

CITIZENS FOR A BETTER BUFFALO

**POLICY MEMORANDUM—EFFECTS OF AN URBAN
GAMBLING CASINO**

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INTRODUCTION -- COMMUNITY LEADERS REFLECT ON CASINOS

The thought of a casino in Buffalo “causes knots in my stomach.”

*New York Senior Senator Charles Schumer (Buffalo News,
Friday, June 29, 2001)*

“These are people from our communities going to these casinos and losing this kind of money. You know what I call the slots? Video crack.”

*Tom Golisano, Chairman of Paychex and Owner of the
Buffalo Sabres (“Golisano Opposes Casino,” Buffalo News,
April 12, 2006)*

“I think it's cynical on the part of the state to raise money from people who basically can't afford it by promising them a dream that is not going to come true for any but the tiniest, tiniest fraction of the people who participate, and that causes people to get into the kind of trouble I hear about every day.”

*Warren Buffett, Chairman of Berkshire Hathaway, Inc. and
The Buffalo News, September 15, 2004*

“A stand-alone operation in downtown Buffalo would primarily serve locals and simply reshuffle existing jobs within the economy....”

*Rickey L. Armstrong Sr., Former Seneca President (Buffalo
News, April 25, 2004)*

“I would stress one thing that I mentioned yesterday...the irretrievable damage to the area's reputation.

There is a rogue's gallery of cities that includes Gary, Atlantic City, Biloxi, Detroit and East St. Louis that one automatically joins when this type of casino is built. We as a community should fight like hell to avoid membership in this club. It is like erecting a large national billboard saying, ‘We are Losers.’ ”

*Larry Quinn, Buffalo Sabres Managing Partner (Artvoice,
April 13, 2006)*

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Numerous studies demonstrate that casinos come with irreversible negative socio-economic effects on their host communities. *We know of no credible studies to the contrary.* A gambling casino in Buffalo would be a major public policy disaster. The studies and articles discussed briefly below (preceded by a bullet-point summary) are included in this binder for your review.

SUMMARY OF FINDINGS

- **Job Loss.** A Buffalo casino will displace higher-paying local jobs with lower paying benefits-poor jobs as local businesses close due to inability to compete with the tax-free casino. (Known as the “substitution effect”.) (See Tabs 4, 5, 6 and 10.)
- **Negative Socio-Economic Effects.** A Buffalo casino will result in increased: crime, drunk driving, suicide, homelessness, need for low-income housing, youth crime and gambling, white collar crime, domestic violence, child neglect, demand for general mental health, gambling-addiction and other social services, substance abuse and individual bankruptcies. (See Tabs 3, 4, 7, 9 and 10.)
- **Increased Problem Gambling.** Gambling addictions double within ten miles of a casino. (See Tab 1.)
- **Gambling Addictions among the Poor, Minorities and Teenagers.** The rate of gambling disease among blacks and Hispanics is 7-8 times higher than the rate among whites. Teenagers are more vulnerable than adults to gambling addictions. Individuals who are unemployed, impoverished and on public assistance have much higher rates of addictive or problem gambling. (See Tabs 1, 2, 4 and 7.)
- **Bankruptcy.** Personal bankruptcies increase substantially in counties with casinos. (See Tabs 3 and 4.)
- **Loss of Tax Revenues and Available Entertainment Dollars.** In addition to lost property taxes (from the casino and from surrounding businesses that will fail because of it), sales tax revenues will decrease because the casino’s bar and restaurant facilities will be tax exempt. Because the casino will target local residents, a significant portion of its tax exempt food and beverage sales will be in substitution of taxable dollars that would have been spent at local businesses. The money gambled away will reduce the available local supply of discretionary entertainment spending by hundreds of millions of dollars. (See Tab 8.)

