



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2013**

ON THE FOLLOWING MEASURE:

H.R. NO. 29, CONCERNING PERMISSION OF RAFFLES AS A MEANS OF FUNDRAISING FOR CHARITABLE ORGANIZATIONS.

BEFORE THE:

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

DATE: Monday, March 11, 2013

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 325

TESTIFIER(S): David M. Louie, Attorney General, or
Laura Maeshiro, Deputy Attorney General

Chair McKelvey and Members of the Committee:

The Department of the Attorney General respectfully opposes this measure.

The purpose of this resolution is to request the Attorney General to examine the possibility of permitting the conduct of fundraising raffles by charitable organizations, including making recommendations for legislation, ordinance, or administrative rules necessary to implement such policy.

While fundraising for charitable organizations can provide important social services and resources to the public, the Department has grave concerns about creating any broad exceptions to the current gambling laws for a type of conduct, entity, or class of persons, and opposes this measure, as it is requesting the Department to examine ways to exclude conduct of certain groups or entities from state gambling laws. The conduct here is identified as “fundraising raffles.”

Gambling is illegal in Hawaii. Any criminal offense and its exceptions within the penal code need to be clear and concise to afford proper notice to the public and also to be effective for enforcement. Creating exceptions, absent a compelling reason, compromises the law and may lead to various interpretations and/or conduct to get around criminal culpability. This may be especially true for the gambling laws, as various schemes arise that claim to not violate the gambling laws, but law enforcement ultimately finds that they do. Moreover, it is too difficult, if not impossible, to pre-determine or speculate on the various types of “fundraising raffles” that a

charitable organization could conduct, and determine whether or not it qualifies to be excluded, as all fundraising raffles would have to be reviewed on a case by case basis. Also, a broad exception opens the door to increased potential for criminal violations by those who use the exception as a loophole to avoid criminal culpability. Thus, an examination as requested by this resolution would lead to the same conclusion, that changes to the gambling laws should not be done.

Accordingly, the Department of the Attorney General respectfully requests that this resolution be held.

Hawai'i Coalition Against Legalized Gambling

1124 Fort Street Mall, Suite 209
Honolulu, HI 96813

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Angus L.K. McKelvey, Chair

Rep. Derek S.K. Kawakami, Vice Chair

Monday, March 11, 2013

2:00 pm

Conference Room 325

Member Organizations

Advocates for Consumer Rights
Animal Rights Hawaii
Buddhist Peace Fellowship
Christian Voice of Hawaii
Church of Jesus Christ of Latter-day Saints
Church of Perfect Liberty
Common Cause Hawaii
Disciples of Christ
Hale Kipa
Hawaii Applesseed Center for Law & Economic Justice
Hawaii Assemblies of God
Hawaii Association of International Buddhists
Hawaii Christian Coalition
Hawaii Conference of Seventh-day Adventists
Hawaii Conference of the United Church of Christ (UCC)
Hawaii District United Methodist Church
Hawaii Family Forum
Hawaii Pacific Baptist Convention
Hawaii Rainbow Coalition
Hawaii Religions for Peace
Hawaii Youth Services Network
Honolulu Friends Meeting (Quakers)
Honolulu Police Department
Institute for Religion and Social Change
The Interfaith Alliance Hawaii
Kokua Council
League of Women Voters of Hawaii
Life of the Land (Hawaii)
Dr. Martin Luther King, Jr. Coalition Hawaii
Mestizo Association
Muslim Association & Islamic Center of Hawaii
Pacific Gateway Center
Presbytery of the Pacific
Saints Constantine & Helen Greek Orthodox Church
Smart Business Hawaii
Soto Zen Mission of Hawaii
Temple Emanu-El
Windward Coalition of Churches
The Woman's Board of Missions for the Pacific Islands (UCC)

Cooperating Organizations

Catholic Charities Hawaii
Catholic Diocese of Honolulu
Chamber of Commerce of Honolulu
Hawaii Bankers Association
Hawaii Business Roundtable
Hawaiian Humane Society
Hawaii State PTSA

My name is Tom Kay. I am a kama'aina attorney representing the Hawai'i Coalition Against Legalized Gambling. The Coalition opposes H.R. No. 29 concerning raffles by charitable organizations. Selling tickets for a raffle qualifies as a lottery scheme under section 712-1220(6) Hawaii Revised Statutes.

Permitting charitable organizations to engage in fundraising raffles by selling tickets would be the start of legalized lotteries in Hawaii with all of the ills accompanying this form of gambling.

The sale of raffle tickets would occur throughout Hawaii communities. Targeted groups would include youth and the poor. Those who could least afford to spend money on gambling would buy the most tickets. Much of the revenue from ticket sales would be spent on administrative costs and promoting sales, thereby substantially diminishing the revenue for charitable purposes.

One also has to question why the Hawaii State Legislature would ask the Attorney General, a member of the executive branch of government, for advice on how to amend section 712-1220 (6) of the Hawaii Revised Statutes. The suggested changes to legalize charitable lotteries require statutory amendments, not new ordinances or administrative rules.

