

Annual Report on Percentage of Gambling Revenues that Come From Problem Gamblers

Alcohol and Drug Abuse Division
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Minnesota Department of **Human Services**

Legislative Report

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I. Executive summary

This report provides information about Minnesota's various gambling revenues and attempts to identify the percentage of revenue that comes from individuals who experience problem gambling. Gambling revenue in the state is reported by the Minnesota State Lottery, Gambling Control Board and State Racing Commission. However, the proportion of gambling revenue in the state that comes from problem gamblers is neither reported nor collected. To satisfy the requirements of this report, studies from other jurisdictions were reviewed, and findings from those studies were extrapolated to Minnesota's gambling revenues to estimate the prevalence of problem gambling in the state and the amount of gambling revenues that come from problem gambling. For the purposes of this report, gambling revenue means the total sales receipts as reported by the above named gaming agencies.

Pursuant to Minnesota Statute 245.98, the Department of Human Services, Alcohol and Drug Abuse Division administers a program which funds awareness and education campaigns, a statewide helpline, treatment for inpatient and outpatient gambling addiction services, professional training opportunities and research designated to address the needs of Minnesota communities experiencing problems. As with substance use disorders, DHS recognizes a continuum of services which includes education, prevention, treatment and recovery supports to minimize the harmful effects of problem gambling. Prevention initiatives include both individual and population-based education strategies which minimize community risk of the harmful effects of problem gambling. Early intervention and treatment efforts involve both early identification of an individual's risk and treatment to arrest harmful effects of problem gambling.

The Institute for American Values, a body described as an independent, non-partisan group of scholars and leaders formed the Council on Casinos to advocate for informed public policy on gambling through research. A report from the Council on Casinos published in 2013 highlights that governments of Great Britain, Canada and Australia have commissioned comprehensive policy studies of casino gambling, while in the United States the leading funder of gambling research is the gambling industry.¹ A lack of non-partisan research can be seen as a barrier to a thorough understanding of problem gambling, which could be compared to well researched public health problems such as risky drinking or drug use. In order to address any risk to public health we first need to understand the scope of the problem through epidemiology. The primary recommendation of this report is to conduct a comprehensive study to determine the percentage of gambling revenue generated from those at risk for problem gambling. It is recommended that any such study be conducted by an independent body to ensure unbiased findings.

¹ A Report from the Council on Casinos, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, Institute for American Values, 2013.

II. Legislation

Minnesota Statutes, section 245.981.

...(a) Each year by February 15, 2014, and thereafter, the commissioner of human services shall report to the chairs and ranking minority members of the legislative committees having jurisdiction over compulsive gambling on the percentage of gambling revenues that come from gamblers identified as problem gamblers, or a similarly defined term, as defined by the National Council on Problem Gambling. The report must disaggregate the revenue by the various types of gambling, including, but not limited to: lottery; electronic and paper pull-tabs; bingo; linked bingo; and pari-mutuel betting.

III. Introduction

Minnesota Statutes, section 245.981 requires an annual report on the percentage of gambling revenues that come from problem gamblers. The report must disaggregate the revenue by the various types of gambling.

The National Council on Problem Gambling describes problem gambling and gambling addiction as ...gambling behavior patterns that compromise, disrupt or damage personal, family or vocational pursuits. The essential features of problem gambling and gambling addiction are:

- increasing preoccupation with gambling
- a need to bet more money, more often
- restlessness or irritability when attempting to stop “chasing losses”
- loss of control manifested by continuation of the gambling behavior in spite of mounting serious and negative consequences

Problem gambling signs and symptoms often go undetected until the problem is severe. When problem gamblers do seek assistance, they likely do so after experiencing related legal, financial or relationship problems. In extreme cases, problem gambling can result in financial ruin, legal problems, loss of career and family, or even suicide. Notably, no other addiction has a higher rate of suicide than gambling disorder.

