PARTNERSHIP FOR THE
PUBLIC GOOD

Poverty and Casino Gambling in Buffalo

Sam Magavern and Elaina Mulé

January 19, 2011

Summary

- The Buffalo Creek Casino will exacerbate Buffalo's poverty.
- Casinos, especially urban casinos, attract many gamblers living at or near the poverty line, and problem or pathological gamblers often fall from the middle class into poverty.
- Proximity to casinos is a major factor in problem gambling.
- The Buffalo Creek Casino is located in a high-poverty zone.
- Populations already facing high poverty rates and inequalities, such as African Americans, have higher rates of problem gambling.
- By competing with existing businesses, the Buffalo Creek Casino may destroy more jobs in Buffalo than it creates, and many of the jobs it creates will pay low wages.
- The social costs from gambling addiction, poverty, bankruptcy, mental illness, and crime will outweigh any gains through exclusivity payments to the City.
- Some of Buffalo's increased poverty may be offset by reductions in poverty among the Seneca Nation.

Introduction

Buffalo is facing a poverty crisis. Poverty exists in all parts of the region – urban, suburban, and rural – but it is particularly concentrated in the cities of Buffalo and Niagara Falls. While the metro region had a 2008 poverty rate of 13.3 percent, just over the national average, the city of Buffalo hit a historic high of 30.3 percent.

The Buffalo Creek Casino

The metro area is highly segregated, and the poverty is highly racialized. While only 10.7 percent of whites in the metro area live in high poverty neighborhoods, 81.4 percent of African-Americans live in high poverty neighborhoods (Harvard).

This brief explores the impacts of the Buffalo Creek Casino on Buffalo's poverty. The Seneca Gaming Corporation, which operates casinos in Niagara Falls and Salamanca, is planning to build a large casino in a high poverty area of downtown Buffalo, with 2,000 slot machines, 45 table games, a 22 story hotel, four restaurants, an indoor pool, a full service spa and salon, and retail space.

The SGC spent $82 million building a steel superstructure for this $333 million development before stopping construction on August 27, 2009. The SGC cited the weak economy and tightened credit markets in explaining its decision (Meyer). The stoppage came, however, the day after an important court ruling. A group of 23 plaintiffs, including Citizens Against Casino Gambling, had sued to stop the casino, arguing that the Senecas are not authorized to operate off-reservation casinos. In decisions issued July 8, 2009 and August 26, 2009, U.S. District Judge William Skretny ruled that the National Indian Gaming Commission had erred in allowing the casino and ordered the Commission to determine whether it should be shut down (Fink).

The case remains in litigation. In the meantime, the SGC opened a $6 million temporary casino at the Buffalo creek site on July 3, 2007, with slot machines and a snack bar. On March 16, 2010, the SGC completed a $9 million expansion of the temporary casino, bringing the total of slot machines to 455.

On December 18, 2010, the Buffalo News reported that the Senecas were ready to move forward with a revised plan for a downtown casino, which might involve scrapping the steel superstructure, and that the Senecas were in dialogue with Mayor Brown and the Erie Canal Harbor Development Corporation, whose president said that the Harbor Corporation was "enthusiastic about discovering ways in which our organizations might collaborate" (Michel).

The temporary casino has proven popular, despite its lack of amenities. The SGC reports that Buffalo Creek attracted 541,063 visits in 2009, up from 420,180 in 2008, and that it generated $9 million in exclusivity payments to New York State. As part of the Seneca compact with the State, the SGC pays 25% of slots revenue to the State in exchange for the exclusive right to operate casinos in Western New York. We can estimate, then, that the Buffalo Creek Casino had roughly $36 million in slots revenue in 2009.

An Explosion of Gambling

The Buffalo Creek Casino is part of an explosion in gambling in the United States – and New York State, in particular. New York started its lottery in 1967 with a monthly draw; by 2004 it had grown into the largest lottery system in North America (Padavan, 8). New York has four thoroughbred race tracks with pari-mutuel wagering and seven harness race tracks. The state authorized off-track betting in 1970 (9). In 1957 New York created a charitable gambling exception to its constitution; by 2002 charitable gambling had reached roughly $461 million per year (11). In 1993, Governor Cuomo made gambling compacts with the Oneida Indian Tribe and the Mohawk Indian Tribe (25). In 2001, the state authorized the Governor to enter into a casino compact with the Seneca Nation and authorized racetracks to install video lottery terminals, while also expanding the lottery to participate in multi-state "Mega Millions" or "Powerball" lotteries (14).

New York is now third in the nation in its level of wagering, behind only Nevada and New Jersey (39). New York's level of wagering rose ten times from 2002 to 2004 to reach over $70 billion (39).

