

different conclusions.³⁷ Other states have not agreed with the tribes and have increased their regulatory presence through the compact process.

In early October, the Senate Indian Affairs Committee held a hearing on oversight of Indian gaming. A Justice Department witness urged Congress to adopt standards because in some instances neither the state or the tribe would develop adequate regulatory standards.³⁸

States Unable to Tax Indian Gaming. States get some tax revenues from Indian gaming. Most casino workers are not Indian nor reservation residents, hence their income stream is taxable by the state.³⁹ Whether that represents a new income stream for states to tax is discussed in the social-economic impacts section.

The states have also used tribal gaming as a way to influence their relations with neighbors. New York threatened to legalize high stakes Indian gambling which would have competed with Atlantic City should New Jersey lure the New York Yankees away from New York.

Pacts between cash-strapped state governments and the tribes have a great deal of appeal to some states. Massachusetts Governor William Weld and the Wampanoag tribe are trying to negotiate a pact to allow casino gaming. As a condition, the state would get \$90 million per year and the revenues would be shared with affected cities and towns. Detroit would like to lure a Chippewa Indian casino to downtown Detroit.⁴⁰ In a different twist on revenue sharing, Washington tribes sponsored initiative 651 that would give each registered voter a share of slot machine profits. The state was given no enforcement power. The measure was soundly defeated.

Reservation Neighbors Often Unhappy Over Indian Casinos. Not surprisingly, the settled areas near reservations and rancherias complain about the Indian gaming facilities. These are usually rural areas and the people fear an onslaught of traffic and other urban ailments. The efforts by tribal members to open a casino in El Dorado County, is an example of the controversy that can occur.

Conversely, the tribes will argue that they can be a positive influence. Because of the improvement in their fiscal status, they can pay for services that weren't previously available in rural areas such as increased sheriff's patrol, and fire and ambulance revenues.

Some Disputes Exists Between Indian and Private Gaming Interests. There was resistance and opposition to Indian gaming by most of the established Nevada and Atlantic City gaming interests. Harrah's at one time withdrew from the Nevada Resort Association because of the Association's opposition to Indian Gaming. Public corporations involved in casinos have changed their views as they have seen the business opportunities associated with managing Indian casinos. They see Indian gaming as a way to open casinos in states that are traditionally opposed to gambling.⁴¹

Relations between the tribe and their management contractor is not always amicable. For example Gaming World International was recently dismissed from its management contract with an Indian casino in Minnesota. The Tribal Council accused the company of gross mismanagement and misappropriating tribal funds. The company denies the accusations and says that it has been caught up in the tribe's problems. The former chairman was convicted of embezzling and conspiracy in charges related to bid-rigging when the casino was constructed. Two other tribal council members were also convicted.

Another interesting development is the widening conflict between Indian and non-Indian gaming. In New Jersey, an Oklahoma tribe wants to open a tribal casino near Atlantic City. These are Indians that were forced to move from New Jersey more than a century ago. Another interesting development is a national lottery proposed by the Coeur D'Alene Indian tribe in Idaho. That lottery would be available in all states that have a lottery, including California. The tribe has had difficulty in obtaining a long-distance carrier for the 800 number. The carriers have been threatened with criminal action by various states Attorney Generals. The matter is currently in litigation in the Coeur D'Alene tribal court.

There is, however, little direct competition between Indian and Nevada gaming in the sense that they don't own and operate casinos in the same geographic areas. The first Indian casino is opening in Nevada, but it is completely state regulated so it is not tribal gaming in the usual sense.

Not surprisingly given the number of tribes, Indian gaming is beginning to have its own conflicts. Tribes in Wisconsin and Minnesota opposed a new facility to be run by Chippewas for fear it would encroach on the existing gaming operations of other tribes.⁴² In California, Torres-Martinez Indians would receive funds to settle a 71-year old dispute over the loss of their lands when the Salton Sea was created by a dam break. The tribe plans to purchase new land for a casino, a move opposed by the Cabezon band, who are concerned about competition.

California Has a Large Number of Reservations. Within the state, there are 104 reservations with 32,000 members, of which 12,500 live on the reservation or rancheria. California has about 12 percent of the Native Americans counted during the 1990 census. They are only 0.8 percent of California's population, about equal to the nation's share of Native Americans. The vast majority in California do not live on the reservation.



Source: Sacramento Bee

Note: The above map shows Indian Casinos in California. There is disagreement in the accuracy of this map. No inventory of sites exist and tribes cannot be easily contacted for information as many are quite small.

The majority of people living on reservations and trust land in California did not identify themselves as American Indians in the 1990 census. Tribal membership is determined by individual tribes, and is frequently based on some minimum blood requirement and/or descent from a historical list of tribal members. Some tribes also have residency or participation requirements. The population of the tribes planning or operating in gaming facilities is small, ranging from one (The Buena Vista Rancheria of the Me-Wuk Indians) to over 4,000 (the Hoopa Valley Tribe). Eleven of the 35 gaming tribes have fewer than 100 members.

Number of Recognized Indian Tribes Could Grow. Recognition petitions allow groups of Indians to become recognized as tribes. Historically, there was not a lot of concern about these petitions. Now the possibility of expanding the size of the gaming industry has increased the controversy surrounding the petitions. Within California, 37 tribes have pending petitions for recognition, 14 of these were filed after the passage of IGRA. Some of the tribes are seeking land in the most populous areas of the state. Nationwide, 165 tribes have petitions pending, some dating back to 1826. Only nine have been recognized by the Bureau of Indian Affairs and an additional seven have been restored or recognized by Congress. Another 109 tribes, including 41 in California, were once recognized but were later terminated during a time of a federal policy for assimilation.⁴³ These tribes can petition to be restored.

These tribes have a great deal of flexibility acquiring a land base without state approval. A restored tribe in Sonoma County tried to build a casino in Santa Rosa with the backing of Japanese investors.⁴⁴ The deal eventually fell apart. The Mohegans in Connecticut bought land and had it approved as trust land by the Bureau of Indian Affairs (BIA). They obtained financing for a casino project with \$175 million in privately placed bonds, becoming the first tribe to get capital financing from Wall Street. Part of the settlement was that the tribe drop land claims to over 20,000 acres in return for being allowed to purchase the land for the casino.

There are at least two imminent possibilities for restored tribes to obtain land near urban areas in California. One is the Auburn rancheria. In 1994, Congress passed and President Clinton signed a bill restoring the United Auburn Indian Rancheria to federally recognized tribal status. Another band, the Mechoopda Band of Maidu is trying to buy 240 acres of land in Sutter County and declare it sovereign territory and establish a casino. The members of this tribe gave up their status as a tribe. However, the federal government did not live up to the commitment it made to provide financial help to the tribe, which played a role in band members losing the land they were granted as individuals. As a result, they sued and won a ruling reinstating them as a tribe, but they had already lost their tribal lands. The settlement allowed the tribes to acquire land anywhere in California and have it be placed in trust. The tribe is being bankrolled by Showboat Casino of Nevada.

Normally, tribes can only use land off the reservation for gaming with the approval of the Secretary of the Interior in consultation with the local community or consent must be given by the Governor to gamble on the lands. Some Native Americans have had success

operating bingo and casino halls off the reservation. The Potawatomi Tribe gained permission to operate a bingo and casino hall in Milwaukee, 200 miles south of their reservation. Such movements concern law enforcement officials. Some officials currently view Indian gaming as being more difficult for organized crime to infiltrate because of its isolated gaming centers, hence the move to urban areas could make this more of a problem.⁴⁵ (See the discussion in the crime section.)

Some Non-gaming Tribes Criticize Gaming Tribes. Criticism of the present structure of Indian gaming has come from an unexpected source, other Indians.⁴⁶ From the numbers presented in this section, it is clear that only a minority of tribes are involved in gaming. Of those, only a minority are doing what a Department of Interior official terms as “Fairly well.”⁴⁷ Some tribes, because of the isolation of their reservation, are unlikely to ever benefit. These include some of the largest tribes in America. Some advocates suggest a method for pooling gaming profits to help tribes that are poorer.

There are also factions within tribes, so-called “traditionalists,” that object to gaming. These differences have led to significant disputes. Approximately 25 reservations nationwide are being torn up by these problems.⁴⁸

Overall Impact of Indian Gaming is Still Uncertain. It is very difficult to say with authority what the social-economic impact of Indian gaming has been. Of interest to most observers are the following questions:

- What is the impact on surrounding communities? Impacts would include economic as well as social, including changes in rates of compulsive gambling.
- What is the impact on the tribe and what are the opportunities available to the tribe and its members?

Definitive answers to these questions do not yet exist. Research has been hampered by several factors:

- Indian gaming is a relatively recent phenomenon.
- Local governments have not studied it as it occurs outside of their jurisdiction.
- Casino earnings are difficult to trace, in part because the information is proprietary.

There have been several reports that have been quite laudatory, but they have been commissioned by the tribes. These are discussed more in the economic section.

Indian Gaming Has Appeared to Lead to Greater Political Involvement by Tribal Members. New Mexico is another state where Indian gaming has become a major political issue. The then incumbent Governor would not sign compacts with the tribes. As a result, the gaming tribes mobilized and donated funds to his opponent, who eventually won the election. Native American turnout in the election was somewhat higher than in past elections. Native Americans have historically exhibited low levels of voter turnout even when compared to other ethnic minorities.⁴⁹

State Fears on Crime Are Not Groundless. In October 1995, gunfights broke out in the Elem Indian colony in Lake County over control of the tribe's casino. Seven people were wounded. This event prompted the Attorney General Dan Lungren to convene a formal briefing on enforcing laws on tribal reservations and rancherias. Similar conflicts have occurred in other states.

Another question, to what extent is organized crime a threat? Donald Trump has testified before Congress that organized crime is rampant in Indian gaming. At the same hearing, the FBI, the Department of Justice, and the Internal Revenue Service testified that they had no evidence of widespread organized crime within Indian gaming.⁵⁰ Critics say that their statement is evidence of how loosely they regulate and oversee Indian gaming. Senate supporters of Indian Gaming, Senators McCain and Evans, both concluded that the concern about organized crime was a smokescreen for concerns about economic competition.⁵¹ Others look at some of the unsavory business connections that have been established by the tribes and suggest that a problem of "disorganized" crime is much more of a problem.⁵²

Another concern about Indian gaming is that it leads to the legalization of other kinds of gambling, although opinions are split.⁵³ There are a lot of opinions on this issue, but few conclusions. Some argue that Indian gaming has led to increased legalization of other gaming by states. Others argue that other gaming would have been legalized anyway to gain money, stimulate the economy, and create jobs. Some people think it has helped destination gaming, such as Nevada, as people get a taste for gambling, they are more likely to opt for a gambling destination vacation.

