

Casino Gambling: Is it A Good Bet for Florida's Future?

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Abstract

The question of whether casino gambling should be legalized in Florida is arguably the most critical debate the state has experienced in its 150 year history. Because it would substantially change the nature and image of Florida, this decision could have long-term affect on the economic and social well-being of Floridians.-This study finds that, although there is generally an absence of empirical data regarding the impact large-scale gambling operations would have on Florida, there is sufficient evidence that casinos would cause more crime, worsen the problem of gambling addiction, and hurt (not help) Florida's economy. The evidence available suggest that, at least at present, casino gambling is a very bad bet for Florida's future.

Introduction

The question of whether casino gambling will be allowed in Florida has been answered (in the negative) by Florida voters three times since 1978. The question will be asked again--possibly in November of this year--and the answer will have lasting impact on Florida's future. This study seeks to identify, collect and analyze criminal justice, social, and economic data related to this crucial question. Casino Gambling--Is it a good bet for Florida's future?

In a statewide referendum in November of 1994, the voters of Florida soundly defeated (by a vote of 62% to 38%) a proposition which would have amended the State Constitution to allow legalized, casino-style gambling at 47 sites throughout Florida. The voting ended a year long and well financed campaign by the pro-casino lobby--one in which they spent over \$16 million compared to the estimated \$1.5 million spent by the statewide anti-gambling organization, NoCasinos in Florida Inc. This defeat was the third such defeat for casino interest in the last 15 years. Voters also soundly rejected casino gambling in both 1978 and 1986. The organized opposition of the local and state law enforcement community is generally thought to have been a major factor in the defeat of these propositions.

Due to a decision by the Florida Supreme Court that petition drives are considered valid for three years, it is possible that another proposal will be placed on the statewide ballot in November, 1996. Although Ballys Inc. (the primary force behind the Florida gambling movement) has announced (Associated Press, February 21, 1996) that they were "leaning toward abandoning their push" for a Florida gambling amendment, the *Florida Locally Approved Gaming Proposition* is likely to be pursued either this year or in the near future. This proposition, which already has the required number of signatures to be placed on the ballot, would allow local county governing boards to authorize casino gambling in counties over 200,000 (up to 20 casinos statewide).

As is the case nationally, the continuing casino gambling debate in Florida includes gambling potential impact on Florida's business community, revenue sources, social services structure and criminal justice system. This study presents the latest data concerning the impact of casino gambling in other jurisdictions related to three fundamental issues: the impact on crime; the economic benefit and cost factors; and social concerns caused by gambling addiction. Does casino gambling offer Florida

economic prosperity for the future--a source of revenue that's better than taxes, as proponents argue? Or, as casino opponents argue, do the costs of casino gambling far outweigh the economic gains promised?

This issue is vitally important to current and future criminal justice leaders in Florida. Clearly, should Florida allow the expansion of gambling, any increase in street, economic and organized crime would directly affect law enforcement. But, at least indirectly, the other economic and social factors also affect public safety. Economic stability--both within the community and individual citizens--is of great concern to criminal justice leaders. Likewise, the socially dysfunctional behavior brought about by gambling addiction certainly impacts the role of the criminal justice in maintaining the highest level of quality of life. To arrive at appropriate conclusions regarding these factors, the following questions will be answered by this study:

- 1. To what extent have jurisdictions which have allowed legalized casino gambling experienced increased crime--including street crime, white collar crime and organized crime?*
- 2. What problems associated with problem and pathological gambling are being experienced in those jurisdictions which have allowed expanded gambling enterprises? In light of the coming boom in youth population, are there special concerns regarding teenage gambling addiction?*
- 3. If casino gambling brings economic benefits, what is the overall cost of gambling versus the benefits to communities which have embraced gambling?*
- 4. Does the strong opposition to legalized gambling by most law enforcement officials in Florida remain valid?*

Twenty years ago, gambling was legal only in Nevada and New Jersey. Today only the states of Utah and Hawaii have no form of legalized gambling. Since 1988, when Congress opened the way for Indian reservations to set up full-scale gambling, the casino industry has expanded significantly. So far 24 states have legalized casinos, while 37 have state-run lotteries, lured by the prospect of easy revenue in tough economic times. Overall, people wagered \$482 billion in 1994 on all forms of gambling--about 85% of which took place in casinos, most of which have been built since 1988 (U.S. News and World Report, 1996) Americans spent more on casinos than was spent on movie tickets, theater, operas and concerts combined. This year, it is estimated that the amount wagered will surpass \$500 billion and spent more money on gambling than groceries--a 3,000 percent increase since 1976. There are now more than one million people employed in casinos across the country and the industry, in 1994, provided cash-strapped local and state governments over \$1.4 billion in casino taxes. Over 125 million people visited a casino in 1994. Profits to casino operators in 1994 exceeded \$40 billion (North American Gaming Report, July, 1995). Clearly, casinos are extreme profit producers. According to a recent study by the Chicago Sun-Times, a group of eleven individuals in Joliet, Illinois originally invested a total of \$11.8 million in a riverboat casino. That investment returned a total of \$178 million to these investors within two years.

