

# Annual Report on Percentage of Gambling Revenues that Come From Problem Gamblers

Alcohol and Drug Abuse Division  
Problem Gambling Section

February 2015



Minnesota Department of **Human Services**

## Legislative Report

**For more information contact:**

Minnesota Department of Human Services  
Alcohol and Drug Abuse Division  
P.O. Box 64977  
St. Paul, MN 55164-0977  
(651) 431-2460

This information is available in accessible formats to  
individuals with disabilities  
by calling (651) 431-2460

Or by using your preferred relay service.

For other information on disability rights and protections,  
contact the agency's ADA coordinator.

Minnesota Statutes, Chapter 3.197, requires the disclosure of the cost to prepare this report. The estimated cost of preparing this report is \$5,000.

*Printed with a minimum of 10 percent post-consumer material. Please recycle.*

**Table of Contents**

I. Executive Summary .....4  
II. Legislation.....6  
III. Introduction.....7  
IV. Prevalance of Problem Gambling .....8  
V. Literature Review.....9  
VI. Gambling Revenue.....11  
VII. Conclusions Based on Available Information .....12  
VIII. Recommendations .....13

## **I. Executive Summary**

This report provides information about Minnesota's various gambling revenues and attempts to identify the percentage of revenue that comes from individuals who experience problem gambling. Gambling revenue in the state is reported by the Minnesota State Lottery, Gambling Control Board and State Racing Commission. However, the proportion of gambling revenue in the state that comes from problem gamblers is neither reported nor collected. To satisfy the requirements of this report, studies from other jurisdictions were reviewed, and findings from those studies were extrapolated to Minnesota's gambling revenues to estimate the prevalence of problem gambling in the state and the amount of gambling revenues that come from problem gambling.

### **Problem Gambling**

- Problem gamblers may or may not meet the diagnostic criteria for gambling disorder. Some individuals display signs and experience symptoms that do not meet the diagnostic criteria of a gambling disorder, but even so these symptoms present significant challenges for the individual and the individual's family and community.
- The impact of problem gambling is not adequately captured by economic measures alone. Problem gambling can result in damaged relationships, unemployment, loss of housing, co-occurring mental illness, substance use disorder and crime. In extreme cases, one in five of those struggling with problem gambling will attempt suicide, a rate twice that of any other other addiction. The effects of problem gambling are experienced not only by the problem gambler, but by the problem gambler's family and community as well.
- Problem gambling signs and symptoms often go undetected until the problem is severe. Individuals with gambling problems are most often prompted to seek assistance as a result of legal, financial or relationship problems.

### **Gambling Revenues that Come From Problem Gambling**

- Gambling revenue information is collected by the state through the Gambling Control Board, State Lottery and State Racing Commission. The percentage of gambling revenues that come from problem gamblers is not identified in revenues reported, nor is it collected.
- Total gross revenue from gambling in Minnesota, as reported by the three agencies for state fiscal year 2013, is \$1,738,512,805. Pull-tabs generated more than half of the gambling revenue in the state.
- The most current adult data of problem gambling prevalence in Minnesota is provided by a survey sponsored by the Department of Human Services in 1994. The study found 65 percent of the general adult population had participated in gambling activity during the previous year. Among those who reported gambling during the previous year, about 6.7 percent was categorized either as problem gambling or probable pathological gambling. This number decreases to 4.4 percent when adults who have never gambled are included.
- Without knowing the gambling investments of individual gamblers in Minnesota, determining the amount and proportion of gambling revenue that comes from problem

gamblers can only be estimated by extrapolating the findings of such studies that have been completed in other jurisdictions.

- Current findings of studies conducted in other jurisdictions estimate that between 15 and 33 percent of gambling revenue are generated by individuals with problem gambling. Extrapolating these findings to Minnesota's demographics from 1994 suggests that between \$260,776,920 and 573,709,225 of the reported gross gambling revenue in Minnesota for state fiscal year 2013 was generated by individuals who have gambling problems.