Another criticism that has been leveled is over the low number of Native Americans that are employed in gaming. The low employment may be good or bad depending on who is looking at the situation. If the employees are not Native Americans living on the reservation, then state and local governments should get more tax revenues. Many of the tribes are so small that they can not supply a sufficient number of employees. The lack of experience is being remedied to some degree by education and training. DQU (Deganawidah-Quetzalcoatl University), an Indian college near Davis, is offering a course of studies in Indian Gaming.⁵⁴

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- ¹Robert Goodman, "Legalized Gambling as a Strategy for Economic Development," United States Gambling Study, March 1994, p.164.
- ²Gary C. Anders, "Estimating the Economic Impact of Indian Casino Gambling: A Case Study of the Fort McDowell Reservation," Arizona State University West, June 1994, p. 1.
- ³See for example, Andy Furillo "Gaming Chances Add Urgency to Tribes Fight on Status," Sacramento Bee, 3 April 1995, p. B1.
- ⁴Sandra Ann Harris, "Casino U," San Jose Mercury News, 21 August 1995, p. B3.
- ⁵Ibid.
- ⁶Robert P. Morin, Indian Gaming in the United States: A Permanent or a Transitory Method of Economic Development (Reno, NV: Department of Political Science, University of Nevada, 1994), p. 2.
- ⁷Ibid., p. 33.
- ⁸Ibid., p. 15.
- ⁹Seminole Tribe of Florida v. Butterworth, 658 F 2d 310 (5th Cir 1981).
- ¹⁰Barona v. Duffy, 694 F. 2d 1185 (1982).
- ¹¹Morin, op.cit., p. 17.
- ¹²Ibid.
- ¹³Ibid., p. 23.
- ¹⁴Ibid., op.cit., p. 17.
- ¹⁵Mark C. Wenzel, "Let the Chips Fall Where They May: The Spokane Indian Tribe's Decision to Proceed with Casino Gambling Without a State Compact," Gonzaga Law Review vol. 30, no. 2 (1994/95) p. 473 and Pam Greenberg and Judy Zelio, "States and the Indian Gaming Regulatory Act," NCSL vol. 17, no. 16 (July 1992), p. 1.
- ¹⁶Morin, op.cit., p. 15.
- ¹⁷Dolores Brosnan and William N. Thompson, "Indian Gaming," in Anthony Cabot, William Thompson and Andrew Tuttonham, eds., International Casino Law (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1993), p. 151.
- ¹⁸California v. Cabazon Bank of Mission Indians, 480 U.S. 202, 107 S. Ct. 1083 (1987).
- ¹⁹Ibid., p 210.
- ²⁰Sidney M. Wolf, "Killing the New Buffalo: State Eleventh Amendment Defense to Enforcement of IGRA Indian Gaming Compacts," Washington University Journal of Urban & Contemporary Law, Winter 1995, p. 51.
- ²¹Roland Santoni, "The Indian Gaming Regulatory Act: How Did We Get Here? Where are We Going?" Creighton Law Review vol. 26, no. 2 (February 1993), p. 416.
- ²²Ibid., p. 407.
- ²³Ibid., p. 433.
- ²⁴Wenzel, op.cit., p. 474.
- ²⁵Caulfield, op.cit., p. 311.
- ²⁶Marianne T. Caulfield, "Will it Take a Move by the New York Yankees for the Seneca Nation to Obtain a Class III Gaming License?" Catholic University Law Review vol. 44, no. 1 (Fall 1994), p. 299.
- ²⁷Joseph M. Kelly, "Indian Gaming Law," Drake Law Review vol. 43, no. 3 (1995), p. 507.
- ²⁸Kelly, op.cit., p. 513.
- ²⁹Eugene Christiansen, "1995 Gross Annual Wager," International Gaming and Wagering Business, August 1996, p. 87.
- ³⁰"Kansas Compacts Approved," International Gaming and Wagering Business, 1 June 1995, p. 63.
- ³¹Edward P. Sullivan, "Reshuffling the Deck: Proposed Amendments to the Indian Gaming Regulatory Act," Syracuse Law Review vol. 45, no. 3 (1995), p. 1109.
- ³²Jim Simon, "Will Initiative Make the State Like the Lands of 12,000 Slots?" Seattle Times, 24 October 1995, p. 1.
- ³³Howard Owens, "Indians Scoff at Predicted Demise of Electronic Gaming," San Diego Business Journal vol. 17, no. 27 (1 July 1996), p. 1.
- ³⁴Morin, op.cit., p. 39.

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- ³⁵Ibid., p. 10.
- ³⁶Kelly, op.cit., p. 543.
- ³⁷For example, see "Indian Gambling's Nonregulators," Sacramento Bee, 29 July 1996, p. B6.
- ³⁸"Indian Casinos: Tighter Rein Urged," San Diego Union-Tribune, 3 October 1996, p. A9.
- ³⁹Sullivan, op.cit., p. 1111.
- ⁴⁰John Nordheimer, "In Atlantic City's Shadow, Tribe is Seeking to Open a Casino," New York Times, 18 August 1995, p. A10.
- ⁴¹Sullivan, op.cit., p. 1152.
- ⁴²"Midwest Indian Tribes Flex Washington Muscle in Successful Drive to Sink Rival Gaming Project," Wall Street Journal, 12 July 1996, p. A12.
- ⁴³Morin, op.cit., p. 13.
- ⁴⁴Furillo, op.cit. p. B1.
- ⁴⁵Kelly, op.cit., p. 521.
- ⁴⁶Tim Giago, "Indians Can't Gamble With Their Futures," Sacramento Bee, 4 August 1995, p. B7.
- ⁴⁷"Indian Bureau Forced to Slash its Staff by More than 20%," San Francisco Chronicle, 7 September 1995, p. A4.
- ⁴⁸Paul Salopek, "Casino Builds a Wall in Tribe," Chicago Tribune, 7 July 1996, p. 1.
- ⁴⁹Ursula J. Richards and Davis Soherr-Hadwiger, "Kivas, Casinos and Campaigns: Effects of Casino Gaming on Native American Electoral Participation in New Mexico," University of New Mexico, Unpublished paper, 1996, p. 3.
- ⁵⁰Kelly, op.cit., p. 521.
- ⁵¹Ibid., pp. 519-520.
- ⁵²Ibid., p. 521.
- ⁵³Matt Connor, "Casino Catalyst, Has Tribal Gaming Spurred Casino Legalization Nationwide?" International Gaming and Wagering Business, 1 March 1995.
- ⁵⁴Harris, op.cit., p. B3.

V. Gambling in California

Californians can choose from a variety of gambling opportunities. California has legal gaming that includes a state lottery, parimutuel horse wagering, cardclubs, Indian casinos, and charitable gaming.

Much of the basic framework of gaming has been enacted by the people through constitutional amendments rather than by the Legislature. The State Lottery was enacted through a constitutional amendment as was horse racing. The Constitution specifically prohibits Nevada and New Jersey-type casino gaming.

Gambling is a \$14 billion business in California as measured by the handle.¹ The amount actually lost by consumers is much less, approximately \$2.5 Billion. While that is a small portion of California's approximately \$700 billion economy, it is a sizable amount of money. As the following chart shows, California is the sixth largest gambling state. California is the only one of these six states that doesn't have high-stakes casinos.*

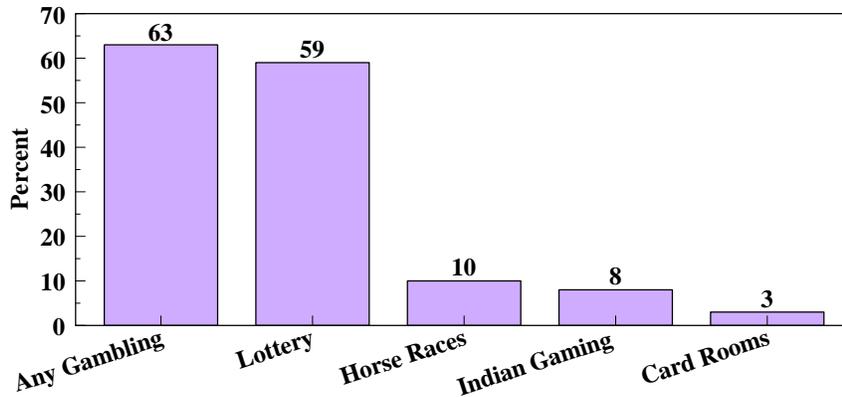


A cautionary note is needed for the preceding chart. Handle is defined as the total amount wagered. Since much of the gaming is between players, not the house, at California cardrooms, the handle is difficult to measure but must be estimated.

The following chart shows the popularity of different games for Californians. Not surprisingly, the lottery is the most popular.

* These totals do not include Indian gaming as there are no reliable state by state estimates.

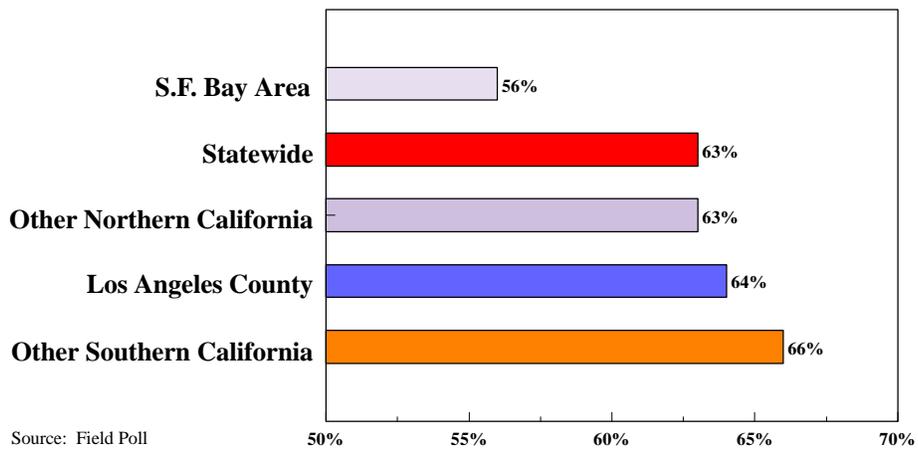
Participation of Californians in Various Types of Gambling in 1995



Source: Field Poll
 Note: Only gambling in California is counted
 and only adult participation is included

There are some small regional differences in participation as the following chart shows:

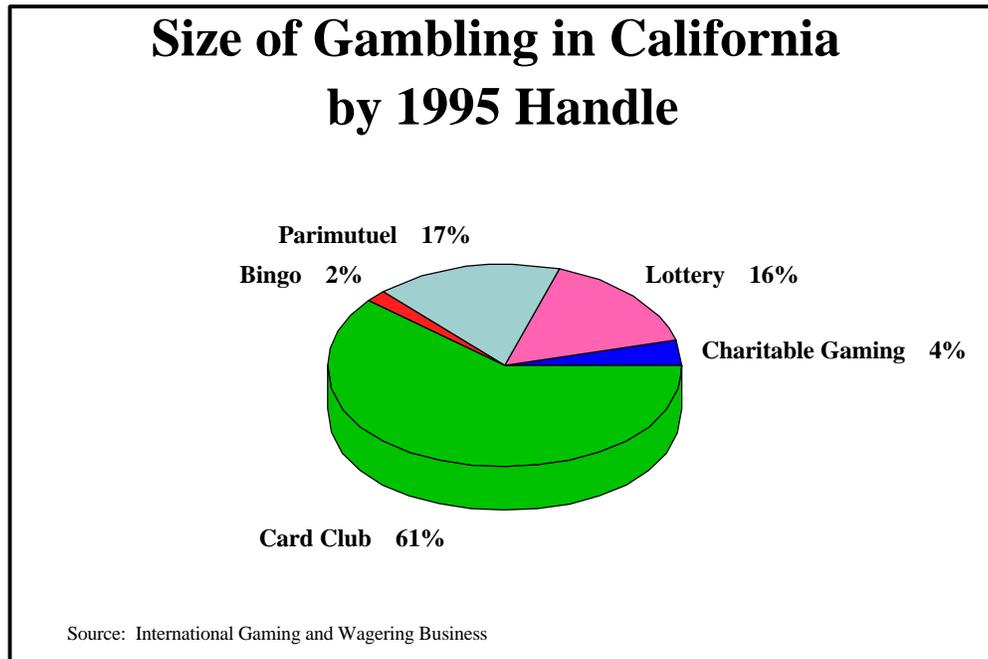
Regional Participation of Californians in Any Gambling - 1995



Source: Field Poll
 Note: Only gambling in California is counted
 and only adult participation is included

No discussion of gambling in California would be complete without noting the gambling that Californians do in their neighboring state. Californians spend \$9.5 billion in Nevada each year on gambling while making 14 million casino visits.² California is the top feeder state to Nevada casinos.

