

TESTIMONY OF JEFF BENEDICT

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**BEFORE THE CITY OF PHILADELPHIA’S CITY COUNCIL,
COMMITTEE ON RULES**

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Room 400

City Hall

Philadelphia, Pennsylvania

President Verna, Councilman DiCicco and fellow committee members:

I appreciate this opportunity to testify on the hidden economic and social impacts of casinos. I am from Connecticut, a state that spent the better part of a decade experimenting with casinos as a source of tax revenue and as a vehicle to jump start a local economy. We learned from sad experience that casinos are simply bad economic policy. Despite receiving \$2.4 billion in revenue from Foxwoods over a 15-year period, as well as a similar amount from the state’s other casino Mohegan Sun, Connecticut recently took the extraordinary step of passing legislation to outlaw the construction of any more casinos, a move that came in the face of promises to double existing gambling revenues to the state with the addition of two more casinos.

The aim of my testimony is first to offer the Connecticut experience as a reference point for what Philadelphia might expect if the state follows through with its plans to permit the development of two casinos (Foxwoods and Sugarhouse) along the Delaware Riverfront. Second, I will identify general themes illustrating why casinos are an enemy to local business and the local economy.

BACKGROUND

At the outset it is important to acknowledge that there are significant differences between constructing casinos in a city the size of Philadelphia versus ones developed in rural areas, as was done in Connecticut. Population figures, traffic patterns, infrastructure and labor force are just a few of the differences that will put qualifiers on comparisons between casinos in urban areas and those in rural areas. Generally we can conclude that most negative aspects of casinos would be worse in a densely populated urban setting.

Nonetheless, certain universal truths about casinos remain.

One, casinos never get smaller.

Two, in order for a casino to succeed, its customers must lose money. By definition, states banking on tax relief from casinos are counting on the state's consumers to lose money gambling.

Third, the rate of problem and pathological gambling doubles within 50 miles of a casino.

All three of these truths should give Philadelphia and the state of Pennsylvania cause to pause. The first one is a warning shot to legislators counting on new tax revenues and to current Philadelphia businesses who will soon find an unfriendly competitor in the neighborhood.

But it's the third truth, the one about gambling addiction rates doubling within 50 miles of a new casino, which is the single most important conclusion in the national gambling impact study done for Congress in 1999. Casinos in rural areas or in destination cities like Las Vegas and Atlantic City require patrons to travel relatively long distances, a fact that minimizes to some degree the number of potential problem or pathological gamblers. The placement of casinos on the edge of densely populated urban

neighborhoods should set off warning sirens considering that the rate of problem and pathological gamblers typically doubles within 50 miles.

Here in Philadelphia the casinos are proposed for locations within walking distance of hundreds of thousands of rowhouse residents.

THE CONNECTICUT EXPERIENCE

Whenever casino operators want to penetrate new markets, they typically promise legislators and state officials two things: tax revenues and jobs. Connecticut got that pitch in the 1990s, a time when the state faced the prospect of some of its largest budget deficits in history, which were coupled with a downturn in the economy. In 1993, Foxwoods approached state officials with the promise of tax relief. A couple years later a second casino was built. By 2003 Connecticut was receiving over \$400 million annually from the slot machines at the state's two casinos, which employ over 20,000 people.

That same year casino developers were pushing for at least two more casinos in the state, a development that promised to double the state's slot machine revenues from \$400 million to \$800 million. This time, however, the state fought aggressively to reject the two new casinos and ultimately passed a law insuring that the state would never get another casino. A Republican governor, a Democratic-led legislature and a bi-partisan, state-wide non-profit coalition worked together to bring about this landmark, anti-casino legislation just ten years after embracing casinos as a source of new, easy revenue.

If having two casinos and \$400 million in slot revenues was such a good thing, it begs the question: why did the state fight so hard to stop more casinos?

Ten years of experience with the casinos taught the state a hard lesson: the \$400 million in annual revenue had many hidden strings and ultimately wasn't worth the costs of doing business with the gambling industry. The promise of new tax revenues turned out to be a mirage. Labor, affordable housing and the infrastructure needed to support the casinos were inadequate, putting unforeseen strains and costs on the state and its municipalities, costs ultimately passed on to the taxpayers. And social costs generated by a new wave of gambling addicts brought bankruptcies, property foreclosures, crime, divorce and suicides, all of which had hidden price tags for the state.

CASINOS DON'T CREATE NEW TAX REVENUE

Perhaps the most attractive thing casinos promise is tax relief. The standard line comes in the form of a question: 'Why watch your residents travel across state lines to gamble when you could capture tax revenues by having an in-state casino?'

In Pennsylvania's case, we've heard a variation of this argument in relation to the number of state residents that currently travel to Atlantic City to gamble. A couple casinos in Philadelphia, the argument goes, would capture tax revenues from gamblers currently traveling to New Jersey to gamble.

But it's important to consider what else will occur.