Clinicians use The South Oaks Gambling Screen along with criteria found in the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) to identify the extent of an individual’s gambling problem. Problem gamblers who do not meet full criteria for gambling disorder might still have significant symptoms and problems related to their gambling. Problems related to problem gambling and gambling disorder may include psychological, financial, emotional, marital or legal difficulties.

Although problem gambling and gambling addiction has been clinically defined and is easily identified when an individual is clinically assessed, less clear to policy makers in Minnesota is the prevalence of gambling disorders in the state and how much of the total revenue from gambling in the state is derived from problem gamblers. Since this information is not available in Minnesota, it is helpful to review prevalence and gambling revenue studies from other states and countries.

IV. Prevalence of problem gambling

The average monetary value of problem gamblers' gambling activities in Minnesota is not known, nor is this amount known for individuals who are not identified as a problem gamblers.

Without knowing the gambling investments of individual gamblers in Minnesota, determining the amount and proportion of gambling revenue that comes from problem gamblers can only be estimated by extrapolating the findings of studies that have been completed in other jurisdictions.

Current findings of studies conducted in other jurisdictions estimate that between 15 and 33 percent of gambling revenue are generated by individuals with problem gambling. Extrapolating these findings to Minnesota's demographics from 1994 suggests the reported gross gambling revenue in Minnesota for state fiscal year 2014, generated by individuals who have gambling problems, ranged between \$266,082,658 and \$585,381,848.

The most current adult data of problem gambling prevalence in Minnesota is provided by a survey sponsored by the Department of Human Services in 1994. The study found 65 percent of the general adult population had participated in gambling activity during the previous year. Among those who reported gambling during the previous year, about 6.7 percent were categorized either as individuals experiencing problem gambling or probable pathological gambling. This number decreases to 4.4 percent when adults who have never gambled are included.²

The National Council on Problem Gambling (NCPG) currently reports that between 3 and 4 percent of U.S. adults would be identified as problem gamblers (meeting criteria either for gambling disorder or problem gambling). NCPG also cites that approximately 60 percent of U.S. adults have gambled in the past year.³ Of those reporting past year gambling, the rate of problem gambling is between 5 percent and 6.5 percent.

A 2014 report that studied gambling behaviors in Iowa provided comprehensive information regarding prevalence:

- 93.4% of adult Iowans have gambled sometime in their life
- 77.8% of adult Iowans have gambled during the past 12 months
- 46.4% of adult Iowans have gambled during the past 30 days
- Rates of gambling behavior in the past 12 months in 2013 were significantly higher than 2011 (77.8% vs. 68.9%)

Using the National Opinion Research Center's DSM-IV Screen for Gambling Problems (NODS) adult Iowans were classified as:

- 0.9% lifetime probable pathological gambling
- 0.4% past 12 months probable pathological gambling⁴

²Adult Survey of Minnesota Problem Gambling, 1994

³ NCPG website 2014

⁴ Gambling Attitudes and Behaviors: A 2013 Survey of Adult Iowans, Lutz, GM and Park, KH University of Northern Iowa, Center for Social and Behavioral Research, August 2014.

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The study also provides a breakdown of the types of gambling adult Iowans engaged in during the previous twelve months (ranked in order):

- lottery tickets,
- raffle tickets,
- scratch tickets/pull-tabs,
- slot machines, and
- card games with friends, family members or others (not at a casino)⁵

In a study of problem gambling in California, researchers estimate that between 296,500 (1.1%) and 490,100 (1.9%) California adults can be classified as lifetime pathological gamblers. Another 449,700 (1.7%) to 713,300 (2.7%) California adults can be classified as lifetime problem gamblers. An additional 2.2 million (8.6%) to 2.7 million (10.4%) California adults can be classified as lifetime at-risk gamblers. At a minimum, three-quarters of a million California adults have experienced moderate to severe difficulties related to their gambling. The researchers added: “If we consider that each problem gambler is responsible for social and economic impacts that ripple out to their families, employers and communities, the proportion of the California population affected by gambling-related problems is even higher.”⁶

A more conservative estimate of problem gambling revenue could be made by using only prevalence estimates in proportion to gross gambling revenue. The estimate of prevalence of Minnesota’s adults who participated in past year gambling activities and are likely to have problem gambling or probable pathological gambling is 6.7 percent. If we consider only prevalence rates as a portion of gross gambling revenue then we could estimate \$188,854,743 of the reported gross gambling revenue is generated by problem gamblers.

