically sound research and recommendations on gambling. In its efforts, the Commission conducted and oversaw 3 years of in-depth research and extensive hearings.

An excerpt from the Commission's 1976 Report reveals that gambling was then, as it remains today, a controversial and divisive subject:

"Gambling is an issue so fraught with ingrained moral and philosophical dichotomies and unresolved social questions that no disposition of the subject can ever come close to being universally accepted. Attitudes toward gambling encompass the most sincere and high-minded ethical beliefs as well as the basest kinds of acquisitive instincts and exploitation."

The Commission's 1976 Final Report adhered to a pragmatic approach. Theirs was primarily a single question: Since gambling is inevitable, who should regulate gambling and how? Furthermore, inasmuch as gambling was also recognized as a social issue, the Commission determined that "gambling policy is the proper responsibility of the government entity closest to the lives of citizens—the State." The 22 key recommendations of the Commission focused on the enforcement of state and local gambling statutes, the regulation of legal gambling industries, and the issues surrounding illegal gambling industries.

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NATIONAL GAMBLING IMPACTS STUDY COMMISSION: 1996-1999

The NGISC was established on August 3, 1996, when President Clinton signed Public Law 104-169. The nine members of the Commission were appointed by the President, the Speaker of the House, and the Senate Majority Leader. They represent diverse backgrounds, regions and, indeed, viewpoints.

By the time that the NGISC was created in 1996, legalized gambling had grown nationally to a multibillion-dollar-per-year industry with \$50 billion in gross revenues. Indeed, as the NGISC was launching its initial efforts, the gambling issue was playing an increasingly prominent role in political elections and preelection spending wars. More than ever before, policymakers, business executives, and voters needed reliable information about the benefits and costs of all forms of gambling.

Congress charged the NGISC with the task of "conducting a comprehensive legal and factual study of the social and economic impacts of legalized gambling in the United States." The study was to include the impacts on communities, social institutions, and individuals, as well as the role of government.

The following excerpt from Public Law 104-169 outlines the NGISC's six mandated topics of inquiry:

A review of existing federal, state, local, and Native American tribal government policies and practices with respect to the legalization or prohibition of gambling, including a review of the costs of such policies and practices;

An assessment of the relationship between gambling and levels of crime, and of existing enforcement and regulatory practices that are intended to address any such relationship;

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An assessment of pathological or problem gambling, including its impact on individuals, families, businesses, social institutions, and the economy;

An assessment of the impact of gambling on individuals, families, businesses, social institutions, and the economy generally, including the role of advertising in promoting gambling and the impact of gambling in depressed economic areas;

An assessment of the extent to which gambling provides revenues to state, local, and Native American tribal governments, and the extent to which possible alternative revenue sources may exist for such governments; and

An assessment of the interstate and international effects of gambling by electronic means, including the use of interactive technologies and the Internet.

The NGISC officially began its 2-year study on June 20, 1997. A research agenda based on 42 specific policy questions was unanimously adopted in October 1997, and major research tasks were contracted. A key research task was a National Survey of Gambling Behavior, the first since 1976. At the Commission's request, approximately \$2.5 million of research on gambling was conducted. (Copies of all research reports are available in CD form to be distributed with the Final Report.)

In addition to their regularly scheduled meetings, the Commission also conducted site visits in Atlantic City, Boston, Chicago, San Diego, Tempe, Biloxi, New Orleans, and Las Vegas. The Commission listened to presentations on gambling from the federal, state, and local perspectives. It met with experts on state lotteries, casinos, pari-mutuel gambling, sports wagering, and many other forms of gambling. It heard from mayors, senators, city council members, police officers, hotel union representatives, gambling commissioners, problem

gambling treatment counselors, and others. The Commission toured the Atlantic City boardwalk and interviewed casino and non-casino vendors. It was briefed by leading researchers on pathological gambling by youth and adults. The Commission also visited two Native American casinos and heard testimony from the representatives of more than 50 Indian nations. And in a live demonstration of interactive technology, they learned of the most current Internet gambling practices and their law enforcement implications. Finally, the Commissioners heard passionate testimonies from individuals whose lives had been affected dramatically, both positively and negatively, by the gambling industry. (Individuals who provided testimony to the NGISC are listed in the Acknowledgments Appendix of the Final Report.)

From the outset, the Commissioners saw their primary obligation as a civic one: to carry out a fair and objective review of the gambling industry's economic and social impacts. Second, the Commissioners felt that the facts of the mandated research reports should stand on their own merit and that the public's right to draw its own conclusions should be preserved. Third, despite a range of perspectives among Commissioners on how the gambling industry might best evolve over the next quarter century, all members of the Commission agreed that every sector of the industry must remain bound by fair and honest practices, including truth in advertising, accurate disclosure of odds, reliable machines, guaranteed payments to winners, training of employees, responsible use of credit availability, and corporate accountability.

MAJOR ISSUES IN GAMBLING TODAY

The following section of the *Executive Summary* presents overviews of each of the key chapters of the *Final Report*. Major issues within the current public debate on gambling were introduced. For a complete understanding of gambling's complex issues, readers are referred to the Commission's full *Final Report*. Clearly, each of the many discrete segments of the industry—"destination" casinos, riverboat casinos, Indian casinos, lotteries, pari-mutuels, "convenience" gambling, sports wagering, keno, charitable gambling, and Internet gambling—has its own distinct set of issues, communities of interests, and balance sheets of assets and liabilities.

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Regulating Gambling

Most citizens agree that the gambling industry needs to be regulated. Simply allowing market forces to guide the growth and direction of gambling is seen as a dangerous course of action. Most people also agree that the government is best suited to protecting the integrity of gambling games, including keeping organized crime out of gambling and limiting the number of gambling sites. The key question is not whether the government should regulate gambling but, rather, to what extent are individual states succeeding in their attempts to regulate various forms of gambling and are the "best practices" being shared and adopted by others?

Gambling is regulated primarily at the state level. Such regulation is generally in the hands of an appointed independent body, sometimes called a "gambling commission" or "lottery board." Most state statutes specify the qualifications of the members, their powers, the scope of their oversight, and regulations to be administered. In general, gambling regulation is designed to protect people's income, to preserve the quality of life for the community, to keep the games honest, and to ensure that citizens are free from criminal activities. It usually involves licensing of gambling, standards for licensing, public accessibility, operation of devices and facilities, use of funds, and protection of employees. Some states also incorporate a statement of the need for strict regulation as a matter of public policy for the public good.

Government-sponsored gambling includes both state lotteries and tribal government gambling. (The latter is discussed in the section below under "Native American Gambling.") Lottery states are free to determine for themselves what the administrative oversight for their lotteries will be. Currently, 14 of the 38 government-sponsored lotteries have placed their operations within the existing administrative structure of the state. In the remaining 24 jurisdictions, states have established a separate agency bound by rules different from the rest of the state government. In some of these jurisdictions, the lottery is an independent, quasi-public entity, not bound by the states' civil service requirements or their rules for procedure. And in some cases, this independence allows the lotteries to operate more like independent businesses, with some of them choosing to conduct full-blown, glitzy advertising campaigns. Clearly, as lottery activities have continued to expand over the past two

decades, the line between the state as regulator and the state as gambling franchise has grown increasingly nebulous. Indeed, those states running their own lotteries may be subject to a conflict of interest between the desire to maximize revenue and the need to promote the public good. The NGISC views this conflict as a key issue to be resolved by policymakers.

Lotteries have become as much a part of the American scene as apple pie—and they are marketed as just as benign and wholesome. State governments—free of the advertising constraints imposed on commercial gambling—use many forms of media to tout ever-larger jackpots and to celebrate successful gamblers. The beneficial effects of the proceeds from lotteries are similarly oversold. The truth about lotteries receives scant attention from most governors and state legislators. Lotteries, in fact, are highly regressive sources of revenue. Players with household incomes under \$10,000 bet nearly three times as much on lotteries as those with incomes over \$50,000. And although half the adult population plays the lottery in any given year, the degree of involvement is highly heterogeneous. Among those who played in the last year,⁵ the top 5 percent of players accounted for 51 percent of total sales. Moreover, the states' pay-out to players represents the smallest "win" percentage of any major legal form of betting. And, since money is fungible and regular taxes are unpopular, research indicates that lotteries fall far short of their promise of extra spending for desirable programs. Close studies of spending in such areas as education and senior citizens' programs suggest no increase due to the existence of lotteries.

Like government-sponsored gambling, commercial gambling—including casino, convenience, pari-mutuel, and sports wagering—is also subject to regulation. Casino gambling, in fact, is the most highly regulated component of the industry. Each state gambling commission is authorized to investigate the operation of the casinos in that state, including the employee work conditions, the conditions for gambling, the amount of money generated, the legal disposition of the money, and proper payment of relevant taxes. State gambling commissions operate under the presumption that ownership of casinos and management of gambling operations will be conducted by those suitable for licensure or other involvement. Regulators usually are authorized to conduct background checks and routine oversight of gambling

⁵Charles T. Clotfelter and Philip J. Cook, *State Lotteries at the Turn of the Century: Report to the National Gambling Impact Study Commission*, April 1, 1999.

establishment operations. In addition, a state regulatory authority may extend to oversight of suppliers, distributors, and others who are involved with gambling enterprises. In Nevada, the State Gaming Commission plays an important role in every aspect of legalized gambling, and many states have used Nevada's regulatory structure as a model.

The regulation of "convenience" gambling—primarily an "electronic device form" of wagering that ranges from slot machines and video keno to video poker—has proven difficult. Such regulation involves licensing, regulation of the placement of machines within an establishment, age restrictions, regulation of operations, and taxation of revenues. Most convenience gambling machines, however, are not located in concentrated spaces, as is the case with casinos. Instead, convenience gambling occurs in locations that exist primarily for other purposes, such as markets, gas stations, truck stops, bars, taverns, and even arcades frequented by adolescents, and there appears to be a gross under-reporting of machines by the owners of many such establishments. In addition, illegal and quasi-legal EGD's offering a similar if not identical gambling experience to legal EGD's are widespread in the bars and fraternal organizations of many states, including West Virginia, New Jersey, Alabama, Illinois, and Texas.

Sports gambling is legal in two states: Nevada, through casino sports books, and Oregon, through a state lottery game based on games played in the National Football League. Although sports wagering is generally illegal, it is nevertheless popular. Clearly, it is important to distinguish between a sports bet between two friends and sports wagering conducted as a business, as in the case of recent attempts to take office pool betting onto the World Wide Web. The NGISC believes that when wagering is used to alter the outcomes of games or when it threatens the integrity of sports or becomes an illegal business, it should be prosecuted to the fullest extent of the law.