Following is a discussion of the different types of gambling in California. The next chart shows the relative sizes of these gaming types.* The following graph includes estimates of charitable gaming other than bingo. While bingo is the only legal charitable gambling, the category includes charitable sweepstakes which aren't actually gambling under the California penal code. The difference is that donations are requested rather than require for the prizes.



Parimutuel Wagering

In California parimutuel wagering is limited to horse racing, which is regulated by the California Horse Racing Board. Horse racing was legalized in California in 1933 through a constitutional amendment. The amendment authorized the Legislature to regulate horse racing and to authorize parimutuel wagering at licensed racing tracks. Enabling statutes were soon enacted. The statutory authority for the board is commonly known as the Horse Racing Law.

The goal of the regulatory scheme is to:

- Assure protection of the public,
- Encourage agriculture and the breeding of horses in this state,
- Generate public revenues,
- Provide for maximum expansion of horse racing opportunities in the public interest, and
- Provide uniformity of regulation for each type of horse racing.³

* The discussion does not include the gambling that occurs on cruise ships. Owing to a recent change in federal law, cruise ships can call at consecutive California ports and allow gambling. This will be a relatively minor amount compared to the overall state total.

The Board consists of seven members appointed by the Governor to four-year terms. The appointments are subject to confirmation by the State Senate. The Board has two main programs related to gaming. One is overseeing parimutuel wagering and the other is designed to ensure the integrity of the actual horse race. The Board has about 75 employees, including investigators, to regulate about \$2.5 billion in wagers placed at facilities in-state. Another \$1 billion is bet on California races from out of state facilities and is handled by the Board.

One recent change has been the legalization of simulcast wagering. This is parimutuel gaming at a site remote from the actual race, although most of the sites are at existing racetracks. Intrastate and interstate wagering can occur at these sites. The amount wagered at simulcast facilities now exceeds the amount wagered at races.

There are some disturbing trends for the industry however.

- The on-track handle has dropped 47 percent in the last decade.
- License fee revenue for the state has declined 27 percent in the last five years.

State Lottery

The California lottery gained approval at the November 1984 election, making California a relatively recent entrant into the lottery business. The vote was not even close as a 58-percent majority approved the lottery. Only one state has turned down a publicly-run lottery and the aye votes have been as high as 81 percent, although the mean of all states was 64 percent, slightly above California's vote. The initiative amended the California Constitution and added provisions to the California Government Code.

Prior to the initiative, five major legislative proposals on the lottery had surfaced but none of them had made it to the ballot. Circumstances changed when in 1982, the state faced a major budget shortfall. Momentum increased for passage until Governor Deukmejian said he would veto a lottery if it passed, bringing a halt to legislative efforts.⁴

With legislative action stymied, an initiative was started. At the time it was considered an expensive campaign to qualify and win passage, costing about \$1 million. A pro-lottery coalition led by a company that supplied lottery products qualified the measure and earned passage. The statute earmarked the proceeds for education. An interesting requirement of the statute was the extensive disclosure by firms that would get contracts. One of the leading firms was an affiliate of Bally Manufacturing Company that already had to meet this extensive disclosure requirement because of their New Jersey gaming activities.⁵ The measure passed despite opposition by the Governor, Attorney General, and some religious leaders who were mostly Protestants. The affiliation of the religious leaders is notable because religious figures have been important opponents of gambling, although they are usually from Protestant denominations.

The 1984 Lottery Measure Was the Second Chance Voters Had to Approve a Lottery. California voters turned down an initiative in 1964. That measure would have authorized

a private firm to run a lottery. The measure lost by a large margin, 31 to 69 percent. The initiative was opposed by the Governor, Superintendent of Public Instruction, and most of the state's press.

The 1984 initiative set up an autonomous five-member commission to run the lottery. The commissioners are appointed by the Governor and confirmed by the Senate. One of the commissioners must have a minimum of five years experience in law enforcement and at least one of the commissioners shall be a certified public accountant. Prior to the keno game being dropped, the lottery had about 800 employees and 30 agents to oversee \$2 billion in gross sales.

The Lottery Act limits the types of games that can be used. The specific list is drawn so as to limit competition with horse racing, cardclubs, and bingo.

The lottery in California is a government monopoly. Government was chosen to operate the lottery primarily to reduce the possibilities of corruption.

In California, about half of the revenues are returned to winning players as prizes. A minimum of 34 percent is allocated to educational institutions and the remainder covers administrative expenses including retailer commissions. California has one of the nation's largest lotteries, befitting the size of the state.

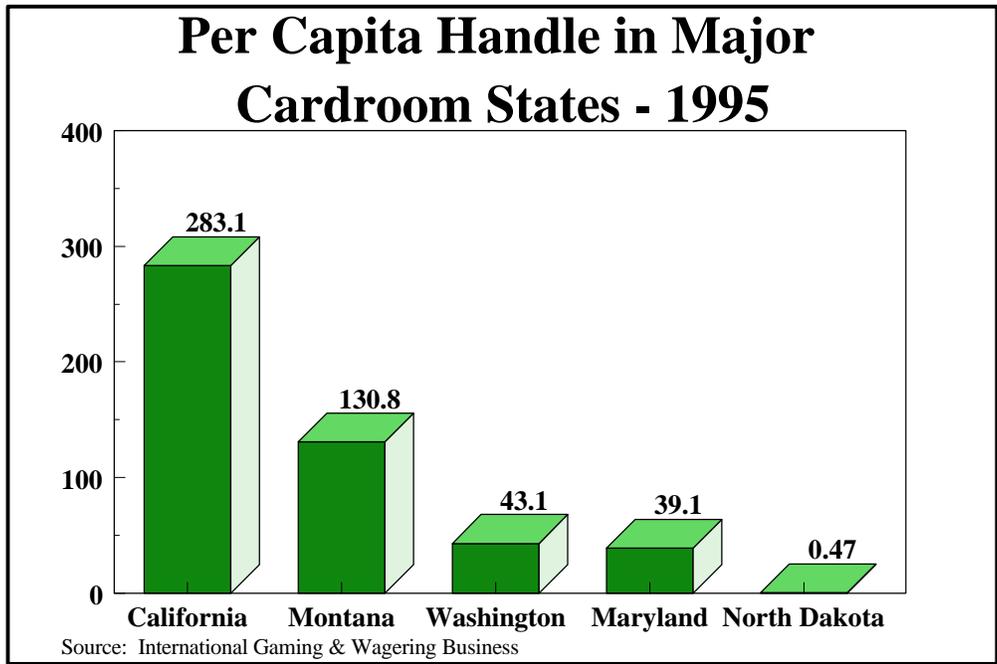
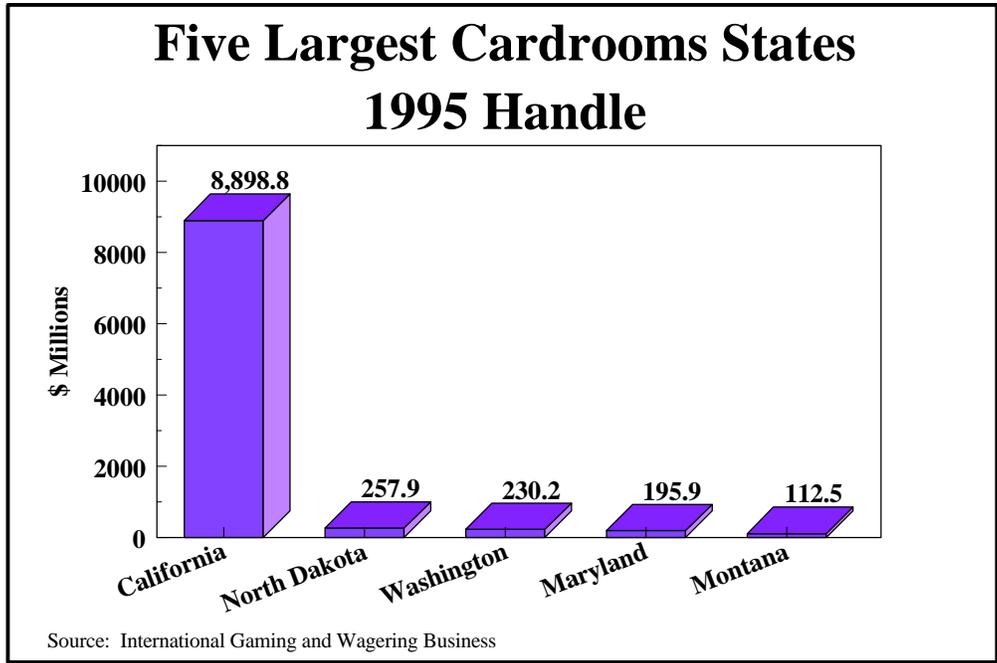
The lottery does not provide a large amount proportionately to the school districts. The average district gets about 2 percent of its general fund from the lottery. The amount varies from year to year, depending on the success of the lottery. Since 1985-86, the amount has varied from \$76.64 to \$178.63 per student. According to informal surveys compiled by the California State Lottery, the majority of the money goes for salaries and wages. (It is not clear from the survey if the respondents meant higher salaries for existing teachers or more teachers.)

Lottery Activities Diminished by Legal Problems. The state lost its case in *Western Telcon*. The case banned the Lottery's electronic keno and definitively states that banked games are not legal within the state. Shortly after, the Attorney General advised that the Scratchers vending machine is a type of slot machine, although it is a lottery game. Slot machines are illegal in California. The Scratchers vending machines accounted for approximately \$200 million in lottery revenues annually. The keno game is significantly larger, amounting to about \$400 million annually.

Cardclubs

Cardclubs have existed in the state as long as there has been a state. State law neither specifically authorized nor prohibits these. California's gambling statutes prohibit certain types of gaming, rather than authorizing certain types of gaming. Cardclubs are legal because they have not been specifically prohibited. But only those games not prohibited can be played at these facilities. House revenues are generated by charging a seat rental fee, by time period or by hand played.

As shown in the following chart, California cardclubs are the largest nation-wide when compared to other states with free-standing cardclubs.

