

# Gaming Taxes and State Responsible Gambling Appropriations

# Overview

The casino gaming industry generates more than \$10 billion in tax revenue annually, which goes to support state education, infrastructure, first responders, and public health. Many of the 43 states with commercial or tribal gaming specify that some of the tax money or tribal revenue sharing funds derived from gaming is used to support responsible or problem gambling programming (collectively referred to as “responsible gambling” or “RG”).

In January 2020, the Responsible Gambling Collaborative (RG Collaborative) released the Responsible Gambling Effectiveness Principles, which provide a framework and recommendations for preventing problem gambling and promoting effective responsible gambling solutions. The first and second principles call on state governments, as one of the main beneficiaries of gaming revenue, to ensure funds for responsible gambling efforts and problem gambling treatment are used for their intended purpose.

In order to better understand whether states are in fact using the proceeds from gaming taxes as intended, the RG Collaborative conducted research on 14 states to determine:

1. The amount of funding explicitly raised for responsible gambling by the state through taxes on gaming.
2. The amount of money appropriated by the state for responsible gambling programs.
3. Whether that appropriated funding is ultimately spent on RG programs.

Based on input from RG Collaborative members, over a two-year period, the research reviewed funding practices of the following states.

California

Indiana

Iowa

Kansas

Louisiana

Maryland

Mississippi

Missouri

Nevada

New Jersey

New York

Ohio

Oklahoma

Pennsylvania

# Methodology

Each individual state report is based on a review of public records including budget documents, legislation, media coverage, government contracts, and industry and third-party studies. Source materials are cited throughout each full state report.

## The review included evaluating:

- ◆ State budget documents, with an eye towards identifying whether responsible gambling is listed as a line item in the budget or whether it might fall under “general appropriations.”
- ◆ The names of programs in each state and which departments the programs fall under.
- ◆ Current and past legislation, and tribal compacts tied to the funds.
- ◆ Media reporting, blogs which follow state politics and the gaming industry, and state- and legislator-issued press releases.
- ◆ Contract awards and vendor agreements.
- ◆ Industry and trade association studies.
- ◆ IRS Forms 990 and other disclosures for National Council on Problem Gambling state affiliates.

## Each state report includes these areas of focus:

- ◆ A summary explaining the statutory and regulatory mandates for responsible gambling funding and identifying the regulatory bodies responsible for allocating that funding.
- ◆ Projected monetary value of expected funding based on those mandates for the most recently available fiscal year(s).
- ◆ A breakdown of funding flows from state gaming tax revenues to responsible gambling programs for the most recently available fiscal year(s), including the sources of that funding.
- ◆ Analysis of tribal direct payments to states.
- ◆ Examining whether funds allocated for responsible gambling initiatives are co-mingled with the state’s general fund or spent on unrelated issues.

# About the Responsible Gambling Collaborative

The Responsible Gambling Collaborative (RG Collaborative), established in 2018, aims to chart a new course on the complex issue of responsible gambling and identify programs and policies that best address responsible gambling, the prevention of problem gambling, and hold government accountable for supporting proven, effective solutions.

## RG COLLABORATIVE PARTICIPANTS

American Gaming Association

Association of Gaming Equipment Manufacturers

Association of Problem Gambling Service Administrators

Harvard Medical School

International Center for Responsible Gaming

National Council on Problem Gambling

National Indian Gaming Association

National Thoroughbred Racing Association

Nevada Council on Problem Gambling

North American Association of State  
and Provincial Lotteries

Responsible Gambling Council

University of Nevada Las Vegas –  
International Gaming Institute

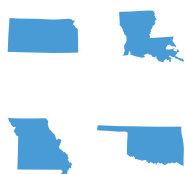
University of Memphis

Washington State University

Yale School of Medicine

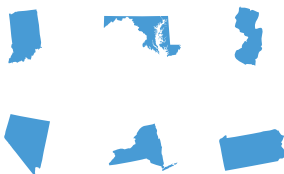
# Overall Findings

While funding in state budgets is fungible and following specific funding flows is often difficult, states' handling of the tax funding for RG issues fell broadly into three categories in the most recently examined fiscal year(s).



KS, LA, MO, OK

likely *did not spend* the allocated tax money on RG issues.



IN, MD, NJ, NV, NY, PA

likely *spent* the allocated tax money on RG issues.



CA, IA, MS, OH

are *unclear*. In these cases, funds may be partially diverted to other issues but in line with legislative priorities, or the state has recently rolled back dedicated funding streams from RG altogether.

