



***Statement of Keith S. Whyte, Executive Director
National Council on Problem Gambling***

Internet Gaming

Pennsylvania House Democratic Policy Committee

Thursday, May 1, 2014

Dear Chairs Sturla & Youngblood and Members of the Committee:

Thank you for the opportunity to discuss internet gaming and gambling addiction. We believe:

- 1) Pennsylvania residents are currently gambling online in a variety of ways and therefore the state must continue to bolster its public health approach to preventing and treating gambling addiction.
- 2) Pennsylvania should adopt stringent regulations if online gambling is expanded and legalized.

As Jim Pappas, Executive Director of the Council on Compulsive Gambling of Pennsylvania stated, the National Council on Problem Gambling neither supports or opposes legislation to legalize gambling. Our position is and will always be neutral. The NCPG mission is to lead state and national stakeholders in the development of comprehensive policy and programs for all those affected by problem gambling. Our vision is to improve health and wellness by reducing the personal, social and economic costs of problem gambling.

Problem gambling, like other diseases of addiction, will likely never be eliminated, but we can and must make better efforts to mitigate the damage. The most ethical and cost-effective response to gambling addiction is a comprehensive public health approach.

An estimated 2.4% or 280,000 adults in Pennsylvania met criteria for gambling addiction in 2013. High-risk groups include males (prevalence of problem gambling in men has been found to be 2-3 times higher than in women) and racial/ethnic minorities including African-American, Asian and Native Americans; individuals with a family history of gambling (elevated rates of problem and pathological gambling have been found in twins of males with gambling problems); veterans and individuals with disabilities. An estimated 5% of adolescents between the ages of 12-17 meet criteria for a gambling problem. These youth are twice as likely to binge drink and to use illegal drugs and three times more likely to be involved with gangs, fights and police. In addition, student

behavior surveys have consistently shown that gambling participation is correlated to increases in all known risk factors and decreases in all known protective factors related to substance use and antisocial behaviors. In addition to those adults and adolescents presenting with the disorder, millions of spouses, children, parents, family members, employers and neighbors are negatively impacted by gambling addiction.

Gambling addiction is significantly correlated with other problematic behavior in adults and adolescents, including substance use and mental health issues. Adult problem gamblers are generally five times more likely to have co-occurring alcohol dependence, four times more likely to abuse drugs, three times more likely to be depressed, eight times more likely to have bipolar disorder, three times more likely to experience an anxiety disorder and have significantly elevated rates of tachycardia, angina, cirrhosis. Approximately 20% of members of Gamblers Anonymous and individuals in treatment for pathological gambling have attempted suicide. Individuals with problem and pathological gambling, compared with other gamblers and non-gamblers, had higher rates of receipt of past-year unemployment and welfare benefits, bankruptcy, arrest, incarceration, divorce, poor or fair physical health, and mental health treatment. The estimated social cost to families and communities from problem gambling-related bankruptcy, divorce, crime and job loss was almost \$7 billion last year, of which Pennsylvania's share was approximately \$255 million.

In 2013, Pennsylvania was 7th out of the 50 states in terms of per-capita spending in problem gambling services. The average per capita allocation for problem gambling services in the 39 states with publicly funded services was 32 cents; Pennsylvania's per capita public investment was 65 cents.¹ In spite of the relatively high levels of spending compared to other states, problem gambling services overall are significantly underfunded. The \$8.3 million in problem gambling spending is still 85% below our recommendation of allocating 1% of gambling revenue, which would be just under \$70 million.

It is not clear what the impact of legalization of internet gambling would be on problem gambling. The available research consistently finds internet gambling has the lowest participation rates of any form of gambling, regardless of the legality of internet gambling in the jurisdiction. In addition, those who do gamble on the Internet are extremely likely to also gamble in multiple "traditional" forums, so to some extent it appears internet gambling is mainly an adjunct for people who already gamble. It therefore seems unlikely that legalization would significantly increase participation among those who are not currently gambling. However, it is also possible that problem gamblers may exacerbate their problems by going online, given the high speed of play, perceived anonymity, social isolation, use of credit/non-cash and 24-hour availability. Many of these factors can also be found in "traditional" forms of gambling.