However, the phenomenal growth of the casino gambling industry has slowed significantly. The industry has lost gambling-approval initiatives across the country and has been unable to add to the 10 states which have approved gambling non-Indian

gambling initiatives since 1988. Since 1994 proposals to expand gambling have failed in Florida, Connecticut, Washington State, Maryland, California, New York and Pennsylvania. In New Orleans, construction on the Harrah Jazz Co. casino, which was supposed to be the world's largest and employ 25,000 people, was stopped at half-completion. Experts believe that this period of slowdown can be attributed to better economic conditions in the United States (which have eased the burden on politicians to raise revenues through this alternative method) and a backlash by citizens and organizations who are growing more concerns about the negative impact of gambling in their communities. According to Phillip Satre, President and Chief Executive Officer of Harrah's Entertainment Inc. was quoted in a recent (November 29, 1995) Wall Street Journal article saying, "strong economic conditions perhaps don't create as much of a need to legalize casino entertainment". Concern about the expansion of gambling has also led to the passage by Congress of a bill which would establish a temporary National Gambling Impact and Policy Commission. This Commission would conduct national studies related to the impact of gambling on states and communities. This study Commission could fill the void of reliable information concerning the social and economic impact of gambling.

In spite of the setbacks at the ballot box, most industry observers believe that Florida is a key state for casino expansion. It appears that all the ingredients are here--an excellent pool of customers (residents and visitors), revenue concerns at the local and state level, and significant gambling operations already in place--such as the state lottery, pari-mutuels, and Indian gaming (although they are currently limited to low-stakes games). A significant investment has been made in Florida by gambling interests (over \$16 million in 1994's failed attempt). In spite of indications that Bally Inc. will not pursue a casino amendment this year, NoCasinos Inc. has not disbanded and has vowed to continue to fight the expansion of gambling. It is likely that the *Florida Locally Approved Gaming Proposition* will be pursued in the near future (if not this year). This proposition, which already has the required number of signatures to be placed on the ballot, would allow local county governing boards to authorize casino gambling in counties over 200,000 (up to 20 casinos statewide).

An amendment to the Constitution is one way casino-style gambling would be allowed in Florida. The other is by Legislative approval. Certainly, an initiative to gain Legislative approval of expanded gambling is quite possible--especially since it is anticipated that the amount of money which would be required for an effective legislative lobbying effort would be far less than the over \$16 million spent last year.

Review of the Literature

Gambling has long been associated with moral lassitude, crime, and civic disorder (Kennedy, 1967). Dunlap and Laxalt (1981) warn that crimes ranging from family violence to robbery may increase in jurisdictions that legalize casino gambling. They state that several conditions associated with casino gambling are also associated with increased rates of crime. Casinos have many low paid and season employees and this results in an instability both in the work force and within the community. The easy access and heightened consumption of liquor lowers inhibitions and can lead to crimes of impulse. The large sums of cash carried by tourist who gamble make them and their hotel rooms inviting targets of robbery and burglary (Dunlap & Laxalt, 1981).

More recent studies have focused on the crime problems experienced by communities which have welcomed casino gambling since 1988. While Uniform Crime Reports (as collected by the Federal Bureau of Investigation) and locally maintained crime statistics are readily available, there are problems with inconsistent reporting procedures, definitions, and timeframes. Additionally, levels of crime reporting vary greatly, with under-reporting a major problem in most regions of the nation. The most common concern voiced regarding the comparison of crime data with the introduction of casinos is the fact that traditional crime reporting and statistical techniques calculate crime rates on resident population and not the total population (including tourists and other visitors) of that jurisdiction. Responding to a report by the Florida Department of Law Enforcement (1994) which cited the significant growth in the crime rate in Atlantic City, New Jersey after the introduction of casinos, Chiricos (1994) performed an analysis on the same crime data in which transient population was factored into reported crime. His conclusion was that the adjusted crime rate growth of Atlantic City was not disproportionate to other cities its size across the United States.

Florida voters (and Legislators) deserve to be privy to reliable and relevant data concerning the impact that casinos could have on Florida and its future.

