

# **The Tale of Two “Sins”: Regulation of Gambling and Tobacco**

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Over the past few years, rising healthcare, education and energy costs have contributed to many states running large budget deficits. Finally, according to the National Conference of State Legislatures (NCSL), states are beginning to emerge from almost five years of difficult times, as tax revenues are beginning to rise in an overall strong economic period for the United States. The NCSL notes that states have closed what was an aggregate \$263.8 billion deficit since fiscal year 2001 (National Conference of State Legislatures). States still face a number of important challenges, however, as there are a number of unfunded federal mandates, and many important costs continue to rise. The largest growing, and the concern for most state legislators, is healthcare.

Taxes are an extremely important source of revenue for states, as they look to maintain balanced budgets. There are all kinds of taxes – income, property, excise, sales – that states have at their disposal to raise money for state coffers. But states also have another important weapon: the ability to regulate certain “sin” industries, namely gambling, tobacco and alcohol. These three industries are so named because of their undesirable social costs – problem and compulsive gambling, shorter life expectancy, alcoholism, crime, treatment and prevention costs, etc. States reap the benefits of taxing these industries, and then have the responsibility of dealing with the consequences (Klatzkin).

Though all three sin industries have been around for a long time in the United States, gambling is perhaps the most contested, especially as more and more states ramp up their respective gaming industries in an effort to raise revenue. In the fall of 2006, a number of states voted on issues related to gambling. California approved two measures: one that would have allowed card clubs and racetracks to add 30,000 slot machines and another that would have allowed Indian tribes broader gambling rights in return for giving the state 8.8% of revenue. In Michigan, voters approved a measure that would require voter approval for additional forms of gaming. In Nebraska, voters rejected a measure allowing for the legalization of two casinos and approved a measure which would give \$2 million of state lottery proceeds to the improvement of the state fairgrounds. In Oklahoma, voters approved a measure to start a lottery with proceeds going to education, and voters also approved slot machines at racetracks and expanded forms of tribal gambling. Voters in Washington rejected a proposal to allow more non-tribal gaming in order to get property tax relief. Clearly, the addition of gambling is an issue of great importance to states across the country (Christiansen).

Lawmakers love the revenue and hate the social costs from the sin industries, and as such they are forced to carefully analyze the costs and benefits of each industry. What is the goal of introducing new forms of gaming to a state? Perhaps it is to maximize revenue, but much more likely competition with other states for revenue. Is the goal of tobacco tax policy to reduce smoking or increase revenue? These are not easy questions to answer for state legislators.

This paper will examine two aspects of state policy making for the sin industries: What is the rationale that legislators utilize in determining public policy for these industries and

secondly, how much is spent on treatment and prevention of addiction as an indication of how seriously public policy makers view problems associated with these various “sin” industries.

### **Preliminary Bibliography**

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