

Financial Costs of Problem Gambling for Oregon

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Estimated Social Costs of Problem Gambling in Florence and Surrounding Areas for Proposed Florence Casino (Marotta & Hynes, 2003)

The following figures are to be used as estimates only. Please refer to the list of assumptions below for information regarding how this calculation was derived. More research is needed to demonstrate valid and reliable information to be used in determining likely impacts of a casino on problem gambling and social costs.

Formula used in calculating annual financial costs of problem gambling in Oregon with a casino:

(adult census) X (combined prevalence rate) X (\$5,739) x (1.25 to 1.5) = Annual Social Costs

Estimated annual social costs of problem gambling to Florence with a casino:

(6,040) x (2.3%, combined prevalence rate) x (\$5,739) x (1.25) = \$ 996,577

Assumptions

1. The average annual financial cost to society for a pathological gambler at-large is \$8,207 (Schwer, Thompson, Nakamuro, 2003)
 - a. Responses of Nevada sample generalize to Oregon problem gamblers.
 - b. Corrections for at-large problem gamblers are accurate
 - i. At-large problem gamblers cost society 43% less per year than those presenting for treatment (Poltzer, Morrow, & Leavey, 1981).
 - ii. Gamblers presenting for help have a more severe presentation, therefore, have higher social cost liabilities.
 - c. The cost categories are conclusive, costs generalize, cost proportions generalize: employment costs (32%), bad debt and civil court (54%), criminal justice system (12%), treatment and social services (2%).
 - d. The annualizing cost formula is accurate and generalizes. The factor used was four (episode duration – 4 yrs). Oregon data suggest an annualizing factor of 4.7.
2. The average annual financial cost of a sub-clinical pathological gambler (problem gambler) is 53% the annual cost of a pathological gambler (National Gambling Impact Study Commission, 1999)
 - a. Findings from National Study generalize to Oregon population.
3. Oregon has a pathological gambling prevalence rate of 0.9 % and a problem gambling prevalence rate of 1.4% (Volberg, 2001).
 - a. Prevalence data is accurate and unchanged since 2001.

Financial Impact Estimates

- ◆ Average estimated annual social cost per problem gambler: \$4,350
- ◆ Average estimated annual social cost per pathological gambler: \$8,207
- ◆ Average estimated annual social cost per all problem gamblers (combined problem and pathological): \$5,739.

Financial Cost to Society Formula:

(adult census) X (combined prevalence rate) X (\$5,739) = Annual Social Costs

Summary for State of Oregon

The overall financial cost to society, of problem gambling for Oregon, is estimated at \$344,340,000 annually.

Conclusion

The methodology used to derive the “financial cost to society formula” has significant limitations. Simply applying the formula to a population without testing the appropriateness of the assumptions may lead to inaccurate conclusions. Utilizing the “financial cost to society formula” should be for rough estimation purposes only and results should be viewed with caution.

Implications

The National Gambling Impact Study Commission, created by Congress to study the social and economic impacts of gambling in the United States, released The Gambling Impact and Behavior Study in 1999. Some key recommendations were made in the final report to the President, Congress, governors, and tribal leaders:

- "Comprehensive gambling impact statements should precede consideration of new or enlarged forms of gambling."
- "Warnings regarding the dangers and risks of gambling, as well as the odds where feasible, should be posted in prominent locations in all gambling facilities."
- Gamblers should have procedures for "voluntary self-exclusion" from gambling facilities.