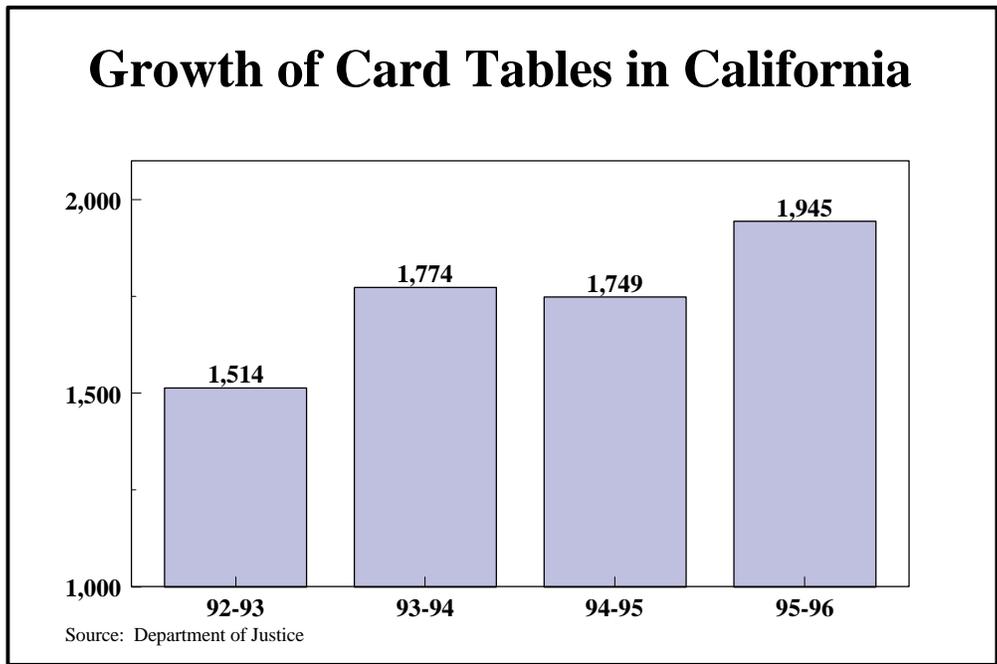


Cardclubs are approved by and licensed by local jurisdictions. Owners and operators must be registered with the Attorney General per the Gaming Registration Act.⁶ This chapter applies to all gaming clubs in existence on or after July 1, 1984. Under the current law,

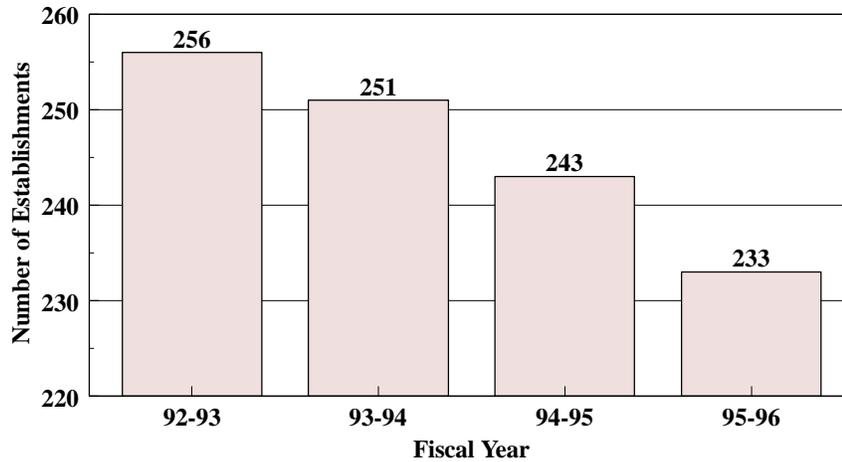
the state does not tax the clubs, but local governments may negotiate a tax with the developers.

Cardclubs in California generate a great deal of gambling activity compare to clubs in other states. It may seem surprising that California allows cardclubs. There are several reasons why cardclubs are viewed differently than other types of prohibited gaming. One reason is that the club cannot directly benefit from the amount wagered. Fees can be charged only for play. In that way, money is lost to other players, not to the house, and is more likely to remain in the community. Casinos are viewed more negatively because they, like lotteries, take money from the community. Another reason is that playing cards requires an element of skill and is often viewed differently than games of chance. Cardclubs are very different than casinos. Cardclubs cannot offer the banked games such as 21 and slot machines that are normally found in casinos. The cardclub provides services such as a cashier and dealer. Players, for a fee, can play against each other, not the house.

Cardclubs Have a Large and Growing Presence Within the State. It is estimated that the state's 233 cardclubs generated \$711 million in gross revenues in 1995.⁷ Bettors wagered approximately \$8.5 billion.⁸ Bettors wagered four times more than Californian's spent buying lottery tickets. As the following table shows, cardclubs have added almost 500 tables since 1992. Although the number of tables has increased, the number of California's cardclubs has actually shrunk as older smaller parlors have closed.



Decline in Number of Cardrooms in California



Source: Department of Justice

Overall, the industry has been dramatically changing. As noted earlier, the older smaller clubs are closing and new larger facilities are being opened. Despite the shift, cardclubs vary tremendously. For example, one of the owners has been quoted as saying that Sacramento has seamy, derelict-type cardclubs.⁹ Other jurisdictions have much more extensive and elaborate facilities. The newly opened Club San Pablo drew 5,000 people to its opening. The 71,000 square foot club cost \$31 million, has 60 tables and 900 parking spaces. The club is supposed to pump \$4.6 million in sales tax and \$14-18 million in salaries into the local community.

California's Largest Card Clubs

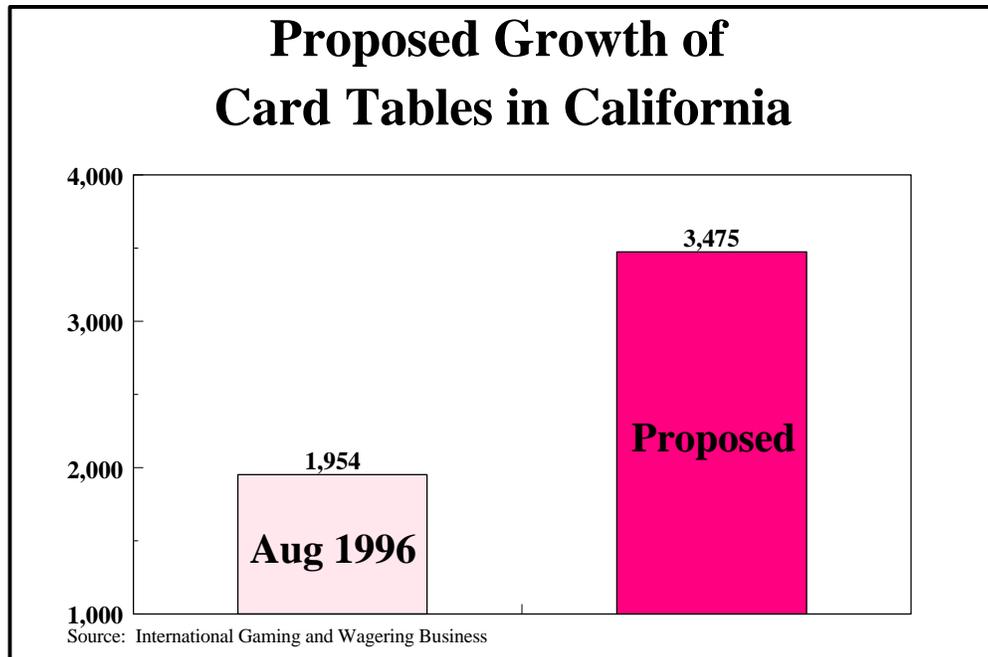
Card club	Cities	# of tables	City Revenues from Card Clubs	% of Gross Revenue City Receives
Commerce Club	Commerce	217	\$13.5 million	13.0%
Bicycle Club	Bell Gardens	200	\$8.94 million	12.5%
Hollywood Park	Inglewood	140	\$5.52 million	11.0%
Crystal Park Casino*	Compton	110	\$0.32 million	10.9%
Ladbroke's Casino	San Pablo	100	\$3.73 million	12.4%
Normandie Club	Gardena	80	\$4.16 million	15.5%
Huntington Park Casino*	Huntington Park	70	\$0.23 million	8.0%
Garden City Card Club	San Jose	40	\$3.01 million	13.0%
Bay 101	San Jose	40	\$5.51 million	13.0%
Oaks Card Club	Emeryville	40	\$1.4 million	6.5%

*Note: the figures for Crystal Park Casino are for only November, 1996. The club opened in October, 1996.

*Note: The figures for the Huntington Park Casino are from the 94-95 fiscal year. The casino and the city agreed to defer the payments to the city until July 1997 due to changes in management.

Sources: Department of Justice

The changes that have occurred are projected to continue. Following is a chart from a noted gaming industry publication that shows the proposed increase in card tables at California cardrooms.



Much of the increased player interest is due to fast-paced Asian games such as Pai Gow. These can generate large pots, up to \$75,000 and involve side betters. Sacramento Sheriff Glenn Craig says these situations bring “money laundering, Asian gang involvement and the actual or attempted corruption of local government.”¹⁰ However, because of their revenue potential, cardclubs are touted as a possible source of funds for local governments.

Despite the construction of these new clubs, the industry profitability has been hurt. In a case over what is called jackpot poker, the clubs lost. The game was ruled a lottery, which is illegal except when offered by the state. The jackpot was paid when two players got certain hands, hands that were not useful in winning the poker game that was the main object of play. The jackpot was incidental to the poker game. The jackpots were as high as \$70,000, from which the clubs got a healthy cut.

California Has no Special State Agency to Regulate Cardclubs in the State. Although the Department of Justice has a role, it is not the regulator in the same sense that other states have regulatory agencies that oversee gambling activity. This situation has led some outside researchers to point to California as an anomaly. As one researcher, who overstated the number of cardclub rooms, noted:

“For a bad example of gambling regulation, California stands out. There are over 400 legal cardrooms in that state, with no special agency to regulate them.”¹¹

California’s Gaming Registration Act was enacted to provide a minimum level of regulation by registering owners and operators as a prerequisite to licensing. The Gaming Registration Act is administered at the state level through the California Attorney General. Annual registration is required. This annual process involves updating of information which trigger additional background checks.

The act provides that state and local governments have concurrent jurisdiction over gaming establishments within the state and expressly disclaims state preemption of regulation. On an ongoing basis, cardclub rooms are regulated only by municipalities which develop a code for regulation. Sometimes a combined city-county ordinance is used such as in Sacramento. New cardclub rooms can only be opened after an affirmative vote of the electors within the city, county, or city and county, unless the jurisdiction had a club operating prior to January 1, 1984.

Other limitations on clubs include the types of games. Most non-banked card games are permitted, but faro, monte, roulette, lansequenet, rouge et noir, rondo, tan, fan tan, seven-and-a-half, twenty-one, hokey-pokey or any banking or percentage game played with cards, dice or devices for money or scrip are explicitly prohibited.¹² In non-banked games, players are not playing against the house who controls the purse such as in twenty-one at a Nevada casino. California law currently prevents publicly owned-companies from operating cardclub rooms with the exception of those companies who run racetracks. Sizes, locations and hours of operation are determined on the local level. Gambling

activities that are not expressly prohibited or regulated by state law may be prohibited or regulated by local government.

Cardclub Elections and Actions are Often Quite Volatile. In Folsom, the council allowed expansion of an existing cardclub, but opponents collected signatures to force a referendum of the Council's action. Some residents in Colma were gravely concerned about cardclub gambling and unsuccessfully attempted to overturn by referendum the 1993 vote to legalize cardclub gaming. In San Mateo, Bay Meadows poured more than \$400,000 into the cardclub election but still lost by a 3-2 ratio. The Bay Meadows proposal included a provision that the City of San Mateo would get 15 cents of every dollar gambled. That would mean that the city would get as much as \$6 million annually. In addition the club would pay all of the costs associated with regulating itself that was approximately \$1 million per year. A San Jose club put in \$150,000 to attack the proposal in an attempt to squelch competition.