A central debate within gambling regulation concerns advertising. On one side of the debate, the American Association of Advertising Agencies is arguing that in as much as gambling advertising is commercial speech, it is protected by the First Amendment. Nevertheless, the Clinton Administration is standing by a federal ban on commercial gambling advertising, citing studies which indicate that gambling advertising contributes to compulsive gambling. In addition, the NGISC was very troubled by the recent upsurge in state lotteries that have

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adopted the sophisticated promotional tools of commercial marketing. In 1997 alone, state lotteries spent \$400 million on advertising campaigns, some of which targeted people in impoverished neighborhoods.

Problem and Pathological Gambling

Today, the vast majority of Americans either gamble recreationally and experience no measurable side effects related to their gambling, or they choose not to gamble at all. Regrettably, some of them gamble in ways that harm themselves, their families, and their communities. The more that Americans are presented with opportunities to gamble, the more concern there is about problem and pathological gambling. While the prevalence and causes of problem and pathological gambling are not well understood, it is clear that millions of individuals fall into these categories. For whatever reason, they cannot control their urge to gamble, despite often horrific consequences. Commission members were frequently moved by the many testimonies from compulsive gamblers. They shared heart-wrenching personal stories of the social, legal, and financial damage they brought upon themselves and their families. Problem and pathological gambling affects not only the problem or pathological gambler and his or her family but also broader society. Such costs include unemployment benefits, welfare benefits, physical and mental health problems, theft, embezzlement, bankruptcy, suicide, domestic violence, and child abuse and neglect.

Unfortunately, public awareness of pathological gambling is a relatively new phenomenon. Only in recent years has the medical community's attention been drawn to the investigation and diagnosis of this problem. Furthermore, treatment programs for problem and pathological gambling are in their infancy.

Despite its impact on millions of Americans, including young people, very little research exists on pathological gambling. In response, the NGISC funded top research organizations to gather evidence on gambling and addictive behavior. One organization, the National Opinion Research Center (NORC) at the University of Chicago, was hired to collect new information on gambling behavior. They interviewed 2,417 adults via telephone, 530 adults in gambling facilities, and 534 adolescents via telephone. NORC collected information from 100 communities, contrasting those near gambling facilities with those

far away. Additionally, NORC conducted case studies in 10 of these communities in which they interviewed 7 or 8 community leaders regarding their perceptions. Another organization, the National Research Council (NRC) of the National Academy of Sciences, conducted a review of the available literature, which covered 4,000 gambling-related references, including 1,600 related specifically to problem or pathological gambling. Taken together, the NORC and NRC studies provide more hard research data and general information on pathological gambling than have ever before been available.

The greatest challenge in crafting a set of recommendations in response to the issue of pathological gambling concerns the debate on the precise definition and prevalence of the problem. There are many differences of opinion. The American Psychiatric Association (APA), considered an authoritative source on mental problems, has attempted to bring order to the labeling of gambling behaviors by creating diagnostic criteria for pathological gambling. APA describes pathological gambling as "persistent and recurrent maladaptive gambling behavior that disrupts personal, family, or vocational pursuits. The gambling pattern may be regular or episodic, and the course of the disorder is typically chronic." With regard to pinpointing problem and pathological gambling prevalence, the core of the confusion stems from the timeline used in various studies. Such timelines range from "lifetime" to "past-year" measures. On the one hand, lifetime estimates run the risk of overestimating the problem and/or pathological behavior, because those estimates will include people who have gone into recovery and who no longer manifest the symptoms. On the other hand, past-year measures may underestimate the problem, because this number can include people who continue to manifest pathological gambling behaviors but who may not have met the APA diagnostic criteria within the past year. As a result, problem and pathological gambling estimates in 17 states where surveys have been conducted range from 1.7 all the way up to 7.3 percent of adults.

Perhaps most troubling to the NGISC was the challenge of estimating the costs involved in problem gambling. Clearly, the extent of personal consequences on the pathological gambler and his or her family may be severe, including domestic violence, child abuse, and financial hardships. The NORC study estimated that problem and pathological gamblers account for 15 percent of the dollars lost gam-

bling. But beyond dollar amounts, how does one quantify a divorce, a loss of life savings, or worse, a gambling-induced suicide?

Despite their differences on the definition of pathological gambling, its prevalence, and its costs, the members of the NGISC were unanimous in their conclusion that a serious pathological gambling problem exists and that it must be addressed aggressively by policy-makers at all levels. Current responses to the problem include efforts by the National Council on Problem Gambling and ongoing research at various universities. Perhaps surprising to some, the largest source of funding for research on problem and pathological gambling is the commercial casino industry. In addition, the pari-mutuel industry, as well as several states and tribal governments, has made contributions to gambling treatment programs and other organizations that deal with mental health issues and addiction.

The NGISC stands firm in its conviction that further research on problem and pathological gambling must be conducted and it is important to aggressively seek to prevent and treat these disorders. Finally, the Commission believes that a major portion of the responsibility for addressing the problem of pathological gambling must be borne by the states that sponsor gambling.

Native American Tribal Gambling

The NGISC established a Subcommittee on Indian Gambling to supplement the full Commission's work in this area. Six formal hearings were held around the country and with the assistance of the National Indian Gaming Association (NIGA), the Subcommittee received testimony from 100 tribal members representing more than 50 tribes across the nation.

Large-scale Indian casino gambling is barely a decade old. Its origins trace back to 1987, when a landmark Supreme Court decision, in effect, limited the ability of the states to regulate commercial gambling on Indian reservations. In order to provide a regulatory framework for Indian gambling, Congress passed in 1988 the IGRA. The IGRA provides a statutory basis for the regulation of Indian gambling. It specifies several mechanisms and procedures, including the requirement that the revenues from gambling be used to promote the economic development and welfare of the tribe. For most forms of casino gambling—which the IGRA terms "Class III" gambling—the IGRA requires

tribes to negotiate a compact with the respective states. It is this legislative provision that has been a continuing source of controversy.

From 1988, when the IGRA was passed, to 1997, tribal gambling revenues grew more than thirtyfold, from \$212 million to \$6.7 billion. By comparison, the revenues from non-Indian casino gambling roughly doubled over the same period. As was the IGRA's intention, gambling revenues have proven to be a very important source of funding for many tribal governments, providing much-needed improvements to the health, education, and welfare of Native Americans on reservations across the United States. Nevertheless, Indian gambling has not been a panacea for the many economic and social problems that many Native Americans continue to face.

Under the U.S. Constitution and subsequent laws and treaties, Native Americans enjoy a unique form of sovereignty. However, two centuries of often contradictory federal court decisions and congressional legislation have kept the definition and boundaries of tribal sovereignty in flux. Differing perspectives on the nature and extent of that sovereignty—in particular, the relationship of Indian tribes to the state governments in which they reside—lie at the heart of nearly all disputes over Indian gambling. In the view of some observers, tribal sovereignty is extensive and at least on par with that of states. Others contend, however, that tribal sovereignty is far more restricted in scope. (The complex historical roots of these differing perspectives are discussed in detail in the Commission's Final Report.)

What is not disputed is the federal government's responsibility for the welfare of the Indian tribes and their members. The Supreme Court articulated this relationship to be a "trust relationship," like a "ward to his guardian." In this regard, the federal government's record has been poor. According to U.S. government figures, rates of poverty and unemployment among Native Americans are the highest of any ethnic group in the United States, while per capita income, education, home ownership, and similar indices are among the lowest.

Given the often-opposed viewpoints between tribes and state governments, IGRA's requirement that the two parties negotiate compacts for Class III gambling has been the source of mounting tension and stalemates. Many states complain that the federal government does not actively enforce the IGRA on the reservations and that the states are unable to enforce it on their own; that the IGRA requires

states to negotiate in good faith, but does not place the same requirement on tribes; and finally, that the scope of permissible gambling activities is not clearly defined under IGRA. And while many acceptable tribal-state compacts have been successfully negotiated, several tribes have opened Class III casinos without compacts (e.g., California, Florida, and Washington). States refer to such gambling outlets as "illegal" gambling; the tribes term it "uncompacted" gambling.

In a recent attempt to resolve the tribal-state disputes regarding compacts, the Bureau of Indian Affairs published an "Advance Notice of Proposed Rulemaking" (ANPR) on May 10, 1996. The key element of the ANPR is a provision that would allow the Secretary of the Interior to approve a tribe's request to operate gambling facilities, even if the state and tribe had been unable to agree on a compact. At its July 29, 1998, hearing in Tempe, Arizona, the NGISC voted to send a letter to the Secretary of the Interior requesting that he defer issuance of a final rule, pending the completion of the Commission's Final Report. However, on April 12, 1999, shortly after the expiration of a legislative ban imposed by Congress prohibiting the Secretary of the Interior from approving any Class III compacts without the prior approval of the affected states, the Department published its final rule, in effect implementing the proposed procedures. This measure was almost immediately challenged in federal court by the states of Florida and Alabama, which sought to block the new rules from taking effect. Absent congressional action, the resolution of this problem will almost certainly become the responsibility of the federal courts.

Internet Gambling

Technology is revolutionizing the gambling industry as we know it. As the Internet continues to grow, so too does the popularity of on-line wagering. Seemingly overnight, all forms of gambling have become accessible to every home and every individual 24 hours a day. But how prepared is the nation for this kind of evolution within the gambling industry? How will children's access to Internet gambling be monitored? How will gambling regulators—indeed, how will any of our lawmakers—keep pace, in theory and in practice, with the exponential growth of EGDs and on-line betting? The recent explosion of Internet gambling poses serious legal, economic, and social concerns. One researcher estimates that in 1997, there were approximately 6.9 million potential

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Internet gamblers and Internet gambling revenues of \$300 million. By 1998, there were an estimated 14.5 million potential Internet gamblers and Internet gambling revenues of \$651 million. Today's Internet gambling sites feature dazzling interactive games. They broadcast races in real-time video. They walk their customers through "virtual" tours of casinos with music playing in the background. Most gambling sites offer casino-style gambling; others offer lotteries and bingo. There are an estimated 110 sports-related gambling sites offering on-line tournaments and sweepstakes with a special attraction to young gamblers.

