

March 31, 2009

Dear Legislator,

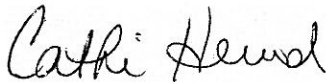
As the state budget crisis continues, we understand that you are looking at many different options to find solutions. Center for Arizona Policy strongly urges you to oppose expanding gambling as an attempt to help fix the budget. We further encourage you to voice opposition to the proposed Tohono O'odham planned casino in Glendale.

Expanding gambling in Arizona, especially allowing any off-reservation gambling, would have devastating consequences because the limits on the tribal casinos would be removed. Study after study shows that gambling's costs far exceed its benefits. Gambling also carries with it significant harms to families and communities.

In the interest of Arizona families, your constituents, and the economy, I encourage you to read the detailed fact sheet that is enclosed.

If you have any questions, we are always available to work together to ensure that Arizonans are protected from a dangerous expansion of gambling in our state.

Sincerely,



Cathi Herrod  
President, Center for Arizona Policy

# FAMILY ISSUE FACT SHEET

No. 2009-11 (March 2009)



## **GAMBLING EXPANSION – ARIZONA: THE NEXT LAS VEGAS?**

### **EXECUTIVE SUMMARY**

Proponents of legalized gambling are seeking to increase casino-style gambling in Arizona. The Tohono O’odham tribe has announced plans to build a casino at 91st Avenue and Northern, near University of Phoenix stadium in the heart of the fast-growing West Valley urban area. Others are proposing casino-style gambling at racetracks as a way to increase state revenue and address the state’s budget crisis. **Gambling should not be expanded in Arizona.** Studies show that expansion of gambling is not revenue-positive as consumer dollars go into casinos instead of local businesses, and social science research points to an array of increased societal problems when gambling is expanded.

### **BACKGROUND**

Tribal gambling operations are governed by compacts signed between the state and the tribes.<sup>1</sup> The voters authorized these compacts by passing Proposition 202 in November 2002. Each compact places limits on the tribal casinos, including the number of facilities allowed, the number of slot machines, and the number of game tables. The compacts include a “poison pill” that removes the limits on tribal casinos if Arizona allows any casino-style gambling off the reservations. The limits are also expanded for all tribes if one tribe is allowed to have additional facilities or additional gambling devices beyond the original agreement. Furthermore, this “poison pill” also reduces the required contributions to the state from the tribal casinos. Instead of the sliding scale requiring contributions from 1-8% of gross revenues to the state, the “poison pill” reduces those contributions to only 0.75% of gross revenues.<sup>2</sup>

**Thus, any legislative move to allow casino-style gambling at racetracks would have far-reaching ramifications.**<sup>3</sup> The new off-reservation gambling automatically lifts the caps on tribal casinos, effectively allowing gambling to grow across Arizona without limits. Additionally, once the state allows certain types of businesses – racetracks – to have slot machines or other forms of casino-style gambling, then it will be very difficult, if not impossible, to prevent further expansion of gambling at airports and resorts. Arizona will become the next Las Vegas with pervasive gambling creating an anti-family environment.

The promises of solving the budget crisis through expanded gambling are false. The “poison pill” provisions of the tribal compacts would make expansion of gambling counter-productive to the state’s goal of raising revenue by reducing the contributions from tribal casinos to the state.

Gambling also will not boost Arizona’s ailing economy. Professor John Kindt of the University of Illinois has studied the economic impact of gambling for over twenty years and concludes that for every \$1 of revenue generated by gambling, the state must spend \$3 on increased social services.<sup>4</sup> Professor Earl Grinols also calculates that the costs of gambling outweigh the benefits by at least a 3:1 ratio.<sup>5</sup> Additionally, gambling makes no genuine contribution to

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economic development because it produces no product and no new wealth.<sup>6</sup> Money spent at casinos is usually money that would have been spent somewhere else on goods or services.<sup>7</sup>

Of even greater concern than the financial ineffectiveness of gambling are the myriad of negative social consequences that gambling brings. Incidents of gambling-related addiction, bankruptcy, crime, corruption, domestic abuse, destruction of marriages and families, and suicide attempts are higher than incidents related to any other type of addiction.<sup>8</sup>

Expanding gambling is bad public policy because gambling creates a host of economic and social problems. Changes to off-reservation gambling will make a dramatic impact on the entire state. Turning Arizona into another Las Vegas or Atlantic City is a terrible idea for Arizona families and communities. Gambling will not resolve any economic woes, and, in fact, the social problems associated with gambling will likely increase economic costs.