There were other instances of money from the existing clubs being used to finance the opposition in cardclub ballot measures. This occurred in the recent election in Pomona. The Agua Caliente Band of Cahuilla Indians sponsored advertisements opposing several new cardclubs proposed for the city. The cardclub in Bell Gardens, the one that is partly owned by the Federal government, also contributed \$200,000 to quash clubs in elections in Pomona and Pico Rivera.¹³ Actions such as these have led to a Fair Political Practices Commission (FPPC) suit against the Commerce Club for the club's contributions against a ballot measure in nearby Pico Rivera. The FPPC alleges that the Commerce Club did not report independent contributions and was late filing other statements of contributions. The developer of the proposed Pico Rivera club has initiated a suit against the Bicycle Club for similar reasons.

A recent council action in San Jose authorized doubling the number of card tables at existing clubs. It was opposed by social workers and groups within San Jose's large Vietnamese-American community who claim that gambling-related problems are tearing apart vulnerable immigrant families and leading to more crime. The action was eventually reversed.

Revenue Needs by Local Government Have Led to New Cardclubs. There was a rush of new cardclubs after the passage of Proposition 13 because of local government's desire to replace the lost property tax revenues. Small blue-collar cities were particular favorites.¹⁴

Concerns Expressed About the Fiscal Dependence of Cities on Cardclubs. Local governments have the obligation to regulate, but critics question whether there isn't a conflict of interest. When a single revenue source becomes that important, the city is not just a revenue recipient but a municipal partner according to some reports.¹⁵ The partnership reached a point with one club where the city considered issuing bonds to finance the purchase of the federal interest in the club by club employees.¹⁶ The concern is that the city is reluctant to interfere with the club operation for fear of losing municipal funds.

The following table shows the large proportion that cardclub revenues comprise of city budgets in some cities.

Portion of Cardclub Revenues for Selected Cities			
\$ Millions			
City	City Revenue From Cardclubs	Total City Budget	% From Cardclubs
Commerce	13.5	36.7	36.7
Compton	0.3	76.5	.3
Huntington Park	0.2	23.6	.8
San Jose Combined	8.5	663.7	1.2
Inglewood	5.5	109.6	5.0
Emeryville	1.4	12.8	10.9
Gardena	4.2	36.8	11.4
Bell Gardens	8.9	20.1	44.3
San Pablo	3.7	8.1	45.7
Sources: California Research Bureau, Dept. of Justice Office, State Controller's Office			

The fear to regulate can be heightened by the competition between cardclubs. Many cardclubs are very close to each other and so they do compete even if they are within different jurisdictions. This competition has raised questions about how effective can the local government be if stricter regulation may drive customers to other clubs in other jurisdictions, jeopardizing the regulating town's revenues.

Ban on New Clubs Led to Numerous Elections. There is a statewide moratorium on new cardclubs. The ban began January 1, 1996 and lasts until January 1, 1999. The moratorium was part of SB 100 (Maddy).

The cardclub elections held in 1995 took on added importance because they were considered a barometer on a possible statewide ballot campaign to legalize casino-style gambling. Following is a table of recent elections.

Cardclubs Elections and City Council Votes During 1995

City	Proposal	Election Date	Results
South San Francisco	150-table cardclub casino on an isolated patch of Oyster Point land just east of Highway 101	Sept. 12	Failed 56% Y - 4461 N - 5644
Irwindale	60,000 square foot cardclub that would serve @ 3000 customers daily	Oct. 21	Failed 59% Y - 192 N - 280
San Mateo	50-table cardclub at Bay Meadows Race Track. Also proposed that the city of San Mateo receive 15 cents of every dollar gambled at the club -- the highest cardclub tax rate in the state.	Nov. 7	Failed 62%
San Jose	City council votes on allowing up to 100 additional tables at existing clubs, which now have 81 tables.	Nov. 7	Approved initially then repealed.
Marina	City council votes on whether to amend its gambling ordinance to allow additional clubs. Developers have proposed a 60-table club and resort on an old Fort Ord airfield.	Nov. 7	Approved
Coachella	Election	Nov. 7	Approved
Hesperia	Election	Nov. 7	Failed
Ontario	Election	Nov. 7	Failed
Palm Springs	Three cardclubs; one 30 table cardclub in a former department store.	Nov. 7	Approved
Pomona	One 100 table cardclub; previous measure to allow two cardclubs was defeated in April.	Nov. 7	Failed 55% Y - 5262 N - 6452
Pleasanton	City council votes on a proposal for a cardclub at the Alameda county Fairgrounds.	Nov. 7	Failed
Suisun	Riverboat Cardclub.	Nov. 7	Approved Y-1851 N-1829
Hawaiian Gardens	Measure A.	Nov. 21	Approved Y- 965 N- 722

Lynwood	Measure L to legalize cardclub casinos.	Dec. 19	Failed Y- 609 N- 990
Pacifica	Measure B, an advisory vote that called for a single, 200-table gambling hall to be built on Mori Point.	Dec. 12	Failed 76%
Pacifica	Measure A which would change Pacifica's anti gambling ordinance to allow cardclub rooms in the city.	Dec. 12	Failed 80%
Azusa	Proposition A which would have allowed the Normandie Casino to build a gambling facility.	Dec. 12	Failed Y- 1339 N- 3511
Colton	Election	Dec. 12	Failed
Perris	Election	Dec. 12	Failed

Full Casino Gambling the Subject of Initiatives. Three statewide initiatives were being considered for circulation. One of the most prominent parties involved with an initiative is Mr. Mark Bragg, a real estate developer and president of the Palm Springs Gaming Corporation. He was one of the sponsors of the recent cardclubs measure in Palm Springs. His proposal would have designated three sites across the state that would be allowed to have Nevada-style casino gaming. An adequate amount of signatures were gathered to be submitted to the Secretary of State. It did not, however, qualify for the ballot, because too many signatures could not be verified. The sponsor disagrees and has vowed to contest the state's findings. The measure needed 694,000 but only received 588,809 confirmed signatures.

There have been some problems associated with the signature gathering for the initiative. Paid gatherers have admitted to violations of the law both in California and Nebraska. In California, a paid gatherer admitted to forging signatures. At least in Nebraska, the violations were not limited to initiatives associated with gambling.

Another initiative to allow casino gambling at five designated racetracks was being circulated in early 1997. If successful at gathering the required amount of signatures, it will be placed on the June 1998 ballot.

Charitable Gaming

Cities and counties are allowed under state law to authorize bingo. The regulator is left up to the local governments. The gross revenues are \$60 million. The total is about 2 percent of overall gaming gross revenues within the state.

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- ¹Eugene Martin Christiansen, "Gross Annual Wager," International Gaming and Wagering Business, August 1996, p. 66.
- ²Mary Lynne Vellinga, "Palm Springs Victor Eyes Gambling's Spread," Sacramento Bee, 9 November 1995, p. A3.
- ³California Horse Racing Board, 1994-95 Annual Report, p. 3.
- ⁴Charles T. Clotfelter and Philip J. Cook, Selling Hope: State Lotteries In America (Cambridge, MA: Harvard University Press, 1989), p.152.
- ⁵*Ibid.*, p. 153.
- ⁶California Business and Professions Code, Sections 19800-19826.
- ⁷"Gross Annual Wager," International Gaming and Wagering Business vol. 17, no. 8 (August 1996), p. 80.
- ⁸*Ibid.*, p. 66.
- ⁹Andy Furillo, "Cardroom Owners Want to Replace Seamy Dives," Sacramento Bee, 18 October 1995, p. A1.
- ¹⁰Ginger Rutland, "Folsom's Dangerous Gamble," Sacramento Bee, 8 January 1996, p. B4.
- ¹¹Bob Ciaffone, "A Comparative Study of State Laws on Social Gambling," in Eadington & Cornelius, eds., Gambling and Public Policy (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1991), p. 203.
- ¹²California Penal Code, Section 330.
- ¹³Mary Lynne Vellinga, "Government Tries to Quash Gambling Rivals," Sacramento Bee, 10 November 1995, p. A3.
- ¹⁴Jim Tranquada, "Gambling Proposals a Long Shot," Los Angeles Daily News, 7 August 1994, p. N1.
- ¹⁵John Van de Kamp, The Bicycle Club and The City of Bell Gardens, 14 July 1995, p. 23.
- ¹⁶*Ibid.*, p. 23.

VI. Regulation of Gambling

Where gambling is legal it is very extensively regulated. There is probably not another business that has so many aspects of its operations so heavily regulated. The primary purpose of the regulation is to keep out criminals. The extent of the regulation is justified because gambling has had a long history of criminal involvement. Gambling operations also have large amounts of cash that are uncounted and unrecorded as the gambling takes place, making it convenient for criminal activities such as money laundering and skimming. Gaming regulation also protects the public by making sure that games are honestly run.

Given that the primary aim of gambling regulation is to keep out criminal elements, what does a state look for in designing an effective regulatory regime? One researcher identified two aims for effective regulation:¹

- Divorce licensing from politics.
- Tighten controls by regulator and operator.

This chapter will look more closely at states that have a more involved regulatory structure than California. Because few states have cardrooms, especially of the size of California, there are not many similar models. Washington and Montana are states that will be examined. In addition, the more expanded regulatory presence of the casino gaming states will be analyzed. Although California doesn't have casino gaming, these do provide some models and lessons for California.

Washington in Gaming Regulation

The Washington Gaming Commission oversees all authorized gaming in the state. The commission is made up of nine members. Five are appointed by the Governor to six year terms. These appointees are subject to the advice and consent of the Senate. There are also four ex-officio members, two each from the Senate and the House. The commission is an autonomous agency.

Washington, like California, has cardrooms. The significant difference is that cardrooms can only be ancillary businesses designed to support a main business of a restaurant, bar or tavern. The profitability is also strictly limited by statutory limitation on the charges. Until recently the club could only charge \$3 per half hour per seat. A recent change in law allowed this to be raised.

The Gaming Commission also has responsibility for other gambling. These include sports pools, charitable gaming, amusement games and pull-tabs. There are a large number of tribal casinos within the state that are under the oversight of the commission.

The state does not tax the card clubs. However they can be taxed by localities.

The Washington Gaming Commission is large by California standards. They have about 135 staff people. They have an ongoing and open process of negotiating compacts with the Indian tribes.

Gaming Regulation in Montana

Montana has video poker, video keno, live card games, sport pools, and casino nights for nonprofits. Montana is unique in that the state has a long history of gaming including slot machines, roulette, and twenty-one. The fact that gaming was illegal was completely overlooked until the late 1940s when the practice was challenged and the State Supreme Court found that it was actually illegal. It took over 30 years for gaming to make a comeback.

In 1989, the Legislature established a Gambling Control Division within the Justice Department. This action placed the licensing, auditing, and enforcement functions under one roof.

Prior to the creation of the division, there was local control of the games. Each local government could lower the number of state-sanctioned machines in an establishment, and levy a local tax. The 1989 changes placed all revenue collection matters under one set of regulations at the state level. The taxes are split one-third to local governments, two-thirds to state government.

Local governments retain some control. They may extend the 2:00 a.m. closing hours set by the state. Local governments may also restrict gambling to certain geographical areas through zoning regulations.

The Gambling Control Division currently employs about 36 persons. The Division tests and approves machines. They also issue licenses to qualified applicants after conducting a thorough background investigation. All findings concerning the denial, granting, renewal, revocation, or suspension of a license or investigation are subject to judicial review. An auditing branch of the Division examines tax records, and investigates financial issues. Compliance with the law and record-keeping is the major focus of this group.