Methods

This study focuses on the experience of communities in eight states which have allowed non-tribal casino-style gambling--either land-based or riverboats since 1989. These states are: Colorado; Illinois; Indiana; Iowa; Louisiana; Mississippi; Missouri; and South Dakota. Local law enforcement officials in these states have been surveyed to ascertain their views in an array of casino-related issues. These issues include observed increases in calls for service; new resources funded by casino-generated revenue; estimates on number s of daily visitors in their community; standard UCR data reported; and non-UCR data such as DUI incidents, domestic violence, and vagrancy. The officials own experiences relative to the relationship of casinos to police corruption, stress, and leadership issues were also sought. The two other major gambling states--Nevada and New Jersey are also examined utilizing UCR data collected by the FBI. This study also compiles data from a review of the latest and increasing volume of research related to the impact of the recent expansion of gambling in the United States. The methodology also included interviews and telephone contacts with various representatives of federal, state and local agencies from these jurisdictions. Information was also extracted from existing reports and articles which have empirically studied the effects of gambling on selected communities. One relevant meeting was also attended-

-a national meeting of the National Coalition Against Legalized Gambling in Orlando, Florida (January in October, 1995. Interviews were also conducted with a former FBI Special Agent with expertise in casino gambling investigations and a former member of a Chicago organized crime enterprise who is now a participant in Federal Witness Protection Program living in an unknown western state.

Results

The following reported crime data was received from local law enforcement agencies serving communities which have allowed casino gambling since 1988.

During the first three years of casino gambling Atlantic City went from 50th in the nation in per capita crime to first. As presented in Table One, from 1977 to 1990, the crime rate in that city rose by 230%. This growth in the crime rate was more than 25 times growth rate of 9% reported from the remainder of the State of New Jersey. During this period the City has increased its police department's budget by 300%. During this same period, Florida's crime rate increased a total of 30.2%.

Crime Category	Atlantic City	New Jersey	Miami	Tampa	Florida	Nationally
Rape	156%	50%	62.3%	45.4%	32.4%	62%
Robbery	159%	76%	228%	163.6%	123.3%	55%
Aggravated Assault	316%	77%	156.9%	185.5%	61.6%	97%
Larceny	451%	8%	76.2%	9.5%	19.5%	35%
All Index Crime	230%	9%	96.6%	43.0%	30.2%	15.1%

Table One. Percentage increases for selected crimes for Atlantic City, NJ and for Selected Crime Rate Increases by Percentage Atlantic City, New Jersey 1977 to 1994. Data from the Federal Bureau of Investigation, Uniform Crime Reports, 1977 - 1994.

In Mississippi, the inception of casino style gambling in Gulfport has resulted in an increase in criminal activity. Comparing the first six months of 1993 to the same period this year overall crime has increased over 100%. According to the City's Chief of Police the number of armed robberies were up 218%; vehicle theft up 166%; assaults up 66%; rapes up 300%; and burglaries up 200%. Bank robberies have skyrocketed with one suspect allegedly involved in 26 robberies. The Louisiana man who confessed to robbing about \$300,000 from 26 banks from Louisiana to Florida spent a "great deal" of the cash on gambling, according to FBI agents (*Sun Herald*, 7/8/94). The Gulfport Police reported that traffic accidents, including those causing injuries, have increased in Gulfport since gaming came to the Coast in 1992.

Crimes from illegal parking to robberies have increased since the opening of casinos in Biloxi, noted the acting assistant police chief. There have been more property crimes, forgery, thefts, prostitution, and bank robberies. FBI statistics from the Mississippi counties of Harrison, Hancock and Jackson show eleven bank robberies in 1993, compared to only four in 1992 and two in 1991. Credit card fraud is more prevalent, and use of stolen or fake credit cards at casino cash machines led to eight

arrests in Bay St. Louis and Biloxi in the spring of 1993 (Clarion Ledger, August 2, 1993).

Casinos are attracting a new scam, where counterfeit credit cards are used for cash advances. This type of crime is conducive to places where there is a lot of money flowing. Federal authorities believe the counterfeit cards are coming from an organized ring in Los Angeles. Counterfeiters began hitting Mississippi casinos when they opened two years ago (Sun Herald, August 7, 1994).

Crime has increased by about 50 percent on the Mississippi Coast since the beginning of 1993, according to the Mississippi Coast Crime Commission. The crimes reported most often are assaults, burglary and larceny-theft. In addition, crime is reported as increasing at a faster and faster pace, and crime has increased faster than the population. (Sun Herald, September 3, 1994).

