

**A Briefing on Local Casinos and Video Gambling Machines
for Members of the North Carolina House of Representatives**

by Stop Predatory Gambling

September 5, 2023



WILL THEY CLEAN THE PEOPLE OF NORTH CAROLINA, TOO?

*A photo of a laundromat casino with video gambling machines in central Illinois taken in December 2019.
The State of Illinois now has 44,311 machines in 8,134 locations.*

Summary

Myth #1: “Local casino gambling, including ‘video lottery terminals’ which are slot machines under a different name, is considered safe for citizens to frequently take part.”

Data: Local casino gambling is now recognized as a known dangerous and addictive product, like heroin, cocaine, and opioids, in the American Psychological Association’s DSM-5 which is used by health care providers and insurers as the main source for mental health diagnoses.

Myth #2: “The amount of commercialized gambling *already happening* in North Carolina isn’t having a major impact on the personal finances of the state’s citizens.”

Data: The Lottery and other commercialized gambling operators in the state are already hitting the little guy hard: your constituents lost \$2.15 billion of personal wealth to commercialized gambling last year. **They’re losing \$4090 every minute.**

Myth #3: “Citizens in states with local casinos believe casinos have been good for the state.”

Data: In states like New Jersey, a state that has bet big on casinos as much as any region outside of Nevada, 62% of citizens said casino gambling has not been good for the state.

Myth #4: “Citizens are gambling out of state and allowing local casinos here will bring that money home.”

Data: The “They’re-Going-Out-of-State” narrative is a phony, recycled public relations strategy that national gambling interests have used in almost every state in America to breathe artificial life into efforts to legalize casinos. **What’s really happening is like you’re losing \$1 to save a penny!**

Myth #5: “Local casino gambling is a good source of state government revenue.”

Data: The numbers from other states conclusively show that local casinos are *one of the biggest budget gimmicks*. Taxpayers end up paying higher taxes for less services and their states end up with worse budget problems over the long term. The two-thirds of citizens who never gamble foot the bill for the inevitable budget deficits produced by local casinos: “You Pay Even If You Don’t Play.”

Myth #6: “Local casinos are a form of economic development that create jobs.”

Data: Local casinos across the US have proven to be nothing more than a naked money grab disguised as economic development.

Myth #7: “Legalizing video gambling machines across North Carolina will eliminate the illegal video gambling sweepstakes machines operating in the state.”

Data: No American jurisdiction has EVER documented a decline in illegal gambling after states began sponsoring gambling, regardless whether it’s lotteries, casinos, video gambling machines, or internet gambling.

Myth #8: “North Carolina citizens will vote for legislators who support local casinos.”

Data: Almost 50% of North Carolina GOP primary voters said they are more likely ***to vote against a legislator who supported casinos.***

Myth #9: “North Carolina voters want local casinos.”

Data: According to a recent statewide poll, 53% of likely North Carolina GOP primary voters said they oppose efforts to expand gambling compared to 33% who support it.

Myth #10: “Local casinos are just like any other business.”

Data: Commercialized gambling is different than any other business, including other vices like alcohol and tobacco, because there is ***an adversarial relationship between the gambling operator and the gambler. It’s The Big Con.*** Citizens are conned into thinking they can win money in a financial exchange designed to ultimately get them fleeced.

Myth #11: “Using a slot machine is no different than investing in the stock market.”

Data: While there may be risk associated with buying shares in the stock market, that is where the analogy ends. The Annualized Dow Jones Industrial Average Return (DJIA) including dividends reinvested was about 11% between 1950 and 2022. The record of steady, conservative stock market investing is excellent. In sharp contrast, it’s a statistical certainty that the vast majority of people will lose money gambling at regional casinos and on state lotteries. The longer and more frequently you wager against the house, the more money you’re going to lose. It’s a sure thing.

A Briefing on Local Casinos and Video Gambling Machines

Myth #1: “Local casino gambling, including ‘video lottery terminals’ which are slot machines under a different name, is considered safe for citizens to frequently take part.”

Data: Local casino gambling is now recognized by science as a known dangerous and addictive product like heroin, cocaine, and opioids.