Besides Washington there are approximately 10 states that have gaming commissions without casino gaming. In some states the commission regulates only charitable gaming. Other states the commission regulate Indian gaming, cardclubs, or other small scale commercial gaming.

The following portions of the report look at casino gaming states and the entities that regulate such gaming. Emphasis is placed on Nevada and New Jersey because they have the longest history.

Gaming Regulation in Nevada

Nevada Has a Major Gambling Presence. The state issues about 500 casino licenses and regulates 1,800 slot licenses, 1,360,000 slot machines, and 5,300 table games. Gambling revenues to the state exceed \$300 million, about 45 percent of state revenues. No other state has such a large share of state revenues or economic activity provided by the gaming industry.

Nevada is the oldest and largest legalized gaming center in the United States. Gaming was legalized in Nevada in 1931 in the middle of the Great Depression as a form of economic stimulant. The industry did not really begin to develop until after World War II. Since then, the Nevada gaming industry has survived the presence of organized crime, a U.S. Senate committee investigation, and the corresponding damage to its reputation.

Agency Roles Have Shifted Extensively Over Time. The authority to license and collect taxes from gaming operations has shifted among governing bodies four times in Nevada. In 1931, the legislation gave the local county sheriff offices the authority to license and tax casinos. Soon the state moved in and assumed a role because of the threat of federal prohibition of casinos. Extensive federal investigations had exposed extensive organized crime influence in the casinos. Local governments still exercise a concurrent right with the state over gaming regulation.

The first state agency to take responsibility was the State Tax Commission, which in 1945 was granted the authority to license and tax gaming operations. After that, the Nevada Gaming Control Act created the State Gaming Control Board in 1955 and authorized it to become the enforcement and investigating unit of gaming matters for the Nevada Tax Commission. The Board was comprised of three members appointed by Nevada's governor.

In 1959, the Nevada Tax Commission was relieved of its regulatory duties over the gaming industry by the creation of the State Gaming Commission. The five-member Commission was formed with officials appointed by the Governor for a four year term. Licensing and policy decisions comprised the bounds of authority for the Commission. In 1971, legislation expanded the duties of the State Gaming Control Board to include gaming tax collection and administrative responsibilities for the Gaming Commission.

Local governments have concurrent authority to license and regulate gaming. Both jurisdictions must approve a casino license. However, local governments seem to perceive licensing as primarily a method of taxation, and rarely utilize their powers in a regulatory fashion. A local government can prohibit or restrict gaming within its city or county limits. In the Las Vegas area, casino gaming generally is limited to areas designated as "gaming enterprise districts." Each district is established by the local government having jurisdiction over the area.

Nevada Gaming Was Linked With Organized Crime. Although there are many examples of past criminal involvement in Nevada's gaming, one of the more egregious involves the famous mobster, Bugsy Siegel. Despite his reputation as a hoodlum and his history of gratuitous violence, he had no trouble getting a casino license.

Because the casinos were controlled by organized crime, enforcement was handled somewhat differently than now. If a dealer was found cheating, he or she was taken to a soundproof room to have their hands beat with a baseball bat.² Two robbers who pulled off the only successful armed robbery of a casino, until recently, were later found shot to death in Los Angeles.

The state's reputation improved with the creation of the Nevada Gaming Commission and the State Gaming Control Board. The state's image received another boost when Howard Hughes began purchasing casinos. Although he was eccentric, Howard Hughes was clearly not an organized crime figure. Nevada had reached the point where a billionaire who wore empty Kleenex boxes for slippers improved the image of the state's gaming industry.* Big publicly-owned companies such as Hilton and Ramada followed Howard Hughes' investments.

The toughened regulatory system and the addition of respected companies and individuals eliminated the threat of federal intervention and contributed to the growth and respectability the industry enjoys today. Gaming in Nevada, and especially Las Vegas, has become a multibillion dollar industry that attracts millions of people each year.

Nevada Has Two Entities That Regulate Gaming.

- The State Gaming Control Board has evolved into the primary administrative arm for casino gaming regulation. The Board has responsibility for handling investigations for licensing, collecting taxes, and enforcing gaming regulations. The State Gaming Control Board is composed of three members, one of which must be a CPA, one of which must have experience in law enforcement, and one of which must have experience in business administration or management. Board members are appointed by the Governor for staggered four-year terms and are expected to serve full-time. The Gaming Control Board oversees the granting of licenses. The Board serves as the prosecutor in disputes.
- The State Gaming Commission remains Nevada's decision-making body on gaming policy and regulations. The Gaming Commission issues, denies, restricts, limits, suspends, or revokes gaming licenses. The Commission is composed of five members, also appointed by the Governor, who serve part-time. The Gaming Commission also handles disciplinary proceedings.

* That fact was not widely known at the time.

There are Two Different Types of Gaming Licenses Issued by the Nevada Gaming Commission.

- Restricted licenses prohibit the operation of more than 15 slot machines and do not allow the licensee to operate any other type of game. Holders of these licenses are generally owners of small bars, restaurants, and grocery stores. Only a routine investigation is required for restricted licenses.
- Unrestricted licenses allow the operation of any number of slot machines, gaming devices, or table games. A thorough investigation is conducted by the Gaming Control Board, who refers its licensing recommendations to the Gaming Commission. The Gaming Commission makes the final decision on an application for a gaming license.

Licensing is More Thorough and Intrusive Than the Highest U.S. Security Clearance Investigation.³ An applicant must pay approximately \$500,000 to \$1 million to cover the state's costs. The state takes approximately one year to complete the process and issue a license. There are two public hearings where every personal and business transgression is subject to inquiry. The State Gaming Control Board provides a recommendation on licensing to the Commission.

The basic criterion for licensing is the applicant's character. An applicant is unsuitable if they are an organized crime figure, a case that can be hard to prove. A criminal record is neither necessary nor sufficient for denial of a license. There are a number of additional criteria:

- **Financing of the Operation.** The state wants to make sure that the money is not coming from criminal enterprise, but from a legitimate source. Another concern is that of viability of the casino. Moreover, there is the concern that a troubled operation may cheat customers and not pay taxes. This portion of the licensing law was passed when Las Vegas hotels were not doing well financially.
- **Business Competency.** To protect the state's revenues and consumers, the state wants the casino operator to be sophisticated enough to deal with very skilled cheaters. Cheaters not only steal from the casinos, but also cheat the state out of tax revenues, and possibly other patrons.
- **Suitability of Location.** The state does not want casinos near activities that are not suitable such as schools or brothels. (Nearby brothels present a negative image of gaming, especially to out-of-state visitors who are not used to such businesses being legal.)
- **Multiple Licenses Criteria.** This criterion was passed shortly after Howard Hughes acquired his extensive holdings. At the time, the U.S. Justice Department had threatened to intervene if Hughes bought more properties.

Besides the casino license, a number of employees are required to have licenses. Nevada's requirements are not as extensive as New Jersey's were. However, the type of positions that are required to have a license has spread as organized crime figures have been found in ancillary positions.

Nevada Law Permits a Wide Variety of Gaming. The currently permitted games include faro, monte, roulette, keno, bongo, fan-tan, blackjack, seven-and-a-half, big injun, klondike, craps, poker, chuck-a-luck, Chinese chuck-a-luck (dai shu), wheel of fortune, chemin de fer, baccarat, pai gow, pai gow poker, red dog, beat the banker, pyramid dice, panguingui, and sports book (except on teams from Nevada). Raffle type lotteries are not permitted.

Gaming Tax Structure

Non-restricted gaming locations (those with more than 15 slot machines) pay monthly taxes on a sliding scale that goes from 3% to 6.25%. There is also a 10% tax on admissions, merchandise, refreshments, and services provided by any gaming establishment in connection with any form of spectator or participatory entertainment. There are also quarterly and annual fees assessed according to the number of table games offered.

Gaming Regulation in New Jersey

New Jersey's regulatory situation is different from Nevada's. Casinos were legalized somewhat later and the state already allowed a variety of other types of gambling. In addition, New Jersey had a long history of problems with organized crime, so there was a special concern about keeping their gambling clean. The state wanted to avoid the perception that many people had of Nevada gaming regulation. Nevada's regulators were seen as being a captive of the industry.⁴ New Jersey wanted the industry and workers to meet standards of behavior that were exemplary.⁵

New Jersey was successful in following the strategy they laid out, but at a cost. Eventually, the state significantly eased gaming regulation, allowing casinos to advertise more aggressively, reduce labor costs by eliminating some mandated functions, and offer new games. The result was increased profits for the casinos.

New Jersey Also Has a Two-Agency Structure. The state role is divided into an investigating office under the Attorney General and a license, rulemaking, and quasi adjudicative function. The general structure is modeled after Nevada.

- The Casino Control Commission is responsible for licensing casinos, employees and the firms that do business with them. The commission consists of five members appointed by the Governor for a term of five years. No more than three members may be from the same political party. The Casino Control Commission (CCC) is a quasi judicial agency in the Department of Treasury. The commission has its own staff. The

CCC is funded from license application fees, slot machine taxes and licenses, and permitting fees. The objective of this funding mechanism is to protect the agency from politics by not requiring a legislative appropriation to fund the agency. The criticism that results, however, is that the agency is dependent on the industry through its fees.

- The Division of Gaming Enforcement is a branch of the Attorney General's Office. The division is responsible for investigating all license applications and prosecuting violations before the Commission.

The two-agency arrangement that both Nevada and New Jersey have is valued in these states because they act as a check over the regulatory process. A disadvantage is that conflicts occur between the two agencies. In Nevada, the commission has questioned the staff of the board and the board staff has resented the commission for ignoring their judgment.⁶

Members and employees of both New Jersey agencies are subject to strict post-employment restrictions. The goal is to eliminate or at least reduce the possibility of a revolving door between the industry and the regulators.

New Jersey also has a lottery that is regulated through the Department of Treasury. Parimutuel gambling is regulated by the Racing Commission in the Department of Law and Public Safety.

New Jersey Wanted to Avoid Dependence on Gambling Revenues. While Nevada and New Jersey both have an agency system of casino regulation, there are many subtle differences. New Jersey was concerned that the gaming industry could capture the state's regulatory process if the state relied too heavily on gaming revenues. The state was also concerned about political participation by gaming interests. As a result, the state banned political contributions by gaming interests.

Historically, casinos are regulated much more strictly and rigidly in New Jersey than in Nevada.⁷ The state viewed regulation of gaming as a difficult problem. As noted earlier, casinos have large amounts of cash that is uncounted and unrecorded as the gambling takes place, making skimming and money laundering quite easy. To limit such problems, New Jersey has specified control systems that are an important part of licensing and regulation. Nevada does not follow that model. Part of New Jersey's regulatory regime includes strict restrictions that prevent individuals from being hired very quickly. Licensing takes a long time which hinders the job market. Observers have characterized it as inflexible.⁸ Because of the delays, job applicants often seek employment elsewhere rather than wait for a license.

New Jersey Has Proportionately a Much Larger Regulatory Structure. New Jersey's regulating agencies have 1,100 employees and a \$60 million budget while Nevada has 392 employees and an \$18 million budget. New Jersey has a significantly smaller industry, about \$37 billion handle versus \$107 billion handle in Nevada. New Jersey's regulatory

costs are paid by charging fees, while Nevada's are paid from the general fund. The result is a system that critics say has no efficiency incentives. Casinos are just billed for the costs of regulation.