Nationwide, gambling has also soared. While in 1994, Americans lost $30 billion in gambling, by 2003 they were losing $68 billion – spending more on gambling than on movies, videos, DVD's, music, and books combined (18). The American Gaming Association reports 2007 gross gaming revenues of $92.27 billion, including $34.41 billion for commercial casinos and $26.02 billion for Indian casinos. This represents a substantial jump from 2000 gross revenues of $61.4 billion for all gaming and $24.5 billion for commercial casinos.

The National Gambling Impact Study Commission reported in 1999 that 63 percent of Americans had gambled in the past year, and 86 percent in their lifetimes. It found that 0.8 percent of Americans were pathological gamblers, and 1.3 percent were problem gamblers. The NGISC estimated that 125 million Americans had gambled in the past year, including 7.5 million problem or pathological gamblers (NGISC, 4-1). As legalized gambling expanded, the number of Gamblers Anonymous chapters increased from 650 in 1990 to 1,328 in 1998 (4-17).

In the Buffalo region, opportunities for gambling abound. In addition to bingo and OTB, Buffalonians have quick access to the racetracks in Hamburg, Fort Erie, and Batavia, and the casinos in Niagara Falls (Ontario), Niagara Falls (New York), and Salamanca. On August 14, 2010, the Hamburg Casino at the Fairgrounds opened a new $25 million casino with 939 video lottery terminals (VLTs), funded by the state Division of Lottery Capital Allowance Fund (McNeil). The Senecas argue that this casino violates their exclusivity agreement, while the state distinguishes between VLTs and slot machines to argue that it does not. The web site for the Hamburg Casino refers to its VLTs as "slots."

What is Casino Gambling?

Casino gambling centers on slot machines. For example, for the second quarter of 2010, SGC reported net gaming revenues of $128.9 million, of which $116.6 million came from slots, and only $12.2 million from table games.

The essence of operating a casino is creating an environment in which people will play slot machines as often and as long as possible. As the California Research Bureau notes, "Video poker, slot machines, and other video gambling terminals are the most addictive forms of gambling as well as the most effective at generating revenue. These machines combine quick-cycling, sensory-rich experiences, the psychologically attractive principal of intermittent reward, and the statistically inevitable house advantage which are assured to produce significant gambling losses over time" (Simmons, 133).

Casino gambling is marketed as entertainment, and clearly many people enjoy gambling, but most people go to casinos not for fun – in the way they might to a movie or concert – but in the unlikely hope of winning money. A Roper survey found that three in four casino patrons say they go primarily to win "a really large amount of money" (Huebsch, 3).

Much of casino revenue is generated by problem or pathological gamblers. The National Opinion Research Center estimates that problem or pathological gamblers account for 22.1 percent of gambling losses (NORC, 33). A 1999 Louisiana study estimated that problem and pathological gamblers accounted for 42 percent of all Indian casino spending. Grinois and Mustard estimate that about 5 to 15 percent of the population are heavy betters who gamble twice a week or more, and that two-thirds to 80 percent of gambling revenue comes from the 10 percent of the population that gambles most heavily. Kindt estimates that 27 percent to 55 percent of casino revenues come from pathological and problem gamblers (7). A 2009 study found that 2 percent of all casino gamblers are responsible for nearly 25 percent of casino gambling (Perfetto).

Research from California shows that for problem and pathological gamblers, casinos, and, in particular, slot machines, are the preferred type of gambling. For example, 82.5 percent of the calls to the state's problem gambling helpline indicate Indian casinos as the primary gambling preference (Simmons, 3).

Casino patrons are not just gambling with the cash they bring to the casino. According to the NGISC, patrons bring only 40 percent to 60 percent of the cash that they end up wagering. They get the rest from ATMs, credit markers, and cash advances (casinos charge fees for cash advances ranging from 3 percent to 10 percent or more) (NGISC, 7-14).

Gambling by people in or near poverty

People living in or near poverty are very susceptible to gambling, especially when it is close at hand and convenient. According to a 2004 study, people in the lowest income quintile have more than three times the rate of pathological gambling than people in the top four quintiles. The authors note that the "poor may see gambling as an escape from poverty, making them more prone to gambling pathology" (Welte, 988). Interestingly, this marks a change from 1975, when upper income groups were more prone to compulsive gambling; the authors suggest the change may have come due to the growth in opportunities to gamble for the poor. Disturbingly, the study also found that race was the most significant predictor of problem gambling, with minorities having higher rates than white.

The National Gambling Impact Study Commission found that of people with incomes under $24,000, over their lifetimes, 7.3 percent are at-risk gamblers, 1.6 percent are problem gamblers, and 1.7 percent are pathological gamblers (NGISC, 4-8). NGISC also found that African-Americans were at more risk for these problems, and that pathological gambling was found proportionately more among the young, less educated, and poor (4-11). Perfetto reports that 14 percent of extremely frequent casino users have very low household incomes.

