

THE TRUE COST OF REGULATING STATE-WIDE GAMBLING



BILLS HB0284 AND SF0132

GAMING COMMISSION EXPANDS SIZE AND SCOPE OF GOVERNMENT

The Wyoming Legislature is currently considering two bills – HB0284 and SF0132 – that would introduce and regulate “legal” video slot machines, pull-tab machines, bingo games, poker games, and Calcutta wagering events.

The envisioned proliferation of gambling activities would necessitate a substantial expansion of the size and scope of state government by creating a new Gaming Commission to license, inspect, enforce, and manage the system of rules and regulations. Recognizing that an influx of gambling positions is likely to yield a concurrent influx of both organized and small-time local crime, even further involvement is required from the government and law enforcement to address these issues and keep citizens safe, extending government reach yet again.

In addition, if passed, the proposed bills are drafted such that video slot machine vendors and operators stand to reap a windfall in profits that are only lightly taxed, while taxpayers and charitable organizations around the state foot the bill. Far from bringing additional funds into state government, the proposed gambling scheme will cost the state while enriching the slot machine owners.

Resource Requirements are Underestimated, Leading to Cost Overruns

The bills under consideration grossly underestimate the resources required to properly license, inspect,

audit, and collect fees for as many as 3,000-4,000 new stationary video slot machines at bars, restaurants, and truck stops, plus the already existing universe of pull tab games that will need to be incorporated into the new regulatory regime. Not only that, but the new agency will also have to license, inspect, audit, and collect fees on the dizzying array of regularly scheduled and special event bingo, poker, pull-tab, and Calcutta activities at community group locations in towns across the state’s 100,000 square miles.

To properly perform these duties, a staff of 45-60 new individuals will be required, including trained investigators and field staff, experienced forensic accountants,

lawyers, IT professionals, and office staff. We project the total cost for such a program to approach or exceed \$3 million, based on an analysis of the costs incurred when Illinois established a similar statewide gaming environment over the past decade.

The existing bills currently assume that these activities will be handled by the existing Pari-mutuel Commission staff, and the Senate bill appropriates



just \$150,000 to the new Commission, along with a \$150,000 loan from the Pari-mutuel account. This \$300,000 budget is an order of magnitude too low, putting the citizens of Wyoming at risk.

Taking into account the calculations above, as well as Pari-mutuel Commission Director Charlie Moore’s testimony before the Joint Appropriations Committee on January 10, 2019, it is clear to us that the Pari-mutuel Commission will not be able to staff the proposed Gaming Commission without bringing on dozens of new employees at an additional governmental cost of several million dollars per year.

Revenue Shortfalls are Likely, Leading to Tax Increases

Funding a \$3M annual budget solely on revenues will be a substantial challenge for this new agency. For instance, fees for slot machine decals are only \$50 per machine – even with 4,000 machines, this yields only \$200,000 per year in revenues. Vendor licenses are more expensive (\$5,000 first year, \$2,500 renewals) but there will only be a relatively small number of vendors supplying these machines. The bulk of the revenues would have to come from taxes on the profits that system owners/operators would earn, but the proposed bills have set the tax rates ludicrously low when compared with other states. The Wyoming proposals call for tax rates of less than 10%, while most jurisdictions charge between 30% and 50%. Even neighboring Montana charges 15%.

Illinois experienced substantial shortfalls from 2013-2017, when fees collected averaged as little as 17% of

WYOMING’S PROPOSED REGULATORY SCENARIO	OUR PROJECTIONS AND ANALYSIS
Tax rates of 4% - 10%	Far too low, other states charge 30-50% or more
Staffed By Existing Pari-Mutuel Commission Employees	Likely to require 30-50 new state government employees
Provides \$300,000 funding	Likely to cost \$3M+ per year
“Legalizes” bingo, pull-tabs, calcuttas, poker	Imposes new licensing requirements, annual fees, and taxes on charitable games
WHO WINS? SLOT MACHINE VENDORS	WHO LOSES? WYOMING CHARITIES & TAXPAYERS

the total costs incurred, leaving the state to make up the 80%+ difference from other sources. With a proposed tax rate of less than 1/3 of what Illinois charges, and plans to split tax revenues with local jurisdictions, Wyoming is likely to experience shortfalls at least as bad as those in Illinois, which would mean dipping into tax revenues at a time when the state can least afford it, or increasing taxes on citizens and businesses – all while ensuring maximum profits flow into the pockets of the slot machine vendors and operators.

