



## **Go slow on expanded gambling in the Commonwealth**

*Legislative testimony by Stephen J. Adams, Pioneer CEO/President*

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Testimony by Stephen Adams, CEO/President of Pioneer Institute, before the Joint Committee on Governmental Regulations, March 31, 2003

Chairman Bosley, Chairman Morrissey, honorable members, thank you for this opportunity to speak to you on this important issue. I am Stephen Adams, President and CEO of Pioneer Institute for Public Policy Research. I am here to urge the Legislature and the Governor to go slow in considering whether to expand high-stakes gambling in Massachusetts.

As an institution dedicated to individual freedom and personal responsibility, Pioneer's concern around high-stakes gaming does not stem from the morality of gambling. Rather, our concern has to do with expanded gambling as good public policy. There are enormous uncertainties about the net impacts of expanding gambling in Massachusetts, including:

- Uncertainty about the impact of expanded gambling on Lottery revenues.
- Uncertainty over the amount of new revenue that gambling will produce.
- Uncertainty about the economic impacts on existing businesses.
- Uncertainty about the degree of social distress that will be created among vulnerable households and the associated hike in public costs.

Despite the dozens of studies and hours of deliberations by various commissions, we have yet to see a detailed analysis of the revenue impacts of expanded gambling specific to Massachusetts. Estimates of potential revenues range in the hundreds of millions. But all of the estimates I have seen are merely extrapolations of the experiences in other states. And most of these studies come from proponents of expanded gaming. They do not consider Massachusetts' geography and economy, or the impact of the changing gambling marketplace. The Commonwealth is about to learn a costly lesson about relying on such estimates when the Boston Convention Center opens next year.

There are some things we do know about expanded gambling that should give us pause.

As tax policy, gambling is among the most regressive tax, taking a disproportionate share of revenues from the elderly and low- and moderate-income families.

As social policy, we know that gambling is bad for kids and families. Teenagers and casino employees are the most vulnerable to becoming problem gamblers. Today 1.1 million children in the U.S. between the ages of 12 and 18 are pathological gamblers. As they get older they will swell the ranks of adult problem gamblers, now numbering between 1.8 and 2.5 million. As fiscal policy, the prospects are also fuzzy. Indications are that gambling revenues level off after a few years. Consequently, expanding gambling will not help solve the State's fiscal crisis, but will rather serve as a smokescreen of the serious structural imbalance between overall state spending and the ability of our economy to support it. New casinos have not prevented large budget deficits in Illinois or neighboring Connecticut.

Richard McGowan, a Boston College economist and one of the nation's foremost experts on gaming, served on the Gambling Study Commission. McGowan concluded that revenues will be much less than anticipated and that Lottery revenues will be noticeably affected. His plea to the Legislature was to not count on expanding gambling as a source for general revenues, but rather to finance economic development investments in distressed communities.

"Since gaming revenue will peak or even decline eventually," says McGowan, "I propose that the legislature learn a lesson from our colonial forefathers. The majority of additional gaming revenue should NOT be added to the general fund no matter how dire the state's fiscal picture."

Once high-stakes gambling is introduced in Massachusetts, the genie can not be returned to the bottle. It behooves the Legislature and the Governor to fully understand the likely costs and benefits both short-term and long-term, before we roll the dice on expanded gaming.