A number of state-specific studies have also shown high rates of gambling by people with low incomes.

- In a 1994 Wisconsin survey, 53.7 percent of casino gamblers had an income below $30,000 per year, with 37 percent below $20,000 per year and 13.7 percent below $10,000 per year (Thompson).
- A Minnesota study of 1,800 people in state-run gambling treatment programs found that 52 percent had incomes under $20,000 (Doyle).
- A survey of Illinois casino gamblers found 7 percent with incomes under $10,000, with half of them admitting to losing at least $1,900 in casinos in the past year (Better Government Association).
- A California study concluded that problem and pathological gambling rates were particularly high among African Americans and people who were disabled or unemployed (Volberg, viii). Among California respondents, 26.5 percent of the problem and pathological gamblers had incomes under $25,000 (71).

Abandoned house on Perry Street, behind the Buffalo Creek Casino parking lot

These casino studies jibe with other studies of gambling by people in poverty. A study of state lotteries found that it was individuals just below the poverty line who were the most likely to buy tickets (Blalock, 567). The authors conclude that "rather than seeking fun and exciting entertainment, the poor appear to play because of an ill-conceived belief that participation will improve their financial well-being" (567). For people living in poverty, the lottery is seen as "a convenient and accessible tool for radically altering their standard of living, a government-run financial 'hail-Mary' strategy" (546).

Similarly, the NGISC found that lottery players with incomes below $10,000 spent an estimated $597 per year – more than any other income group; that high school drop-outs spent four times as much as college graduates, that blacks spent five times as much as whites. It concluded that lotteries "rely on a small group of heavy players who are disproportionately poor, black, and have failed to complete a high school education" (NGISC, 7-10).

Gambling is common even among those in the direst circumstances. A program in Massachusetts evaluated 171 homeless persons with substance use disorders and found that 18.3 percent had level 2 or level 3 gambling disorders (Shaffer). The NGISC Report noted that 22 percent of the clients of the Atlantic City Rescue Mission were homeless due to a gambling problem. In a survey of 1,110 Rescue Mission clients across the U.S., 18 percent cited gambling as a cause of their homelessness. Of 7,000 homeless people interviewed in Las Vegas, 20 percent reported a gambling problem (NGISC, 7-27).

The poor are more likely to gamble, but they are less likely to get treatment for their gambling problems. Volberg finds that while minorities, women, and less educated people are over-represented among pathological gamblers, they are "seriously under-represented" among gamblers receiving treatment (1994, 239).

How much people gamble is closely related to how close and convenient the gambling opportunities are. The National Opinion Research Center states that having a casino within 50 miles is associated with roughly double the rates of problem and pathological gambling (NORC, 28). Similarly, Welte states that people within 10 miles of a casino have more than twice the rate of problem or pathological gambling as people further away (7.2 percent versus 3.1 percent) (2004). In 1994, Volberg found that states that had allowed legalized gambling for over 20 years had three times the pathological gambling rates as states where it had been legal for less than 10 years. The proximity factor is particularly important for people with low incomes, who are less likely to be able to afford trips to "destination" casinos and resorts.

Not just people living in poverty, but impoverished neighborhoods as a whole are at particular risk for problem and pathological gambling. Welte's research shows that people in the most disadvantaged neighborhoods gamble, on average, 72 times per year, while those in the least disadvantaged areas gamble only 29 times per year. Given that in the Buffalo-Niagara metro area 81.4 percent of African-Americans live in high poverty neighborhoods, Welte's findings are particularly troubling. Just as putting a toxic dump in a low-income area is an environmental injustice, putting a casino in an impoverished neighborhood is a social injustice.

The parking lot of the Buffalo Creek Casino. The towers of the Perry Projects are in the background.

Unfortunately, the Buffalo Creek Casino is located in a high poverty zone – in census tract 13.02, where the per capita income in 1999 was $11,127, and 59 percent of households were below the poverty line. A major public housing project, the Commodore Perry Homes, is just a few blocks from the Casino.

In the five adjacent census tracts, the per capita income was $11,649, and the poverty rates ranged from 26 percent to 42 percent in 1999. Within walking distance of the Casino one finds areas of dense and extreme poverty, such as tract 71.02, with 3,275 residents and a poverty rate of 47 percent; tract 16, with 4,316 residents and a poverty rate of 44 percent; and tract 71.01, with 4,389 residents and a poverty rate of 53 percent. For the 29,760 people who live nearest the Casino, the per capita income in 1999 was only $13,142.