- The American Psychological Association’s DSM-5, which is used by health care providers and insurers as the principal source for mental health diagnoses, now recognizes gambling as an addiction on the same level as heroin, cocaine, and opioids:

“In the DSM-5, gambling disorder has been placed in a new category on behavioral addictions. This reflects research findings showing that gambling disorder is similar to substance-related disorders in clinical expression, brain origin, comorbidity, physiology and treatment.”¹

Myth #2: “The amount of commercialized gambling *already happening* in North Carolina isn’t having a major impact on the personal finances of the state’s citizens.”

Data: The Lottery and other commercialized gambling operators in the state are already hitting the little guy hard: your constituents lost \$2.15 billion of personal wealth to commercialized gambling last year (\$1.34 billion of personal wealth lost to the NC Lottery plus \$810 million of personal wealth lost to the two Harrah’s casinos in FY22.)²

- **The people of North Carolina are already losing \$4090 of personal wealth every minute to commercialized gambling.**
- NC citizens lost \$13 billion of their personal wealth to the Lottery alone since FY07 (last 16 years.)
- If NC state officials don’t act to reduce the financial hardship caused by predatory gambling *already here*, citizens are on a collision course to lose more than \$11 billion of personal wealth to commercialized gambling over the next five years.
- Allowing local casinos, video gambling and other new forms of commercialized gambling in NC will dramatically increase the massive financial losses citizens are already suffering. How much gambling losses is enough for NC state officials?

¹ American Psychiatric Association, Diagnostic and Statistical Manual of Mental Disorders (DSM-5), 2023
<https://www.psychiatry.org/patients-families/gambling-disorder/what-is-gambling-disorder>

² NC Lottery Annual Financial Statements FY2007-FY2022 and “Analysis of Current and Potential New Gambling Activities in North Carolina Prepared for North Carolina Education Lottery,” By Spectrum Gambling, March 16, 2020

Myth #3: “Citizens in states with local casinos believe casinos have been good for the state.”

Data: In states like New Jersey, a state that has bet big on casinos as much as any region outside of Nevada, 62% of citizens said casino gambling has not been good for the state.

- A statewide poll by Quinnipiac University, a highly-respected polling program which conducts public opinion surveys in many states, revealed an astonishing 62% of respondents said casino-style gambling, legalized in New Jersey in 1976, has not been good for the state.³ Just 29% said they believe gambling has provided a benefit.⁴
- The same poll also highlighted that 60% also believe gambling hasn’t been beneficial for Atlantic City.⁵ “Forty years after New Jersey voters approved casino gambling limited to Atlantic City, they say more than 2-1 that it was not the magic bullet it was cracked up to be,” Quinnipiac University Poll Assistant Director Maurice Carroll said the press release. “And by wide margins, voters say casinos have not even helped Atlantic City.”⁶

Myth #4: “Citizens are gambling out of state and allowing local casinos here will bring that money home.”

Data: The “They’re-Going-Out-of-State” narrative is a phony, recycled public relations strategy that national gambling interests have used in almost every state in America to breathe artificial life into efforts to legalize casinos. **What’s really happening is like you’re losing \$1 to save a penny!**

- For decades, national gambling companies and their lobbyists have manipulated one state against another state, over and over again. To see this canned narrative in action, visit Stop Predatory Gambling’s YouTube channel where you can view the TV ads taken from gambling industry lobbying campaigns in other states that highlight the casino lobby’s intent to deceive policy makers and citizens alike.⁷
- Regional casinos like the kind proposed for North Carolina take the bulk of their profits by turning local citizens, who may have been going out-of-state a handful of times a year, into everyday gamblers where they’re losing their money inside casinos five times a week.⁸

³ “Casinos Have Not Been Good For New Jersey, Voters Say, Quinnipiac University Poll Finds; Many Would Leave Garden State If They Could,” December 7, 2016 <https://poll.qu.edu/new-jersey/release-detail?ReleaseID=2409>

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Stop Predatory Gambling’s YouTube channel , 2023. <https://www.youtube.com/@SPGamerica>

⁸ “Care to Revise Your Statement,” *Philadelphia City Paper*, April 13, 2011 <https://www.stoppredatorygambling.org/wp-content/uploads/2012/12/Philadelphia-Citypaper-Care-to-Revise-Your-Statement.pdf>

Myth #5: “Local casino gambling is a good source of state government revenue.”

Data: The numbers from other states conclusively show that local casinos are *one of the biggest budget gimmicks*. Taxpayers end up paying higher taxes for less services and their states end up with worse budget problems over the long term. The two-thirds of citizens who never gamble foot the bill for the inevitable budget deficits produced by local casinos: “You Pay Even If You Don’t Play.”