### **Recommendations**

- A study of current gambling practices and their impact in Minnesota should be completed. Since the 1994 study, gambling opportunities in the state have expanded and the state's reliance on revenues has increased. Updated information on gamblers and gambling activity in Minnesota is necessary before an accurate measure of the pervasiveness of problem gambling and its impact on gambling revenues can be adequately identified.
- The study of gambling practices and their impact should distinguish information collected by type of gambling activity, amount spent on gambling, and circumstances surrounding the gambling activity.
- Updated demographic information should be used to support the continued responsible regulation of gambling enterprises in the state.
- Updated demographics of gamblers and gambling revenue should be utilized by policy makers to enhance the state's problem gambling prevention efforts and ensure an adequate continuum of services for problem gamblers.
- Any future modification of gambling regulation, particularly any expansion of gambling activity in the state, should be informed by current information about the percentage of gambling revenue that comes from problem gamblers. The projected economic benefit of any increase in gambling revenue should be balanced with the predictable corresponding increase of problem gambling and its consequences on individuals, families, and communities.

## **II. Legislation**

Minnesota Statutes, section 245.981.

...(a) Each year by February 15, 2014, and thereafter, the commissioner of human services shall report to the chairs and ranking minority members of the legislative committees having jurisdiction over compulsive gambling on the percentage of gambling revenues that come from gamblers identified as problem gamblers, or a similarly defined term, as defined by the National Council on Problem Gambling. The report must disaggregate the revenue by the various types of gambling, including, but not limited to: lottery; electronic and paper pull-tabs; bingo; linked bingo; and pari-mutuel betting.

### **III. Introduction**

Minnesota Statutes, section 245.981 requires an annual report on the percentage of gambling revenues that come from problem gamblers. The report must disaggregate the revenue by the various types of gambling.

This report provides:

- A description of problem gambling.
- Minnesota gambling revenue information for state fiscal year 2013, as reported by the Gambling Control Board, State Lottery and State Racing Commission.
- A literature review of research completed in other jurisdictions related to the proportion of gambling revenue derived from problem gamblers in those areas.
- An estimate of the percentage of gambling revenues in Minnesota that comes from problem gamblers in Minnesota, based on findings of studies completed in other jurisdictions.
- Recommendations for future research efforts. The availability of updated information on problem gambling in Minnesota would ensure policy makers the opportunity to avoid enactment of policy initiatives that may unknowingly or unintentionally increase the occurrence and impact of problem gambling in Minnesota.

#### IV. Prevalance of Problem Gambling

The National Council on Problem Gambling describes problem gambling and gambling addiction as ...*gambling behavior patterns that compromise, disrupt or damage personal, family or vocational pursuits*. The essential features of problem gambling and gambling addiction are:

- increasing preoccupation with gambling,
- a need to bet more money, more often,
- restlessness or irritability when attempting to stop “chasing losses,” and
- loss of control manifested by continuation of the gambling behavior in spite of mounting serious and negative consequences.

Problem gambling signs and symptoms often go undetected until the problem is severe. When problem gamblers do seek assistance, it is likely upon experiencing related legal, financial or relationship problems. In extreme cases, problem gambling can result in financial ruin, legal problems, loss of career and family, or even suicide. Notably, no other addiction has a higher rate of suicide than gambling disorder.

Clinicians use *The South Oaks Gambling Screen* along with criteria found in the *Diagnostic and Statistics Manual of Mental Disorders, Fifth Edition* (DSM-5) to identify the extent of an individual’s gambling problem. Problem gamblers who do not meet full criteria for gambling disorder might still have significant symptoms and problems related to their gambling. Problems related to problem gambling and gambling disorder may include psychological, financial, emotional, marital or legal difficulties. Similar to other addictions, these symptoms and problems are not always contained to the individual problem gambler but rather, the impact of problem gambling is often also experienced by the family and friends of problem gamblers.

The 1994 Department of Human Services study<sup>1</sup> found that 65 percent of the general adult population had participated in gambling activity during the previous year. Among those who reported gambling during the previous year, about 6.7 percent was categorized either as problem gambling or probable pathological gambling. This number decreases to 4.4 percent when adults who have never gambled are included.