In Colorado's Central City police have reported "skyrocketing incidents" of disorderly conduct, fights and DUIs. The police department has received more calls for service in a three month period than in the whole year prior to the existence of gambling. The police force grew from two to ten, and calls for assistance increased 423% from 1991 to 1992. In Black Hawk, Colorado, DUI offenses increased from four per year to one per *week*, and two attempts at organized prostitution rings were identified. The emergency services departments (fire, ambulances and police) received approximately 40 calls for service per month prior to casino legalization in 1991; they now receive approximately 45 calls per *day*. The police department grew from 3 officers to 14 (plus 6 dispatchers), and parking, traffic and code enforcement personnel are expected to be added.

In Nevada, the town of Laughlin's police department reported that calls for service continued to increase yearly as the numbers of casinos increased. In 1991 there were 1,904 calls for police service directly attributable to the casinos--a 55 percent increase since 1988.

Deadwood, South Dakota reported cases handled by the police department prior to gambling at 1,259; two years later the number had increased 162 percent to 3,295 cases. Serious crimes (including theft, assaults, and DUI) increased 93 percent since 1989; less serious offenses (traffic violations and bad checks under \$500) have increased 40 percent. It has been necessary to increase the police force from five to ten and add an ordinance control officer. The Chief Deputy Sheriff stated that the six resident gaming agents "can't keep up." Although five additional deputy positions were requested to handle increased law enforcement activity, only one deputy and one secretary were funded.

There is significant evidence of organized crime's participation in Casinos gambling in the formative years of Las Vegas. To a lesser extent, there is general agreement that Atlantic City, in the late 1970's and 80's also was subjected to extensive organized crime. This study has also collected ample evidence of traditional and non-traditional organized crime involvement in casinos and ancillary service enterprises.

Three Chicago mobsters, along with leaders of Milwaukee and Kansas City mob families, were convicted for skimming money from Las Vegas casinos. Two other Chicago men were indicted in 1990 by federal authorities for money laundering in a commercial bingo parlor in Maryland--the FBI revealed the Chicago bosses had muscled into the cash-rich bingo operations to launder \$1 million from illegal gambling,

loan sharking, robbery, and stolen property. The indictment charged four other associates with using revenue from Florida gambling to fund the operation and launder the money. All defendants were charged with hiring arsonists to burn rival bingo halls.

Two major skimming scandals involving a Las Vegas casino and hotel occurred in 1976 and 1983. And, in 1979, "hidden" casino owners were convicted of skimming. At yet another casino, organized crime figures systematically skimmed proceeds in the late 1970's.

In 1981, 30 murders were linked to mob efforts to control Atlantic City. Checks of casino records in 1983 showed that 25 organized crime figures obtained \$1.2 million in credit from NJ casinos.

In Florida, investigations into video poker machines have found criminal violations and links to organized crime figures in West Virginia, Pennsylvania, New Jersey, and New York. A 1992 report by the Pennsylvania Crime Commission detailed widespread abuse of existing laws and the infiltration of racketeering and organized crime figures into charitable bingo operations. Multi-state networks of illegal bingo racketeering reaching Florida, Maryland, and Ohio were uncovered.

In June 1994, three unscrupulous Florida bingo-hall operators with alleged organized crime connections were indicted for racketeering, grand theft, and shortchanging charities. Investigation revealed that only approximately \$2,500 of the \$250,000 which passed through the organization monthly went to the charities. The amount skimmed amounts to *millions* of dollars.

In Louisiana, the FBI and Louisiana State Police, in late 1994, arrested 17 people who allegedly used a video poker machine company to skim profits for the Marcella, Genovese and Gambino crime families. The FBI agent in charge believed that this was a clear sign that organized crime will attempt to infiltrate legal gaming in the United States. The arrests were made in Louisiana, New York and Florida after a 2 1/2 year investigation.

A gun battle outside a Mississippi Gulf Coast casino in 1993 turned out to have a link to a high-profile federal investigation of organized crime and the video poker industry in Louisiana. Prosecutors called the incident an organized crime "territorial battle."

A Minnesota company with major casino interests in Mississippi, Louisiana and Michigan has links to an associate of one of New York's major Mafia families. In July of 1994, a combined federal and Minnesota gambling task force raided International Gaming Management's home offices, using a search warrant alleging racketeering, money laundering, tax evasion, securities fraud, mail and wire fraud, and other violations. The searches appear related to a June 1994 Louisiana case that attracted national attention, in which alleged members of the Genovese and Gambino Mafia families of New York and the Marcella family of New Orleans were indicted in a case that alleges skimming from video gambling businesses.