In the course of conducting this research, we also examined the history of the RG funding streams and the evolving government attitudes towards using a dedicated portion of gaming taxes to fund RG programing, including treatment and prevention efforts. This allows us to better understand not just where these programs stand today, but how and why they evolved over time. Generally, among the states not fully utilizing available gaming tax revenue for RG programs, the issue often evolves in a familiar arc:

- ◆ Commercial gaming is approved with ambitious revenue projections.
- ◆ Accompanying RG services are proposed and enacted with high expectations. There is typically a dedicated fund, though there may not be uniform participation among the different gaming sectors (i.e., in a state with commercial casinos, VLTs, tribal gaming, etc., all may not contribute equally).
- ◆ The dedicated RG fund may meet revenue expectations, but it is slow to establish an infrastructure. There are questions about its effectiveness and marketing.
- ◆ The RG services and the dedicated fund become underutilized, policymakers eye (and in some cases appropriate) the money for wother programs.

Other common themes that emerged from the research:

- ◆ In some states, the dedicated fund is used for responsible gambling and other substance abuse issues, and there is generally limited transparency as to how much money went for each service.
- ◆ Media scrutiny of the issue seems to have abated in the last decade. Major publications are giving it less attention. Trade outlets cover some issues, but overall there is much less coverage today than in the past.

# Conclusion

Each year, the casino gaming industry generates nearly \$10 billion in gaming tax revenue for state governments, some of which is intended for advancing responsible gambling efforts and the prevention of problem gambling. While many states are spending these funds for their intended purpose, others are not. These state funds compliment the hundreds of millions of dollars voluntarily invested by the gaming industry each year to ensure that Americans are playing responsibly.

Much has been achieved in promoting responsible gambling and preventing problem gambling. For this to continue, we call on state legislators to utilize gaming tax revenue for its intended purposes, including to promote responsible gambling and to fund programs that are in line with the RG Collaborative's Responsible Gambling Effectiveness Principles. These principles identify effective ways to foster responsible gambling, as well as prevent and address problem gambling, and are a valuable starting point for policymakers seeking to understand the importance of this issue.



# State Specific Financial Information





	RESPONSIBLE GAMBLING COLLABORATIVE	GREY AREAS AND OTHER ISSUES			
		GAMING TAXES AVAILABLE FOR RG	AMOUNT APPROPRIATED	AMOUNT ULTIMATELY SPENT	NOTES
California (FY17)		<b>\$46.3 million</b> (to the Indian Gaming Special Distribution Fund (SDF))	<b>\$8.2 million</b> from the SDF to the Office of Problem Gambling (OPG), part of the Department of Public Health	OPG appears to have spent the entire \$8.2 million, though about half was spent as “local assistance.”	RG funding is the second priority of the SDF, behind funding shortfalls in the Revenue Sharing Trust Fund.
Iowa (FY18)		Collectively, three tribes contribute about <b>\$80,000</b> annually for “Gambling addiction programs,” though there is no record of these funds. Uncertainty around whether any commercial casino tax revenue is earmarked for RG.	<b>\$2.5 million</b> to the Gambling Treatment Program	<b>\$2.5 million</b>	Prior to 2009, the Iowa Gambling Treatment Fund had received 0.5% of casino revenue, capped at \$6 million. In 2018, the state allocated just \$2.5 million.
Mississippi (FY18)		None	None; prior to 2018, the Gaming Commission annually transferred \$100,000 Mississippi Council on Problem and Compulsive Gambling (MCPCG).	N/A	Around 1994, casinos agreed to each provide \$5,000 in annual funding to MCPCG, totaling about \$150,000/year.
Ohio (FY19)		<b>\$9.1 million</b> (2% of land-based gaming revenue; 0.5% of racino gaming revenue)	<b>\$5.4 million</b> to Ohio Department of Mental Health and Addiction Services for Problem Gambling and Casino Addiction (OhioMHAS) <b>\$3.5 million</b> in VLT net win amounts were allocated to “Problem Gambling Services”	No public accounting of OhioMHAS distributions for RG linked to this appropriation (the agency did spend \$1.5 million on RG via a lottery line item). Ohio Lottery Commission spent \$3.2 million on RG spending.	Ohio MHAS is required to use gaming tax money “to support efforts to alleviate problem gambling <i>and substance abuse and to fund related research in Ohio.</i> ”
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