The National Council on Problem Gambling currently reports that between 3 and 4 percent of U.S. adults would be identified as problem gamblers (meeting criteria either for gambling disorder or problem gambling) and also cites that approximately 60 percent of U.S. adults have gambled in the past year.<sup>2</sup> Using this data, the prevalence of problem gambling in proportion to non problem gambling would be between 5 percent and 6.5 percent.

The average monetary value of problem gamblers’ gambling activities in Minnesota is not known, nor is this amount known for individual’s who are not identified as a problem gamblers.

---

<sup>1</sup> Adult Survey of Minnesota Problem Gambling, 1994

<sup>2</sup> NCPG website 2014

## V. Literature Review

Because the specific data requested for this report is not reported and has not been published in Minnesota, similar research conducted in other jurisdictions was reviewed for this report. Research studies published between 1998 and 2012 demonstrate increasingly sophisticated methods used to estimate the proportion of revenue generated by problem gamblers in jurisdictions in the United States, as well as Canada, Great Britain, New Zealand and Australia.

The methodological approach measures problem gambling revenue in proportion to non problem gambling revenue to consider the disparate burden that government reliance on gambling revenues places on individuals, families, and communities experiencing problem gambling. Whether or not individuals, families and communities who experience problem gambling reap the benefit of gambling revenues is an important idea to consider as we learn more about how much money from problem gambling is part of the total revenue. If we discover that harm outweighs benefit, we may have to question the equity of state sponsored gambling activities and how gambling impacts all people.

### **The Proportion of Gaming Revenue Derived from Problem Gamblers: Examining the Issues in a Canadian Context<sup>3</sup>**

In a study prepared for the Ontario Problem Gambling Research Center, four studies were analyzed. The studies examined estimated proportion of revenue from problem gamblers ranged between 15 percent and 33 percent. This range was attributed to the range of methodologies used to complete each study.

<b>Jurisdiction</b>	<b>Proportion of Revenue from Problem Gamblers</b>
Australia (Productivity Commission, 1999)	33 percent
4 U S and 3 Canadian Provinces (Lesieur, 1998)	30 percent (range 23-41 percent)
New Zealand (Abbott and Volberg, 2000)	19 percent
United States (Gerstein et al, 1999)	15 percent

<sup>3</sup> The Proportion of Gaming Revenue Derived from Problem Gamblers: Examining the Issues in a Canadian Context, Williams and Wood, 2004

### **The Proportion of Ontario Gambling Revenue Derived From Problem Gamblers<sup>4</sup>**

This 2007 study examined two questions:

- 1.) *What proportion of gambling revenue in Ontario derives from problem gamblers?*
- 2.) *Which forms of gambling derive the greatest proportion of revenue from problem gamblers?*

This study included both a telephone survey over a nine month period as well as a four week self-report diary to track gambling expenses. This study estimated that 36 percent of Ontario gambling revenue is derived from moderate and severe problem gamblers.

### **The Australian Productivity Commission's 2010<sup>5</sup>**

The Australian Productivity Commission's 2010 report used data from several Australian state surveys conducted from 2003 to 2009, and applied multiple methods to estimate the proportion of spending share from those with problem gambling. The results based on the Commission's analysis of Australian prevalence survey showed a range of estimates of spending share from 22 percent to 60 percent and a median of 39 percent.

In summary, this research demonstrates a significant proportion of gambling revenue was generated by problem gambling in the jurisdictions that were studied. Although Minnesota specific data is not available, the general consensus that problem gambling contributes a disproportionate amount of gambling revenues was clear. This information presents a significant challenge to state policy which relies on revenue generated by the gambling industry with both taxation on gambling revenues as well as a state run gambling activity.

More study is needed to estimate the percentage of Minnesota's gamblers who may have gambling problems and to estimate what percent of gambling revenue could be attributed to problem gambling. The Alcohol and Drug Abuse Division currently conducts an adult survey to estimate the prevalence of substance use disorders, as well as the types and amounts of substances used. Similarly, adult surveys could be used to more closely estimate the prevalence of problem gambling in Minnesota and to estimate if problem gamblers spend more, less or the same as other gamblers in Minnesota.

