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Prepared Statement
Before the Georgia State Senate
Preservation of the HOPE Scholarship Program Study Committee
State Capitol Complex, Atlanta, Ga.
September 14-15, 2015
Savannah, Ga., November 2, 2015

"EXPANDED LEGALIZED GAMBLING IN GEORGIA WILL DESTROY FUTURE
GEORGIA BUDGETS AND JEOPARDIZE STUDENTS, TEACHERS AND PUBLIC
EMPLOYEES"

Honorable Members of the Georgia Legislature, my bio submitted with my most recent
Congressional testimony is attached hereto, but I would respectfully note that two of my four
earned graduate degrees are from the University of Georgia.

With over 30 years as an elected University of Illinois Faculty Senator, I have dealt with many
state-wide education issues, including serving for several years as Chair of the University of
Illinois Faculty and Staff Benefits Committee. Hearing Before the Subcomm. on Crime,
Terrorism, Homeland Security, and Investigations, House Comm. on the Judiciary, 114th Cong.,
Hearing 2015 on Gambling], at www.judiciary.house.gov.

In recent years, the Illinois Legislature has repeatedly tried to reduce and/or eliminate contracted
benefits and pensions to teachers and public employees, while giving away billions of taxpayer
dollars to gambling insiders. Via legal political contributions and other mechanisms, gambling
lobbyists now dominate the economic policies of over 20 states, siphoning taxpayer dollars to
gambling supporters and away from students, teachers, and public employees

Illinois currently has no budget and is faced with $115 billion in unfunded liabilities. Illinois is
over 9 months behind in paying many of its bills—including partially reimbursing medical bills
for teachers and public employees. In this context, my 3-25-15 Congressional testimony noted
that as “[o]ne of the first states to embrace the lottery, riverboat casinos, and neighborhood
electronic gambling, Illinois has given away at least $35-$100 billion to gambling’s insiders
since 1990.” Cong. Hearing 2015 on Gambling, supra, at 19. When casinos first migrated to the
states from Nevada and New Jersey, academics calculated the enormous future state budget
problems. See, e.g., John W. Kindt, Legalized Gambling Activities As Subsidized By Taxpayers,
Accordingly, a plethora of Georgia relatives, friends, and academic colleagues have urged me to share with this committee the decades of University of Illinois research on gambling.

Historically, it should be noted that 80% of the U.S. Congress, including the Georgia Congressional Delegation, supported establishing the bipartisan U.S. NATIONAL GAMBLING IMPACT STUDY COMMISSION, FINAL REPORT (1999) (U.S. Gambling Commission)—which called for a moratorium on the expansion of any type of gambling anywhere in the United States. Id. at Chair’s Intro. Letter. The U.S. Gambling Commission also called for the re-criminalization of electronic gambling machines at convenience stores (Rec. 3-6) (such as those just authorized by the Georgia Lottery), no electronic gambling machines at racetracks (Rec.3-12), and extensive restrictions on lotteries (e.g. Rec. 3-8 et seq.). These Congressional recommendations and others have been largely ignored by the Georgia Lottery.

Some of the relevant articles in law reviews and economics journals follow:


3. The numbers of new addicted gamblers (similar to drug addicts) and problem gamblers doubles within the “feeder markets” of new gambling facilities (increasing to 4%-6% of the adult public—and with teens and young adults increasing to 8%-12% of their demographic). For an investigative news summary, see “Slot Machines: The Big Gamble,” 60 Minutes, Jan. 9, 2011 (Reporter Lesley Stahl) (available on Google or YouTube). See, e.g., NAT’L GAMBLING IMPACT STUDY COMM’N, FINAL REPORT 4-4 (1999). See also, NATASHA DOW SCHULL, ADDICTION BY DESIGN: MACHINE GAMBLING IN LAS VEGAS (Princeton Univ. Press 2013) (15-year study by MIT Prof. N.D. Schull) [hereinafter ADDICTION BY DESIGN].
4. Per the 3-25-15 Congressional hearing, “[i]t should be noted that as confirmed by the Atlanta Journal Constitution beginning in 1996, the Georgia Lottery has continued to create some of the nation’s highest rates of gambling addiction—including among young people. Charles Walston, Staff Writer, Teens Laying Their Futures on the Line, Atlanta J.-Const., Feb. 25, 1996, at C4.” Cong. Hearing 2015 on Gambling, supra, at 129.