U.S. News and World Report in August 1993 reported that the founder of Gaming Corporation of America, a successful casino management firm, has links to one of the major crime families of New York. It was reported by the Sun Herald in July 1994 that Gaming Corporation of America was denied a license by the Wisconsin Winnebago Indian Nation to continue managing a casino in Wisconsin. GCA is the parent company of the future Castle Beach Casino on Biloxi's Casino Row, and a partner of Grand

Casinos in a large venture in Tunica County, Mississippi. The findings include allegations that the company tried to buy confidential regulatory information, continued to associate with a former GCA chief executive with organized crime ties despite a warning not to, and tried to bribe tribal officers.

In the U.S. News article, it was reported that a witness testified before the Senate Select Committee on Indian Affairs that he helped the mob set up and run a high-stakes bingo hall on an Indian reservation, and that 12 other Indian bingo halls were also controlled by the mob.

Indian reservation gaming is not immune to organized crime. In 1985, an Indian gaming official in San Diego pled guilty to grand theft for hiring "shills" to win large cash prizes that were deposited into the company's bank account which he controlled. This official claimed that start-up money came from a Southern California crime family who sought to influence the hall operations.

Another suit by the tribal council in 1986 against the company charged it kept a double set of financial records, failed to prepare monthly operating statements, under-capitalized the games, and did not pay its fair share of operating expenses. Operators of another management firm formerly involved in Indian casino management were directly linked to a New York based crime family--and one of the firm's principals was convicted in Florida in 1987 for federal tax evasion.

A growing problem in California is the infiltration of Asian criminal groups into card clubs. California has over 300 card clubs subject to little regulation, and these have reportedly been exploited by Asian criminal organizations. The Los Angeles Sheriff's Department documented 26 follow-home robberies of cardroom patrons in a four month period in 1992. Two of these robberies resulted in homicides, and a third in attempted murder. It was reported that Asian gang members have been involved in these type of robberies.

During the past 18 months, there have been seven armed robberies of casinos in Las Vegas--the most recent three involved youth gangs from Los Angeles. Robberies of casinos have previously been extremely rare, but this disturbing new trend is especially frightening for casino patrons.

Casino gambling related Public corruption of local and state officials has occurred in a number of areas.

Mr. Nat Helms (who previously worked as point man for the \$12 million campaign for the approval of casinos in Missouri) has discussed numerous payoffs to state and local officials (including a local ministerial association), fraudulent signatures on petitions, media "smearing" of anti-gambling activists, and other corrupt acts in which he was previously involved. Mr. Helms described the media campaign which promised more money for education; more jobs; more public safety resources; and better economics for Missouri as a "colossal hoax" on the public.

Public corruption fueled by the gambling industry has been well documented in the State of Louisiana with numerous problems of elected official misconduct and corruption among several levels of appointed and career-level officials charged with regulation of the gambling industry. Large-scale corruption of local and state elected officials, the Governor, and the State Gaming Control Board have been front-page news in Louisiana for the past two years and has led to the a number of vacancies in that State's Legislature--including one former Senator who is a key figure in the FBI's

investigation into legislative influence wielded by the gambling industry. The Louisiana story appears to depict what can happen if a revenue-strapped state jumps on the "gambling bandwagon" without thoughtful consideration of the many negative potentials.

The relationship between casinos and government officials in Mississippi is worth examination. Before it was prohibited, the Mississippi Gaming Commission was severely impacted by casinos hiring Commission employees along with privileged information they obtained while employees of the government. In addition, two Biloxi councilmen violated a state ethics law by doing business with a casino that leases land from the city, according to the Mississippi Ethics Commission (Sun Herald, October, 1992).

The chairman of the legislative committee that wrote Mississippi's dockside gambling law went to work full-time at Biloxi's Gold Coast Casino in April 1993.

The Mississippi Gaming Commission has had three executive directors in less than three years, all of whom have access to enormous amounts of private information about the people and companies applying for gambling licenses (Sun Herald, May 6, 1993). Five state gaming officials have left for a better-paid casino related job in the past year (Clarion Ledger, June 26, 1993).

The issue of gambling addiction has been the subject of increasing research. Recently-concluded research on the emerging problem of youthful gambling addiction to gambling. His studies have shown that up to 7.4% of youth in Massachusetts are pathological gamblers and up to 14.2% are "problem gamblers". Dr. Shaffer presents grim findings concerning the physical, social and psychological impact of gambling on a growing segment of young people. He is greatly concerned about the future hi-tech advances in gambling--notably video poker machines (which he calls the crack cocaine of gambling) and Internet gambling. There is, according to his work, a significant linkage between the "something for nothing" mentality and indicators of future criminal activity by youth.