### TALKING POINTS

- **Expanding gambling in Arizona has serious consequences.** New off-reservation gambling will blow the lid off the tribal casino compacts and make gambling prevalent across our state.
- **Additional casinos are unnecessary.** Arizona already has twenty-two casinos, including three casinos operated by the Tohono O'odham Nation. The Phoenix area already has four major casinos with thousands of games. We do not need any more gambling in Arizona.
- **Gambling will not help the Arizona economy.** For every \$1 of gambling revenue, the state must spend \$3 on increased social services. Professor Kindt also explains: "When the money is not spent on cars and refrigerators and is instead dropped into a slot machine, it leaves the economy."
- **The costs of expanding gambling significantly outweigh the benefits.** Gambling cannot make good on its promises of creating revenue for Arizona. The state cannot solve its financial problems by expanding gambling because the costs exceed the benefits.
- **Gambling is not a partisan issue.** Gambling addiction is an equal opportunity predator, and all of society bears the costs of problem gambling.
- **Gambling produces nothing, but it will take everything.** The harms of gambling are serious. Gambling addicts people, ruins marriages, destroys families, exploits children, fleeces the poor, bankrupts communities, raises crime, creates corruption, makes false promises, distorts reality, deceives the public, and lies all the way to the bank.

### CONCLUSION

Expanding gambling in Arizona is not good for the economy and is harmful to Arizona families and communities.

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<sup>1</sup> The text of the Tribal-State Compact that each tribe has agreed to is available from the Arizona Department of Gaming at <http://www.gm.state.az.us/compacts.htm>. The size limits and the “poison pill” provisions are contained in Section 3 of the Compact.

<sup>2</sup> In FY2008, the state received about \$111 million based on the sliding scale percentages of gross casino revenues of \$1.9 billion. Arizona Department of Gaming, *FY2008 Annual Report of Tribal Contributions*, (2008), available at <http://www.gm.state.az.us/FY2008%20Tribal%20contributions%209-22-08.pdf>. If the percentage were reduced to 0.75% of \$1.9 billion, the contributions to the state would be only \$14 million.

<sup>3</sup> The racetracks in Arizona have been subsidized by government tax breaks for many years, and this new proposal to add casino-style gambling is nothing more than a state bailout of an industry that market forces would otherwise eliminate.

<sup>4</sup> *Tribal Proposals to Acquire Land-in-trust for Gaming Across States Lines: Hearing before the H. Comm. on Resources*, 109th Cong. 4 (2005) (statement of John W. Kindt, Professor, University of Illinois), available at [http://www.citizenlink.org/pdfs/fosi/gambling/JKindt\\_Testimony.pdf](http://www.citizenlink.org/pdfs/fosi/gambling/JKindt_Testimony.pdf).

<sup>5</sup> Earl L. Grinols, *Gambling Economics: Summary Facts* (2004), <http://www.texaspolicy.com/pdf/2005-03-vlt-grinols-summary-11-04.pdf>.

<sup>6</sup> John W. Kindt, *Gambling with Terrorism: Gambling's Strategic Socio-Economic Threat to National Security*, Harv. Univ. Int'l Bus. Conf., 2 n.28 (2007) (quoting Jack R. Van Der Slik, *Legalized Gambling: Predatory Policy*, *Illinois Issues*, 30 (1990)), [http://www.citizenlink.org/pdfs/fosi/gambling/HarvardU\\_Gamb\\_Terrorism\\_2-%2010-2007.pdf](http://www.citizenlink.org/pdfs/fosi/gambling/HarvardU_Gamb_Terrorism_2-%2010-2007.pdf).

<sup>7</sup> Earl L. Grinols, *Cutting the Cards and Craps: Right Thinking About Gambling Economics*, in *Gambling: Who Wins? Who Loses?* (G. Reith, ed. 2003).

<sup>8</sup> Focus on the Family, *Cause for Concern (Gambling)* (2008), [http://www.focusonthefamily.com/socialissues/gambling/gambling/cause\\_for\\_concern.aspx](http://www.focusonthefamily.com/socialissues/gambling/gambling/cause_for_concern.aspx); see also, e.g., Robert Muelleman, et al., *Problem Gambling in the Partner of the Emergency Department Patient as a Risk Factor for Intimate Partner Violence*, 23 *J. Emergency Med.* 307, 307-12 (2002).