5. Each slot machine or electronic gambling machine costs one job per year every year out of the consumer economy due to lost consumer spending of $300,000 per machine as people lose money into the machines, instead of buying cars, refrigerators, computers, healthcare, education, etc. in the consumer economy. See generally, Emory L.J., supra. Australian economists calculate that electronic gambling machines (known as “pokies”) are costing the consumer economy $10 billion in lost sales and 303,000 consumer jobs per year. Press Release of Australian Retailers Association, Retailers Could Cut Unemployment in Half Without Pokies [Slot Machines] Scourge, Jan. 18, 2010. By comparison, Georgia could lose 131,500 consumer jobs per year as gambling facilities proliferate.


7. Necessities of life are redirected into electronic gambling machines. For example in one study people around gambling facilities were spending 10% less on food and 25% less on clothing, while 37% had raided their banking accounts to gamble. The socio-economic costs of legalized gambling to the taxpayers are well-established at well-over $3 in costs for every $1 in new revenue to the government. Earl L. Grinols, Gambling in America: Costs and Benefits (Cambridge Univ. Press 2004); see Taxpayers Subsidize Gambling, supra.


Non-gambling and less-gambling states have better economies and more future tax revenues than gambling states. See, Robert Dorr, 40 Economists Side Against More Gambling, Omaha World-Herald, Sept. 22, 1996, at B1. Formed to combat Al Capone, the Chicago Crime Commission has successfully kept a major downtown casino out of Chicago. Likewise the 85-
member Greater Washington Board of Trade, with some of the top business icons in the country and also representing Northern Virginia and Maryland voted unanimously to reject the Washington D.C. Mayor’s proposal for casinos. Liz Spayd & Yolanda Woodlee, Trade Board Rejects D.C. Casino Plan, WASH. POST, Sept. 25, 1993, at A1.

As indicated in a Mercer Law Review article, the “gambling public” should also insist on legislative hearings under oath to determine how the electronic games are programmed and whether the astronomical odds and “near misses” are “fair” to gamblers. Consumer protection laws need to be utilized to examine electronic gambling machines. See, John W. Kindt, “The Insiders” for Gambling Lawsuits: Are the Games “Fair” and Will Casinos and Gambling Facilities be Easy Targets for Blueprints for RICO and Other Causes of Action?, 55 MERCER L. REV. 529-593 (2004) (lead article). See also, ADDICTION BY DESIGN, supra.

Surprisingly, the Georgia Lottery’s new “electronic games” attracted unflattering attention during the Congressional Hearing 2015 on Gambling. In May 2015, similar games were de facto re-criminalized and scheduled for elimination by the Minnesota legislature which delimited them as the “crack cocaine” of gambling addiction and eschewed the $139 million the games generated (over the objections of Minnesota Governor Mark Dayton). See, Abby Simons, Lottery Restrictions Become Law, But Games Won’t Go Dark Just Yet, STAR-TRIBUNE (Minneapolis, Minn.), May 19, 2015.

Hopefully, Georgia will learn from the mistakes of Illinois, New Jersey and other gambling states. Governments and their citizens cannot gamble themselves to prosperity.

Thank you for your kind attention and courtesy.
As you can see, I have lots of great revenue ideas...
40 Economists Side Against More Gambling

Signers: Costs Likely Higher Than Benefits

BY ROBERT DORR
WORLD-HERALD REPORTER

Lincoln — Forty Nebraska economists say they oppose the expansion of gambling in Nebraska because the economic costs “are likely to far outweigh the additional direct and indirect benefits for the state as a whole.”

Dr. Fairchild said studies on gambling have indicated that casinos that draw most of their customers from the local area increase consumer dollars away from other local businesses.

Regional casinos simply recirculate dollars that already exist, bringing little or no new money to the local economy,” said Dr. Fairchild, who has a doctorate in economics from Cornell University.