The internet is best thought of as a new way of delivering these "traditional" forms of gambling. Right now Pennsylvania residents can legally set up online accounts to bet on horse races across the country. While you cannot purchase Pennsylvania Lottery

¹ *2013 National Survey of Problem Gambling Services*. Marotta, J., Bahan, M., Reynolds, A., Vander Linden, M., & Whyte, K. National Council on Problem Gambling. (2014)

tickets online, the online VIP Players Club is advertised as: “the place where players come to play.” The website includes an internet My VIP Players Club and Second Chance drawings, where you can enter non-winning instant tickets and then play the MONOPOLY Jackpot “Collect and Win” Game online. Social casino gaming websites, which allow online users to pay and play but collect only virtual winnings, are the biggest growing segment of the industry, with an estimated 200 million monthly average users bringing in \$2.9 billion in 2013, with about \$1.1 billion from the US. While the vast majority of players do not pay and are at very low risk, our concerns about social gaming include: Limited age or KYC verification and features such as near-miss and high speed & frequency of play. Several of the most prominent social gaming operators are licensed casino operators or manufacturers yet there is no external oversight or regulation of social casino gaming.

Regardless of how or where people gamble, it is clear that some who play will develop problems, that these problems are serious but can be mitigated through public health-based interventions.

Internet gamblers who spend significant amounts of time and money online, while relatively rare, are more likely to meet problem gambling criteria. Indeed, studies throughout the world find relatively high rates of gambling problems among those who gamble online, though it is not clear if internet gambling is a cause or effect of problem gambling. Regardless, since online gamblers are known to have problems, it is important to adopt extensive, evidence-based responsible gaming policies.

The graphical and interactive structure of the internet provides an opportunity to create informed consumers with access to a variety of information designed to encourage safe choices and discourage unsafe behavior. The technology also exists to allow players and operators to set limits on time, wagers, deposits, etc...as well as to exclude themselves. A number of studies have found such programs to be effective. These programs can be improved by utilizing the data collected by these websites to develop profiles of general online wagering behavior. From this information medians and benchmarks could be created to allow the development of predictive programs for abnormal usage as well as publicized norms, an important prevention tool. Operators should, as a condition of licensure, provide public access to de-identified data on player behavior for research purposes. Overall, the amount of online information and possible interventions are essentially unlimited. Responsible gaming regulations must be mandatory and enforceable.

NCPG reviewed current internet responsible gaming codes and regulations from around the world to develop our best practice Internet Responsible Gambling Standards and the related GRADE Consumer Protection Guidelines.²³ Generally, these policies touch on eight major areas: Corporate Policy, Staff Training, Informed Decision Making Paradigm, Assisting Players, Self-Exclusion, Advertising, Game & Site Features,

² *Internet Responsible Gambling Standards*. National Council on Problem Gambling (April 12, 2011)

³ *GRADE Social Games Consumer Protection Guidelines version 3*. National Council on Problem Gambling (October 21, 2013)

Research. Delaware, New Jersey and Nevada have incorporated many of these recommendations into their internet gambling regulations.⁴ We continue to work with these and many other jurisdictions to improve compliance and to incorporate regulator, operator and user feedback to further refine these policies.

In conclusion, we strongly believe the state of Pennsylvania must continue to bolster its array of Prevention, Education, Treatment, Enforcement, Research, Responsible Gaming & Recovery (PETERRR) services to ensure all citizens are covered by a comprehensive public health program. Current racing, lottery and social casino gaming online platforms, and any future legalized online gambling operations, should adopt responsible gaming standards along the lines of NCPG's Internet Responsible Gambling Standards and/or or GRADE Social Gaming Consumer Protection Guidelines. We support the recommendations of the Council on Compulsive Gambling of Pennsylvania to ensure that online gamblers will be able to access online gambling addiction help that is supported by additional funding.

The National Council on Problem Gambling (NCPG) is the national advocate for programs and services to assist problem gamblers and their families. As the advocate for problem gamblers, NCPG does not take a position for or against legalized gambling. We were founded in 1972 and our 42-year history of independence and neutrality makes the National Council the most credible voice on problem gambling issues. The majority of problem gambling services are provided on the state level by the 36 state affiliate chapters of NCPG, including the Council on Compulsive Gambling of Pennsylvania.

I would like to thank the Chairs for the opportunity to submit my remarks for the record and I would be happy to respond to any questions.

⁴ *US Online Responsible Gambling Regulations: Delaware, Nevada and New Jersey. GamblingCompliance. (January 2014)*