The number of homeless people in Harrison County, Mississippi has more than quadrupled in the past five years, jumping from 500 to 2,500. People began relocating to find jobs in the casinos, but failed, ending up homeless.

Gamblers Anonymous groups for compulsive gamblers meet four days a week on the Mississippi Coast; another GA meeting may be added soon. No groups met there before the casinos opened. Experts on compulsive gambling say politicians are virtually ignoring the hidden costs of casinos instead of preparing for them (Sun Herald, July 10, 1994).

Cases have been documented where casinos open up with huge profits, and casino developers then sell stock on such casinos to the public, followed by massive issuance of junk bonds. Contractors and bond interest are not paid, and the casino moves toward bankruptcy, leaving behind large financial losses.

A September 19, 1994 article in the Clarion Ledger reported that Belle Casinos Inc. was the first Mississippi gaming company to file for bankruptcy court protection, but it won't be the last. An analyst for Credit Research and Trading noted that others will certainly follow. Belle, which is the parent company of Biloxi Belle Casino on the Gulf Coast and the closed Southern Belle in Tunica County, has debts of \$10 million owed for construction and \$7 million owed to a slot-machine maker. However, *the biggest losers may be the bond owning public*, who less than a year ago helped finance the

projects. Belle's long term debt is slightly less than \$100 million--about \$75 million of that was financed through high-yield, high risk junk bonds bought by investors. Some of these junk bonds are now worth 20 cents on the dollar.

A 1993 article in Barron's reported that Casino Magic Corporation's current assets as of June 30, 1993 totaled \$19.9 million, including \$12.3 million in cash. However, *current liabilities on the same date totaled \$54 million*. The article noted that there was a \$34 million hole where working capital was supposed to be.

The Times Picayune of New Orleans reported in August 1994 that another Mississippi casino company - Treasure Bay Gaming & Resorts - is in financial trouble, an indication of the state's increasingly saturated gambling market. Treasure Bay will fail to make payments on more than \$140 million in debt unless business improves or its debt is restructured. Like two other troubled Gulf Coast casinos - the Biloxi Belle and the Palace Casino - it's grappling with construction cost overruns. According to the article, Treasure Bay, like many Mississippi and Louisiana riverboat companies, piled on junk bond debt: \$115 million at an interest rate of 12.25 percent. The bonds were worth 45 cents on the dollar recently. Treasure Bay is also burdened with \$1 million per month principal payments on \$33 million of short-term debt.

The Sun Herald reported in July 1994 that allegations of bill dodging by casinos have prompted state gaming commissioners to consider creating a casino auditing board. According to the Mississippi Gaming Commissioner, this has already been a problem in Las Vegas, and is becoming a big problem in Mississippi. Contractors and suppliers are not being paid for work done for the casinos, and are understandably upset, especially the small contractors. Construction liens totaling about \$3 million have been filed against the Bayou Caddy's Jubilee Casino in Hancock County, Mississippi.

The Palace Casino was hit with a \$40 million-plus lawsuit by a disgruntled Gulfport contractor owed \$10.8 million. This same casino was facing angry employees who are upset that the company will make them pay a much heftier portion of their medical insurance premiums than in the past. Vendors are also not being paid for services and supplies. The little guy is being hurt in a big-money war -- for example, an electrician who performed work worth \$110,000 for the casino was not paid, couldn't pay his workers, and wound up with his truck repossessed and his bank account seized (Sun Herald, August 26, 1994).

The Palace Casino, Treasure Bay Casino, and Casino Resource Corporation, which owns the defunct Biloxi Star Theater, and Spectrum Gaming have all built up large liens filed in the Harrison County, Mississippi Clerk's Office (Sun Herald, August 30, 1994).

A complaint was filed in U.S. District Court in Pensacola, in which some stockholders allege that casino corporation officials used their offices to divert corporate funds to themselves and their associates.

Casino gambling has had a significant impact on the infrastructure of local communities and businesses. Two years ago, the small town of Fort Madison, Iowa borrowed \$2.6 million to build a dock, a pavilion and a pedestrian way to bring riverboats to town. But 14 months after arriving, the riverboat steamed down to Mississippi. The town was not paid for \$661,000 in loans for storm sewer improvements at dock developments and the boat's departure left many people

stranded who gave up good-paying jobs to work for the riverboats (Sun Herald, June 4, 1992).

Other small towns like Deadwood, South Dakota have discovered that the influx of slot machines has driven up property values to the point where only casinos can survive along Main Street (Clarion Ledger, May 9, 1993).