The legalities of gambling in cyberspace are unclear. Statute 18 U.S.C. 1084, the law most frequently cited in reference to Internet gambling, was written before the World Wide Web was invented. It uses the phrase "wire communications." But does the Internet, soon to employ aspects of satellite technology, fall within the domain of wire communications? And does the word "contest," also used in Statute 18 U.S.C. 1084, apply to Internet bingo, lotteries, and casino-style games? What are the legal jurisdictions when it comes to Internet gambling? Where are the bets and wagers actually taking place? At the point of financial transaction? At the site where the person downloads a Web page on a personal computer? Is gambling via the Internet protected by the First Amendment as an act of free speech or is it primarily a commercial enterprise? These unanswered questions may lead some Internet gamblers to believe that the traditional rules of honesty and financial accountability no longer apply.

Gambling on the Internet is especially enticing to youth, pathological gamblers, and criminals. There are currently no mechanisms in place to prevent youths—who make up the largest percentage of Internet users—from using their parents' credit card numbers to register and set up accounts for use at Internet gambling sites. For pathological gamblers, the Internet's anonymity provides a shield from public scrutiny, a ticket to traverse unchecked through scores of gambling web sites 24 hours per day. Dr. Howard J. Shaffer, director of addiction studies at Harvard, likens the Internet to new delivery forms of addictive drugs: "As smoking crack cocaine changed the cocaine experience, I think electronics is going to change the way gambling is experienced." Finally, Internet gambling can provide a nearly undetectable harbor for criminal enterprises. Since Internet "servers" for gambling operations are physically located offshore, dishonest gambling operators can

easily steal the "winnings" by taking credit card numbers and money from deposited accounts and then, within a matter of minutes, move a gambling site or close it down altogether. Computer hackers can tamper with software and manipulate games to their benefit. And money launderers need only to deposit their money into an offshore account, use the funds to gamble, lose a small percentage of the original funds, then cash out the remaining funds.

Last year Congress introduced legislation to address Internet gambling. Efforts to regulate an industry whose parameters have yet to be defined could be premature and unwarranted. Furthermore, regulation of Internet gambling would likely involve large costly regulatory bodies within each state that would take away the anonymity of Internet users through registration processes. Alternatively, total prohibition of gambling on the Internet, a proposition unanimously endorsed by every member of the NGISC, would provide law enforcement with the additional authority it needs to prosecute dishonest operators. In addition, a total ban on Internet gambling would prevent improper endorsements by the U.S. government of what are often questionable offshore gambling operations.

Gambling's Impact on People and Places

The proponents of gambling tend to stress its economic benefits. Opponents tend to point to its social costs. In fact, there are both significant benefits and significant costs. Communities that embrace gambling, and the areas that surround them, experience both gambling's negative and positive impacts. The key question is this: How do gambling's benefits measure against its costs? Even after the NGISC's 2 years of extensive research, the question cannot be

When the casinos came to Atlantic City I got employed as a pantry person making sandwiches. Then the casino sent me to school to further my education in the culinary field. I became a cook, shortly thereafter a relief cook, making money that I didn't imagine I could be making and being able to provide for my family.

—Sydney Meadows
Cook
Atlantic City Showboat
Atlantic City, New Jersey

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I'm so glad to be part of the union gaming industry. Thanks to it, I don't need to depend on welfare anymore, and I can give my family anything they need. And I can give them a better life and a prosperous future.

—Silvia Amador
Guest Room Attendant
Las Vegas Hilton Hotel
and Casino

definitively answered. The overall amount of high-quality and relevant research in this area is still extremely limited. Indeed, much of the previously existing research is flawed by insufficient data, poor or underdeveloped methodology, or researchers' biases. However, even without a complete range of measurements, the NGISC has begun the process of determining the net impact of gambling. Policymakers at all levels of government are urged to review the Commission's analyses and to evaluate and critically test gambling's costs and benefits within their own communities. To that end, the NGISC offers policymakers a process as well as qualitative and quantitative factors to consider as they assess the true benefits and costs of gambling.

The NGISC suggests that policymakers consider a number of caveats: First, social and economic impacts are not easily severable. Employment, for instance, is both an economic

"I have worked at the Hollywood Park Casino for the last four years. I am married and I have a beautiful family. I am the father of six children. I came to California sixteen years ago, and I got a job at the International House of Pancakes where I worked for twelve years as a cook for \$7.00 an hour. In those twelve years I never received a raise, never had a vacation, and never was offered family health insurance. When my children got sick, I had to take them to a local clinic and pay cash for all the expenses. I never had time for my family. I worked 14 or 15 hours a day, seven days a week just to be able to support them. But now I am working at the Hollywood Park Casino, the first union casino in Southern California. As a lead cook I make \$12.00 an hour, \$5.00 more an hour than I used to make. And now I have affordable health insurance, and I can count on having regular days off to spend with my family. Before, I had to worry about our future, but now I have job security and most importantly I have respect and a voice on my job."

—Carlos Alvarenga
Hollywood Park Casino, Eglewood, California

In 1994 Ellen Cantor experienced a mid-life crisis of sorts. She was at the top of her field, earning \$90,000 a year as a controller for a home care agency. But Cantor, a self-described "nice Jewish girl from New York," wanted a change. She cashed in her 401K plan, withdrew her substantial savings, and she and her soon-to-be husband packed up everything and headed to "the land of opportunity"—Las Vegas. Once there, they visited the casinos frequently—he played the horses, and she played blackjack. They both found jobs they enjoyed. For two years, life was good. Then Cantor discovered video poker. Before then, Cantor used to chuckle at the people playing video poker in the convenience stores and supermarkets. "Don't they have a life?" she wondered. Her husband tried to warn her. "That stuff is video crack. You are never going to get away from it." He was right: she couldn't. Cantor "won" over \$1 million at one casino on video poker—but of course losing far more there and at the other casinos she frequented. She began stealing from her company. Her husband finally left. Cantor sought help at Gamblers Anonymous meetings, but the opportunity to gamble remained ever present. The pull was too strong. Cantor knew she had to get away. She left her clothes, furniture—everything—in the apartment and drove back to New York City. She was so broke she had to write hot checks to cover expenses on the trip. The support of family and a GA group in New York has seen her through recent months. She thinks often of the hundreds of others she met in Las Vegas whose lives were similarly destroyed by a gambling addiction. She worries, though, about the rapid spread of gambling across America. What if video poker was to come to New York? "I know I don't have another recovery left in me," she says. "I will never set foot in Vegas again, because I know I'm not strong enough not to gamble."

—Ellen Cantor
New York City

and social benefit. Likewise, crime is both an economic and social cost. Second, it is extremely difficult to quantify social costs and benefits. For example, a casino job might not be considered a true benefit, because other jobs may be available. Likewise, bankruptcy might not be considered a true cost, because in the eyes of economists, the dollars are merely transferred. But in the context of real people leading real lives, the lens through which policymakers must view the gambling issue, a casino job, complete with benefits, might be an individual family's saving grace. And to the individual family that must

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66 I would like to tell [the advocates of] video poker what it has done for me. I am now a 'single' parent with one small income and two small children, one of who doesn't even remember ever seeing his daddy outside of prison gates. Anyone who thinks that video poker isn't addictive or harmful needs to walk a mile, or even a step, in my shoes.

—“Susan”
Greenville, South Carolina

66 I was a good family man, a good man in my church and a good businessman but after gambling in Atlantic City, I turned into a thief and a bum.

—Dominick Fiorese
New Jersey

endure it, bankruptcy is indeed a crisis and a cost to be borne. Third, what society terms “the gambling industry” actually involves segments that are quite different from one another. “Destination” casino resorts, for example, bear little resemblance to “convenience” gambling. The former provides numerous jobs, restaurants, shopping, and entertainment as well as a number of games in a highly regulated setting. The latter involves a relatively small number of games, creates few or no jobs, is far less regulated, and fails to create significant beneficial economic impact.

Legalized gambling has unquestionably had certain positive economic effects in some of the communities in which it has been introduced. Hundreds of employees in several cities enthusiastically described to the Commission the new and better jobs they had obtained with the advent of casinos. They described the homes and cars they had been able to purchase and the health and retirement benefits that they had obtained by going to work for the casinos. In other locations, tribal members testified that the advent of casinos on tribal lands had provided jobs where none had existed before and that casinos had made possible improved hospital and clinic facilities and schools for the benefit of their children. Several tribal representatives testified that gambling revenues are providing tribes with enough resources to make investments in other industries and enterprises.

Regarding the quantifiable economic benefits of legalized gambling, the Commission heard testimony that in 1995 the industry posted revenues of between \$22 billion and \$25 billion, paid a total of \$2.9 billion in taxes, directly employed 300,000 people, and paid \$7.3 billion

in wages and salaries. In 1996, 83 percent of Atlantic City's unionized casino workers received employer-paid family health insurance, almost twice the percentage of New Jersey and U.S. service workers with family coverage. In 1993, 95 percent of Atlantic City's unionized casino workers were earning pension benefits, compared with 45 percent of the private sector force nationally. The pari-mutuel horse-racing industry reported revenues of \$3.25 billion and employed approximately 119,000 people.

But there were other factors brought to the attention of the NGISC. In Atlantic City and elsewhere, small business owners testified to the loss of their businesses when casinos came to town. Other citizens testified to the lack of job security they had encountered in tribal casinos as well as the absence of federal and state antidiscrimination laws and the lack of workers' compensation benefits. In one of the surveys contracted by the NGISC, NORC conducted case studies in 10 communities in which they interviewed 7 or 8 community leaders regarding their perceptions. Respondents in five of the nine communities cited new employment opportunities as a "very positive advantage." However, respondents in the other four communities indicated that unemployment remained a problem despite former hopes to the contrary.

Much of the analysis of the economic effects of gambling is, in fact, poorly developed and incomplete. Almost all of the studies have been conducted by interested parties. These typically have gone no further than to estimate local jobs and income from the gambling industry. But since the economic effect of an activity is its value added above what the same resources would be adding to value if employed elsewhere, these studies are deficient and may mislead readers to conclude that the introduction of gambling activities in an area will result in significant benefits without attendant costs, costs which may, in fact, overwhelm the benefits. Without an estimate of the opportunity cost of the resources used in gambling, the NGISC can generate no meaningful estimate of its net effect. Furthermore, the social costs of gambling are so important to regulatory decisions that even an accurate estimate of the net income generated by the gambling industry would constitute only the start of a full cost-benefit analysis. No one—not tribal leaders, governors, mayors, or citizens—should make, or should be forced to make, a decision

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regarding gambling in their community without a thorough and accurate assessment of both economic and social costs.