How much do people with low incomes spend on gambling, and on casino gambling in particular? Statistics specific to low-income Americans are hard to find, but a Canadian study found that 57 percent of Canadians with incomes under $20,000 had gambled in 2005, spending an average of $491. The figures for casinos, slot machines, and VLTs were even more striking: eleven percent of Canadians with incomes under $20,000 had gambled in this fashion, spending an average of $840 per year – more than any other income group (MacLaurin). At the Buffalo Creek Casino, the SGC had some $36 million in slots revenue in 2009, meaning that its patrons, many of them people with low incomes, lost $36 million that year.

Gambling as a Path into Poverty

Many people with low incomes deepen and lengthen their poverty by gambling. In addition, many people with medium or even high incomes gamble their way into poverty. By 1996, Volberg estimated that 1.4 million people in New York, (7.3 percent of the state's residents) would be problem or potential problem gamblers over their lifetimes – the highest rate in the nation (Padavan, 48). No doubt the numbers have grown since then, with the new casinos and other gambling options that have become available. In 2004, the executive director of the New York Council on Problem Gaming testified that the opening of the Seneca Niagara Casino generated a 53 percent increase in calls to the Erie County problem gambling hotline (Padavan, 50).

The easy availability of casinos and the easy availability of credit have made it ever more tempting to gamble one's financial security away. The NGISC reports that 19.2 percent of pathological gamblers have declared bankruptcy, compared to 4.2 percent of non-gamblers. The NGISC examined the case of Iowa, where 19 percent of Chapter 13 bankruptcies involved gambling debt. A Des Moines credit counseling service director testified that gambling became widely available, gambling debt went from two or three percent to roughly 15 percent of their case load. He quoted a suicide note from an Iowa man who had accrued $60,000 in debt from a local casino:

> I never thought of gambling prior to two or three years ago. I really can't blame anyone but myself but I sincerely hope that restrictions are placed upon credit card cash availability at casinos. The money is too easy to access and goes in no time. My situation is now one of complete despair, isolation, and constant anxiety (NGISC, 7-15, 7-16).

Studies of people in gambling treatment have found that between 18 and 28 percent of males and 8 percent of females have declared bankruptcy (NORC, 45).

The Buffalo Creek Casino

Not only do problem gamblers run up debt, they often lose their jobs. The NORC survey found that 10.8 percent of problem gamblers and 13.8 percent of pathological gamblers had lost their job or been fired in the past year, compared to 2.6 percent of non-gamblers (44).

Like job loss, crime is a common pathway into poverty, as a criminal record creates a lifelong impediment to being hired. The NORC survey found that about one third of problem and pathological gamblers had been arrested, compared to 4 percent of non-gamblers. About 23 percent of pathological gamblers had been imprisoned, compared to 0.3 percent of non-gamblers (47). Grinois estimates that eight to ten percent of crime in counties with casinos could be attributed to gambling (2000). A Wisconsin study of Gamblers Anonymous participants found that 46 percent admitted having stolen to gamble, and 39 percent had been arrested. A survey of nearly 400 Gamblers Anonymous members found that 57 percent had stolen to gamble; collectively, they had stolen an astonishing $30 million (NGISC 7-13). Maryland's Department of Health estimated that 62 percent of gamblers in treatment had committed illegal acts as a result of gambling (1990).

Problem gamblers also have substantially higher rates of divorce, alcohol and drug addiction, and other forms of bad health, each of which can be a contributing factor in impoverishment – not only for the gamblers themselves but also for their families. The NORC survey found 54.5 percent of pathological gamblers to be divorced, compared to 18.2 percent of non-gamblers. Of pathological gamblers, 20 percent reported being drug or alcohol dependent in the past year, compared to 0.9 percent of non-gamblers (30).

Of course, correlation does not always mean causation; in some cases, having other problems in their lives may lead people to gamble, rather than gambling leading to other problems. But evidence abounds of downward spirals that start with gambling. Perhaps most disturbing, approximately one in five pathological gamblers attempts suicide, and the suicide rate for pathological gambling is higher than for any other addiction (NGISC 7-25). Las Vegas has the highest resident suicide rate in the nation (NGISC 7-26).

One of the row houses of the Perry Projects near the Buffalo Creek Casino

Employment

Some would argue that building a casino can help alleviate poverty by "creating" jobs. When the SGC expanded the temporary Buffalo Creek Casino in 2009, it reported that it was adding five new permanent jobs to an operation currently employing about 50 people (Meyer). If a permanent casino is built, SGC states that it will employ some 1,000 people (Fink).

SGC statements, and, too often, media reports, describe this as "creating" 1,000 new jobs. But casinos do not add to the economy by creating a new good or service. Every dollar a patron spends at a slot machine is a dollar the patron would have spent elsewhere: in the case of casual gamblers, perhaps on a movie or a sporting event; in the case of pathological gamblers, perhaps on a home or a car. Thus, any job created by casino spending will be created at the expense of a job somewhere else: a local restaurant, theater, sports venue, or car dealership.

