

Findings



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Video Gambling

Why a Total Ban is a Safe Bet

By Stephen Daniels



Video poker machines have been a regular fixture in convenience stores, bars, gas stations and other locations across North Carolina since the General Assembly passed legislation in 1993 legalizing these and similar devices.¹ Though state law limits the operation and payouts of video poker machines, some operators evade the law and use the machines for illegal gambling with much higher monetary payouts. This places a significant burden on law enforcement, which has found the task of regulating video poker to be burdensome, costly and time consuming. In addition, video poker machines have caused many citizens to become addicted to gambling, leading to negative social and economic consequences for themselves, their families and the community.

Attempts to regulate video poker continue to prove ineffective as more and more machines are operated illegally. The only solution to the problems caused by video poker machines is to ban them statewide. The following paper will examine the problems with video poker and explain why a total ban is best for North Carolina.

Video Poker Laws

Video poker received renewed attention in the Tar Heel state when the South Carolina Supreme Court banned all of South Carolina's video poker machines as of July 1, 2000. At the time, South Carolina possessed more video gambling machines than any other state in the nation. Some estimates indicate that there were around 34,000 machines statewide, nearly twice the number of machines in Nevada.² The ban required that each machine be moved out-of-state or destroyed

within the week following the ban's effective date. This mandate created an immediate concern for North Carolina officials, who did not want to see a massive influx of these machines across the state line.

In response, the North Carolina General Assembly attempted to hinder a migration of video poker machines from South Carolina during the 2000 Legislative Session by passing legislation that limited the location and operation of the

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machines. The new law: defined which machines were legal for operation; limited to three the number of video gambling devices that could be possessed in a single location; set a deadline for registering the machines with the local Sheriff; required reporting by machine owners to the N.C. Department of Revenue; and made other changes.³

Currently, video poker machines are allowed to operate in North Carolina, but they may not offer a cash payout to the player. According to the statute, exempted machines are ones that "limit to eight the number of accumulated credits or replays that may be played at one time and which may award free replays or paper coupons that may be exchanged for prizes or merchandise with a value not exceeding ten dollars (\$10.00), but may not be exchanged or converted to money."⁴ These

games must also involve the use of skill and dexterity to be considered legal. Video poker machines, whose operation depends mainly on chance, are gambling devices.

Though video poker machines are legal in North Carolina, gambling for money is not, except on the Cherokee Indian Reservation. Current law clearly states that "any person or organization that operates any game of chance or any person who plays at or bets on any game of chance at which any money, property or other thing of value is bet, whether the same be in stake or not, shall be guilty of a Class 2 misdemeanor."⁵ North Carolina law defines what types of machines are forbidden by stating that "it shall be unlawful for any person, firm or corporation to operate or keep in his possession or the possession of any other person, firm or corporation, for the purpose of being operated, any punchboard, slot machine or device where the user may become entitled to receive any money, credit, allowance, or any thing of value, as defined in G.S. 14-306."⁶ The payout from these machines is limited to coupons and merchandise that must not exceed \$10 in value.⁷

The Enforcement Dilemma

Despite limitations placed on video poker by North Carolina law, enforcing the legal use of video poker machines is a challenge. The North Carolina Department of Crime Control and Safety reports that there are approximately 10,000 video poker machines registered in the state,⁸ though some estimates of the number of machines are even higher.⁹ While many operators use their machines in a lawful manner, it is difficult for law enforcement officers to regulate the payout activity of video poker machines.¹⁰ Law enforcement officials regularly report the illegal use of video poker machines across the state:

- An ongoing state and federal investigation called “Operation Double Black Diamond,” which is investigating illegal video poker activities, has resulted in numerous arrests and forfeitures. Two Johnston county businessmen pled guilty to operating an illegal gambling business, after it was discovered that many of their 326 video poker machines were illegally paying out thousands of dollars in cash. They had also tried to conceal more than \$5 million in proceeds from their machines.¹¹
- This same federal probe has led to numerous video poker machine seizures and multiple indictments of operators over the last five years, including a guilty plea and prison time for former State Transportation Secretary Garland Garrett.¹²
- Video poker raids by the Randolph County Sheriff’s Department and the Asheboro Police Department led to the confiscation of 43 video poker machines and criminal charges against 24 people.¹³
- A man was arrested for running a mobile gambling operation when Wake County deputies discovered him driving a bus filled with video poker machines.¹⁴

Examples like these show that unlawful gambling practices involving video poker machines are taking place in North Carolina. It does not take much for the owners of these machines to alter their use and make them gambling devices. Crime control officials have demonstrated for a Legislative Study Committee how a store operator can turn an illegal machine into a legal one in a matter of seconds. This causes Sheriff’s to have to spend scarce dollars mounting expensive undercover “sting” operations in order to catch the illegal operators.

Some store clerks have admitted giving out cash payoffs of hundreds of dollars.¹⁵ By simply ignoring the ten-dollar prize limit on payouts, operators can offer large payouts to patrons who use them. As a result, people are more likely to play, and operators are more likely to make a profit.

Monitoring illegal gambling activities and the complications of making sure that video poker machine operators are in compliance with the law has placed a significant burden on sheriffs, who are charged with enforcing the video poker laws. Often understaffed and overworked, officers describe the process of targeting and apprehending violators as difficult and

time consuming. This is especially true as unscrupulous poker machine operators move their machines from location to location and alter their machines to pay out illegal cash prizes.¹⁶ Not surprisingly, North Carolina law enforcement officials noted an increase in video poker complaints after South Carolina banned their machines in 2000.¹⁷

The enforcement challenge has led the North Carolina Sheriffs’ Association to support a total ban on video poker. In a letter addressed to the General Assembly, the association wrote that it “opposes the use of video poker machines in North Carolina and supports legislation to totally outlaw the possession or use of video poker machines.”¹⁸ The North Carolina Division of Alcohol Law Enforcement and Governor Mike Easley also expressed support for a ban on video poker.¹⁹

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The illegal use of video poker machines and the constant challenge to enforce the law is not the only issue that warrants consideration. Video gambling itself can be a harmful addiction that ruins lives and places a huge economic burden on the state.

Social Costs of Video Poker

The costs of video gambling have been described as “socially devastating,” not only for the individuals who get caught up in the addictive behavior that can result, but also for entire communities who end up having to deal with and clean up the social problems associated with problem gambling. Robert Hunter, a clinical psychologist in Las Vegas, Nevada, who specializes in problem gambling, has referred to video gambling as the “crack cocaine of gambling”.²⁰

Video poker is considered more addictive than other forms of gambling because of the constant “action” it involves. In a lottery, to hit the big jackpot, you have to wait until the end of the day, or until a winner is selected. Video poker preys on the desire of the gambler for instant gratification. “Players get immediate feedback, faster than the wheel spins in roulette or the cards turn in blackjack,

and much faster than waiting for lottery results,” says Robert Hunter. “The games let players increase the speed with which they bet and provide the illusion of skill factor.”²¹ These factors contribute to the addictive behavior associated with problem or pathological gambling. Convenience and accessibility it is also a factor. People no longer have to travel to a casino to gamble. In many states, including North Carolina, video poker machines are located in neighborhood convenience stores and gas stations. According to Tom Spampinato, the Founder and Director of Gamblers Anonymous in North Carolina, about 50 percent of the people entering North Carolina Gamblers Anonymous groups in the last few years are addicted to video poker.²²