New Jersey Has Recently Evaluated Gambling in the State. In the mid-1980s, a Governor's Advisory Committee on Gambling was established with 19 members whose job was to examine the interrelationship between the state's various forms of gambling and their regulation. The state was concerned that there was duplication and overlap of the different regulatory agencies that oversaw each of the legal forms of gaming in the state. The Commission was also to address:

- gambling as a public policy,
- compulsive gambling,
- economic impact, and
- criminal activity.

Some of the committee's findings will be discussed in the respective sections that deal with these issues.

Recent Regulatory Issues

New Jersey recently relaxed its regulatory stance. The licensing system for employees in particular was loosened.

New Jersey has had hearings on the issue of credit. Casinos can loan money to gamblers. These loans can become a way to skim or launder money. Skimming is diverting money away from the normal controls and books. Loans can be deliberately made to a debtor who knows that he or she does not have to repay the loan. The casino can write off the loan, the debtor gives the money back to the casino minus a reward for collusion, the loan is charged off as an uncollectable debt, and the amount of the loan has just been skimmed and is not subject to taxes. Loans in amounts as high as almost \$5 million were being made to organized crime figures.

Another related issue is that the casinos were fostering a debt problem by loaning far more than people could pay back. A supermarket clerk making \$18,000 annually and no other significant assets was granted a loan of \$300,000 from a casino. The result of the hearings was a tightening of regulations on loans to gamblers.

The New Jersey Legislature has considered taking action that would stave off competition from neighboring states. The state faces the threat of gaming in Philadelphia, New York City, and the Catskills. A bill was considered, but not enacted that would authorize New Jersey riverboats only if neighboring states authorize riverboats. Under the legislation, riverboat ownership would be limited to the companies operating in Atlantic City. The vessels would be subject to local option and each company would be permitted to own and operate up to three vessels. Governor Whitman criticized the bill, saying that she did

not want to expand gaming in the state, but would rather make Atlantic City a more attractive and accessible place.

Gaming Tax Structure

Atlantic City casinos pay taxes to two different funds. One, the Casino Revenue Fund, is a traditional special fund that supports regulation and other state purposes. The other is the Casino Reinvestment and Development Authority. This fund was established to assist urban redevelopment in the state. Gaming was originally approved to help redevelop Atlantic City. Each casino must contribute 8% of gross revenue to the Casino Revenue Fund and another 1.25% of gross revenues to the Casino Reinvestment and Development Authority.

Other States

Following is a brief discussion of gaming in other states that have casino and/or cardroom gaming.

Colorado

Authorized Gaming

In 1989, limited stakes gaming was authorized to take place in the historic towns of Central City, Black Hawk, and Cripple Creek. Only blackjack, poker, and slot machines with a maximum single bet of five dollars is allowed.

Regulatory Agency

The Department of Revenue is the oversight agency for the Division of Gaming and the Colorado Limited Gaming Control Commission. The Division issues licenses and implements, regulates, and supervises the conduct of limited gaming.

The Governor appoints the five members of the commission who are subject to confirmation by the Senate. No more than three members may belong to the same political party and no more than one may be from the same congressional district. The commission must include a law enforcement officer, an attorney, a CPA or public accountant, a business person in a management-level position, and a registered voter who is not employed in a job similar to any of the other Commission members. All members except for the registered voter must have at least five years' experience in their profession. The members' terms are staggered. No member may serve more than two consecutive terms.

The commission is responsible for promulgating all rules and regulations related to gaming, establishing the gaming tax rate, delegating budgetary authority over the Division of Gaming, and allocating money to other state departments.

The commission establishes and collects fees from licensees, and adopts rules and regulations for overseeing gaming. The commission also enforces the rules and

regulations. The commission also has a research responsibility and is required to conduct an ongoing investigation of limited gaming in Colorado.

Tax Structure

The state levies a tax of up to 18 percent depending on the size of the operations. In addition to the tax on revenues, the state levies an annual tax on gaming devices and for licenses.

Illinois

Authorized Gaming

Illinois moved to legalize riverboat gambling shortly after seeing the success of Iowa's riverboat gambling. Passage of the measure was helped by the fact that many Illinois residents journey to Iowa to use its casinos. The Illinois Riverboat Gambling Act was passed in January 1990, authorizing gaming to begin by April 1991.

The direct competition between Iowa and Illinois riverboats affected the law in Illinois. As originally proposed, Illinois was going to adopt the same limits on gambling as those in Iowa. When the bill was finally enacted, no wagering or loss limits were imposed in Illinois.

Regulatory Agency

The Illinois Gaming Board regulates riverboat gaming in Illinois. The board consists of five Governor-appointed and Senate-confirmed members. The Governor designates one of the Board members as chairman. The board members must have a "reasonable knowledge of the practice, procedure, and principles of gambling operations." The board must include an attorney, a certified public accountant, and a person experienced in law enforcement. Each Board member must post a \$25,000 bond, while earning \$300 for each day of hearings or meetings. Board members serve staggered three-year terms.

The board hires its own staff. Agents of the board must be aboard the riverboats whenever gambling is taking place to certify revenue, conduct investigations, and listen to patron's complaints. Agents are supplied by the Department of Revenue and the Department of State Police.

The board issues licenses, conducts hearings on civil violations, collects fees and taxes, assesses fines and penalties, and sets rules and regulations. The board can suspend, revoke, or restrict licenses, and impose fines for violations of the act or the board rules.

Initially, the board has received about 35 percent of its funding from the general fund. This is in response to the significant start-up costs. In the future, the board will be completely funded by the State Gaming Fund with plans to transfer any surplus to the Educational Assistance Fund.

Tax Structure

The state imposes a tax of \$2.00 per passenger and a 20% tax on adjusted gross receipts.

Indiana

Authorized Gaming

Indiana is one of the more recent entrants to riverboat gaming. Up to 11 licenses may be issued in counties contiguous to the Ohio River, Patoka Lake, and Lake Michigan.

Regulatory Agency

The Indiana Gaming Commission is in the executive branch and reports to the Governor. There are seven commissioners appointed by the Governor to serve staggered three-year terms. At least one member must have a background in law enforcement and criminal investigation, one must be a CPA with auditing experience, and one must be a lawyer in Indiana. Three of the members must be from a county contiguous to Lake Michigan, three from counties contiguous to the Ohio River, and the other must be from another county. No more than four can be from the same political party. The Indiana State Police are also involved because they conduct the background investigations for license applicants.

Tax Structure

The commission will collect a \$3 per head admissions tax from each of the boats, payable on a daily basis. There is also a 20% state tax on the adjusted gross revenues.

Iowa

Authorized Gaming

In 1989, the Iowa Legislature legalized casino gambling aboard historical river excursion boats that could ply the Mississippi River, the Missouri River, and other waterways located within Iowa. The Legislature also created the Iowa Racing and Gaming Commission. Previously, the Commission was known as the Iowa Racing Commission, and was responsible for the regulation of the parimutuel industry that included three greyhound tracks and one horse track.

Regulatory Agency

The Iowa Racing and Gaming Commission oversees parimutuel wagering and riverboat gaming. It is composed of five members appointed by the Governor and confirmed by the Senate. The term of office is three years. Iowa's Governor appoints the members based on requirements for representation by region, political party, and gender. Iowa requires county-wide referenda to approve the docking of riverboats.

The commission is part of another state agency called the Department of Inspection and Appeals. The Department reports directly to the Governor.

Iowa borrowed concepts from both New Jersey and Nevada. The Nevada model was regarded as more lenient while the New Jersey model was seen by some as guaranteeing full employment of regulators.⁹ Since the statute requires that the cost of regulation be assessed in addition to the taxes, the New Jersey model in total was not feasible for Iowa. The cost of regulation combined with the high taxes and gaming restrictions would have

been too costly for the type of casino operations allowed within the state. The state turned its focus on strict regulation in key areas such as cash control, security, and surveillance. An on-line slot machine data system was also required.

Although the state thought a balance was struck between regulation and cost effectiveness, the cost of regulation was still considered oppressive by the riverboat casino operators. The cost of regulation was increased significantly because of the decision to place relatively high-priced state police agents aboard each cruise.

Tax Structure

There is an annual license fee equivalent to \$5 per person based on the capacity of the vessel, including the crew. There is a state head tax of \$0.50 per passenger, not to exceed \$250,000 per vessel and an optional matching local tax of \$0.50 per passenger. Gaming revenue is taxed on a graduated scale of 5% on the first \$1 million of revenue, 10% on the next \$2 million and 20% on any revenue above three million.

Louisiana

Authorized Gaming

Louisiana law now allows horse racing, a statewide lottery, video poker machines, and riverboat gambling. In 1992, a law was enacted that authorized a single, land-based casino in New Orleans. Before that, the Indian Gaming Commission had been created. At least one tribe plans to open a casino/resort complex in Louisiana. Others are expected to follow.

A casino may offer most types of games played for money or property except lottery, bingo, charitable games, raffles, electronic video bingo, pull tabs, cable television bingo, wagering on dog races, or wagering on any type of sports event.

Regulatory Agencies

Louisiana started with a multitude of gambling regulatory agencies. The Gaming Enforcement Division of the Office of State Police regulated video poker and riverboat gaming. It is part of a larger department which also includes the Riverboat Gaming Commission. The Louisiana Economic Development and Gaming Commission regulated Louisiana's land-based casinos. All of these agencies report to the Governor.

Partly in response to the troubles in the industry, Louisiana overhauled their regulatory agencies. In the spring of 1996, a new Gaming Control Board was created to oversee riverboat, video poker, casino and Indian gaming. The governor appoints the nine-member board. He is required to obtain recommendations from different universities in the state. Some of the appointments have certain geographic, educational, or professional criteria.

The Board is nominally under the Department of Public Safety. Louisiana has a ceiling on the number of State Departments. Since the ceiling had been reached, the Gaming Control

Board had to be placed within an existing department, but it functions as an independent agency. The State Police also have a role in enforcement and licensing.

The riverboat gaming legislation provides for 15 riverboat casino licenses. Licenses are granted for an initial five-year term, followed by annual renewals. There are also limitations on the amount of space dedicated to gambling, no more than 30,000 square feet on any vessel may be used for gaming activities. Riverboat gaming may only take place on certain waterways.

The land-based casino legislation permits a single facility at the Rivergate Convention Center site in downtown New Orleans. A temporary facility, to be operational while the permanent facility is under construction, is also permitted. The license was awarded to a group spearheaded by Harrah's. All games using cards, dice or mechanical or electronic devices are permitted, as is wagering on race horses. Lotteries, bingo, pull tabs, dog race wagering, and sports betting are not permitted.

A number of regulatory and legislative changes have occurred recently. The Riverboat Gaming Commission voted to permit free access to gaming vessels while they are at dockside, thus eliminating the phenomenon of phantom cruises. (These are cruises which do not go anywhere, but just allow the boat to leave the dock and meet the legal requirement of being on a cruise.)

Tax Structure

The land-based casino will pay 18.5% of gaming revenues or \$100 million to the state per year, whichever is greater.

Gaming vessels are assessed a 3.5% license fee of net gaming proceeds and a 15% franchise fee each year, plus a flat fee of \$50,000 per vessel in the first year of a vessel's operation and \$100,000 per vessel every year of the life of the vessel after that. Localities also have the option of imposing a \$2.50 per head boarding fee.