Lastly, it seems disingenuous to state that "this body reaffirms that it does not support gambling . . . or lotteries," when, in fact, House Resolution No. 29 proposes to legalize gambling by instituting lotteries for charitable organizations.

We respectfully request that the Committee on Consumer Protection & Commerce oppose this resolution.

Grace Miller – League of Women Voters

Testimony OPPOSING H.R. 29

While this Resolution states that the State and the Legislature oppose gambling, the reality is that what is described in this resolution **is** gambling. In addition, the term “charitable” is not well-defined, thus creating a loophole that may be exploited by those trying to establish legalized gambling in Hawaii.

kawakami2 - Rise

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 09, 2013 11:02 AM
To: CPCtestimony
Cc: TABRAHAM08@GMAIL.COM
Subject: Submitted testimony for HR29 on Mar 11, 2013 14:00PM

HR29

Submitted on: 3/9/2013

Testimony for CPC on Mar 11, 2013 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
TROY ABRAHAM	Individual	Support	No

Comments: i support growth and expansion of charities to help more people and expand and show more love to expand communities and change the world

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Gambling Economics: Summary Facts

Professor Earl L. Grinols, March 2013

- **Independent research. Not funded by gambling or anti-gambling organizations.**

- **Gambling is a public concern because it creates economic costs for society and taxpayers, including non-users. Most costs derive from problem & pathological gamblers (two groups).**

	Per Path. Gambler in 2012 \$	Totals/ Adult Capita
➤ <u>Crime</u> : E.g. Aggr. asslt, rape, rob., larceny., burglary, auto theft, embezzlement, fraud.	\$4517	\$66
➤ <u>Business and Employment Costs</u> : Lost productivity, lost work time, unemployment-related employer costs.	\$2965	\$73
➤ <u>Bankruptcy</u>	\$315	\$ 4
➤ <u>Suicide</u>		
➤ <u>Illness</u> : E.g. Stress-related, cardiovascular, anxiety, depression, cognitive.	\$972	\$11
➤ <u>Social Service Costs</u> : Treatment, unemployment & other social services.	\$522	\$25
➤ <u>Direct Regulatory Costs</u>		\$16
➤ <u>Family Costs</u> : Divorce, separation, child abuse & neglect, domestic violence.	\$78	\$ 1
➤ <u>Abused dollars</u>	\$3622	\$75
➤ <u>Social connection costs</u> : reduction in social capital (employer, family, friends)		
➤ <u>Political</u> : concentration of power, disproportionate political influence (NH, May10)		
➤ TOTALS (Right column includes problem gambler costs.)	\$12,992	\$271
- **Gambling fails a cost-benefit test: Conservatively estimated, costs to benefits exceed \$3:\$1.**
 - Costs of introducing gambling depends on starting base, but typically > \$194 per adult. Benefits < \$63.
 - Large costs are privately borne, but 64 percent are publicly borne and 39 percent are tax-supported public costs.
- **Gambling attracts clientele unequally**
 - 30% don't gamble at all; most gamble rarely, minority 10% account for 2/3rd—4/5ths of wagers.
 - 30-50 % of revenues derive from problem and pathological gamblers (e.g. 48.2% of gaming machine revenue, Aus. Inst. for Gambling Research, 2001; 37 % Montana keno machines; 58% machine revenue, Ontario Problem Gambling Research Center, 2004, 60% U. Lethbridge, 2004, other studies similar.)
 - Convenience gambling draws from nearby (Example: IL, over 70% from less than 35 miles).
 - Creates social costs nearby that must be taken account of.
- **Slot Machines, Electronic Gaming Devices (EGDs), Video Lottery Terminals (VLTs)**
 - Most damaging and quickly addicting form of gambling. (E.g. Breen and Zimmerman (2002)ⁱ: shorter times to addiction for those who 'got hooked' on video gambling. 1 year vs 3.5 for other forms.)
 - 80 percent of casino revenues, sometimes more, are from slot machines.
 - Causation: Bridwell and Quinn (2002)ⁱⁱ. Remove slot machines from SC. 6 months later Horry C. (Myrtle Beach) hotline calls fall from 200 to 0 per monthⁱⁱⁱ. Number of Gambler Anonymous groups smaller by 2/3.
 - Confirming evidence of causation is available in National Gambling Impact Study Commission research.
- **Economic Development; Failure of Impact Studies**
 - IMPACT STUDIES ARE NOT COST-BENEFIT STUDIES. More people working next door to you may not improve the well being of citizens in your area. Well being may actually decline.
 - An additional job has been estimated to be worth as little as zero to the community, or between \$0-\$1,500 in 2001 dollars.^{iv} In a county of 100,000 adults the introduction of class III gambling would create additional social costs of \$19.4 m annually and social benefits of \$6.3 m. Using \$971^v as the mid-range value of a job to the rest of the county in 2012 dollars means that gambling would have to increase the total number of jobs in the county of this size by more than 13,491 to improve wellbeing of residents, an unlikely outcome.
- **Factory, Tollhouse, or Restaurant Type Enterprises: Gambling can Lessen the Local Economy**
 - **Factory**—sells to outsiders. If the region has tourist base already; these are insiders from economic perspective. Then factory form does not apply to the region.