First, local businesses and competing industries are the first thing to take a hit when casinos enter a new market. Casinos rely heavily on customers who will spend their discretionary income to gamble. This puts them in direct competition with other businesses and industries that rely on consumers spending discretionary income: tourism, food and beverage, entertainment, retail, and the service industry. Restaurants, bars, stores and entertainment venues in proximity to casinos will experience a drop off in business. When business drops off, tax revenues drop, too.

This gets to the heart of the myth that casinos generate new tax revenues and stimulate a local economy. On the contrary, casinos siphon revenues away from other tax-generating businesses. The new taxes from casinos aren't really new at all; rather the taxes paid by casinos represent taxes that used to come from other businesses that now are in direct competition with the casino's customer base.

It is important to note that Las Vegas and Atlantic City, to a lesser extent, are cities where casinos are the primary industry driving the economy. These two cities are destination places predicated on gambling. Philadelphia is not.

LABOR

Revenue isn't the only thing casinos strip away from surrounding businesses. Casinos are almost exclusively staffed by service industry employees. Cooks, clerks, chambermaids, bartenders, hostesses, custodians – these are the jobs that must be filled in a casino. And the demand to fill these jobs will steadily grow as the casinos grow.

Initially, the employees required to fill the ever-expanding casino will come from the local labor pool. Again, local businesses in competition with casinos will take a hit. Eventually, however, the casinos often reach a point where circumstances require them to recruit and import a labor force to meet its labor force needs. As this took place in Connecticut, the influx of new employees exposed other hidden costs, from affordable housing to funding for public schools.

AFFORDABLE HOUSING

It is not uncommon for the annual salary of a casino employee to fall below \$30,000. The influx of workers making less than \$30,000 per year creates a big demand for affordable housing. In Connecticut, the county hosting Foxwoods and Mohegan Sun is in an affordable housing crisis. This in turn has had a major impact on the public school systems, which are funded by property taxes, and on social service providers.

INFRASTRUCTURE

Casinos are traffic generators. In Connecticut, Foxwoods and Mohegan Sun are responsible for an additional 80,000 motor vehicles per day on the highways and roadways leading to and from their facilities. Traffic patterns at casinos are unlike traffic patterns generated by arenas, stadiums, movie complexes, and large shopping malls. Casinos typically remain open around the clock. However, there are peak times for business and often a steady stream of busses and other oversize vehicles making deliveries.

Traffic proved to be a primary reason behind the business community in Connecticut opposing the construction of more casinos in urban areas. It became clear that businesses relying on on-time delivery, not to mention large employers with a significant commuter workforce, would have been severely impacted had more casinos been built.

ADDICTION MADE EASY

Legislators often see slot machines as a painless way to raise revenue. But they fail to appreciate that slot machines are the most addictive device in a casino. The danger in putting casinos in densely populated urban centers is that slot machines will

capture many new problem gamblers who are suddenly within miles – if not walking distance.

Connecticut, for example, had one gambling addiction treatment facility shortly after Foxwoods opened. Today the state has seventeen state-funded problem gambler clinics – and mental health and addiction clinicians insist there is a need for much more. And this takes into account that the entire state has just over 3 million residents and less than 200,000 people live within 25 miles of the two casinos. Philadelphia’s population demographics, of course, are much different and the potential for addiction is much greater.

According to law enforcement officials, the county hosting Connecticut’s two casinos has seen gambling addiction surpass drug addiction as the primary cause behind white collar crimes such as larceny and embezzlement. Bank robberies have increased, along with other crimes carried out by individuals willing to stop at nothing to get out from under gambling debts.

Bankruptcies and property foreclosures have also been an unexpected consequence of bringing casinos to Connecticut. Many individuals who would previously drive to Atlantic City or fly to Las Vegas once or twice a year now have the ability to visit the casino after work and on the weekends. Paychecks are lost and savings accounts, retirement funds, pension plans and college savings are tapped. Before long, individuals are in way over their heads and forced to file bankruptcy and even sell their homes to pay off gambling debts.

Between January 1998 and January 2005, eight percent of the consumer bankruptcies filed in 16 towns closest to Connecticut’s two casinos listed gambling losses within the year leading up to bankruptcy. And in 2003 and 2004, Foxwoods, one of the two groups that plans to develop a casino in Philadelphia, appeared sixteen times as a creditor in foreclosure actions in Connecticut’s courts.

Those hardest hit by gambling debt are often senior citizens on fixed incomes. A study by the Pennsylvania State College of Medicine and the University of Pennsylvania found that casino bus trips can be fraught with financial peril for some seniors. Researchers surveyed a random sample of 843 people 65 and older and found that almost 11 percent were “at risk” gamblers – people who had recently laid down a single bet of

\$100 or lost more than they could afford to. Unlike younger gamblers with greater earning power, many elderly gamblers can't work to pay off gambling debts.

Crime, bankruptcy and property foreclosure all bring costs to a state.

SUMMARY

Casinos on the Delaware Riverfront will bring in tax revenue. The question is at what cost to other businesses, to the nearby neighborhoods, and to the state and city?

Gambling revenue is not new money and it's not free money.

Thank you for the opportunity to submit testimony.