Mississippi

Authorized Gaming

Following the examples of Iowa and Illinois, the Mississippi Legislature authorized gaming on boats on the Mississippi River and its navigable tributaries. Gaming was also authorized in Oxbow Lakes bordering the river, in the waters of the Mississippi Sound, and off of the three Mississippi Gulf Coast counties. The effective date of the law was April 1, 1990. If a city or county does not want the gaming boat to dock in its ports, a petition signed by 20% or 1,500 of the registered voters may force a vote on the issue.

All forms of gaming are authorized. New games can be approved by the Mississippi Gaming Commission. Charitable bingo is also authorized under Mississippi law, and regulated by the Commission.

Gaming is not automatically legal in each of these counties. An applicant must file a notice of intent with the Commission. If no petition is filed with the County Board of Supervisors within 30 days of the last date of publication, the Board of Supervisors must adopt a resolution saying that legal gaming may be conducted in that county. If 20% or 1,500, whichever is less, of the registered voters in the county file a petition with the County Board of Supervisors within the 30-day period, an election on the issue must be held generally within 30 to 60 days after certification of the number of registered voters signing the petitions. The gaming authorities may deny a license for any location deemed unsuitable because of its proximity to a residential area, church, school, hospital, or playground, or because the location is difficult to police.

Regulatory Agency

The Mississippi Gaming Commission, which took over the task of regulating the gaming industry from the State Tax Commission in October 1993, is composed of three members, each serving staggered four-year terms. Members may serve no more than two terms and at least one member must have been a resident of a state that permits gaming activity for five years. Commissioners serve without pay. The Governor appoints the commissioners subject to the advice and consent of the Mississippi Senate.

The Commission is responsible for licensing, administering discipline to licensees, and adopting regulations. A full-time executive director administers the gaming laws and regulations, and makes recommendations on licensing and other matters to the Commission. The Attorney General must approve the appointment of all legal staff.

The Commission adopts rules and regulations consistent with the gaming laws. Among other subjects, the rules may provide for the;

- forms and procedures used to apply for licenses,
- procedures for all hearings,
- payment of investigative costs of applicants,
- permitted games (the statute prohibits non-banking games and wagers on athletic events, but authorizes sports pools and horse race wagering),
- the size of the gaming area on a ship or vessel, and
- procedures for issuing credit and collecting debt.

The law permits gaming only by players who are present in the casino. Players must be at least 21 years old.

Local governments cannot issue licenses, and have limited ability to regulate gaming. The Mississippi Attorney General has issued an opinion stating that a local government can adopt zoning ordinances restricting gaming to certain areas within its city or county limits. However, a local government may not prohibit gaming completely.

Tax Structure

Persons boarding the boats must pay a \$3.50 fee. The fee is divided between the state government (60%), the county (20%), and the city (20%).

Mississippi gaming establishments are required to pay a monthly sliding tax of 4% on the first \$50,000 of gaming revenue, of 6% on the next \$84,000 and 8% on revenue over \$134,000. Local jurisdictions may opt to impose a local gaming tax of one-tenth of the state fee and a per-passenger boarding tax, or a single tax of up to 3.2% of gross revenues.

Missouri

Authorized Gaming

Although Missouri has recently approved legal gaming, legal disputes are slowing the growth of the industry. Riverboat gaming was approved by legislation and enacted in 1995.

Regulatory Agency

The legislation established the Missouri Gaming Commission. The commission assumed the responsibilities of the Missouri Horse Racing Commission. Although horse racing is legal in Missouri, there are not any horse tracks. The commission is composed of five members serving no more than two staggered three-year terms. The commissioners are appointed by the Governor and confirmed by the Senate.

Tax Structure

The state collects a \$2 per head admissions tax and a 20% tax on adjusted gross revenues.

South Dakota

Authorized Gaming

The South Dakota Limited Gaming Law authorized slot machines, poker, and blackjack in the City of Deadwood. It was subject to a 60% voter approval later received from the residents of Deadwood. Deadwood is an historic town with a long history of illegal gambling and prostitution that continued without significant government interference into the middle of this century.

Eventually, the historical town deteriorated. Town leaders pushed for legal gaming to save the town. They sponsored a statewide petition to place a proposition on the ballot that was approved. Gaming began in November 1989.

Regulatory Agency

The state regulates gaming through the South Dakota Commission on Gaming. The Commission consists of five members appointed by the Governor. Members have staggered three-year terms. The Commission members cannot all be members of the same political party.

The Commission appoints an Executive Secretary to conduct administrative matters. The Executive Secretary, who serves at the pleasure of the Commission, employs a staff to administer the gaming laws.

No Commission member may be a license holder or a resident of Lawrence County (where Deadwood is located). The Commission members may not receive anything of value from a licensee or their officers and employees. Commission members cannot gamble in Deadwood.

The Commission can (a) adopt regulations, (b) issue licenses, (c) oversee and define gaming contracts of licensees, (d) inspect and examine gaming premises and places where gaming devices are located, sold, distributed, or stored, (e) seize and examine gaming equipment or supplies, (f) require verification of licensee's or applicant's income, (g) contract for legal counsel, (h) suspend or revoke for cause any gaming license, (i) require applicants to disclose pecuniary interest in the applicant by any person, (j) carry out duties as may be imposed by the state because of a contract entered under authority of the Federal Indian Gaming Regulatory Act, (k) establish application fees, (l) fix the gaming tax after June 30, 1990, within the parameters set by law, and (m) pay expenditures.

The Commission and Executive Secretary also can investigate conduct of licensees or employees to help enforce the law and to ensure unqualified or unsuitable persons are not involved in gaming. The Commission may review any action taken by the Executive Secretary.

The Executive Secretary prescribes gaming tax return forms, and may grant limited extensions in which to report and remit taxes. The Executive Secretary can grant or deny support licenses. The South Dakota Attorney General may exercise any authority of inspection or examination allowed by the Gaming Control Act. The Attorney General also may apply to the court to enforce the Gaming Control Act or any gaming rule.

Tax Structure

There is an annual fee of \$2,000 for every card game or slot machine. In addition, 8% percent of the gross revenues must be paid to the state.

¹Arthur Neilson, "Government Regulation of Casino Gaming in Australia," in Eadington & Cornelius, eds., Gambling and Public Policy (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1991), p. 369.

²James F. Smith, "Bugsy's Flamingo and the Modern Casino-Hotel," in Eadington & Cornelius, eds., p. 508.

³Anthony N. Cabot and Richard Schuetz, "An Economic View of the Nevada Gaming Licensing Process," in Eadington & Cornelius, eds., p. 135.

⁴Robert P. Culleton, "The Implementation of the Credit Controls of the 1977 New Jersey Casino Control Act," in Eadington & Cornelius, eds., p. 208.

⁵Jeffrey A. Lowenhar, C.J. Lonoff, and Rita Smith, "Regulatory Requirements and Legalized Casino Gaming in New Jersey: The Case for Change," in Eadington & Cornelius, eds., p. 261.

⁶Culleton, *op.cit.*, p. 208.

⁷*Ibid.*, p. 211.

⁸Lowenhar, Lonoff, and Smith, *op.cit.*, p. 267.

⁹Lorenzo D. Creighton and Sean M. McGuinness, "The Implementation of Excursion Boat Gambling in Iowa," in Eadington & Cornelius, eds., p. 237.

VII. Why do People Gamble?

Earlier sections of this report presented data on the growing popularity of gambling nationally, as well as in California. Given the popularity of gambling, this raises an obvious question: “Why do people gamble?” What is the major motivation for engaging in this activity? And why do some people gamble more than others and who are these people? Why do people gamble when it isn’t a sure path to riches? As one researcher noted:¹

“Yet the fact that empirical evidence strongly indicates that the best way of finishing up with a small fortune as a result of gambling is to start with a large fortune is played down.”

Gambling is defined by the Webster’s New World Dictionary as the following:

- to play games of chance for money or some other stake, or
- to take a risk in order to gain some advantage.

Various Theories Exist on Why People Gamble. There is a debate over whether the motivation to gamble is positive or negative. A common view is that gambling is negative. In particular, this view is common among religious groups.² Others argue that the motivation is positive, that people enjoy gambling and it is usually a harmless diversion. Because people enjoy it they continue to gamble in spite of losing.³

Any discussion of the motivation of gambling usually starts with the natural comparison to life. Life is a gamble. Everyday, people are faced with situations which involve risk and chance.

Gambling activities are extensions of the risk and chance in life. The activity of gambling becomes play, it becomes a game. Gambling allows the person the choice of engaging in the activity, the amount of risk and, in many cases, the stakes. The stakes are a necessary element for many people. It turns the bet into not just an opinion but a commitment.

The concept of gambling mimicking the risk and chance of life has a parallel in the history section of this report. As noted in that portion, gambling was a popular activity during the gold mining era. Mining was a high-risk enterprise that required constant gambles by the participants. Considering that the people who accepted risk were drawn to mining, it is not surprising that gambling would become a popular leisure activity.

The fact that recreational gambling mimics life does not really help us determine why people gamble. If risk and chance are integral parts of life, why do some people seek out gambling activities and why are others content without it? Researchers have attempted to answer this question, but thus far no definitive answer has been found, but plenty of articles have been published.

Another way to determine why people gamble is to ask them. Why do people say they gamble? In a survey in Washington, those sampled reported that they gambled for fun, to win money, or they were looking for excitement and a challenge.⁴

Modern theories of gambling motivation are quite a change from some earlier theories. Early social scientists theorized that gambling was a way to deal with the pressures of industrialization. Karl Marx grouped it with religion as an opiate for the masses. Psychoanalysts had a different view. Sigmund Freud analyzed Fyodor Dostoyevsky's heavy gambling and diagnosed him as punishing himself for his oedipal urges.⁵

Different groups are more inclined to gamble than others. A review of several studies on demographic factors which relate to gambling behavior helps answer the question of who gambles the most. The following represents a synopsis of some of the research findings:⁶

- **Gender.** Men and women tend to have different preferences in their gambling. Men are more likely to gamble in games such as blackjack and lotteries and women are more likely to engage in bingo and raffles.
- **Age.** There is a negative relationship between the two. That is, the older one becomes, the less likely she or he is to gamble.
- **Social Class.** There have been mixed results, with gambling behavior found to be related to social class in some studies and not related in others.
- **Marital Status.** Single, divorced, and separated people were found to be more likely to gamble than married people.
- **Community Size.** Studies have found community size to be positively related to gambling propensity, meaning that residents of big cities gamble more.
- **Religion.** Catholics were found to be more likely to gamble than Protestants and other religious groups. Catholics were also found to be less likely to disapprove of gambling than other religious groups.

¹Emanuel Moran, "The Growing Presence of Pathological Gambling in Society: What We Know," in William R. Eadington and Judy A. Cornelius, eds., Gambling Behavior and Problem Gambling (Reno, NV: Institute for the Study of Gambling & Commercial Gaming, University of Nevada, 1993), p. 137.

²Gordon Moody, "The Roots, Significance, Value and Legislation of Gambling," Unpublished Paper, p. 2.

³*Ibid.*, p. 2.

⁴Patrick T. Reardon, "There are No Sure Bets in Figuring Out Why We Wager," Chicago Tribune, 9 December 1994, p. 36.

⁵*Ibid.*, p. 36.

⁶Waiman P. Mok and Joseph Hraba, "Age and Gambling Behavior: A Declining and Shifting Pattern of Participation," in Eadington and Cornelius, eds., pp. 56-59.