Casinos, including the proposed Buffalo Creek Casino, often promote themselves as tourist destinations. Tourism can create jobs in an area by attracting spending that would otherwise occur elsewhere. Thus, if an Indian tribe opens a casino on an impoverished reservation, it may win tourists, and thus jobs, that would otherwise have gone to wealthier areas, and so help to reduce poverty. Certainly, some Indian tribes have benefited in this manner, although tourism-based jobs, such as chambermaids, desk clerks, retail sales, and food service, tend to pay poverty-level wages.

Buffalo, however, is not poised to benefit from casino tourism. Relatively few tourists from outside the region will come to a casino in downtown Buffalo – particularly when there are so many casinos nearby, in more tourist-oriented destinations such as

Niagara Falls (Ontario), and Niagara Falls (New York). The SGC admitted in an SEC filing that the visitors for the Buffalo Creek Casino would be mostly local. Buffalo Creek is an urban casino, and urban casinos are different than destination resort casinos. As the California Research Bureau has noted, "the calculus for urban casinos is different. They attract people primarily to gamble for a few hours, not to experience a destination resort, and so stimulate considerably less job creation and economic development" (Simmons, 145).

Will the Buffalo casino keep jobs in Buffalo that would otherwise be lost to Ontario, by attracting local gamblers who would otherwise travel to Ontario? It seems doubtful. Buffalo-Niagara residents already have the Seneca Niagara casino and many other gambling opportunities on the American side of the border. Thus, it is unlikely that the Buffalo Creek casino is creating jobs that would otherwise have been created in Canada; rather, it is competing against other Buffalo businesses for customers and hence for jobs.

Casinos can be powerful competition for other local businesses. As Ilgunas concluded in an article about Niagara Falls, "Seneca Niagara Casino has been around for three years now and its impact on Niagara Falls restaurants and bars has been devastating. Because the casino permits smoking, serves free alcohol and offers high-grade meals at low rates, local bars and restaurants have been unable to compete."

Similarly, in Atlantic City, there were 311 taverns and restaurants in 1978, when the first casino opened; nineteen years later, only 66 remained. (NGISC, 7-5). The unemployment rate in Atlantic City in 1998 was 12.7 percent (NGISC, 7-11).

Casinos may do more than displace jobs from other businesses. Because the main business of casinos – slot machines – requires very little staffing, when casinos siphon spending away from more labor-intensive entertainment, goods, and services, it may lead to a net loss of jobs.

The effect of the Casino on poverty depends not just on the number of jobs but on how much they pay and what benefits they offer. Unfortunately, many of the jobs at casinos– food servers, dishwashers, janitors, chambermaids, security guards – tend to pay poverty level wages. The median incomes for some of these occupations for Western New York in 2007 were as follows:

- Food preparation/serving: $17,300
- Cashier: $16,360
- Security guard: $19,760
- Maid/housekeeper: $18,920

Las Vegas offers something of an exception, because the labor unions SEIU and UNITE-HERE led successful campaigns in the hotels and casinos there. A report from the University of Massachusetts found that "Unionization . . . appears to be essential for the creation of good gaming industry jobs that support families and communities" (Kim, 20). The NGISC noted in 1999 that while annual average salaries in the largest, mostly unionized casinos were $26,000, they were only $18,000 in tribal casinos (7-8). The SGC casinos in Niagara Falls and Buffalo have successfully resisted unionization thus far, so Buffalo will not benefit from the unionization effect.

Row houses of the Perry Projects

In 2004 the Buffalo News reported that "Casino employees said that low pay – jobs start at less than $5 per hour plus tips – and stressful conditions led to a high turnover rate" (Zremski). However, it may be that (perhaps as part of resisting unionization), SGC pays better wages or offers better benefits than comparable employers in the area. A dishwasher in the Seneca Niagara Casino reported in 2010 that as a full-time employee of two years, he was earning $8.75 per hour with health benefits (Strassel).

This is still a poverty wage (a living wage in Buffalo is defined by city law as $10.57 for an employee with benefits), but it is relatively high for a dishwasher. If the Buffalo Creek Casino is offering better-than-average pay and benefits, that would represent one bright spot in an otherwise bleak picture.

Indirect Effects on Buffalo and Poverty

Casinos have many less direct effects on people living in or near poverty through their impact on their host communities. Unfortunately, most of those effects are negative, particularly with urban, "convenience" casinos. As the California Research Bureau states, "The convenience of urban casinos and their proximity to large numbers of people means that the negative social impacts caused by excessive gambling are likely to be felt locally" (Simmons, 145). Nevada is a unique case, because, as the NGISC reports, roughly 85 percent of Nevada's gambling revenues come from out-of-state tourists; thus, Nevada gets the benefits of gambling, while the home states pick up most of the costs (7-17).