---

<sup>4</sup> The Proportion of Ontario Gambling Revenue Derived From Problem Gamblers, Williams and Wood 2007

<sup>5</sup> The Australian Government's Productivity Commission, Australia's Gaming Industries, Inquiry Report, no. 10

## **VI. Gambling Revenue**

Gambling revenue information is collected by the state through the Gambling Control Board, the State Lottery and the State Racing Commission. For state fiscal year 2013, the three agencies identified total gross revenue of \$ 1,738,512,805. These agencies could not report what percentage of the revenue was from people who have gambling problems. The following information was provided through reports from each agency.

- Minnesota State Lottery reported \$524,064,062 gross receipts in 2013.
- The Gambling Control Board Reported the following Gross Receipts for fiscal year 2013:
  - Bingo- \$67,748,000.
  - Raffles- \$8,312,000.
  - Paddlewheels- \$15,980,000.
  - Tipboards- \$8,574,000.
  - Pull-Tabs -\$1,054,134,000.
- The State Racing Commission reported that card club operations overseen by the Minnesota Racing Commission accounted for \$48,209,813 in gaming revenues; and revenues from pari mutual horseracing were \$11,490,930 in 2013.

## **VII. Conclusions Based on Available Information**

In summary, there is not data available for this report to identify exactly how much of Minnesota's gambling revenue is generated by people with problem gambling. However, based on the literature reviewed, revenue generated by problem gamblers may be in the range of 15 percent to 33 percent or higher of the gross revenue reported in Minnesota. Using these figures, we could guess that \$260,776,920 to \$573,709,225 of the reported gross gambling revenue was generated by individuals who have gambling problems.

A more conservative estimate of problem gambling revenue could be made by using only prevalence estimates in proportion to gross gambling revenue. The estimate of prevalence of Minnesota's adults who participated in past year gambling activities and are likely to have gambling disorder is 4.4 percent<sup>6</sup>. If we consider only prevalence rates as a portion of gross gambling revenue then we would estimate \$86,925,640 to \$113,003,332 of the reported gross gambling revenue is generated by problem gamblers.

Unfortunately, the impact of problem gambling for individuals, families and communities is not adequately captured by economic disparities alone. Broken relationships, unemployment, loss of housing, co-occurring mental illness, or substance use disorders, crime and suicide are some of the harmful effects of problem gambling experienced by individuals, families and communities. These consequences increase the economic and social burdens that problem gambling presents for individuals, families and communities.

---

<sup>6</sup> Adult Survey of Minnesota Problem Gambling, 1994

## **VIII. Recommendations**

The Department of Human Services, Alcohol and Drug Abuse Division is responsible for the state funded problem gambling program. As with substance use disorders, DHS recognizes a continuum of services which includes education, prevention, treatment and recovery supports to minimize the harmful effects of problem gambling. Prevention includes both early identification of an individual's risk as well as population based strategies which minimize community risk of the harmful effects of problem gambling.

Prevention of problem gambling must be addressed like other addictions. Both individual level strategies which prevent and treat problem gambling and population based strategies which reduce the harmful effects of problem gambling for a community or the statewide population. The public health perspective on gambling is one of harm reduction, weighing both the potential benefits and harms to individuals, families and communities. Policy makers need to develop comprehensive policies that balance the short-term benefits of employment and tax revenue with the long term social, health and economic costs associated with problem gambling. Policies that that acknowledge the inequitable impact of problem gambling are needed.

The Alcohol and Drug Abuse Division currently sponsors adult surveys to gather prevalence data regarding substance use and substance use disorder indicators. This study is conducted periodically, most recently in 2010 and also provides information about the types of substances used, and demographic information about those surveyed. Similarly, adult surveys should be conducted to provide more accurate and current data about demographics, gambling prevalence, problem gambling prevalence, gambling type, average monthly gambling budget and household income. Policy makers would benefit from the data analysis of this study. The study would provide a more accurate estimate of the amount of revenue generated by problem gamblers, enhance prevention efforts and ensure an adequate continuum of services for problem gamblers.