Dr. Fairchild said many people believe that all the money from gambling stays in the state. “That’s a myth,” she said. “It depends on the ownership structure. Many of the casinos are owned by a few large Las Vegas or East Coast-based corporations.”

In calculating economic benefits, Dr. Fairchild said, economists include new jobs, profits to any in-state owners, additional tax revenues and savings by consumers who are traveling to a nearby casino compared with going to one farther away.

Costs include the loss of revenue and job reductions at other retail businesses, and tax revenue losses, profits going out of state, and increased criminal activity.

Some economists estimate that increases in crime are likely to lead to more police, jail and court costs, and costs to businesses of enhanced security and insurance.

40 Economists Pan Expanded Gambling

Continued from Page 1

of economics at UNL.

The statement did not list their employer.

The signs in addition to the three coordinators:

- UNL economics professors or associate professors: Craig Malmberg, David Rosenbaum, Ann Marie May, Roger Kiedler, Jerry Petr and Benjamina Kim.
- UNL economics professor emeritus: Wallace C. Peterson.
- Creighton University economics professors or associate professors: Joseph Phillips, Gerard Stockmeyer, Thomas Nitsch, James Knadieu, N.R. Vuskovic, Michael Murphy and Edward Fitzsimmons.
- Believers University: Judd W. Patton, associate professor of economics, and James R. Moore, instructor in economics.
- Nebraska Department of Economic Development: James Kacenell, economist, and Kim Newell, recycling economic development advocate.
- Doane College, Crete: Les Meun, assistant professor of finance and economics, and Mary Sue Carter, associate economics professor.
- University of Nebraska: Joyce Green, professor, and Clayton T. Peck, retired economics teacher.
- Others: Ron Keanezy, associate professor of management and marketing, University of Nebraska at Kearney; Melodi Acuff, Childhood State College business development director; William Snyder, professor of business, Peru State College; Memuanli Dahal, economist at Wayne State College; Donna Duden, business division head, College of St. Mary, Omaha; and Clifford A. Sexton, Jr., Lincoln, and Joe Watkins, Grand Island, whose affiliations could not be determined.
Troubled casino owners often walk away with profit

By NICOLE ZIEGLER DIZON
THE ASSOCIATED PRESS

CHICAGO — Illinios gambling regulators found Horseshoe Gaming mogul Jack Binion undid to run a riverboat casino in their state, so he left — after selling his suburban Chicago casino for $485 million.


And Station Casinos, in hot water with Missouri regulators over allegations against a former company lawyer, left the state after selling to Ameristar Casinos for $488 million.

Across the country, riverboat casino owners in trouble with state regulators have found profit in their problems. Faced with heavy fines or the loss of their licenses, they’ve sold their operations to less-troubled companies — a practice gambling critics blast as license laundering.

“It’s a pattern that is disturbing,” said the Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. “Now we’ve got regulatory bodies that are acting as Laundromats.”

Grey has been fighting Emerald Casino Inc.’s attempt to build a riverboat casino in Rosemont, a suburb near O’Hare International Airport. Illinois regulators refused to OK Emerald’s casino plans in part because they said top executives Donald and Kevin Flynn had lied to investigators.

Now the Flynns are negotiating with Las Vegas casino giant MGM Mirage to sell their shares in the state’s only idle casino license. The Illinois Gaming Board condemned the discussions, and Grey has vowed to fight any deal that lets the Flynns profit.

But while Grey and other gambling critics cite approved buyouts as examples of lax casino regulation, industry representatives say they’re evidence of just the opposite.

Frank Fahrenkopf, president and CEO of the American Gaming Association, said it’s easier for some gambling companies to sell than jump through the hoops put up by various state regulators.

“You’ve got a tough regulatory regime, and some companies just don’t want the hassle,” Fahrenkopf said.

The cases involving Players, Stations and Horseshoe are the exception rather than the rule, Fahrenkopf said. He also said it’s only fair for casino companies to recoup their investment in a state if they’re forced out.

“I t’s a pattern that is disturbing. Now we’ve got regulatory bodies that are acting as Laundromats.”

—THE REV. TOM GREY
EXECUTIVE DIRECTOR OF THE NATIONAL COALITION AGAINST LEGALIZED GAMBLING

“We still live in a country where government cannot take away people’s property without due process,” he said.