- According to a national report by the Rockefeller Institute of Government at State University of New York-Albany: **"In the long-run, the growth in state revenues from gambling activities slows or even reverses and declines."**⁹
- That’s because income from casinos does not grow over time like general tax revenue. Yet expenditures on education and other programs will grow more rapidly than gambling revenue. **Thus, new gambling operations that are intended to pay for normal increases in state spending add to, rather than ease, long-term budget imbalances.**¹⁰
- Also troubling for taxpayers, gambling operators are not allowed to fail by the state. For example, when casinos come up short, states usually provide new infusions of money, reduced taxes, reduced funding for gambling addiction measures, or other concessions such as lifting smoking bans and loss limits, in order to sustain revenues and profitability.¹¹ Rhode Island, Delaware, and New Jersey, to just name a few, have all taken special steps within the last few years to help casinos that might otherwise fail. Public tax dollars too often prop up gambling operators.

⁹“State Revenues from Gambling: Short-Term Relief, Long-Term Disappointment,” Nelson A. Rockefeller Institute of Government, SUNY-Albany, April 2016, http://www.rockinst.org/pdf/government_finance/2016-04-12-Blinken_Report_Three.pdf

¹⁰“The Fiscal Impact of Commercialized Gambling on State Budgets,” Dr. Lucy Dadayan of The Urban Institute, April 2023. https://www.youtube.com/watch?v=r5gdVC_x6Os&t=2s

¹¹Institute for American Values, Why Casinos Matter Institute for American Values, Council on Casinos, Why Casinos Matter, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, September 2013, at 29, <https://stoppredatorygambling.org/wp-content/uploads/2013/09/2013-Why-Casinos-Matter-FINAL.pdf>

Myth #6: “Local casinos are a form of economic development that create jobs.”

Data: Local casinos across the US have proven to be nothing more than a naked money grab disguised as economic development.

- There is a direct connection between the widespread promotion and availability of local casinos with the financial hardship and lack of opportunity facing millions of American families today. As predatory gambling has spread into economically-distressed regions, the facts show it has lured far more citizens from the lower rungs of the income ladder. Low-income workers, retirees, minorities, and the disabled comprise a disproportionately large share of regional casino users.¹²
- One important reason for this is that those who are financially desperate look to local casinos (as well as other forms of commercialized gambling pushed by the state) as a way to improve their lives and help them escape their condition. It’s become a Hail Mary investment strategy, one that dooms them to inevitable financial failure.¹³
- The most telling evidence of local casino gambling’s regressive effect may come from the casino operators themselves. The predominance of penny and nickel slot machines on the casino floors reveals who their target market really is. “High rollers” are not playing the penny slots.
- The economic impact of electronic gambling machines and other forms of commercialized gambling is similar to throwing your money on the street so that someone else can pick it up — it’s redistributing wealth without creating it.
- The casino lobby, and the state and local officials who serve their interests, feed on the job insecurity of Americans because citizens have fewer viable ways to make good money.
- By relying on slot machines and other forms of gambling as its primary revenue source, a casino may employ some citizens but it doesn’t produce economic growth because it merely redistributes wealth without creating it. That’s why communities across the US that built casinos still languish.¹⁴
- Any activity the state puts money into will stimulate the economy. Government has the power to stimulate the economy with good things, things that help people build wealth.

¹² Why Casinos Matter, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, Institute for American Values, Council on Casinos, September 2013. <https://stoppredatorygambling.org/wp-content/uploads/2013/09/2013-Why-Casinos-Matter-FINAL.pdf>

¹³ “Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries,” Garrick Blalock, David R. Just, and Daniel H. Simon, 2004. <http://stoppredatorygambling.org/wp-content/uploads/2014/07/Cornell-Univ-study-Entertainment-Poverty-and-the-Demand-for-State-Lotteries1.pdf>

¹⁴ “Do Casinos Create Economic Development?: A 15-Year National Analysis of Local Retail Sales and Employment Growth,” Dr. Jonathan Krutz, 2022. <https://doi.org/10.18122/td.1939.boisestate>

Myth #7: “Legalizing video gambling machines across North Carolina will eliminate the illegal video gambling sweepstakes machines operating in the state.”