Video poker’s characterization as the “crack cocaine of gambling” was confirmed by a Brown University School of Medicine study that found that the onset of pathological gambling occurred much more quickly in players who gambled on machines.²³ Another study that examined Southern Nevada Gamblers Anonymous members reported, “Without doubt, video poker machines were the game of choice for the G.A. members. Eighty-eight responded to the specific inquiry. Over two-thirds found the machines to constitute ‘serious’ problems for them. Only 14 (15.9%) found no problem with the machines.”²⁴ In Oregon, where video poker has been legal for over a decade, more than 70 percent of people who get state-funded treatment for gambling addiction do so for their addiction to video poker.²⁵

Women are extremely vulnerable to the temptations of video gambling, according to Dr. Henry Lesieur of the Criminal Justice Science Department at Illinois State University, because they are drawn more to single-player machines, as opposed to the more male-dominated table games.²⁶ This proved true in South Carolina, where many women became addicted to video poker. According to the *Charlotte Observer*, in Lancaster, South Carolina, one woman lost a total of \$29,239 between April 1990 and January 1993.²⁷ In 1999, a woman was convicted of involuntary manslaughter for leaving her 10-day-old baby girl in a hot car to die while she played video poker at a casino located along the South Carolina state line. Her husband blamed his wife’s gambling addiction for their child’s death.²⁸

It is worth noting that six months after South Carolina banned video poker machines, the number of Gamblers Anony-

mous groups dropped from 32 to 11 and from a typical size of 40 to as little as one or two. Likewise, the number of help-line calls for addiction to video poker in the Myrtle Beach area dropped from 200 per month to zero.²⁹ This is testimony to the benefit that a total ban would be to the individuals and families of those addicted to these machines in North Carolina.

Financial Costs: One of the most obvious social costs of problem gambling has to do with its impact on personal finances. A gambling addiction can lead to serious financial losses for the problem or pathological gambler and their family. Between one-fourth and one-third of gamblers in Gambler's Anonymous have lost their jobs because of gambling.³⁰ Mounting debts from an out-of-control gambling habit can lead to more serious financial problems, like bankruptcy. One study found that 28 percent of 60 pathological gamblers in Gambler's Anonymous had filed for bankruptcy or had debts of \$75,000 to \$150,000.³¹ Another study reported that 20 percent of all bankruptcies are related to gambling.³² According to a South Carolina study on video poker, 33 percent of players in the state had spent the last dollar in their pocket on these games, and 19 percent had thought about illegal ways to get money to play video poker.³³ In addition to the financial devastation that arises from problem or pathological gambling behavior, criminal activity and family difficulties and emotional problems are also a concern.

Crime: Once a problem gambler begins suffering serious financial losses and is no longer able to finance his addiction through legal means, he will often turn to various crimes including theft, embezzlement, fraud, and in some cases, even murder.³⁴ One survey of 400 Gamblers Anonymous members found that 57 percent had admitted stealing to pay for their gambling addiction.³⁵ About one-third of problem and pathological gamblers have been detained or arrested by police, and about 21 percent of pathological gamblers and 10 percent of problem gamblers have been incarcerated.³⁶

Depression and Suicide: Losing everything to a gambling habit can be emotionally devastating. Several studies have found higher rates of depression among pathological gamblers and shown that problem gambling actually causes depression.³⁷ In one survey of hundreds of Gamblers Anonymous members, two-thirds had considered committing suicide, 47 percent had a plan to take their own life, and 77 percent stated that they wanted to die.³⁸

Family Impact: Not surprisingly, the gambler's family feels the impact of problem or pathological gambling most significantly. Drinking, smoking and over-eating among the spouses of compulsive gamblers are common.³⁹ In addition, children of problem gamblers are more likely to smoke, drink and use drugs.⁴⁰ They also are more likely to develop their own gambling habits.⁴¹ Families of compulsive gamblers often suffer from physical and emotional abuse as well. According to one study, 23 percent of spouses and 17 percent of children of problem gamblers are physically and emotionally abused.⁴²

Economic Costs of Video Poker

Another consequence of video poker that is often overlooked is the negative economic impact these machines can have on the state. The authors of an analysis of video poker machines in South Carolina revealed startling evidence about the high