In the Horseshoe case in Illinois, regulators already had approved the company’s move into the state before they rejected Binion as an owner of the Joliet Empress.

The board alleged Binion used shell minority vendors in Louisiana to fulfill minority participation goals and said he had once posted a $50 million bond for a jailed high-stakes gambler in Nevada. Horseshoe appealed the decision.

The company’s spokesman Guy Chipparoni said Horseshoe Gaming’s buyout of the Joliet boat, approved Tuesday by the Illinois Gaming Board, recognizes the investment Horseshoe made in Illinois. Horseshoe moved its headquarters to the state as part of the original agreement to purchase the boat.

“Profit’s not a bad word,” Chipparoni said. “With respect to this industry as with every other industry, they’re in it to make a profit.”

Riverboat profits also help out the states and municipalities that play host to the casinos, making it hard for regulators to threaten the most drastic penalty: closure.

“It becomes a lot more difficult to wield that hammer when you’re talking about an operating casino,” said Michael Pollock, publisher of the newsletter Gaming Industry Observer.

Michael Fanning, a Montana gambling regulator and president of the North American Gaming Regulators Association, said gambling boards must consider the effects their decisions may have on innocent third parties, such as casino workers.

Fanning stressed that each case is different. But he ticked off reasons for allowing buyouts, such as the cost and time spent on lawsuits and whether an offense is serious enough to merit a shutdown.

“There are a lot of sensible and defensible reasons for removing the bad apples from the barrel,” Fanning said.

The trend toward consolidation in the casino industry makes it easy for companies to find willing buyers, Pollock said. Players International, for example, would likely have been bought out even if it had not been involved in the Edwards scandal, he said.

Federal prosecutors claimed that Players executives funneled money to Edwards and his son, Stephen, to get a Louisiana gambling license. The former governor was found guilty of extorting applicants for casino licenses but remains free while his case is on appeal.

Players, though not indicted in the case, agreed to leave the state and pay a $10.2 million fine. In return, regulators approved the Harrah’s buyout.

In Missouri, Station Casinos paid a $1 million fine and sold its riverboats in Kansas City and St. Charles after a one-time Station lawyer was accused of trying to influence the regulatory board’s former chairman.

Station and Horseshoe still own casinos outside the states where they ran into trouble.

Grey, the anti-gambling activist, said settlements that let casino operators sell their problems away send a dangerous message.

“It says you can screw up, sell at a profit and keep in the gambling business,” Grey said. “Once they’re in, they’re protected.”
ILLINOIS CAN'T AFFORD TO PAY LOTTERY WINNERS

DO YOU HAVE MY OversIZED CHECK?

UM... THE CHECK IS IN THE MAIL...
MEDIA RELEASE

110 Pokies per Australian

Driscoll: “Retailers Could Cut Unemployment in Half Without Pokies Scurge”

Monday, 18 January 2010

Scott Driscoll, National Executive Director of The Retailers Association has called on Prime Minister Kevin Rudd to intervene and curtail the States drunk on Pokies revenue, for the sake of job creation, if protecting families wasn’t enough.

“With Australia now in the “World’s Top 10” poker machine countries, with a Pokie per 110 Australians, we are killing off jobs and industry, so that our Governments can get fat on Pokies blood money at the expense of lives and jobs,” said Mr Driscoll.

“As well as families suffering more with the growth of Pokies numbers across Australia, the retail sector suffers dramatically also as the Pokies plague spreads. People who can least afford to pour their wages down the throats of Pokies, in turn reduce spending on food, clothes and household essentials for their families. This has been a serious retail trend since Pokies emerged in Australia,” said Mr Driscoll.

“Most of the $10Billion that now goes into Pokies each year in Australia used to be spent across the retail sector. It used to support the creation of real jobs,” said Mr Driscoll.

“If we wiped out Pokies overnight and returned that same $10Billion to where it used to be spent we would halve the unemployment rate in Australia tomorrow and could create 303,000 new retail jobs,” said Mr Driscoll.

For further comment call Scott Driscoll on 0413 831 045.