- **Tollhouse**—uses its location to take out as much as it brings in. If region has tourist base already, this case does not apply.
 - **Restaurant**—takes from existing revenue stream, not enlarging it as much as it takes from it. This shrinks the region’s business at same time as it adds social costs.
- **Crime: *Review of Economics and Statistics Study***^{vi}
 - Approximately 9% of total crime (FBI Index I) due to gambling in counties with Class III gambling.
 - 8.6% of property crime; 12.6% of violent crime.
 - E.g. For an average county with 100,000 population this implies 615 more larcenies, 325 more burglaries, 272 more auto thefts, 10 more rapes, 65 more robberies, and 100 more aggravated assaults.
 - Other studies. Example: Wheeler, et al. (2010)^{vii}: “Our results indicate a positive and significant relationship between gaming and crime rates...” “...if gaming expenditure were zero in 2006, income-generating crime would fall by about 10%.” Example: Walker (2009) “Virtually all studies of casino communities find that the raw number of reported crimes and arrests increase following the introduction of casinos.” But, Example: Grinols-Mustard (2011)^{viii} “...national park visitors have no effect on either property or violent crime.” Visitor type matters.
 - **How can we conclude that gambling increase crime?**
 - Gambling largely expanded since 1991, a period when crime has decreased substantially.
 - Crime rates drop much more in non-gambling-counties than gambling-counties.
 - In many areas, casino-county crime rates as a fraction of non-gambling-county rates have increased from 2-25% less before casinos entered to much higher after.
 - Indian reservations: Counties that obtained compacts had higher crime rates than noncompact-counties, but the difference was stable until the early 1990s, when the crime rates in compact-counties increased by even more. By 1996 compact-counties have significantly higher crime rates than non-compact counties.
 - **Gambling Taxes are Worse than a Conventional Tax Collecting Identical Revenue**
 - A conventional tax implies social costs per extra dollar collected of \$1.17-\$1.59.
 - Taxes on gambling revenues conservatively cost \$2.28 per dollar of tax collected if the tax rate is 30%.
 - **When gambling merely transfers dollars from one pocket to another without creating a tangible product we are made poorer.**
 - Some gamble for recreation (such gamblers are presumably provided recreation value for their lost dollars), but many gamble to acquire money. Instead of creating a product or offering a service to earn money, this second group of gamblers doesn’t accomplish anything and yet expects to acquire money.
 - The more people there are who gamble to acquire money, the poorer society is.
 - If everyone gambled to acquire his money, we would all starve.

ⁱ Breen, Robert B. and Mark Zimmerman, 2002, Rapid Onset of Pathological Gambling in Machine Gamblers, *Journal of Gambling Studies*, 18, 1, Spring, 31-43; Breen, Robert B. and Mark Zimmerman, 2004, Rapid Onset of Pathological Gambling in Machine Gamblers: A Replication, *International Journal of Mental Health and Addiction*, 2, 1, 44-49.

ⁱⁱ Bridwell, R. Randall and Frank L. Quinn, 2002, From Mad Joy to Misfortune: The Merger of Law and Politics in the World of Gambling, *Mississippi Law Journal*, 72, 2, 565-729.

ⁱⁱⁱ Grinols, Earl L. 2004, *Gambling in America: Costs and Benefits*. New York: Cambridge University Press, pp. 186-187

^{iv} Rappaport, Jordan and Chad Wilkerson, 2001, What are the Benefits of Hosting a Major League Sports Franchise?, *Economic Review*, Federal Reserve Bank of Kansas City, 86, 1, 55-86.

^v This figure adjusts \$750 from 2001 to 2012 dollars. \$750 is the average of the bounds reported in Rappaport and Wilkerson, 2001.

^{vi} Earl L. Grinols and David B. Mustard, “Casinos, Crime, and Community Costs,” *The Review of Economics and Statistics*, 88, 1, February 2006, 28-45.

^{vii} Wheeler, Sarah A, David K. Round, John K. Wilson, 2010, The Relationship Between Crime and Electronic Gaming Expenditure: Evidence from Victoria, Australia, *Journal of Quantitative Criminology*, Springer Verlag, October.

^{viii} Grinols, Earl L. and David B. Mustard, 2011, How Do Visitors Affect Crime? *Journal of Quantitative Criminology* (forthcoming).

Violet E. Horvath, Ph.D.

Testimony OPPOSING H.R. 29

While I understand that many organizations are struggling to find funding, I have serious concerns about H.R. 29. Other than social gambling, gambling is illegal in the state of Hawaii; yet, by its very definition, this is legalized gambling. Simply specifying that it applies only to “charitable” organizations does not mean it is not legalized gambling.

In addition, the term “charitable” is poorly defined. This provides a loophole for those who wish to legalize gambling in Hawaii. History has repeatedly shown that opening the door even the tiniest bit will be exploited by those who have a great deal of money and interest in getting their hooks into our state so that they can profit off of us. I am not confident the state could come up with an ironclad definition of “charitable,” one that would stand up to the lawyers the gambling industry has retained. I urge you to come up with other ways to help organizations raise money. There are potentially too many serious problems possible with this resolution.