The costs include much more than the costs of treatment for gambling addiction. According to the National Gambling Impact Study Commission, problem gamblers have higher rates of unemployment and welfare benefits, bankruptcy, arrest, incarceration, divorce, bad health, and mental health treatment – all of which have social and governmental costs. The NGISC estimated social costs at $1,200 per year for pathological gambler, and $715 per year for problem gambler.

Construction of the new parking ramp at the Buffalo Creek Casino

Other studies have shown much higher costs. Goodman and Feser, in a 1998 study for Missouri, estimated that each problem casino gambler added $10,133 in yearly costs to the state economy. The State of Maryland estimated in 1990 that its 52,000 gambling addicts cost the public $1.5 billion per year in lost work productivity, money stolen and embezzled, bad checks, and unpaid taxes. Volberg estimated that the average individual pathological gambler cost the public $13,600 each year (in 1981 dollars). Kindt estimated the 1997 socio-economic costs of pathological gambling in the United States at $80 billion per year, compared to $70 billion for drug abuse (2).

Serving as a partial reimbursement for these costs are the payments the SGC makes to the State, a portion of which return to the City. The State currently receives 25 percent of Seneca slot revenues in exclusivity payments, of which it sends 25 percent to the host communities such as Buffalo and Niagara Falls. In 2009 the State was expected to send some $2.5 million to Buffalo, which the City planned to spend on new police officers (Meyer). But one must remember that the Seneca Nation is exempt from property and sales taxes, so these payments must be offset by lost tax revenue. If Buffalo Creek were not there, the patrons may have spent those dollars at other local businesses that pay sales and property taxes.

Benefits to Seneca Nation members

It is clear that the Buffalo Creek Casino can only exacerbate poverty in Buffalo. A remaining question is whether some of those losses will be offset by gains – in jobs, income, or other benefits – to the 7,300 members of the Seneca Nation, a historically impoverished and oppressed group. According to 2000 Census data, the average per capita income of Indians in the Seneca Nation Territories was only $12,300, compared to $14,991 for the city of Buffalo and $23,400 for all New Yorkers (Taylor).

In May 2002, Senecas on the Cattaraugus and Allegany reservations voted 1,077 to 976 in favor of creating off-reservation casinos. The Buffalo News reported that "The promise of more than $1 billion in gambling revenues over the next 14 years, drummed home to Senecas in a recent blitz of television and radio ads, proved too attractive on two reservations where one-third to one-half of the residents are without a job."

The experience of the Seneca Niagara Casino shows, however, that tribe members are gaining fewer of the jobs and profits than might be expected. In 2004, only about 100 of the 2,145 workers at Seneca Niagara were

Seneca, and, as of 2004, the jobs started at less than $5 per hour plus tips (Zremski). Meanwhile, the head of SGC was receiving a $574,615 salary with a $650,000 bonus. By 2007 his salary was to increase to $1.2 million, with a bonus of up to $400,000.

In addition to jobs, Seneca Nation members may gain from casino profits that go toward the Nation's government and public projects or go directly to members through per capita payments. Some Indian tribes have used casino revenues to build hospitals, schools, roads, to provide social service programs, and to otherwise promote the public good. According to the National Indian Gaming Association, roughly 75 percent of Indian casino revenue goes to tribal programs and community and economic development initiatives, while one fourth of the 201 tribes with gambling operations (including the Seneca Nation) make per capita payments to their members (Gonzales, 127).

Unfortunately, much of the initial profit from the Seneca Niagara casino flowed to a Malaysian gambling mogul named Lim Kok Thay. Lim loaned the Seneca Gaming Corporation $80 million to build the casino at the astronomical interest rate of 30 percent, with the loan earning Lim $96 million over its five-year life. A casino finance expert called it "the worst deal I've ever seen" (Zremski).

Even after repayment of the Lim Kok Thay loan, other profits may be disappearing in questionable expenditures. The Internal Revenue Service is currently auditing the Nation's casino operations and business dealings. When the tribe bought land for a golf course, Bergal Mitchell III, the former vice president of SGC, and his wife received $340,000 of the $2.1 million paid for the land, according to an audit done by a private firm for the Senecas in 2009. An attorney admitted to receiving $201,000 in an unlawful payment connected to the deal. The Buffalo News has also raised questions about "millions of dollars paid to politically connected Seneca business owners through the Tribal Employment Rights Ordinance" (Herbeck).