In summary, there is no data available for this report to identify exactly how much of Minnesota’s gambling revenue is generated by people with problem gambling. However, based on the literature reviewed from other states and jurisdiction discussed in Section V, revenue generated by problem gamblers may be in the range of 15 percent to 33 percent or higher of the gross revenue reported in Minnesota. Using these figures, we could estimate that between \$266 million and \$585 million of the reported gross gambling revenue was generated by individuals who have gambling problems.

Unfortunately, the impact of problem gambling for individuals, families and communities is not adequately captured by economic disparities alone. Broken relationships, unemployment, loss of housing, co-occurring mental illness, or substance use disorders, crime and suicide are some of the harmful effects of problem gambling experienced by individuals, families and communities. These consequences increase the economic and social burdens that problem gambling presents for individuals, families and communities.

⁵ Ibid.

⁶2006 California Problem Gambling Prevalence Survey, Volberg, RA, Nysse-Carris, KL and Gerstein, DR, University of Chicago, 2006.

V. Gambling revenue

Gambling revenue information is collected by the state through the Gambling Control Board, the State Lottery and the State Racing Commission. The percentage of gambling revenues that come from problem gamblers is not identified in revenues reported, nor is it collected. For state fiscal year 2014, the three agencies identified total gross revenue of \$1,773,951,390. These agencies could not report what percentage of the revenue was from people who have gambling problems. The following information was provided through reports from each agency:

- Minnesota State Lottery reported \$497,010,018 gross receipts in 2014.
- The Gambling Control Board Reported the following Gross Receipts for fiscal year 2014= \$1,218,775,000:
 - Pull-Tabs -\$1,121,022,000
 - Bingo- \$64,844,000
 - Paddlewheels- \$16,022,000
 - Raffles- \$8,648,000
 - Tipboards- \$8,239,000
- The State Racing Commission reported:
 - Card club operations overseen by the Minnesota Racing Commission accounted for \$47,901,363 in gaming revenues
 - Pari-mutuel horseracing in Minnesota accounted for \$10,265,009 in revenues in 2014

Total gross revenue from gambling in Minnesota, as reported by the three agencies for state fiscal year 2014, is \$1,773,951,390. Pull-tabs generated more than half of the gambling revenue in the state.

Researching the revenues derived from problem gambling in other countries helps policy makers in Minnesota estimate revenue from problem gambling in this state. Currently, studying information from other states and countries is the best option since this data isn't collected in Minnesota. The report, *Why Casinos Matter*, includes numerous studies from other countries which find that casino revenues are largely made through problem gambling. The report also states that casinos depend on problem gamblers for their revenue.⁷

⁷ Why Casinos Matter: A Report from the Council on Casinos, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, Institute for American Values, 2013.

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A few examples cited in the report:

- “About 35 to 50 percent of casino revenues derive from problem and pathological gamblers,” from the *Journal of Law and Commerce*, 1996.⁸
- “About 33.1 to 55 percent of casino revenues derive from problem gamblers,” from the *Annals of the American Academy of Political and Social Science*, 1998.⁹
- “About 49.6 percent of casino revenues derive from problem gamblers,” *The Demographic Sources of Ontario Gaming Revenue, Final Report*, 2004.¹⁰

In another report that studied revenue from problem gambling in Canada, “The Proportion of Ontario Gambling Revenue Derived from Problem Gambling,” the present study estimates that the 4.8% of problem gamblers in Ontario in 2003 accounted for approximately 36% of Ontario gambling revenue.¹¹ This proportion varied as a function of game type, with a lower proportion for lotteries, instant win tickets, bingo, and raffles and a higher proportion for horse racing and slot machines.