The sad fact is that many policymakers have been forced to make decisions about expanding gambling with virtually no credible studies to rely on and, at best, only an assessment of the perceived social impacts. Indeed, the social impacts of gambling are even less well documented than the economic impacts. However, even if there were not a lack of research in this area, Commissioners found themselves at a loss when it came to quantifying the emotional damage suffered by millions of pathological gamblers and their families. How does one quantify the tragic actions of the 16-year-old boy in Atlantic City who slit his wrists after losing \$6,000 on lottery tickets? How does one categorize the deaths of the middle-aged couple from Joliet, Illinois, who committed suicide after the wife accumulated \$200,000 in casino debt? How can one calculate the "cost" of the two children that died while locked in cars as their parents or caregivers gambled in nearby casinos? It was these hidden costs—the emotional costs of problem and pathological gambling behavior—that concerned the NGISC far more than the annual dollar expense of problem and pathological gamblers.

The NGISC recognizes that some policymakers and citizens have struggled and will continue to struggle with gambling's often conflicting impacts. The net effect of gambling on people and places is clearly an immensely complicated issue. It demands not only considerably more research but also the highest powers of judgment by both citizens and leaders.

Future Research Needs

To date, the NGISC's congressionally mandated research program, conducted by NORC, the Cook-Clotfelter team, and NRC, has achieved two valuable goals. First, useful data have been developed that will be immediately helpful to federal, tribal, and state officials. Second, after careful reflection on the existing research, the Commission has set forth an aggressive agenda for future research based on what we need to know about gambling's impact on our lives.

The need for quality research on gambling is urgent, especially because of profound changes now occurring within the gambling industry. Chief among these is the blurring of the traditional lines that once clearly defined each segment of the industry. States are



granting horse-racing track owners the right to install slot machines at tracks. State-run lotteries are becoming more interstate in character. The number of gambling venues continues to multiply. Today, eight states allow betting on horse racing from home. And if gambling continues to proliferate unchecked, every American in the immediate future will be able to play a high stakes game from anywhere over the Internet. Secondly, the public, Congress, and tribal and state leaders are debating gambling issues, both within the political arena and the private sector, without grounding their perspectives in an objective body of available knowledge. Policymakers, and indeed all Americans, deserve to have access to impartial data from which to develop sound judgments.

To that end, the NGISC recommends that Congress and the states set forth two comprehensive gambling research agendas. The following are summaries of the recommended agendas. (Complete detailed agendas are presented within the "Future Research" chapter of the Final Report.)

The NGISC recommends that Congress adopt a general research strategy to build a knowledge base of gambling behavior and its consequences on individuals and communities. Such a strategy would add "gambling components" to existing data sets being collected by federal agencies and national institutes on related areas. The Commission recommends, for example, that Congress direct the Department of Justice and the Department of Health and Human Services to add gambling components to their existing surveys, including the National Household Survey on Drug Abuse and the Arrestee Drug Abuse Monitoring System. Such a strategy would also include the addition of longitudinal and cross-sectional research on the general population and major subgroup populations similar to that being conducted in the area of substance abuse. Recommended research studies would focus on the prevalence of gambling behaviors, including pathological gambling and gambling by adolescents, as well as the prevention and treatment of problem and pathological gambling. In addition, the Commission recommends that Congress request the National Science Foundation to establish a multidisciplinary research program on the social and economic impacts of legal gambling in the United States, including the benefits associated with legalized gambling as well as its costs.

Although many aspects of the private sector gambling industry have become international, national, or regional, state-specific

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research on gambling is indispensable. The regulation of most legal gambling forms has been, and will continue to be, under the purview of state governments. States must be fully informed by quality research to make decisions as to whether gambling should be initiated, expanded, limited, or terminated. To that end, the Commission recommends that governors and state legislatures: (1) authorize and fund every 4 years an objective study of the prevalence of problem and pathological gamblers among their states' residents; (2) fund research, public awareness education, and prevention and treatment programs for those who are or are likely to become problem or pathological gamblers among their resident populations; and (3) as a condition of the granting of a license to operate a gambling facility or to sell goods or services to a gambling facility, the licensee provides full cooperation in any research undertaken by their states to fulfill the legislative intent of federal and state statutory policy.

Recommendations

CHAPTER 3. REGULATING GAMBLING

- 3-1 The Commission recommends to state governments and the federal government that states are best equipped to regulate gambling within their own borders with two exceptions—tribal and Internet gambling. (See separate recommendations on tribal and Internet gambling in their respective sections.)
- 3-2 The Commission recommends that all legal gambling should be restricted to those ~~who are at least 21 years of age and that those who are under 21 years of age should not be allowed to loiter in areas where gambling activity occurs.~~
- 3-3 The Commission recommends that gambling “cruises to nowhere” should be prohibited unless the state from which the cruise originates adopts legislation specifically legalizing such cruises consistent with existing law.
- 3-4 The Commission recommends that ~~warnings regarding the dangers and risks of gambling, as well as the odds where feasible, should be posted in prominent locations in all gambling facilities.~~
- 3-5 The Commission recognizes the difficulty of ~~campaign finance reform in general and an industry-specific contribution restriction in particular. Nonetheless, the Commission believes that there are~~

sound reasons to recommend that states adopt tight restrictions on contributions to state and local campaigns by entities—corporate, private, or tribal—that have applied for or have been granted the privilege of operating gambling facilities.

3-6 The Commission received testimony that convenience gambling, such as electronic devices in neighborhood outlets, provides fewer economic benefits and creates potentially greater social costs by making gambling more available and accessible. Therefore, the Commission recommends that states should not authorize any further convenience gambling operations and should cease and roll back existing operations.

3-7 The Commission recommends that betting on collegiate and amateur athletic events that is currently legal be banned altogether.

3-8 The Commission recommends that in states where there is little regulatory oversight for organizations contracted to help manage or supply the lottery, states should put all individuals, entities, and organizations involved with managing or supplying the lottery through a rigorous background check and licensing process.

3-9 The Commission recommends to states with lotteries that the states should publicly develop and review model regulations for their lottery in the form of "best practices," designed to be adopted legislatively.

3-10 The Commission urges states with lotteries to not allow instant games that are simulations of live card and other casino-type games. Generally, the outcome of an instant game is determined at the point of sale by the lottery terminal that issues the ticket.

3-11 The Commission recommends that all relevant governmental gambling regulatory agencies should ban aggressive advertising strategies, especially those that target people in impoverished neighborhoods or youth anywhere.

3-12 The Commission recommends that states should refuse to allow the introduction of casino-style gambling into pari-mutuel facilities for the primary purpose of saving a pari-mutuel facility that the market has determined no longer serves the community or for the purpose of competing with other forms of gambling.

X

don't have to
advertise - we are
right here in the
middle of poverty.

3-13 The Commission recommends to state and tribal governments, the NCAA, and other youth, school, and collegiate athletic organizations that because sports gambling is popular among adolescents and may act as a gateway to other forms of gambling, such organizations and governments should fund educational and prevention programs to help the public recognize that almost all sports gambling is illegal and can have serious consequences. The Commission recommends that this effort should include public service announcements, especially during tournament and bowl game coverage. The Commission recommends that the NCAA and other amateur sports governing bodies adopt mandatory codes of conduct regarding sports gambling education and prevention. The Commission also calls upon the NCAA to organize America's research universities to apply their resources to develop scientific research on adolescent gambling, sports gambling, and related research.

3-14 The Commission recommends that each gambling operation, state lottery, tribal government, and associations of gambling organizations voluntarily adopt and then follow enforceable advertising guidelines. These guidelines should avoid explicit or implicit appeals to vulnerable populations, including youth and low-income neighborhoods. Enforcement should include a mechanism for recognizing and addressing any citizen complaints that might arise regarding advertisements. Additionally, the Commission recommends that Congress amend the federal truth-in-advertising laws to include Native American gambling and state-sponsored lotteries.

3-15 The Commission recommends that Congress should delegate to the appropriate federal agency the task of annually gathering data concerning lottery operations in the United States, including volume of purchase; demographics of lottery players and patterns of play by demographics; nature, content, accuracy, and type of advertising spending regarding problem and pathological gamblers; spending on regulation; and other relevant matters.

3-16 The Commission recommends that states and tribal governments should conduct periodic reassessments of the various forms of gambling permitted within their borders for the purpose of determining whether the public interest would be better served by limiting, eliminating, or expanding one or more of those forms.

Corruption

- 3-17 The Commission recommends that federal, state, and tribal gambling regulators should be subject to a cooling-off period that prevents them from working for any gambling operation subject to their jurisdiction for a period of 1 year. Federal, state, or tribal lottery employees should be subject to a cooling-off period that prevents them from working for any supplier of lottery services for a period of 1 year.
- 3-18 The Commission recommends that jurisdictions considering the introduction of new forms of gambling or the significant expansion of existing gambling operations should sponsor comprehensive Gambling Impacts statements. Such analyses should be conducted by qualified independent research organizations and should encompass, in so far as possible, the economic, social, and regional effects of the proposed action.
- 3-19 The Commission recommends that states with lotteries reduce their sales dependence on low-income neighborhoods and heavy players in a variety of ways, including limiting advertising and number of sales outlets in low-income areas.
- 3-20 The Commission recommends that states with lotteries create a private citizen oversight board. The board would make data-based policy decisions on types of games to offer, marketing strategies to follow, etc.
- 3-21 The Commission recognizes that lotteries and convenience gambling may play a significant role in the development of youth gamblers. Further, with respect to all forms of legal and illegal gambling, the Commission recommends that all relevant governmental gambling regulatory agencies enact and enforce harsh penalties for abuse in this area involving underage gamblers. Penalties and enforcement efforts regarding underage gambling should be greatly increased.
- 3-22 Heavy governmental promotion of lotteries, largely located in neighborhoods, may contribute disproportionately to the culture of casual gambling in the United States. The Commission, therefore, recommends that states curtail the growth of new lottery games, reduce lottery advertising, and limit locations for lottery machines.

CHAPTER 4. PROBLEM AND PATHOLOGICAL GAMBLING

The Commission respectfully recommends that all governments take every step necessary to implement all relevant components of the recommendations listed here before lotteries or any other

form of legalized gambling is allowed to operate or to continue to operate. Such requirements should be specifically itemized in a state statute as applicable to a state-run lottery. Similarly, such requirements should also be specified and made applicable for inclusion in tribal government law and tribal-state compacts.

4.1 The Commission respectfully recommends that all relevant governmental gambling regulatory agencies require, as a condition of any gambling facility's license to operate, that each applicant adhere to the following:

- Adopt a clear mission statement as to applicant's policy on problem and pathological gambling.
- Appoint an executive of high rank to execute and provide ongoing oversight of the corporate mission statement on problem and pathological gambling.
- Contract with a state-recognized gambling treatment professional to train management and staff to develop strategies for recognizing and addressing customers whose gambling behavior may strongly suggest they may be experiencing serious to severe difficulties.
- Under a state "hold harmless" statute, refuse service to any customer whose gambling behavior convincingly exhibits indications of a gambling disorder.
- Under a state "hold harmless" statute, respectfully and confidentially provide the customer (as described above) with written information that includes a state-approved list of professional gambling treatment programs and state-recognized self-help groups.
- Provide insurance that makes available medical treatment for problem and for pathological gambling facility employees.