Per capita payments to tribe members can make a direct dent in poverty by raising incomes. The advantage of per capita payments is that the money flows directly to tribal members, many of whom are living in poverty because of disability, unemployment, or low-wage jobs. But Thompson notes that studies of per capita payments have found few long-range benefits. "On the negative side, the payments may result in members quitting jobs and young people ending their educations" (1995, 40). As one tribal chairman in Wisconsin expressed it in opposing per capita payments, "We don't want to sit at home. We've waited a long time to go to work" (40).

In general, the impact of gambling on Indian tribes has been uneven, varying greatly from tribe to tribe. In 2000, unemployment among gaming tribes was 21 percent; among non-gaming tribes it was 23 percent (Capriccioso). The Seneca experiment with gambling is perhaps still too new for a good evaluation of to what extent it will relieve tribal poverty, and whether its overall effect on the tribe will be positive or negative.

Certainly, no one can blame the Senecas for seizing the opportunity to better the prospects for their nation, given the state and federal governments' historic betrayal and neglect. More to the point is to question the state and federal governments' embrace of many forms of gambling, including lotteries, off track betting, racinos, and more, and to question with particular sharpness the approval of urban casinos in high-poverty cities.

Conclusion

Even in its temporary form, in a building that is little more than a giant metal shed, the Buffalo Creek Casino drew over 500,000 visits in 2009 from people losing roughly $36 million at the slot machines. If problem gamblers account for between 22 percent (NORC) and 55 percent (Kindt) of casino revenues, then problem gamblers lost between $7.9 and $19.8 million at Buffalo Creek. Given the prevalence of problem gambling among people with low incomes, and the close connection between proximity and problem gambling, many of those problem gamblers were (or became) people with low incomes, and many of them came from the impoverished neighborhoods of Buffalo.

The amount of poverty and misery created by the Buffalo Creek Casino is impossible to measure exactly, but it is, beyond a doubt, large. If the Buffalo Creek Casino expands to include a hotel and other amenities, it may draw more gamblers from outside of Buffalo, and spread more social costs about, but it will also draw even more gamblers from poverty-stricken areas of Buffalo.

The Partnership for the Public Good unites 92 partner organizations around research, policy development, and citizen engagement for a better Buffalo. PPG has received funding from, among others, the Margaret L. Wendt Foundation, which has opposed the development of the Buffalo Creek Casino.

Sources

Abbott, Douglas A. & Cramer, Sheran L. (1993). Gambling Attitudes and Participation: A Midwestern Survey. *Journal of Gambling Studies,* 9(3), 247-263.

American Gaming Association. (2007). Gaming Revenue: Current Year Data. Retrieved from http://www.americangaming.org/Industry/factsheets/statistics_detail.cfv?id=7 .

Beebe, Michael, Dan Herbeck, and Lou Michel (2002). Senecas vote yes: slim margin favors gaming off reservation. *The Buffalo News*, 15 May, 2002.

Beebe, Michael (2009). Casino opponents file new federal lawsuit. *The Buffalo News*, 1 April, 2009.

Better Government Association (1995). "Statement of J. Terrence Brunner, Executive Director," November 3, 1995

Blalock, Garrick (2007). Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries. *American Journal of Economics and Sociology,* 66(3), 545-570.

Capriccioso, Rob. (2007). Economic Success in Indian Country: A Complex Tale that Needs to be Told. *American Indian Report,* 23(9).

Doyle, Pat (1997). Compulsive Gambling Hitting Poor Hardest, New State Study Says, *Minneapolis Star Tribune*, 25 July, 1997.

Eadington, William R. (1999). The Economics of Casino Gambling. *Journal of Economic Perspectives,* 13(3), 173-192.

Fink, James (2008). Casino foes claim victory after court ruling. *Buffalo Business First*, 29 August, 2008.

Gardner, Kent. (2005). Seneca Niagara Casino: Fiscal and Economic Impact on Niagara Falls, NY. *Center for Governmental Research.*

Gonzalez, Angela A. (2004). Gaming and Displacement: Winners and Losers in American Indian Casino Development. *International Social Science Journal*, 55(175), 123-133.

Goodman, Robert & Feser, Edward. (1998). Understanding the Economic Impact of Casinos in Missouri. *United States Gambling Research Institute.* 14 October, 1998.

Grinois, Earl L. & Mustard, David B. (2005). Business Profitability and Social Profitability: Evaluating Industries with Externalities, The Case of the Casino Industry. *Law and Economics,* 0509001, EconWPA.

Harvard School of Public Health, www.diversitydata.sph.harvard.edu

Herbeck, Dan. (2010). IRS Auditing Seneca Nation's Casino Operations. *The Buffalo News*, 2 July 2010.

Huebsch, Kevin. (1997). Taking Chances on Casinos-Gaming Casinos. *American Demographics*, May, 1997.