⁸ Grinols, EL and Omorov, JD “Development or Dreamfield Delusions? Assessing Casino Gambling’s Costs and Benefits,” *Journal of Law and Commerce* 16, no. 1 (1996): 60.

⁹ “Pathological and Problem Gambling: Costs and Social Policy,” Testimony before the Rhode Island House Gambling Commission, October 15, 2002. Lesieur, HR “Costs and Treatments of Pathological Gambling,” *Annals of the American Academy of Political and Social Science* 556, no. 153 (March 1998): 165.

¹⁰ “The Demographic Sources of Ontario Gaming Revenue, Final Report,” Ontario Problem Gambling Research Centre, Williams, R and Wood, R, 2004.

¹¹ The Proportion of Ontario Gambling Revenue Derived from Problem Gambling, Williams, RJ and Wood, R, *Canadian Public Policy*, 33 (3), 367-388, 2007.

VI. Community engagement

The mission of the DHS Problem Gambling Program is to ensure the availability and accessibility of culturally-responsive and recovery-oriented compulsive gambling education and treatment for individuals and families affected by compulsive gambling and gambling addiction. In July of 2014 and January of 2015, the Department of Human Services (DHS) collaborated with the Lao Assistance Center through focused listening sessions in order to better understand the perceptions about gambling and gambling prevalence in the Lao, Cambodian and Vietnamese communities of Minnesota. As this collaboration continues, DHS will work towards the development of a continuum of care service system that is responsive to the beliefs, languages, and cultures of Minnesota's diverse communities.

Participants in the listening sessions convened by the Department of Human Services, Alcohol and Drug Abuse Division in the fall of 2015 communicated that gambling is pervasive throughout their communities. According to the findings of the subsequent report "betting is widely participated in, and held at nearly all major community functions, including weddings, birthday parties, after dinner, funerals, etc." Common forms of gambling include card games, casino gambling and sports betting. Although gambling was described as a social event, participants also mentioned high expectations that members of their communities gamble despite the risk for financial loss. Youth in particular recognize financial risk but also risk social isolation if they don't participate in gambling activities.

When the listening sessions focused on attitudes regarding seeking help for problem gambling, participants were not in favor. Individuals described lack of trust, a preference to handle their own problems, and minimizing the problems associated with gambling as barriers to seeking help for their problem gambling. The most pervasive attitude revealed was a common belief that gambling is not a problem but part of normal social interaction.

VII. Recommendations

1. Appropriate funding to conduct a comprehensive study to determine the percentage of gambling revenue generated from those at risk for problem gambling. It is recommended that any such study be conducted by an independent body to ensure unbiased findings. The study should be conducted every 3 years to identify trends.
2. Conduct a study to assess the extent and impact of problem gambling among adults in Minnesota. The Alcohol and Drug Abuse Division currently sponsors adult surveys to gather prevalence data regarding substance use and substance use disorder indicators. The most recent survey, conducted in 2014, also provides information about the types of substances used, and demographic information about those surveyed. Similarly, adult surveys should be conducted to provide more accurate and current data about demographics, gambling prevalence, problem gambling prevalence, gambling type, average monthly gambling budget and household income. Policy makers would benefit from the data analysis of this study. The study would inform prevention and educational efforts and ensure an adequate continuum of service system for communities, families and individuals.
3. As part of the study under recommendation 2, identify vulnerable subpopulations of gamblers in the state, such as the elderly, who are at high risk for problem gambling and study the prevalence of gambling and the impact to the health of these identified communities.
4. Expand community engagement collaborations that provide valuable information about how gambling impacts disparate communities and develop prevention and educational materials and other types of resources to respond to community needs.
5. Invest in primary prevention initiatives that will use the information gained from research and community engagement projects in order to develop the most effective types of primary prevention and early intervention strategies that are data-based and data-driven to better affect problem gambling at the community level.