4.2 The Commission recommends that each state and tribal government enact, if it has not already done so, a gambling privilege tax, assessment, or other contribution on all gambling operations within its boundaries, based upon the gambling revenues of each operation. A sufficient portion of such monies shall be used to create a dedicated fund for the development and ongoing support of problem gambling-specific research, prevention, education, and treatment

programs. The funding dedicated for these purposes shall be sufficient to implement the following goals:

- Undertake biennial research by a nonpartisan firm experienced in problem-gambling research to estimate the prevalence of problem and pathological gambling among the general adult population. Specific focus on major subpopulations including youth, women, elderly, and minority group gamblers should also be included. An estimate of prevalence among patrons at gambling facilities or outlets in each form of gambling should also be included.
- Initiate public awareness, education, and prevention programs aimed at vulnerable populations. One such purpose of such programs will be to intercept the progression of many problem gamblers to pathological states.
- Identify and maintain a list of gambling treatment services available from licensed or state-recognized professional providers, as well as the presence of state-recognized self-help groups.
- Establish a demographic profile for treatment recipients and services provided, as state and federal laws permit. Develop a treatment outcome mechanism that will compile data on the efficacy of varying treatment methods and services offered, and determine whether sufficient professional treatment is available to meet the demands of persons in need.
- When private funding is not available, subsidize the costs of approved treatment by licensed or state-recognized gambling treatment professionals for problem and pathological gamblers as well as adversely affected persons. Additionally, such funds shall ensure that persons in need of treatment can receive necessary support based upon financial need. Treatment cost reimbursement levels and protocols will be established by each state.

4-3 Despite the fact that pathological gambling is a recognized medical disorder, most insurance companies and managed care providers do not reimburse for treatment. The Commission recommends to states that they mandate that private and public insurers and managed care providers identify successful treatment programs, educate participants about pathological gambling and treatment options, and cover the appropriate programs under their plans.

city pay for insurance for
families of addicted gamblers.
or members families for cost.

- 4-4 The Commission recommends that each gambling facility must implement procedures to allow for voluntary self-exclusion, enabling gamblers to ban themselves from a gambling establishment for a specified period of time.
- 4-5 The Commission recommends encouraging private volunteerism of groups and associations working across America to solve problem gambling, especially those involving practitioners who are trying to help people who are problem gamblers. This should include strategically pooling resources and networking, drawing on the lists of recommendations these organizations have presented to the Commission, and working to develop uniform methods of diagnosis.
- 4-6 The Commission recommends each state-run or approved gambling operation be required to conspicuously post and disseminate the telephone numbers of at least two state-approved providers of problem-gambling information, treatment, and referrals support services.

CHAPTER 5. INTERNET GAMBLING

- 5-1 The Commission recommends to the President, Congress, and the Department of Justice (DOJ) that the federal government should prohibit, without allowing new exemptions or the expansion of existing federal exemptions to other jurisdictions, Internet gambling not already authorized within the United States or among parties in the United States and any foreign jurisdiction. Further, the Commission recommends that the President and Congress direct the DOJ to develop enforcement strategies that include, but are not limited to, Internet service providers, credit card providers, money transfer agencies, makers of wireless communications systems, and others who intentionally or unintentionally facilitate Internet gambling transactions. Because it crosses state lines, it is difficult for states to adequately monitor and regulate such gambling.
- 5-2 The Commission recommends to the President, Congress, and state governments the passage of legislation prohibiting wire transfers to known Internet gambling sites or the banks who represent them. Furthermore, the Commission recommends the passage of legislation stating that any credit card debts incurred while gambling on the Internet are unrecoverable.
- 5-3 The Commission recognizes that current technology is available that makes it possible for gambling to take place in the home or

the office without the participant physically going to a place to gamble. Because of the lack of sound research on the effects of these forms of gambling on the population and the difficulty of policing and regulating to prevent such things as participation by minors, the Commission recommends that states not permit the expansion of gambling into homes through technology and the expansion of account wagering.

- 5-4 The Commission recommends to the President and Congress that because Internet gambling is expanding most rapidly through offshore operators, the federal government should take steps to encourage or enable foreign governments not to harbor Internet gambling organizations that prey on U.S. citizens.

CHAPTER 6. NATIVE AMERICAN TRIBAL GAMBLING

- 6-1 The Commission acknowledges the central role of the NIGC as the lead federal regulator of tribal governmental gambling. The Commission encourages Congress to assure adequate NIGC funding for proper regulatory oversight to ensure integrity and fiscal accountability. The Commission supports the NIGC's new Minimum Internal Control Standards, developed with the help of the National Tribal Gaming Commissioners and Regulators, as an important step to assure such fiscal accountability. The Commission recommends that all tribal gaming commissions work to ensure that the tribal gambling operations they regulate meet or exceed these minimum standards and the NIGC focus special attention on tribal gambling operations struggling to comply with these and other regulatory requirements.
- 6-2 The Commission recommends that IGRA's classes of gambling must be clearly defined so that there is no confusion as to what forms of gambling constitute Class II and Class III gambling activities. Further, the Commission recommends that Class III gambling activities should not include any activities that are not available to other citizens, entities, or organizations in a state, regardless of technological similarities. Indian gambling should not be inconsistent with the state's overall gambling policy.
- 6-3 The Commission recommends that labor organizations, tribal governments, and states should voluntarily work together to ensure the enforceable right of free association—including the right to organize and bargain collectively—for employees of tribal casinos.

Further, the Commission recommends that Congress should enact legislation establishing such worker rights only if there is not substantial voluntary progress toward this goal over a reasonable period of time.

- 6-4 The Commission recommends that tribal governments, states and, where appropriate, labor organizations should work voluntarily together to extend to employees of tribal casinos the same or equivalent (or superior) protections that are applicable to comparable state or private-sector employees through federal and state employment laws. If state employee protections are adopted as the standard for a particular tribal casino, then they should be those of the state in which that tribal casino is located. Further, the Commission recommends that Congress should enact legislation providing such protections only if there is not substantial voluntary progress toward this goal over a reasonable period of time.
- 6-5 The Commission recognizes that under IGRA, Indian tribes must annually report certain proprietary and nonproprietary tribal governmental gambling financial information to the NIGC through certified, independently audited financial statements. The Commission recommends that certain aggregated financial Indian gambling data from reporting tribal governments, comparable by class, to the aggregated financial data mandatorily collected from commercial casinos and published by such states as Nevada and New Jersey should be published by the NIGC annually. Further, the Commission recommends that the independent auditors should also review and comment on each tribal gambling operation's compliance with the Minimum Internal Control Standards promulgated by the NIGC.
- 6-6 The Commission recommends that upon written request, a reporting Indian tribe should make immediately available to any enrolled tribal member the annual certified independently audited financial statements and compliance review of the MICS submitted to the National Indian Gaming Commission. A tribal member should be able to inspect such financial statements and compliance reviews at the tribal headquarters or request that they be mailed.
- 6-7 The Commission recommends that tribal and state sovereignty should be recognized, protected, and preserved.
- 6-8 The Commission recommends that all relevant governmental gambling regulatory agencies should take the rapid growth of com-

mercial gambling, state lotteries, charitable gambling, and Indian gambling into account as they formulate policies, laws, and regulations pertaining to legalized gambling in their jurisdictions. Further, the Commission recommends that all relevant governmental gambling regulatory agencies should recognize the long overdue economic development Indian gambling can generate.

- 6-9 The Commission has heard substantial testimony from tribal and state officials that uncompacted tribal gambling has resulted in substantial litigation. Federal enforcement has, until lately, been mixed. The Commission recommends that the federal government fully and consistently enforce all provisions of the Indian Gaming Regulatory Act.
- 6-10 The Commission recommends that tribes, states, and local governments should continue to work together to resolve issues of mutual concern rather than relying on federal law to solve problems for them.
- 6-11 The Commission recommends that gambling tribes, states, and local governments should recognize the mutual benefits that may flow to communities from Indian gambling. Further, the Commission recommends that tribes should enter into reciprocal agreements with state and local governments to mitigate the negative effects of the activities that may occur in other communities and to balance the rights of tribal, state, and local governments; tribal members; and other citizens.
- 6-12 IGRA allows tribes and states to negotiate any issues related to gambling. Nothing precludes voluntary agreements to deal with issues unrelated to gambling either within or without compacts. Many tribes and states have agreements for any number of issues (e.g., taxes, zoning, environmental issues, natural resources management, hunting and fishing). The Commission recommends that the federal government should leave these issues to the states and tribes for resolution.
- 6-13 The Commission recommends that Congress should specify a constitutionally sound means of resolving disputes between states and tribes regarding Class III gambling. Further, the Commission recommends that all parties to Class III negotiations should be subject to an independent, impartial decisionmaker who is empowered to approve compacts in the event a state

refuses to enter into a Class III compact, but only if the decision-maker does not permit any Class III games that are not available to other citizens of the state and only if an effective regulatory structure is created.

- 6-14 The Commission recommends that Congress should adopt no law altering the right of tribes to use existing telephone technology to link bingo games between Indian reservations when such forms of technology are used in conjunction with the playing of Class II bingo games as defined under the Indian Gaming Regulatory Act.
- 6-15 The Commission recommends that tribal governments should be encouraged to use some of the net revenues derived from Indian gambling as "seed money" to further diversify tribal economies and to reduce their dependence on gambling.

CHAPTER 7 GAMBLING'S IMPACTS ON PEOPLE AND PLACES

- 7-1 Because the easy availability of automated teller machines and credit machines encourages some gamblers to wager more than they intended, the Commission recommends that states, tribal governments, and pari-mutuel facilities ban credit card cash advance machines and other devices activated by debit or credit cards from the immediate area where gambling takes place.
- 7-2 While the Commission recognizes that the responsibility for children and minors lies first and foremost with parents, it recommends that gambling establishments implement policies to help ensure the safety of children on their premises and to prevent underage gambling. Policies that could be implemented include the following:
 - Post local curfews and laws in public areas and inform guests traveling with minors of these laws.
 - Train employees working in appropriate areas to handle situations involving unattended children, underage gambling, and alcohol and tobacco consumption or purchase.
- 7-3 The Commission recommends to state, local, and tribal governments that (when considering the legalization of gambling or the repeal of gambling that is already legal) they should recognize that especially in economically depressed communities, casino gambling has demonstrated the ability to generate economic development through the creation of quality jobs.

