

Paul Thissen

State Representative District 63A



ISSUE BRIEF: EXPANSION OF CASINOS IN MINNESOTA

Expansion of casino gambling is a hot topic in Minnesota. I do not generally support the state authorization of private casinos. Here are my reasons.

Expansion of Gambling

I am concerned about the expansion of gambling in Minnesota. I acknowledge that both casino gambling and state-sponsored gambling (through the lottery and pari-mutuel betting) exist in Minnesota. Nevertheless, the report on one casino proposal - the *Canterbury Park's Market Assessment* report - states, "the overall gaming clientele base should grow for the market." (page 7) Indeed, I do not think anyone denies that fact.

Further, the casino is an expansion of gambling in another significant way. Under our constitution, the casino must be a state-sponsored casino. The State of Minnesota will take on the responsibility for overseeing and regulating a much expanded gambling operation. I do not believe those costs have been completely accounted for in the proposal. Indeed, discussion of the regulatory controls over private casinos has been largely absent from the debate.

Finally, we truly face a slippery slope when it comes to expansion. We have seen time and again that limits imposed by one legislature are disregarded by future legislatures. That is particularly true when lawmakers start looking for "easy money." There is an addictive quality to gambling revenues that is hard to resist.

Taxes and Jobs

The other primary selling points for the casino proposal are

the creation of jobs and the generation of tax revenues for the state. While the casino certainly would require additional workers, many of those jobs would merely replace jobs lost (both Native American and others) at Mystic Lake, Prairie Island, Hinkley, and other entertainment venues. In fact, the impact on the rural economies around Prairie Island and Hinkley, where the casino and associated businesses are the significant employer for Native Americans and non-Native Americans alike, will be substantial.

The tax revenue projections from the casino proposals lack any documented financial analysis. Further, the projections we have seen do not account for the fact that some of the gambling money that generates those tax revenues would have been spent at other entertainment venues (or on other services), thereby generating taxes anyway. In other words, there will not be hundreds of million in new tax revenues. In addition, Native American casinos do generate direct and indirect tax revenues for the state and, in particular, for local governments.

More important, focusing on taxes generated misses the other side of the equation, which is the additional cost to the state and our communities from expanded gambling. The substantial increased law enforcement, judiciary, welfare, and regulatory costs to the state are ignored. According to a recent economic study, when social costs are factored in, gambling fails a cost-benefit analysis by a ratio of nearly 2 to 1. (*Grinols, E.L. & D. Mustard, Business Profitability Versus Social Profitability: Evaluating Industries with Externalities, The Case of the Casino Industry*) That means for every \$1 in taxes raised from gambling, gambling generates \$2 in additional costs to society - resulting in increased

District 63A

PHONE: (651) 296-5375

E-mail: rep.paul.thissen@house.mn

State Representative

PAUL THISSEN

government spending and related taxes.

Further, I do not think it is good public tax policy to rely on casino revenues to fund those programs and services that the State provides. Accountability requires transparency and reliance on casino revenues rather than more traditional taxes undermines that transparency. Further, our State is headed in the wrong direction when it comes to accepting responsibility for our community - what columnist Bob Greene calls the "great American give-up." Only when we come together as a community and decide what it is we want and what we are willing to pay for it will we make progress. Indeed, it is interesting to note that states that rely on gambling money generally end up spending proportionately less on such things as education. Ultimately, I do not believe that the casino proposal meets the criteria of fiscal responsibility.

Social Costs of Gambling

I have studied in detail the literature surrounding the social costs of gambling, including the *Gambling Impact and Behavior Study* conducted by the National Opinion Research Center (1999) and the *National Gambling Impact Study Report*, also from 1999. The information I have reviewed shows gambling addictions in the population increase with the accessibility and prevalence of gambling. In that sense, the casino's likely location in a highly populated area and close to an urban center is a disadvantage.

Among the social costs associated with gambling addiction are job loss (which impacts the individuals and their families and the employer who must incur additional training costs for a replacement), bankruptcy, increased pressure on the criminal justice system, increased divorce rates (with the corollary adverse effect on the standard of living of children) and elevated levels of illness. In addition, accessibility to gambling exacerbates other unfortunate behaviors. For instance, adults who have a dependency on alcohol are 23

times likelier to have a gambling problem. (*Science News* 12/18/01) And in a district with a large proportion of older residents, I am particularly concerned about studies that show the rates of compulsive gambling among seniors is 11% of those who gamble. (Reported in *Missouri Post-Dispatch* 8/6/01) People of color and poor people are also disproportionately and adversely affected when gambling is easily accessible as it would be at the Racino. Recent research shows that gambling expenses result in a corresponding reduction in expenditures on basic needs like food and housing. (*National Bureau of Economic Research*, Nov. 2002)

Certainly, all of this is not to say that gambling will impose such awful costs on everyone - quite the contrary. Most individuals who gamble have quite healthy gambling behaviors. But as a legislator, I must be concerned about the substantial number of persons who will exhibit addictive behaviors and the real costs to all of us of those behaviors.

STATE REPRESENTATIVE

Paul
Thissen

301 State Office Bldg.
100 Martin Luther King Blvd.
St. Paul, MN 55155
(651) 296-5375

E-Mail:

rep.paul.thissen@house.mn

Issue Brief for District 63A