- **No Spin-Off Development & Unfair Competition.** Surrounding business will suffer, not prosper. In Niagara Falls non-casino businesses have been severely and negatively impacted. Consider, for example, what local businesses are up against: 80% of the occupied hotel rooms at the casino hotel were given away for free. With tax-free restaurants, bars and shops on casino property, the deck is stacked against spin-off development. (See Tabs 6 and 8.)
- **No Increased Tax Revenues.** Buffalo will not benefit from increased tax revenues as a result of the casino. Niagara Falls has not seen an increase in tax revenues in the past six years, despite raising its tax rates each year. Tax revenue to Buffalo actually will decrease because dollars spent at the tax-free Casino are tax dollars not being spent at local businesses that do pay taxes. (See Tab 6.)
- **Increased Social, Police, Administrative and Emergency Services.** A Buffalo casino will lead to significant increased needs for social services, mental health service and other forms of governmental assistance to the City, County and State. Buffalo will have dramatically increased costs for policing and protecting the area around the casino, as well as slowed police and emergency response times to other parts of the city. Even if Buffalo is designated as Host Community under the gambling Compact, its share of slot revenue will not come close to reimbursing the city for the money taken out of the community in local losses, taxes not paid and the costs of municipal services the casino will require. (See Tabs 4, 9, 10 and 11.)

THE STUDIES AND ARTICLES

TAB 1

THE RELATIONSHIP OF ECOLOGICAL AND GEOGRAPHIC FACTORS TO GAMBLING BEHAVIOR AND PATHOLOGY (Journal of Gambling Studies 2004)

This study examined the effect of gambling in proximity to disadvantaged neighborhoods. (The proposed Buffalo casino will be located in the City's poorest census tract, adjacent to the Commodore Perry Homes.) Subjects in disadvantaged neighborhoods had much higher rates of gambling diseases than those who did not live in disadvantaged neighborhoods. A casino within 10 miles of a subject's home is associated with a 90% increase in the odds of being a pathological or problem gambler. The environment of disadvantaged neighborhoods promotes gambling disease.

TAB 2

ALCOHOL AND GAMBLING PATHOLOGY AMONG U.S. ADULTS: PREVALENCE, DEMOGRAPHIC PATTERNS AND COMORBIDITY (Journal of Studies on Alcohol 2001)

Addictive and problem gambling were found to be much more common among minorities than whites. The rate of gambling disease among blacks and Hispanics was 7-

8 times the rate for whites, and the rate among Native Americans was 10 times as high. The coincidence of alcohol dependence with gambling addiction is unusually high. As one moves down the social-status scale, gambling addiction increases.

TAB 3

THE IMPACT OF CASINO GAMBLING ON INDIVIDUAL BANKRUPTCY RATES FROM 1990-2002 (CREIGHTON UNIVERSITY)

There is a statistically significant correlation between casinos and individual bankruptcy rates. The compound annual growth rate in personal bankruptcies was 2.3% higher for counties with casinos than for non-casino counties, because expanded gambling opportunities draw patrons primarily from local populations. The Seneca federally-filed business plan (10K) preys on local patronage. This study emphasizes that local patronage may involve a greater degree of substitution effects on other local businesses, causing economic distress leading to unemployment or underemployment.

TAB 4

GAMBLING IMPACT AND BEHAVIOR STUDY (National Gambling Impact Study Commission, 1999)

Addictive, problem and at-risk gambling are proportionately higher among African Americans than other ethnic groups. A nearby casino doubles the prevalence of addicted gamblers who are more likely than other gamblers or non-gamblers to have been on welfare, bankrupt and arrested or incarcerated. Gambling diseases cost society approximately \$5 billion per year, and an additional \$40 billion in lifetime costs for productivity reductions, social services and creditor losses, not including the demonstrated costs of increased divorce rates and other forms of societal disruption. Almost one-third of addicted and problem gamblers have been arrested.

In communities proximate to new casinos, bar, restaurant and general merchandise earnings fall. Urban casinos burden public infrastructure, including increased traffic, local business closings, water and sewage system burdens and road improvements.