In March 1992, bars and restaurants were the most vocal supporters of dockside gaming, donating thousands of dollars to the campaign for legalized gambling. Dockside was going to be the Gulf Coast's savior--businessmen dreamed of packing in customers, having demand exceeding supply, and raking in money. However, businessmen are now wondering where the boom is. Many bars, liquor stores and restaurants are feeling the pinch as customers shun them and patronize casinos, where food and drink is free or cut rate (Sun Herald, October 25, 1992).

The stench from sewer manholes is overpowering because every casino open in Biloxi violated sewage discharge laws, according to the Harrison County, Mississippi Wastewater District. The Biloxi system is near the breaking point unless improvements are quickly made. (Sun Herald, April 19, 1994).

Necessary road widening due to heavy traffic into casinos is far behind schedule near Tunica, Mississippi. The growing traffic on crowded two-lane highways is raising the threat of death and injury to thousands of gamblers and riverboat workers traveling 24 hours a day to the casinos (Sun Herald, March 23, 1994).

Casinos are sold on the basis of jobs they create. However, these jobs are rather unstable. According to an FBI agent in Mississippi, a large portion of casino dealers are gamblers themselves and regularly leave their casinos when their shifts finish to go to other casinos and gamble away their earnings.

Discussion

The well-documented explosion of crime which has been experienced in the gambling city of Atlantic City, New Jersey is most interesting and extremely telling. During the first three years of casino gambling Atlantic City went from 50th in the nation in per capita crime to first. Overall, from 1977 to 1990, the crime rate in that city rose by an incredible 230%. This excessive rate of crime was more than 25 times the single digit growth rate of 9% reported from the remainder of the State of New Jersey and has required the City to increase its police department's budget by 300%. Florida's crime rate increased a total of 30.2% during this same period.

Clearly, casinos will severely strain local and state criminal justice resources at a time when those resources are already greatly stressed. For many years, the ratio of law enforcement officers to population has remained static--currently 2.1 officers per 1,000 residents. This ratio has been maintained in spite of the rapid growth in crime. Because of this situation, law enforcement leadership should be greatly concerned about contending with the inevitable growth in crime casinos would bring. While the individual level of impact on different communities may vary, the overall effect would be negative. The multitude of serious crime problems which would arrive along with casinos far outweigh any of the highly-questionable economic benefits.

Although this state's increase in crime would be calculated in "inanimate" statistics, they will represent very real *human victims*. Every additional victim resulting from the illegal byproducts of gambling will be added to the already intolerable total of

over 1.1 million annual victims of crime in Florida. The State of Florida and local communities have invested significant resources and efforts to reduce crime. Now is *not* the time to do anything--such as casino gambling--which would, in effect, *invite* additional crime problems and send a very poor message to Florida's youth.

Based upon the experiences of other states and jurisdictions, casino gambling has the potential to greatly affect Florida's communities by dramatically increasing criminal activity and severely straining the operation of state and local criminal justice and other agencies. While the level of impact would vary (based on such factors as fluctuations in population; economic status; ability of the police force to cope with problems; specific regulations implemented; safeguards against organized crime; and funding for necessary law enforcement and social services), the overall effect could be extremely negative. Increased costs for law enforcement and other related governmental agencies would be a reality that taxpayers would be required to incur.

Florida, like most areas which have experienced gambling, could experience a serious "image" problem associated with gambling and the increased criminal activity which would accompany it. This, like recent violent crime problems, could severely threaten the State's \$31 billion tourist industry.

Gambling and juveniles are a major issue to consider, given Florida's escalating juvenile crime problem. Juveniles are not immune to gambling--in 1991 New Jersey casino security ejected 21,838 persons under the age of 21 from casinos, and prevented another 196,707 from entering. At a time when Florida is expending much effort and resources on positive education and nurturing of our youth, the large scale influence of gambling and its negative byproducts could prove extremely counterproductive in dealing with juveniles.

Additionally, although Atlantic City has increased the officer to resident ratio since the inception of casinos, the crime rate has more than tripled. The crime-related budget (police, courts and jails) for Atlantic County, New Jersey has grown five times faster than the New Jersey county average.

Although it is difficult to determine to what extent, organized crime would significantly profit from casinos in Florida. History and the experiences of other jurisdictions are clear messages that both traditional and nontraditional organized crime would infiltrate casinos--even with strong regulation and enforcement. Florida is already the home and operating base of many organized criminal groups.

As in other states, it is anticipated that traditional and nontraditional organized criminal groups would take advantage of the large cash flow through casinos to engage in money laundering, racketeering and influence peddling. Other illegal activities such as rigging construction bids, kickbacks to owners and corruption among personnel who service the electronic gambling devices are also possible.