- 7-4 The Commission recommends to state, local, and tribal governments that (when considering the legalization of gambling or the repeal of gambling that is already legal) they should recognize that lotteries, Internet gambling, and non-casino EGD's do not create a concentration of good quality jobs and do not generate significant economic development.
- 7-5 The Commission recommends to state, local, and tribal governments that (when they are considering the legalization of casino gambling) casino development should be targeted for locations where the attendant jobs and economic development will benefit communities with high levels of unemployment and underemployment and a scarcity of jobs for which the residents of such communities are qualified.
- 7-6 The Commission recommends to state, local, and tribal governments that studies of gambling's economic impact and studies contemplating the legalization of gambling or the repeal of gambling that is already legal should include an analysis of gambling industry job quality—specifically income, medical benefits, and retirement benefits—relative to the quality of other jobs available in comparable industries within the labor market.
- 7-7 The Commission recommends to state, local, and tribal governments that when planning for gambling-related economic development, communities with legal gambling or that are considering the legalization of gambling should recognize that destination resorts create more and better quality jobs than casinos catering to a local clientele.
- 7-8 The Commission recommends to state, local, and tribal governments that communities with legal gambling or that are considering the legalization of gambling should look to cooperation between labor unions and management as a means for protecting job quality.
- 7-9 The Commission recommends that students should be warned of the dangers of gambling, beginning at the elementary level and continuing through college.

CHAPTER 8. FUTURE RESEARCH

- 8-1 The Commission recommends that Congress encourage the appropriate institutes within the National Institutes of Health (NIH) to convene a multidisciplinary advisory panel that will

help to establish a broad framework for research on problem and pathological gambling issues within its range of expertise.

8-2 The Commission recommends that Congress direct the Substance Abuse and Mental Health Services Administration (SAMHSA) or other appropriate agency to add gambling components to the National Household Survey on Drug Abuse. To understand the expanding dimensions of problem and pathological gambling nationwide, gambling prevalence studies need to be of sufficient volume and with annual updates to record changes brought about by expanding legalization, greater accessibility, technological advances, and increasingly sophisticated games. This survey would examine not only the general population but also sizable subgroups like youth, women, elderly, and minority gamblers if no other more appropriate longitudinal studies focusing on each of these groups are available.

In any event, no data gathering pursuant to these recommendations should violate any person's right to medical privacy in seeking treatment for problem or pathological gambling.

8-3 The Commission recommends that Congress direct all federal agencies conducting or supporting longitudinal research panels to consider the feasibility of adding a gambling component to such surveys and, where appropriate, entertain applications to add such components that are determined to be of high scientific merit through scientific peer review. In addition to addressing gambling behavior, these components should include questions about treatment-seeking behavior in order to begin to address the issue of the unmet need for treatment, which is currently unknown.

8-4 The Commission recommends that Congress encourage NIH to issue a revision of the special research program announcement for research applications on pathological gambling to foster research designed to identify the age of initiation of gambling, influence of family and correlates with other youth high-risk behavior such as tobacco, alcohol, and other drug use, early sexual activity, and criminal activity evaluated separately for illegal and legal forms of gambling.

8-5 The Commission recommends that Congress direct the appropriate institutes of NIH to invite, where appropriate, applications for supplemental funds to add legal and illegal gambling compo-

nents of high scientific merit to appropriate and relevant existing surveys and to issue a revision of the special program announcement for research applications on pathological gambling to include the following areas:

- Effects on family members, such as divorce, spousal and/or child abuse, severe financial instability, and suicide.
- Analysis of public awareness education and prevention programs offered at federal, tribal, state, or corporate levels.
- Analysis of the development of gambling difficulties associated with electronic gambling machines and the risk factors that accompany this evolution for customers most likely drawn to this form of gambling.
- Effects on the workplace, such as economic losses arising from unemployment, loss of productivity, and workplace accidents.
- A study that would establish reliable instruments to measure nonmonetary costs associated with legal gambling, including, without limitation, divorce, domestic violence, child abuse and chronic neglect, suicide, and the secondary effects of bankruptcy and gambling-related crimes, and other outcomes of a similar character.

- 8-6 The Commission recommends that Congress direct the appropriate institutes of NIH to invite, where appropriate, applications for supplemental funds to issue a revision of the special program announcement for research applications to commence a study of American adult problem gamblers below the pathological gambler threshold (APA DSM-IV). The gambling behavior of those in this large group of 11 million adults and juveniles reveal warning signs that require thorough analysis. The gamblers in this group could go either way—that is, toward diminishing risks or toward pathological status.
- 8-7 The Commission recommends that Congress direct SAMHSA or other appropriate agency to add specific gambling questions to its annual surveys of mental health providers, which are conducted by the Center for Mental Health Services. The survey should map the availability of both privately and publicly funded treatment services for gamblers. This should include a count of

THE NATIONAL GAMBLING IMPACT STUDY COMMISSION

treatment slots for gambling; how many, in a given period, are in treatment for gambling problems alone or for multiple disorders that include problem gambling; a demographic profile of those receiving treatment; an assessment of the level of the gambling disorder; and a description of the services they are receiving. It would identify barriers to treatment, such as a lack of insurance coverage, exclusion of treatment for pathological gambling from HMO and other private insurance policies, stigmatization, or the lack of availability of treatment (including a lack of qualified treatment providers).

8.8 SAMHSA or another appropriate agency should initiate treatment outcome studies conducted by scientists in the treatment research field. Such studies should include formal treatment, self-help groups (Gamblers Anonymous), and natural recovery processes. These studies should encompass the general treatment population and should specifically include youth, women, elderly, and minority gamblers.

8.9 The Commission recommends Congress request the National Science Foundation to establish a multidisciplinary research program that will estimate the benefits and costs of illegal and separately each form of legal gambling allowed under federal, tribal and/or state law, particularly lottery, casino, pari-mutuel, and convenience gambling. Further, the research program should include estimates of the costs and benefits of legal and illegal Internet gambling, assuming Congress prohibits this form of gambling with certain exemptions. Such a program, at a minimum, should address the following factors:

- Benefits associated with different kinds of legal and illegal gambling, including increased income, creation of net new jobs and businesses, improvement in average wages and benefits, increased tax revenues, enhanced tourism and rising property values, and reductions in unemployment, if any.
- Costs associated with different kinds of legal and illegal gambling, including problem and pathological gambling; increased crime, suicide, debts, and bankruptcies; displacement of native inhabitants; traffic congestion; demand for more public infrastructure; and demand for more public services from the courts (criminal, bankruptcy, divorce) and from schools, police, and fire departments.

- The study should include benefits derived or costs incurred not only in "host" communities or states in which gambling facilities are located, but also in so-called feeder communities or states in which a significant number of the gamblers live and work who patronize facilities in the host communities.
- 8-10 The Commission recommends that Congress direct NIJ or other appropriate agency to research what effect legal and illegal gambling have on property and/or violent crime rates. Such research should also examine whether gambling-related criminal activity is increased in neighboring jurisdictions where the arrest/gambler lives and/or works but does not gamble.
- 8-11 The Commission recommends that Congress direct NIJ, the Bureau of Justice Statistics (BJS), or other appropriate agencies to add gambling components to ongoing studies of federal prison inmates, parolees, and probationers who manifest disorders that frequently coexist with pathological gambling.
- 8-12 The Commission recommends that Congress direct NIJ or other appropriate agency to investigate and study the extent of adolescent participation in illegal gambling and all forms of legal gambling separately. Further, that NIJ focus on sports betting in the nation; work cooperatively with school authorities at high school and college levels; and recommend what effective steps should be taken by federal, state, and school authorities to avoid the corruption of collegiate and amateur sports and reverse steady increases in adolescent gambling.
- 8-13 The Commission recommends that Congress direct the Department of Labor or other appropriate agency to research job quality in the gambling industry as measured by income levels, health insurance coverage and affordability, pension benefits, job security, and other similar indicators. The research should include a comparison between gambling jobs in a variety of communities and regions of the country. It should also compare job quality and availability in the gambling industry versus other comparable industries within those labor markets. Finally, it should also compare job quality at casinos with distinguishing characteristics, such as those that derive a significant part of their revenues from non-gambling components—like hotels, food, and beverage service and shopping

and entertainment (often referred to as destination resorts)—versus those dependent almost wholly on gambling revenues.

8-14 The Commission recommends that if Congress acts to prohibit Internet gambling that it also require NIH or other appropriate agency 12 months after the effective date of the enabling statute to measure its effectiveness for a period of 1 year. An estimate should be made of how much illegal Internet betting continues despite the statutory prohibition. The factors contributing to successful evasion of the prohibition should be described in detail. Recommendations to Congress as to methods of closing the channels used to evade the prohibition should be made.

8-15 The Commission recommends that Congress direct the appropriate institutes within NIH to invite, where appropriate, applications for supplemental funds to issue a revision of the special program announcement for research applications to commence a study of prevalence of problem and pathological gambling among gambling industry employees in all forms of legal gambling, including, without limitation, pari-mutuel, lottery, casino and, where feasible, convenience-stop employees.

8-16 The Commission recommends that the appropriate institutes conduct research to determine if an analysis of available gambling patron data derived from banks and other credit agencies can assist in the identification of problem and pathological gamblers.

8-17 The Commission respectfully recommends to state and tribal governments that they should authorize and fund every 2 years an objective study of the prevalence of problem and pathological gamblers among their state's residents by a nonpartisan research firm whose work meets peer review standards. Specific focus on major subpopulations including youth, women, elderly, and minority group gamblers should also be included. An estimate of prevalence among patrons at gambling facilities or outlets in each form of gambling should also be included.

8-18 The Commission recommends to state and tribal governments that they should authorize and fund research programs for those who are or are likely to become problem or pathological gamblers in their resident population.

8-19 The Commission recommends to state and tribal governments that they should require, as a condition of the granting of a license to operate a gambling facility or to sell goods or services in a gambling facility, full cooperation in any research undertaken by the state needed to fulfill the legislative intent of the federal and state statutory policy.