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costs of video gambling there. The study reported that while the machines generated \$122 million a year in revenue for the state, video poker actually cost South Carolina \$424 million in total costs, including regulation, compulsive gambling and other economic and social costs.⁴³

Measuring the cost of problem and pathological gamblers to the state, the report conservatively estimated that each pathological gambler cost the people of the state \$6,299. Each problem gambler (a gambler with fewer compulsive characteristics than pathological players) cost the people \$3,338. The report went on to encourage state policymakers to think about all the positive ways that this revenue could be spent if it was invested in more useful ventures such as education. It concluded by saying that South Carolina had “dug itself into a hole.”⁴⁴ One year later, the state got out.

Though North Carolina does not have the number of machines that South Carolina possessed at the time of this report, it is reasonable to conclude that the presence of at least 10,000 video poker machines in this state is having an economic impact. Some reports put the annual earnings of

these machines at around \$100 million per year, roughly \$800 per machine per month.⁴⁵ However, investigations into illegally operated machines find that many of them are bringing in significantly more. When Kernersville police confiscated 76 machines in January 2004, one of the machines had taken in \$117,721 in an unspecified period of time. Other machines had taken in up to \$38,000 during a three-month period.⁴⁶ If these figures are representative of machines across the state, it means that video poker could be taking in well over \$1 billion a year.⁴⁷ This is a significant amount, especially considering the National Gambling Impact Study Commission's characterization that, “This form of gambling creates few jobs and fewer good quality jobs, and it is not accompanied by any significant investment in the local economy.”⁴⁸ This was not all that this national commission had to say about this form of gambling.

Gambling Commission Weighs In

In June of 1999, the National Gambling Impact Study Commission (NGISC) concluded its two-year study into the social and economic impact of legalized gambling. In their final report, the commission studied “convenience gambling,” which includes video poker. The comments of this federal commission are noteworthy. They point out that compared to other forms of gambling:

“In many ways, these forms of gambling are far more troublesome than any other, as the benefits are negligible, the level of regulation minimal and the likelihood of abuse much greater... Further, the types of games typically offered in convenience gambling facilities or over the Internet tend to be the fastest-paced and, therefore, most addictive forms of gambling.... The Commission urges policymakers at all levels of government to accept our challenge to evaluate and to critically test both the economic and social costs and benefits associated with the introduction of, or continuation of, or restriction of gambling activities within their communities.”⁴⁹

Among the Commissions recommendations to lawmakers was the following:

The Commission received testimony that convenience gambling, such as electronic devices in neighborhood outlets, provides fewer economic benefits and creates potentially greater social costs by making gambling more available and accessible. Therefore,

*the Commission recommends that states should not authorize any further convenience gambling operations and should cease and roll back existing operations.*⁵⁰

Most striking of all the recommendations made by the NGISC was a call for a moratorium on the expansion of all forms of gambling.⁵¹ This certainly extends to video poker and any actions that may intentionally or unintentionally result in its expansion. The call for a moratorium was an effort to encourage leaders and lawmakers to step back and consider the choices they had made regarding legalized gambling. This moratorium indicates the Commission's concern about the status of gambling in America and the need to further analyze its expansion. A video poker ban is a wise response to the concerns raised in the NGISC's report.

Conclusion

With an activity that provides negligible economic benefits, creates headaches for law enforcement and leads many to compulsive gambling, it is apparent that video poker offers little benefit to the state of North Carolina. Despite attempts by the General Assembly to regulate video poker, these efforts have not solved the real problems that these gambling devices create. Instead, they have created a nightmare for Sheriffs and other law enforcement officers. The solution is to completely ban video poker machines statewide. Prudence requires taking heed of the concerns of those, including North Carolina law enforcement authorities and the National Gambling Impact Study Commission, who are calling for lawmakers to halt all attempts to expand gambling activity. A total ban on video poker in North Carolina is wise, responsible, and the best bet for everyone in the state.

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