Charitable Organizations will be Negatively Impacted

At the same time as they dramatically under-resource the

regulatory agency, and wildly under-tax the profits from the proposed thousands of video slot machines, these bills simultaneously over-regulate and over-tax benevolent community groups who host games such as bingo as part of their fundraising efforts to finance their charitable work.

SF0132 states that the Commission shall set a “fee to be charged on each bingo card and ticket and pull-tab game sold by a charitable or nonprofit organization.” Because this fee is delegated to the rulemaking phase and is not defined in this statute, unelected government bureaucrats will select a number without oversight or accountability to voters.

By reducing the amount of money



available to the charities who host the fundraisers, this transfer of funds from these charities to the government will hurt the communities in which these groups work, while continuing the troubling trend of consolidating power and wealth in the hands of the already powerful and wealthy government and corporations.

In addition, groups hosting bingo, pull-tabs, or calcuttas will be required to complete a burdensome and potentially costly licensing process that may include submitting fingerprints and undergoing criminal background checks, while also undertaking onerous new levels of accounting and recordkeeping in order to be responsive to state audits of fee payments, license compliance, and disbursement of charitable funds.

For organizations simply trying to help their communities, these new responsibilities and fees are likely to cause significant hardship – again while the slot machine vendors and operators reap the benefits.

Societal Impacts can also be Costly

While the data surrounding the link between gambling and crime or other societal ills can be

somewhat unclear at times, there are two unavoidable conclusions.

First, although no clear linkage can be drawn between large casinos and criminal activity, recent academic studies do clearly find that introducing decentralized gambling, such as video slot machines in bars and truck stops, increases crime in the immediate area surrounding those establishments by as much as 15%.

Second, while exact numbers vary, studies show that taxpayers in localities that introduce gambling can typically expect to spend around \$3 to address increased addiction, crime, and bankruptcy for every \$1 in revenue to the state.

References

¹ “[Illinois’ gaming] board estimated it would need a staff of 350 to do the job, according to internal agency reports” – Wyoming’s projected number of “gaming positions” is approximately 1/10 the number in Illinois, so we have divided by 10. This does not include individuals required to regulate bingo/pull-tabs/poker/Calcutta events, which we project to require another 15-20 total staffers. Illinois spent \$17M on regulations in 2017. Again applying the 1/10 multiplier, we expect Wyoming to spend \$1.7M to regulate slot machines alone. Another \$1M+ is anticipated to fund regulation of other gaming activities. (<https://chicago.suntimes.com/news/legalized-video-gambling-illinois-bad-bet-poker-slot-gaming-machines-propublica-wbez/>)

² Sources include state gaming agencies and the US Census Bureau. (<https://chicago.suntimes.com/news/legalized-video-gambling-illinois-bad-bet-poker-slot-gaming-machines-propublica-wbez/>)

³ Ibid.

⁴ August 2017 University of Illinois study “Can’t Stop the One-Armed Bandits: The Effects of Access to Gambling on Crime” (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3020332)

⁵ Data from National Gambling Impact Study Commission and other academic studies, as reported in https://www.nwintimes.com/business/gambling/illinois-flush-with-video-gaming-but-problems-arising/article_c91643cf-1885-512a-9e6a-fce26eb625f3.html

Conclusions

The gambling bills currently proposed in the Wyoming legislature (HB0284 and SF0132) are bad bills. They promote the expansion of the number of government employees and the state’s annual budget, and promise to line the pockets of video slot machine vendors with laughably low tax rates on gambling revenues, while imposing new fees and taxes on charities and local groups who rely on the social aspects of games like bingo to raise funds for community services.

Sold on the promise of increasing state revenues, in fact the expansion of gambling to every corner of Wyoming will lead to increased costs and government overreach, while enriching video slot machine vendors over Wyoming’s citizens and charities.

These bills are bad for Wyoming.