8-20 The Commission recommends that state and tribal governments consider authorizing research to collect and analyze data that would assess the following gambling-related effects on customers and their families resident in their jurisdictions:

- The extent to which gambling-related debt is a contributing factor to personal bankruptcies.
- The extent to which gambling problems contribute to divorce, domestic violence, and child abuse and neglect.
- The extent to which gambling problems contribute to incidents of suicide (or suicidal behaviors).
- The number, types, and average monetary values of gambling-related crimes perpetrated for the primary purpose of gaining funds to continue gambling or to pay gambling debts.
- The extent to which practices of some gambling facilities to provide free alcohol to customers while gambling, the placement of cash advance credit machines close to the gambling area, and the offer of similar inducements are likely to be significant factors in magnifying or exacerbating a gambling disorder.

THE SIGNIFICANCE OF THIS REPORT

In the preceding pages, the Commission has presented an overview of the current state of gambling in the United States. The Commission has offered findings and recommendations for federal policymakers, state and tribal officials, government regulators, research organizations, advocacy groups, treatment facilitators, operators of gambling establishments, and individual citizens. And since legalized gambling

is a complex, fluid, and fast-changing policy issue, the Commission has also suggested further areas of study to supplement available knowledge. Clearly, there is a need to know more about gambling, especially about its economic and social impacts. The Commission has found that the more they explore the terrain, the more work they determine remains to be done.

Given the size and range of the gambling industry, there is a need for an informal national debate about gambling. Some advocates for the gambling industry believe that gambling has reached a saturation point—that more gambling cannot be sustained in this country. Yet every such prediction to date has proven to be wrong. Regardless of the truth of either view, the wisdom of widespread gambling, much of it government owned and operated, needs to be examined.

The members of the Commission agree that there is a need for a “pause” in the growth of gambling. The purpose of the pause is not to wait for definitive answers to the subjects of dispute, because those may never come. Instead the purpose of this recommended pause is to encourage governments to do what, to date, few, if any, have done: to survey the results of their decisions and to determine if they have chosen wisely; to ask if their decisions are in accord with the public good, if harmful effects could be remedied, if benefits are being unnecessarily passed up. Because the search for answers takes time, some policymakers may wish to impose an explicit moratorium on gambling expansion while awaiting further research and assessment.

While some communities may ultimately decide to restrict or even ban existing gambling, there is little prospect of it being outlawed altogether. It is clear that the American people want legalized gambling, and it has already sunk deep economic roots in many communities. Its form and extent may change, but gambling is here to stay. However, the balance between gambling’s benefits and costs is not fixed. That lies within our power to determine. We live in a democracy, and in a democracy it is the people who are responsible for shaping the world they live in. As Thomas Jefferson wrote more than two hundred years ago, “I know of no safe repository of the ultimate power of society but the people themselves.” It is in this spirit that the Commission’s Final Report is offered.



ACKNOWLEDGMENTS

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Richard C. Leone

Robert W. Loescher
Leo T. McCarthy
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The Commission recognizes and appreciates the efforts made in the last two years by those who have served the public and the Commission as staff. Through their support and hard work, Commissioners were able to achieve the mandate set forth by the United States Congress.

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APPENDIX:
COMMISSIONERS' STATEMENTS

Statement of William A. Bible

As a former Chairman of Nevada's Gaming Control Board and as a Member of the National Gambling Impact Study Commission, I have had the unique opportunity of being involved with, and becoming knowledgeable about, gambling in the United States. This Commission, like its predecessor Commission in 1976, observed that gambling has widespread public support and that most Americans, whether or not they agree or disagree with gambling as a form of recreation, feel strongly that government should not attempt to regulate their own individual conduct. While most Americans would agree that gambling must be closely regulated to exclude criminal elements and to provide fair games, collection of tax revenues, protection from adolescent involvement and location suitability, they would also agree that each individual, and not the government, is best able to decide for himself or herself about engaging in gambling for recreation and entertainment. I would endorse this viewpoint and would likewise agree with those who argue that decisions concerning the legalization of gambling are best implemented locally and that government's role in gambling should be limited to regulatory activities and the provision of assistance to those compulsive individuals who do not deal with gambling responsibly.

This Commission's recommendations wisely leave untouched the historic Federal-State relationship where the authorization, taxation and regulation of gambling is primarily a State, and not a Federal, matter. The two exceptions, which in my view are appropriate exceptions, are gambling operated by Native American governments and gambling over the Internet. Because of the unique nature of tribal sovereignty and the Federal government's trust obligations to Native Americans, there is a clear Federal responsibility in tribal gambling. And while Native American gambling has accomplished, for some tribes who possess well situated lands, the economic development goals articulated in the Indian Gaming Regulatory Act, the provisions of the Act need to be clarified to make it crystal clear that a tribe cannot engage in gambling activities that are not available to other citizens of the state and to provide an arbitration process in the event a State is unwilling to compact for the same types of games that are available to other citizens. Because of the nature of the Internet's technology, Federal

involvement is both appropriate and necessary to assist the states in enforcing their policy determinations on the types of gambling that are lawfully available within their borders.

This Commission less wisely recommended, by only a one vote majority, that the gambling industry be excluded from financial participation in state and local elections and that all legal wagering on intercollegiate athletic events be prohibited. The Commission's record simply does not support a recommendation to ban campaign contributions by the gambling industry. While I strongly support campaign finance reform, singling out one industry, in this manner, is fundamentally unfair. Also, there is no support in the Commission's record for further extending the Federal prohibition on intercollegiate sports wagering. Not one college sports scandal is the result of legal sports wagering. To the contrary, legal sports wagering in Nevada has assisted athletic leagues in their enforcement activities aimed at preventing game fixing and point shaving. Instead of further restricting legal sports wagering, the Commission would have been better served to recognize sports wagering's overwhelming participatory acceptance by the American people and to recommend, instead, further legalization and strict regulation.

It is my earnest hope that this Commission's legacy will be its recommendations calling for identification and treatment of, and research about, those individuals who do not deal with gambling responsibly and who, in many cases, manifest other forms of compulsive behavior such as drug and alcohol abuse. Even if only partially implemented, the Commission's far reaching research recommendations will lead to a much-needed expansion of the body of knowledge about problem and pathological gambling. The recommendations that deal with the identification and treatment of problem and pathological gamblers, who are a small percentage of the population but a large number of troubled people, address a societal problem that has gone unrecognized and neglected for far too long.



Summary Statement by Commissioner James C. Dobson, Ph.D.

The central mission of the NGISC was to study the various implications of gambling and to assess the scope of problem and pathological gambling and its effects on individuals and families. The Commission's findings, from any reasonable perspective, depict a depth of pain and devastation in this country that compels a change in the way betting activity is regarded.

Clearly, gambling is a destroyer that ruins lives and wrecks families. A mountain of evidence presented to our Commission demonstrates a direct link between problem and pathological gambling and divorce, child abuse, domestic violence, bankruptcy, crime and suicide. More than 15.4 million adults and adolescents meet the technical criteria of those disorders. That is an enormous number—greater than the largest city in this country. When other activities, such as smoking, have been shown to be harmful, the hue and cry for regulations to warn and protect the public has been loud and long. Today, the silence of most of our leaders about the risks of gambling is deafening. It is well past time for a Paul Revere to sound the alarm. Gambling is hazardous to your—to our—health!

There can be no doubt from the evidence that gambling—like many compulsive behaviors—is addictive and progressive in nature. It is especially dangerous to the young, who are enticed by exciting and risky behaviors. Ninety-five percent of our young people are already gambling on everything from card games to sports teams to casinos and lotteries. Worse, more than 15 percent have been shown to be problem or pathological gamblers. These statistics forewarn of even more serious gambling-related problems in the future.

Some of the most troubling evidence received by the Commission concerned the manner in which the gambling industry and its allies in government work together to cultivate betting habits in the next generation. In South Carolina, children have ready access to 30,000 video poker machines located in convenience stores, pizza parlors and bowling alleys. South Carolina law does not prevent children from playing; it only prohibits them from collecting any winnings. Casino complexes appeal to children with amusement rides and arcades that offer virtual copies of adult casino games. At the same time, states promote lottery tickets in virtually every corner store while inundating the airwaves with get-rich-quick fantasies. What kind of message are we sending to our children?

One of the most scandalous features of the gambling industry, engaged in by many of our state governments, is the vigorous promotion of gambling among the poor, less-educated and senior populations. Gambling is touted as the "ticket out of poverty," offering a last chance to riches. As such, it overtly preys on the desperation of the poor by peddling false hope.

DEDICATED TO THE PRESERVATION OF THE HOME
JAMES C. DOBSON, PH.D., PRESIDENT

The gambling industry pours vast sums into the campaign coffers of gambling-friendly politicians. It is time for the public to scrutinize those who are regularly jetted off to Las Vegas and other gambling centers to pick up these enormous contributions. We must ask, what service is being provided in return for this generosity? Republicans have been given \$6.1 million and Democrats \$7.6 million in recent years. During the last election in California, nearly \$100 million was spent by casino interests to influence the outcome of various races and measures.

In summary, the illusion of pain-free riches promoted by the gambling industry has been exposed. The very appeal of gambling belies the claims of the gambling industry, which is sown in greed and the exploitation of human weakness. It robs from the poor and exploits the most vulnerable. It undermines the ethic of work, sacrifice and personal responsibility that exemplify the best qualities of American society. And if you scratch beneath the veneer of gambling-induced prosperity, the pain, despair and hopelessness of problem and pathological gamblers is recognized as a stark tragedy.

The Commission has adopted numerous important—indeed—critical recommendations for further research into the effects of gambling and for corrective action to be adopted by state and tribal governments. Among the most important are a moratorium on further expansion, a ban on neighborhood gambling operations, restrictions on political contributions, curbs on lotteries targeting the poor and their deceptive advertising practices, and raising (and enforcing) the gambling age limit to 21 universally. It is imperative that our government leaders immediately embrace these recommendations.

This Commission's greatest legacy will be to change the way the American public thinks about the harms associated with gambling. We must reject the fantasy that wagering is innocuous entertainment and deal earnestly with the destruction and pain that it causes to individuals, families and society.

I would like to thank my colleagues on the Commission, including our gifted Chair, Mrs. Kay James, for having the courage to tackle this difficult social problem. My prayer is that our effort will not have been in vain.

**Personal Statement of
J. Terrence Lanni**

Most of my professional life has been spent in the casino industry, roughly paralleling the time frame between the last federal Commission to study legal gambling in 1976 and the National Gambling Impact Study Commission, on which I have recently had the honor to serve. During those 20-plus years, I have managed commercial casinos from Nevada to Atlantic City, and watched the industry's expansion into the river towns of the Midwest and the South. On behalf of MGM Grand, Inc., I am now involved in the newest jurisdiction to legalize commercial casinos - Detroit, Michigan. My participation on this Commission has given me the opportunity to reflect on that period of growth, and raised my awareness of the challenges this industry will face in the future. In my view, however, much of what this Commission learned about commercial casinos over the course of two years only confirms what I have come to know throughout my career.

