

## South Dakota's Gamble

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(Intro) One of the gambling options for Nebraska voters on the November ballot would allow gaming machines to be located throughout the state. As many as 4900 of them. Fifteen years ago our neighbors to the north became pioneers of state-sponsored gaming machines. Now the video lottery has become rooted in South Dakota's culture. The experience there could be repeated in Nebraska, if voters here approve four initiatives placed on the ballot by petition. The sponsor is the Keep the Money in Nebraska committee. "Statewide's" Perry Stoner traveled north to look at the South Dakota experience, 15 years later.

(Perry Stoner/Reporting) You could say the game's the same, by another name. In South Dakota, slot machines are called video lottery machines. Players put money in and hope they see a winning screen.

(Tammy Coffey/Sioux Falls, S.D.) I just enjoy it. It's stress release.

(Sue Van Doren/Gambling Counselor) People can become addicted the first time that they play.

(Kay Davis/Casino Owner) You also help pay the taxes of South Dakota. It's called a voluntary tax.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) Is it okay for state government which owns the system, I mean to own and operate a system that destroys even two per cent of our population?

(Perry Stoner/Reporting) Fifteen years after South Dakota introduced video lottery machines, the positions on either side of the gambling question are as strong as ever. Kay Davis says the customers at her casinos play video lottery for fun.

(Kay Davis/Casino Owner) Something you can enjoy doing together or by yourself. A place where you can make a lot of friends.

(Perry Stoner/Reporting) Tammy Coffey is a nurse. She says she plays to relax.

(Tammy Coffey/Sioux Falls, S.D.) I'll come in here and I'll play as much as I would spend going to a movie or going out to eat. And you don't have a chance of winning anything if you go out to eat.

(Perry Stoner/Reporting) Davis has two popular casinos in Sioux Falls, the state's largest city. She says South Dakota's video lottery is more than a fun pastime.

(Kay Davis/Casino Owner) It gives the state about a \$106 million a year which is 10 percent of the state budget.

(Perry Stoner/Reporting) With revenue lagging, South Dakota lawmakers became the first in the nation to approve video lottery as a way to fund government in 1989.

(Clint Harris/Executive Director, South Dakota Lottery) The state constitution requires a balanced budget every year and so they were looking for another revenue source and I think that was a primary driver for that.

(Perry Stoner/Reporting) South Dakota saw a return from video lottery in its first year, bringing in more than \$10 million. Last year it was 10 times that, more than \$100 million. Two factors have contributed to the growth. There were slightly more than 1700 machines the first year. Today there are more than 8000. And when the video lottery started, the state took about 22 percent of the net income. That share has grown through the years. Since 1995 its been 50 percent.

(Clint Harris/Executive Director, South Dakota Lottery) And you can see it in the growth of video lottery in South Dakota. It basically stopped growing once that was put into place. We leveled off at about eight thousand machines, about 14 hundred video lottery establishments and we've been effectively at that number since then.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) Now I have 11 very full scrap books about the history of video gambling in South Dakota and I'm hoping that we can still win this effort.

(Perry Stoner/Reporting) De Knudson has been fighting against the video lottery since soon after its creation. Her collection of scrapbooks chronicles the fight. She says video lottery has ruined South Dakota.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) And we never dreamed that we would end up with casinos on every other street corner coupled with pawn shops and cash your paychecks here and I mean that why we I don't-South Dakotans would-South Dakotans would have never voted for video gambling if they had realized what a devastating experiment this was-would really be for our state. Our once great state actually.

(Perry Stoner/Reporting) Sioux Falls' West 41<sup>st</sup> Street is a business district. Here you'll see casinos along with furniture stores and other more traditional types of businesses. Check cashing and pawn shops are evident around the city as well. But not everyone agrees casinos are bad for the economy.

(David Owen/South Dakota Chamber of Commerce and Industry) Sure money goes into some of the video lottery and appears to like not be part of the economy at that point. But the money that goes into video lottery also turns like other dollars and it creates jobs at those establishments. Those establishments pay taxes and order supplies. It's not much different, I think in an economic sense than going to a movie. Now people don't like the social issues that come with it.

(Perry Stoner/Reporting) South Dakota lawmakers wanted answers on gambling's impact on their state. Completed in 1998, the report concluded more jobs would exist in the state if video lottery was eliminated. The study also reports the majority of gambling problems are related to video lottery. It says nearly three-fourths of costs to the state would be eliminated if video lottery were outlawed.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) I grew up believing that government was in the business to provide you know for the people's welfare.

(Perry Stoner/Reporting) As a Sioux Falls City Council member, De Knudson takes note of economic and social issues in the community. Even though Nebraska's proposal of 4900

machines is far fewer than the 8000 in South Dakota, Knudson says gambling interests will try hard to increase the number in the future. She says the abundance of machines leads to problems.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) I find the number of video gambling machines in South Dakota is just astonishing now. We have people who are very depressed. We have people who are committing suicide. We have more divorces. We have more domestic abuse.

(Sue Van Doren/Gambling Counselor) I think there's definitely more people that are seeking treatment.

(Perry Stoner/Reporting) Sue Van Doren is a chemical dependency and gambling counselor. She says the noise, lights and colors of video lottery machines are addictive and hypnotic.

(Sue Van Doren/Gambling Counselor) Its euphoric, you know, people really enjoy it and then they innocently start going back just to get that feeling back and then all of a sudden, here they are sneaking around and spending more money and you know, doing things that they ought not be doing.

(Perry Stoner/Reporting) Van Doren says 85 percent of people in treatment commit illegal acts. They don't all get caught, but she did. In the early 90s Van Doren spent 30 days in jail after stealing from her employer. She was hooked on video lottery.