Data: No American jurisdiction has EVER documented a decline in illegal gambling after states began sponsoring gambling, regardless whether it’s lotteries, casinos, video gambling machines, or internet gambling.

- Common sense tells you that if the illegal gambling operators supposedly cannot be controlled right now, as the video gambling lobbyists claim, then how can you control and regulate the gambling operators you license? If you can’t shut down the illegal gambling operators now, how would you possibly shut down licensed operators who don’t follow the rules?
- When gambling operators call for “regulation,” what they really mean is government granting monopolies and awarding regulatory advantages to favored firms.
- There are a number of other reasons why illegal gambling tends to increase when states sanction gambling:
 - First, untaxed illegal operators can offer better odds and tax avoidance that legal operations cannot.
 - Second, once gamblers start betting legally, they become less averse to gambling in unlicensed venues
 - Third, law enforcement begins to view illegal gambling as a state revenue issue rather than a criminal activity, making enforcement less of a priority.
- Illinois legislators, driven by greed and a lust for political power, opened the door to video gambling in 2009. Yet in 2023, illegal video gambling machines are still a problem in Illinois even though the state has legalized 44,311 machines in 8,134 locations.¹⁵ The epic failure of video gambling in Illinois was the focus of one of the nation’s best investigative journalism series in 2020 published by *ProPublica* titled “The Bad Bet: How Illinois Bet on Video Gambling and Lost.” Read it here: <https://www.propublica.org/series/the-bad-bet>

¹⁵ “Sweepstakes machines: the gambling devices at the center of Chicago’s latest corruption trial,” *Chicago Sun-Times*, June 8, 2023
<https://chicago.suntimes.com/2023/6/5/23746999/what-are-sweepstakes-machines>

Myth #8: “North Carolina citizens will vote for legislators who support local casinos.”

Data: Almost 50% of North Carolina GOP primary voters said they are more likely ***to vote against a legislator who supported casinos.***¹⁶

Myth #9: “North Carolina voters want local casinos.”

Data: According to a recent statewide poll, 53% of likely North Carolina GOP primary voters said they oppose efforts to expand gambling compared to 33% who support it.¹⁷

Myth #10: “Local casinos are just like any other business.”

Data: Commercialized gambling is different than any other business, including other vices like alcohol and tobacco, because there is ***an adversarial relationship between the gambling operator and the citizen who’s gambling. It’s The Big Con.***

- What separates regional casinos, video gambling, commercialized sports gambling, and state lotteries from every other business, including other vices, **is there’s an adversarial relationship between the gambling operator and the citizen who’s gambling.** Commercialized gambling is a big con game. Citizens are conned into thinking they can collect money in a scheme designed to ultimately get them fleeced.
- If you pay for a hamburger, a ticket to a Carolina Panthers game, or a glass of wine, that’s what you receive in return. When you put down your money in commercialized gambling what you receive in return is *the lure* you are going to win cash. *It’s a financial exchange.* But this exchange is mathematically stacked against you. Inevitably, you lose your money, especially if you keep doing it. **Success only comes at someone else's expense.**
- That’s why commercialized gambling is legal only when the state is a partner. It is a form of financial fraud, similar to price-gouging and false advertising, resulting in life-changing financial losses for millions of Americans and tens of thousands right here in North Carolina.

¹⁶ “Potential NC casinos draw concerns from GOP primary voters,” WNCN CBS TV -5 <https://www.cbs17.com/news/north-carolina-news/potential-nc-casinos-draw-concerns-from-gop-primary-voters/>

¹⁷ Ibid.

“The Big Con” in Action:

An Example How the Math Works in the Financial Exchange

Behind Electronic Gambling Machines

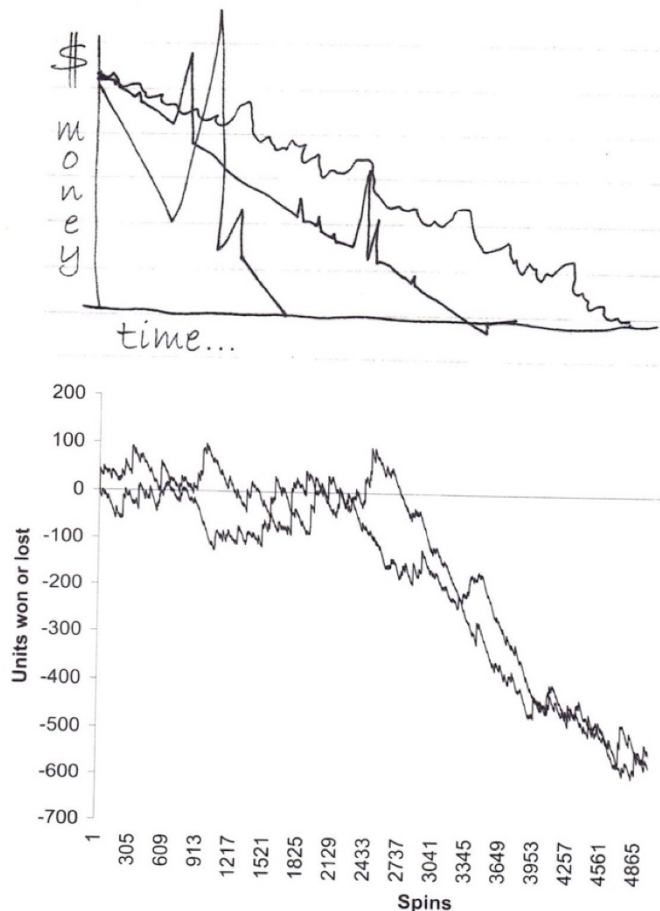


Figure 4.2. *Top:* Projected play trends for three different games, assuming the same initial bankroll. The shortest line represents a game with “high volatility” and “low hit frequency”; the longest shows “low volatility” and “high hit frequency”; the middle line shows moderate volatility and frequency. Drawn for the author by game designer Nicholas Koenig. *Bottom:* Play outcomes for two simulated gamblers on the same gambling machine, set at a hold percentage of only 5 percent. The graph follows the two gamblers from their first bet through 5,000 spins, representing four to eight hours of play (depending on the speed of the machine and the speed of play). The downward slope illustrates the “churn” by which play funds are gradually eroded over time. Although both gamblers experience wins, the house edge gradually consumes the winnings as they are reinvested in play. Assuming that each bets \$3.00 per spin, their averaged loss at the end of the play period is \$900.00. Graph built by gambling analyst Nigel Turner.

Myth #11: “Using a slot machine is no different than investing in the stock market.”

Data: While there may be risk associated with buying shares in the traditional stock market, that is where the analogy ends. The Annualized Dow Jones Industrial Average Return (DJIA) including dividends reinvested was about 11% between 1950 and 2022. While the DJIA can and has gone down in some of those years, and that people can and do lose money speculating and trying to time the market, the record of steady, conservative stock market investing is excellent. In sharp contrast, it’s a statistical certainty that the vast majority of people will lose money gambling at regional casinos and on state lotteries. The longer and more frequently you wager against the house, the more money you’re going to lose. It’s a sure thing.

- With the zeal of a teetotaler, nearly all of the people who profit from regional casinos and lotteries, along with most of the public officials who lobby to bring them in, know this truth and *don’t gamble themselves*.¹⁸ They put their money into assets like stocks and real estate.
- In addition, commercialized gambling operators hire the brightest people they can find (e.g., odds-makers, computer programming whizzes, sophisticated marketers) for the specific purpose of *taking as much money as possible* from customers. On the other hand, the investment industry hires the smartest and best-performing analysts it can find in order to help *make money* for customers. It’s about as different as it can get.

*If you have questions or would like more information,
please call us at (202) 567-6996 or email us at mail@stoppredatorygambling.org*

BACKGROUND ON STOP PREDATORY GAMBLING

Members of Stop Predatory Gambling work to reveal the truth behind commercialized gambling operators to prevent more victims.

As a national advocacy network of citizens and partner groups with members in all 50 states, we’re one of the most diverse organizations in the United States, one in which citizens of all political stripes and life circumstances, from every corner of the country, work side-by-side.

We are a 501c3 non-profit and our funding comes from the selfless giving of every member of our national board; individual donations from hundreds of concerned citizens including people with the lived experience of predatory gambling from across the entire United States; gifts from a few smaller foundations; and support from members belonging to every major faith group in the country. We don’t accept funding from commercialized gambling interests.

¹⁸ “The Hypocrite Hall of Fame,” September 2023 <https://www.stoppredatorygambling.org/hypocrite-hall-of-fame/>