With a budget of \$5 million, the Commission conducted extensive research, traveled to numerous gaming destinations throughout the U.S., and heard from scores of local officials and residents in jurisdictions where casinos are located in an effort to comprehensively study the social and economic impacts of gaming. Although the views of my fellow Commissioners included those of strong anti-gaming advocates as well as strong gaming advocates such as my own, the vast majority of the recommendations approved by the Commission received our unanimous support. Moreover, most of the Commission's recommendations were either suggested or supported by the commercial casino industry, or are already being implemented by that industry today.

The final report of that two-year effort reconfirms what the first federal gambling Commission said in 1976 and what the casino industry has been saying for some time. Specifically, decisions regarding the legalization and regulation of gaming are matters for the states to decide. Moreover, commercial casinos are credited by the Commission as being a well-regulated, responsible segment of the industry. Of the 19 recommendations regarding gaming regulation adopted by the Commission, 14 address perceived deficiencies in other aspects of gaming, such as the Internet and so-called convenience or neighborhood gambling. In my view, this confirms what we in the industry already know - the public has great confidence in the integrity of this form of entertainment - and that gaming is best left to the states to decide. (In that context, I recommended that future expansion of pari-mutuel account wagering be left to state determination. It is also why I voted against a Commission-adopted recommendation to prohibit casino-style gambling at racetracks.)

The Commission's examination also highlighted clearly discernible differences among the various forms of gaming in other ways. Although the gaming industry is often mistakenly viewed as a monolith, this Commission draws clear distinctions among its various segments. One of those important distinctions was the Commission's conclusion that, especially in historically impoverished, underdeveloped communities, casinos have had a net positive economic impact. This conclusion was reinforced firsthand by the hundreds of individuals who testified before the Commission about the good jobs casinos provide.

In addition, I strongly endorse and support the Commission's recommendations with regard to pathological gambling. The research clearly shows that the vast majority of Americans who gamble do so for entertainment and with no measurable negative side effects related to their gambling. Unfortunately, some individuals gamble in ways that harm themselves or their families. Congress charged the National Research Council (NRC) of the National Academy of Sciences to report to this Commission on the issue of pathological gambling. The findings of the NRC - which the commercial casino industry accepts - indicate that an estimated one percent of the population are pathological gamblers in any given year. This percentage is

consistent with a study completed in 1997 by Harvard University and funded by the commercial casino industry. The research also indicates that the impacts of pathological gambling are significantly smaller than the impacts of other health problems such as alcohol abuse.

The casino industry recognizes that, although the percentage is small, pathological gambling affects a significant number of individuals. Many of the Commission recommendations in this area were based on steps we in the commercial casino industry have already undertaken. For example, commercial casinos created the first and only foundation to date dedicated to funding research in the area of pathological gambling - the National Center for Responsible Gaming. I also believe that more needs to be done, and that all segments of the legalized gaming industry, including lotteries, convenience gambling, charitable gaming, tribal gaming and pari-mutuels, should join the work in which we are currently engaged to help those who are in need.

While I am supportive of the majority of the Commission's recommendations, I am disappointed in some of the rhetoric that doesn't represent our findings, and will no doubt be used in the future by critics to distort what actually was found. One example is relative to the issue of research. Although the report states repeatedly that there was not enough research to draw conclusions, the record clearly shows that at least on the issue of commercial casino gambling that is not the case. The Commission's emphasis on this point implies that states and communities have not given their decisions to legalize commercial casinos full consideration. The record before us was quite to the contrary, and this impression does a grave disservice to the community and state leaders as well as the voters who have made those decisions.

In conclusion, I believe that any important decision affecting communities should be fully researched to consider all of its possible impacts. The Commission has done a great service for the states and communities that have legalized gaming, as well as those that may consider the legalization of gaming in the future by adding to the store of knowledge on this industry.

PERSONAL STATEMENT OF RICHARD C. LEONE
JUNE 7, 1999

I believe that, on balance, the American people are net losers in a society of pervasive gambling. This judgment is based on the ravages caused by pathological gambling and the hypocrisy of government sponsored games. I also am troubled by the message embedded in many familiar lottery advertisements: the notion that, for most Americans, the only hope of big time financial success--the kind celebrated in the news every day--is a ticket in a multi-million-to-one Powerball game. We need to ask ourselves: do we promote the pursuit of the American Dream through hard work and diligence--or through a roll of the dice?

This report will be criticized, by some, for going too far, and by others, for not going far enough. Our work is far from perfect, and none of the commissioners is completely satisfied. Still, we have made an important start in the process of reassessing and, I hope, reforming the nation's policies toward gambling.

Our report now goes to the President, the Congress, the governors, and the state legislatures. Its fate, however, depends not on their reaction, but rather on the response of the American people. Without a shift in public opinion, we cannot expect much leadership on these issues from our elected officials. That is why I devote my last and personal statement to considering the prerequisites for a sea change in public policy toward widespread legalized gambling.

First, we have to be realistic about the extent to which modern politics and many policy decisions are driven by fund raising. Campaigns are outrageously expensive and candidates and office holders must engage in a relentless--some would say shameless--pursuit of campaign contributions. Gambling interests, like other businesses that are heavily dependent on governmental decision-making, have become high rollers in the campaign money game. These interests are sure to be a part of any conversation about change and to resist proposals to curtail gambling's growth.

Second, the same cause--the high cost of campaigns--will continue to give gambling's supporters an advantage in referenda about gambling. California is only the most recent example of this phenomenon in action. More grass roots participation, itself dependent on more public education, is the only practical antidote to this imbalance.

Third, we must recognize that, to politicians, gambling revenues often seem like free money--taxes without the downside of public disapproval. And, as long as government leads the way on gambling, it is folly to hope that private interests will be restrained. It may be no coincidence that the surge in legal games of chance fits neatly with the fact that, starting in the 1970s, campaigns increasingly became dominated by anti-government and anti-tax rhetoric. In this context, is it any wonder that gambling, a source of revenue that takes advantage of public weakness and the myth that no tax is involved, has become increasingly important? While we hear little from most public officials about the human cost of gambling addiction and the destructive psychology of state-sponsored get-rich-quick schemes, we hear lots about the economic advantages and revenue enhancements from more gambling.

Lotteries, especially, seem to bring out the worst in politicians. They are heavily and misleadingly advertised; they pay back to bettors the smallest share of the take of any legal game; and they are an extremely regressive form of taxation, hitting hardest those with least ability to pay. Yet, lotteries have proven to be catnip for elected officials who fear taxation. Sure, some political leaders sincerely disapprove of gambling. But, like gamblers themselves, they appear to believe that they can have it both ways. Convinced that elections depend on a combination of opposing taxes without making painful choices, they are now trapped. So, they hope to get lucky and put off tough choices about taxes and spending by chasing increased gambling revenues. For them and for us, it's a sucker's bet.

The situation, however, is far from hopeless. Our system can be marvelously responsive to the public will--when that will is informed and manifest. But the public needs help. It needs the media to report more than jackpots, and it needs leaders of every type--conservative and liberal, business and non-profit--to join hands in a public education effort. There are, as well, recommendations in the report that would force governments to disclose more information about state-sponsored gambling. Getting the facts out will make a real difference here, as was the case with information campaigns about smoking.

I am confident that an informed public can and will effect a change of direction on gambling. Our elected officials, after all, do not suffer from a lack of polling information. They may lack courage or foresight, but they can't be beat for marching to the pulse of the public. I wish that it were realistic to ask more of them, but, in the absence of an interested and aroused citizenry, the odds favor more gambling, not less.

So the task for those of us who would change the current course is clear: we must find ways to reach all sorts of people and help them to understand the complex issues generated by gambling's spread and incite their interest in reform proposals--including those put forward by this commission. If we make a beginning on this task, then the work of the commission will be well remembered as a turning point. It won't be easy, but, after two years of work on this subject, I am convinced that it can and must be done.

**Statement of
Commissioner Robert W. Loescher
Of the National Gambling Impact Study Commission
June 7, 1999**

President Clinton appointed me to serve as the only Native American on the National Gambling Impact Study Commission. The Commission was charged by Congress to study, among other things, the status of tribal governmental sponsored gaming in the United States. The Commission came to realize that this was a complex task and appointed a Tribal Gambling Subcommittee. The Subcommittee had six field hearings in addition to the full Commission hearings. It sought the views of tribal leaders throughout Indian Country. Over 100 tribal leaders came to testify at their own expense and their views influenced the tone and texture of the final report.

In further recognition of the importance and complexity of the task, the Subcommittee sought and received concurrence by the Commission to have its own separate chapter in the final report. The report on Indian gaming is simply a snapshot of the status of Indian gaming in America today. The Commission concluded that the right of tribal governments to operate gaming is deeply entrenched in the tribes' special relationship with the federal government in the United States Constitution. And this distinguishes Indian tribal governmental gaming from all other gaming in the United States. Congress created a second critical distinguishing attribute of Indian gaming in the Indian Gaming Regulatory Act (IGRA) of 1988 — the revenues from Indian gaming must be used for the social and economic benefit of tribal members who desperately need it. In my view, the benefits from Indian gaming are just a tiny downpayment on the deficit of stupendous social and economic needs facing the vast majority of Native American citizens. The Commission record strongly supports the conclusion that the economic benefits under IGRA are being realized.

Indian gaming furthers Indian Self Determination through tribal ownership and control of its gaming operations. It furthers economic benefit to the surrounding communities by employing at least 100,000 people regardless of race, color or creed.

Tribal governments were some of the first to recognize that gaming has social costs and did something about it. The Commission's record shows that tribal governments made the first real financial commitments to help identify and alleviate problem and pathological gambling.

I was very disappointed that the Commission declined to include a narrative that objectively and clearly described the structure, operation and implementation of the regulation of Indian gaming. For all of its early weaknesses, Indian gaming is increasingly well regulated by a partnership of the tribal, state and federal governments. The National Indian Gaming Commission (established by IGRA) has ordered the implementation of Minimum Internal Control Standards (MICS) that provide a uniform standard of Indian gaming regulation throughout the United States. The Commissioners indicated that Indian gaming regulation was extremely complex and legalistic and wouldn't deal with it. At the same time, it is my view that Indian gaming is increasingly viewed as a threat and viable competitor to commercial gaming. The severe criticism of the Indian Gaming Regulation was one way to slow it down. In my view, the Commission was obligated to objectively describe the status of Indian gaming regulation and it did not do so.