(Sue Van Doren/Gambling Counselor) From the very first time that I gambled to the very last time I gambled was 19 months. And I mean I lost everything. My husband's still with me. My kids are still with me, but any kind of material possessions are gone.

(Perry Stoner/Reporting) Van Doren says she lost up to \$80,000 before treatment helped her kick the habit. A decade later, she's helping South Dakotans who are hooked on video lottery.

(Kay Davis/Casino Owner) We have proven several times in South Dakota that less than two percent of the people of South Dakota are addicted to video gaming, which is not what the anti-gaming people would like you to believe.

(Perry Stoner/Reporting) Kay Davis says video lottery is no more harmful than other things in life.

(Kay Davis/Casino Owner) I believe that people of addicted personalities change their addictions. They'll go from alcohol to gambling to food to drugs and back around the circle again.

(Clint Harris/Executive Director, South Dakota Lottery) I do recognize that there are people who have a problem with the product.

(Perry Stoner/Reporting) Harris also says it's a very small number who are addicted. The South Dakota lottery provides more than \$200,000 annually for problem gambling treatment. But not everyone in state government agrees video lottery is a business that the state should be in. Here in Pierre, South Dakota's capitol, state lawmakers have repeatedly tried to remove video lottery machines. For each of the last two years, State Senator Dave Knudson of Sioux Falls has tried again, but had little success getting fellow lawmakers to join him.

(Dave Knudson/South Dakota State Senator, Gambling Opponent) It's a very tough sell when you talk about getting rid of video lottery and replacing it with another revenue source, but I certainly feel like the problems it has caused in South Dakota and the social costs of video lottery exceed the financial benefits the state has received.

(Perry Stoner/Reporting) Knudson and his wife De make a video lottery-fighting team. He says a small increase in state sales tax would replace video lottery revenue. South Dakota has no state income tax.

(David Owen/South Dakota Chamber of Commerce and Industry) I think a lot of people in South Dakota see the revenue for video lottery as taxes other people are paying. And when you have to replace over a hundred million dollars, that would take us from a statewide sales tax of four cents to five cents absolutely people worry about replacing that revenue.

(Perry Stoner/Reporting) South Dakota's vast plains resemble those of Nebraska in places. And there's little doubt many Nebraskans would like the similar property tax relief their neighbors to the north have experienced. Since 1997 video lottery machines have contributed to a 30 percent property tax reduction for South Dakota landowners. The people of South Dakota have defeated efforts to repeal video lottery. Three times voters decided to keep the machines in operation. Today only 15 states have no legal machines, most of which are slot machines. State and local governments raised about \$6 billion from gambling taxes last year. Dave Knudson doesn't like the trend his state started.

(Dave Knudson/South Dakota State Senator, Gambling Opponent) You're short X dollars and in comes the gambling industry and says, hey we've got this thing. We're gonna hire 5,000 people. We're gonna open four casinos or put in 10,000 slot machines and call em video lottery terminals and we're gonna raise all this revenue and you aren't even gonna have to raise taxes. In fact, you're gonna bring 5,000 jobs. I mean this has got some surface attraction. There's no doubt about it and they've sold that bill of goods very smoothly across America.

(Perry Stoner/Reporting) Across South Dakota, video machines can be located where alcohol is sold. Many convenience stores in the state have reserved a corner for customers to step in and play.

(Perry Stoner/Reporting) How often do you play? (Martin Drefs/ Corsica, S.D.) Too often.

(Perry Stoner/Reporting) Which is how many times a week? (Martin Drefs/ Corsica, S.D.) I set my loss limit at so much a month and when I reach that, which I did today, so I can't play anymore this month.

(Perry Stoner/Reporting) Even many of those playing realize how quickly time and perhaps money can be lost while sitting at the machines.

(Perry Stoner/Reporting) Have you ever felt like you might be getting hooked on the game?

(Martin Drefs/ Corsica, S.D.) Oh I gotta watch it. (Perry Stoner/Reporting) That's why you set your monthly limit? (Martin Drefs/ Corsica, S.D.) Yup. Well it's, you have to set a limit because if you don't, you...they're addictive.

(Tammy Coffey/Sioux Falls, S.D.) I think it's way overblown. I'm sure there's people out there that have a problem, but there is help if you have a problem. Almost everybody that I have dealt with, it's just for entertainment and fun.

(Perry Stoner/Reporting) Fifteen years after becoming the first with state-run gaming machines, South Dakota is still divided on the issue.

(Sue Van Doren/Gambling Counselor) The state can be as addicted to the money as to the, in the gambling as the actual addict can. And they justify and they minimize and they deny. Intellectualize. They use the same defense mechanisms that the gambler does.

(Kay Davis/Casino Owner) I think video lottery has done good things for the state of South Dakota. You get a bad rap a lot of times.

(De Knudson/Sioux Falls, S.D., Gambling Opponent) We are destroying our own people every day. We're just turning our head and watching it happen.

(Perry Stoner/Reporting) The advice for Nebraska voters is mixed as well.

(David Owen/South Dakota Chamber of Commerce and Industry) My only advice is listen to the advocates, understand that they're telling you half the story, I will tell you that it is a good reliable revenue source for government. You can project forward that there will be social issues that you will have to deal with.

(Dave Knudson/South Dakota State Senator, Gambling Opponent) Certainly a majority of people either don't play it or don't have a problem with it, so it becomes a relatively invisible tax on people and the social costs are hard to ascertain.

(Perry Stoner/Reporting) If the South Dakota experience is any indicator, it's likely the divide gambling creates among Nebraska residents won't go away, regardless of the election results. Reporting for Statewide, this is Perry Stoner.

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