In addition to involvement in the management and investment areas of casino gambling, vending businesses have historically been a target for organized crime by influencing casino ownership, investment, management, and finances. Casino management can be placed in a compromising position by organized crime through the control of supplies of food, beverages, hotels, waste, vending machines, linen, construction and maintenance.

Authorities have testified before the President's Commission on Organized Crime that there have been several phases of organized crime attempts at controlling the

casino industry in New Jersey through labor union and service industry contracts. The FBI noted that La Cosa Nostra (LCN) influence extends to the construction of casinos, hotel service businesses, junket operations, restaurant employees, dealers, maids, and other ancillary services.

The relatively low *reported* crime rate in Las Vegas, Nevada has been cited by some as *evidence* that there is little correlation between casinos and criminal activity. While it is true that the overall reported crime rate for Las Vegas is lower than many areas in Florida (see Table Three), there are several factors which should be considered regarding this issue. In a comparison of Las Vegas and Florida cities which are subject to casinos there are substantial differences in crime reporting activities; community standards and laws; geography; and demographics which should not be overlooked. There are also unique crime and other problems which are experienced in Las Vegas and Nevada which have been attributed to casino gambling.

Atlantic City, New Jersey *	33,840.2
Las Vegas, Nevada *	7,352.8
Miami, Florida **	18,158.3
Tampa, Florida **	16,365.1
Orlando, Florida **	12,027.1
Jacksonville, Florida **	10,655.7

Table Two. Crime rates for selected cities shown as offenses per 100,000 residents. *data from the Federal Bureau of Investigation annual reports "Crime in the United States", 1991 and 1992. **data from the Florida Department of Law Enforcement annual reports "Crime in Florida", 1991 and 1992.

First, it is important to distinguish between actual and *reported* crime. It appears that not all crime in Las Vegas is reported to the national Uniform Crime Reports program. When asked about the relative low crime rate in Las Vegas, a Police Department official provided the following historical anecdote:

Each casino in Las Vegas has its own security force, and most crimes (especially non-serious property crimes) in the casinos and related hotels are reported to internal security. In years past, the Las Vegas Police Department published a summary of crime reported to the police, plus crimes reported to each of the casinos. This created problems for individual casinos, because some did not compare favorable in terms of reported crime. As a result, the Police Department discontinued the summary report; the casinos now handle as much reported crime in-house as possible and so many crimes are *never* reported to the police. This includes burglary and larceny/theft, both of which are included in index crime. Because the index crime rate is a measure of *reported* crime, those crimes that are reported to casino security but not reported to the police are not included in the crime rate figure. Las Vegas may, in fact, have a very high crime rate, but a very low rate of *reporting*. Without complete information, the crime rate figure published by the Police Department (and therefore to the FBI) is misleading.

Even if Las Vegas' actual crime rate is lower than Florida cities, there are also differences in the and standards and laws of that community and those of Florida. Florida has long been considered a tough, "law and order" state which is generally very

conservative in terms of crime and punishment. Florida has some of the nations stronger anti-crime laws in the area of illicit drugs, prostitution, and illegal gambling. The laws and standards of Nevada are obviously less stringent than many of the areas of Florida in which casinos could be built.

Las Vegas' major industry has always been gambling. The initial development of gambling operations occurred at a time in history in which crime was not the concern it is today. That "head start" was following by extensive (and costly) regulation of this industry. It is this extensive regulation which has partially controlled organized crime problems. Throwing the "casino equation" into a very populous and complex state like Florida would be much different than what occurred in Las Vegas.

Visitors to Las Vegas casinos are generally more affluent, seeking the "Hollywood style" entertainment opportunities which can be found there. Many of the tourists to Vegas travel to that destination by air; lodge in expensive hotels; and have disposable income to spend on gambling. This is not the case in Atlantic City, Gulfport, and other areas in which casinos are present. Florida's geography and demographics are much closer to Gulfport and Atlantic City than Las Vegas. For example, the ease to which visitors can drive or "bus" into the 47 casinos sites in Florida pose a much more complex problem in terms of crime potential.

While Las Vegas' and Nevada's overall crime rate *may* be lower than some cities in Florida, there are serious crime and other problems which should not be overlooked. According to Robert R. Fuesel, Executive Director of the Chicago Crime Commission, these include:

- Nevada has the highest incarceration rate in the nation.
- Nevada nationally ranks third in forcible rapes; sixth in robbery; and fourth in burglary.
- Nevada has a substantial teenage gambling addiction problems and high suicide rates
- Nevada has excessive bankruptcy rates (one in 66 households file bankruptcy).

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