Klas, James M. (2004). Indian Gaming: Who Really Wins? *Indian Gaming,* October, 48-49.

Kim, Marlene, Susan Moir, and Anneta Argyres (2009). Gaming in Massachusetts: Can Casinos Bring “Good Jobs” to the Commonwealth? UMass Boston Labor Resource Center, The Future of Work Paper Series, No. 4 (January 2009).

MacLaurin, Donald, and Steve Westenholme (2008). An Analysis of the Gaming Industry in the Niagara Region. International Journal of Contemporary Hospitality Management, Vol. 20, No. 3.

Marshall, Katherine & Wynne, Harold. (2004). Against the Odds: A Profile of At-Risk and Problem Gamblers. *Canadian Social Trends,* Catalogue No. 11-008.

Maryland Task Force on Gambling Addiction (1990). Final Report of Task Force on Gambling Addiction in Maryland.

McNeil, Harold (2010). $25 million gambling facility makes ‘soft opening’ at fair. *The Buffalo News*, 14 August 2010.

Meyer, Brian (2009). Casino funds would pay for new officers (2009). *The Buffalo News*, 15 May, 2009

Meyer, Brian (2009). Ground broken for bigger casino (2009). *The Buffalo News*, 20 October 2009.

Michel, Lou (2010). Senecas revise plan for casino downtown. *The Buffalo News,* 18 December 2010.

National Gambling Impact Study Commission Report. (1999).

National Opinion Research Center (1999). Gambling Impact and Behavior Study.

Perfetto, Ralph & Woodside, Arch G. (2009). Extremely Frequent Behavior in Consumer Research: Theory and Empirical Evidence for Chronic Casino Gambling. *Springer Science and Business Media*, Article No. 9130.

Seneca Gaming Corporation (2010). Seneca Buffalo Creek Casino. Retrieved from http://www.senecagamingcorporation.com/seneca-buffalocreek-casino.cfm.

Seneca Gaming Corporation (2010). Seneca Buffalo Creek Casino Completes $9 Million Expansion: Downtown Facility Now Offers 445 Slot Machines. Press release, 16 March 2010.

Seneca Gaming Corporation (2010). Seneca Gaming Corporation Announces Second Quarter Fiscal 2010 Operating Results: Net Slot Revenues Increase 2.4%. Press release 7 May 2010.

Shaffer, Howard J., Freed, Christopher R., & Healea, Daryl. (2002). Gambling Disorders Among Homeless Persons with Substance Disorders Seeking Treatment at a Community Center. *Psychiatric Services,* 53, 1112-1117.

Simmons, Charlene Wear (2006). *Gambling in the Golden State: 1998 Forward.* California Research Bureau, California State Library, CRB 06-004. May 2006.

Strassel, Robert (2010). Dishwashers: Workers in a Low-Wage Occupation, Partnership for the Public Good, 2010

Taylor, Jonathan B. (2005). The Seneca Nation Economy: Its Foundations, Size, and Impact on New York State and the Western New York Region. The Taylor Policy Group.

Thompson, William N., Gazel, Ricardo, & Rickman, Dan. (1996). The Social Costs of Gambling in Wisconsin. *Wisconsin Policy Research Institute Report*, 9(6).

Thompson, William N., Gazel, Ricardo, & Rickman, Dan. (1995). The Economic Impact of Native American Gaming Gambling in Wisconsin. *Wisconsin Policy Research Institute Report*, April 1995.

Volberg, Rachel A. (1994). The Prevalence and Demographics of Pathological Gamblers: Implications for Public Health. *American Journal of Public Health*, 84 (2), 237-241.

Volberg, Rachel A., Nysse-Carris, K.L., & Gerstein, D.R. (2006). California Problem Gambling Prevalence Survey. *Chicago: National Opinion Research Center at the University of Chicago.*

Welte, John W., Barnes, Grace M., Wieczorek, William F., & Tidwell, Marie-Cecile. (2004). Gambling Participation and Pathology in the United States: A Sociodemographic Analysis using Classification Trees. *Addictive Behaviors,* 24, 983-989.

Welte, John W., Wieczorek, Williams F., Barnes, Grace M., Tidwell, Marie-Cecile, & Hoffman, Joseph H. (2004). The Relationship of Ecological and Geographic Factors to Gambling Behavior and Pathology. *Journal of Gambling Studies,* 20(4), 405-423.

Zremski, Jerry, Michael Beebe, and Dan Herbeck (2004). Seneca Niagara Casino is cash cow for G. Michael "Mickey" Brown and Lim Kok Thay; tribe seeks more accountability. *The Buffalo News*, 21 May, 2004.

Partnership for the Public Good
www.ppgbuffalo.org
237 Main St., Suite 1200, Buffalo NY 14203