TAB 5

Buffalo News, April 25, 2004, "Senecas did their homework in choosing casino site" by Rickey L. Armstrong Sr., Former Seneca President

President Armstrong admits that a casino in Buffalo will merely shift jobs from existing jobs: "A stand-alone operation in downtown Buffalo would primarily serve locals and simply reshuffle existing jobs within the economy...."

TAB 6

**Buffalo News, April 16, 2006
“Casino promises – still waiting”**

Most of the \$306 million spent at the Seneca Niagara casino comes from local residents. Promised spin-off development never occurred because locals cannot compete with tax-exempt Indian businesses (the Seneca Niagara and Salamanca Casinos took in \$58 million in food, beverage and entertainment sales alone). In 2005, the Seneca Niagara and Salamanca casinos made \$498 million in revenue, with an operating profit of \$2.7 million per week, but they spun off no new (non Seneca) hotels, shopping centers or restaurants. Promises of increased city tax collections also were false. Niagara Falls property, sales and bed tax rates have remained flat for 6 years. The Seneca claims of job creation are illusory, as many of those jobs merely replaced jobs lost in the surrounding community due to the drain of local money into the casino.

TAB 7

**Buffalo News, April 17, 2006 “Focus: Indian Casinos-Hidden costs of gambling”
Buffalo News, May 16, 2006 “Focus: Young Gamblers-Gambling their youth away”**

Jewish Family Services reports addiction counseling has more than doubled since Seneca Niagara Casino opened. Area addiction counselors are seeing a dramatic increase in gambling disease among adolescents. The Erie County District Attorney reports embezzlement-type crime has risen because of the Seneca Niagara casino. Congressional testimony in 2003 concluded that gambling costs society \$3 for every \$1 in benefits.

TAB 8

**Buffalo News, May 12, 2006 “Seneca Gaming Profits Up 48%”
And Seneca Quarterly Report 2006 SEC Filing**

The Seneca Niagara Casino siphoned \$123.9 million from the local economy in the 1st Quarter of 2006 alone. The Casino’s new 604-room hotel achieved a 70% occupancy rate, but 80% of these rooms were given away for free. The casino added shops and restaurants that draw customers away from non-Native businesses. The primary source of patrons for the Niagara casino is Buffalo, Niagara Falls and Rochester. In its SEC-filed Quarterly 2006 Report, the Seneca Gaming Commission (“SGC”) reported food and beverage revenues of \$12,559,000 for the 3 months ending March 31, 2006. 60% of food and beverage revenue and 85% of retail revenue represented players’ point redemptions. Consolidated food and beverage revenue increased 27% compared to the same 3 month period in 2005. This increase is mainly attributable to the addition of 3 restaurants and 2 full service bars and the partial opening of the hotel.

TAB 9

Warren Buffett On Gambling

Buffalo News owner Warren Buffett successfully fought to stop gambling from being legalized in his home state: “I think for the state to essentially prey upon its citizens, create more of these addictions: I just think it's wrong. . . I just think the state ought to be doing things for its citizens, not do something to its citizens. . . .”

TAB 10

Casinos, Crime and Community Costs
(Review of Economics and Statistics 2006)

Casinos cost society \$40 billion annually, and crime is one of the biggest components. Crime (aggravated assault, rape, robbery, larceny, burglary and auto theft) increases in casino counties. Law-enforcement costs dramatically increase after casinos have opened.

TAB 11

**Business Profitability versus Social Profitability:
Evaluating Industries with Externalities, The Case of Casinos**
(Managerial and Decision Economics)

Increased crime; business and employment costs due to gambling related issues; bankruptcy; gambling related illness; social service costs; family costs, such as divorce; and ‘abused dollars’ (gambling money acquired under false pretences from family and friends) cumulatively represent an enormous cost to society. The average annual social cost per pathological gambler is approximately \$13,586.00.

TAB 12

Artvoice Series – The Casino Chronicles

Selected articles from Bruce Jackson’s Artvoice Series on the casino issue, The Casino Chronicles, are included in this Tab.