

A Losing Hand

By Jeff Benedict

No personal assets are safe once a person develops a gambling problem. Pensions, college savings funds, life insurance policies, even homes - anything that can be converted to cash - can be lost to the casinos. But the first asset to disappear is often the savings account. Casinos make it easy for customers to tap into their bank accounts while gambling. There are ATM machines for debit card withdrawals and credit card cash advances, and the casinos will cash personal checks.

But a more perilous way that casinos can reach into customers' bank accounts is by extending lines of credit. Southeastern Connecticut's Mohegan Sun and Foxwoods Resort Casino have credit offices. A person seeking a \$5,000 line of credit simply fills out a credit application, authorizing the casino to check his credit and gambling history.

Once approved, the applicant provides the casino with his personal bank account number and signs what's known as a "marker," akin to a check made out to the casino against a bank account. By signing the marker, the applicant promises to repay the line of credit. The borrower then receives the \$5,000 in chips or cash, whichever he chooses. Seven days later, the casino may send the marker to the borrower's bank, demanding payment.

As long as the customer has funds, the casino may let him renew and expand the credit line. The combination can ravage personal finances.

Consider a man who was retired and living in Weston when he first applied for a line of credit at Foxwoods in 1992. On his credit application - which was filed in Superior Court - he listed more than \$3 million in assets and a substantial pension.

According to his "approved credit limit" form, between July 2001 and May 2002, the casino extended credit to the Weston customer in installments of \$20,000; \$50,000; \$60,000 (twice); \$70,000; \$100,000; and \$120,000, totaling \$480,000. Handwritten notes on the credit log include "excellent ratings" and "excellent history [at] FW [Foxwoods] & Mohegan Sun."

But once the Weston customer had exhausted his money, the casino apparently no longer considered him an excellent customer. On March 10, 2004, the Mashantucket Pequot Gaming Enterprise (which owns and operates Foxwoods Resort Casino) sued him, seeking \$125,000 for defaulting on his credit line at Foxwoods, according to Superior Court records.

Here's the point at which gaming is no longer a game: The casinos play for keeps when it's time to collect. And the rules put gamblers at a serious disadvantage.

As a condition of receiving credit from the casinos, borrowers consent to having defaults resolved in tribal courts.

Because the casinos are owned by sovereign nations, they can act as both lending institutions and

courts. The only power they lack is enforcement. Once a tribal court issues a judgment against a debtor, the casinos then ask the state court to order remedies.

In early February, on the state's judicial website, there were 22 collections cases listed on the state court docket that had been brought by the two casinos. Many defendants owned businesses or ran small companies, including a mortgage company, a printing business, a construction firm and several restaurants, according to their court records. All of them seemed to have the financial assets to sustain credit lines at the casinos. They evidently reached the point where they couldn't pay.

The Mashantucket Pequot Gaming Enterprise placed a lien against the Weston man's home. To pay off his debts, he sold his \$760,000 house, according to documents from the town selectmen's office.

Credit From Casinos, Cards

In 2003 and 2004, Foxwoods was listed as a creditor in 16 foreclosures, according to state judicial branch records. A foreclosure often triggers bankruptcy. "Before the casinos opened, we never had gambling debts surface in bankruptcy, not once," said attorney David F. Falvey, who has one of the largest consumer bankruptcy law practices in eastern Connecticut. "Now the casino-related bankruptcies are mounting higher and higher each year."

According to U.S. Bankruptcy Court records, 1,462 consumer bankruptcy petitions were filed between January 1998 and January 2005 by residents in 16 southeastern Connecticut towns. Those records show that 117, or 8 percent, of the petitioners reported gambling losses within the year leading up to bankruptcy.

Falvey said the percentage of his clients with casino gambling debt is higher. But bankruptcy law requires petitioners to report only the past year's gambling losses. "Coming to see a bankruptcy lawyer is like seeing a doctor," he said. "Most people only come in [if] they have a pain. Foreclosure or property loss is a pain, but it may not surface until a year or more after a person's gambling problems arise."

One year's losses at the casinos can exceed a year's income for some bankruptcy petitioners in southeastern Connecticut. In 2003, for example, a privately employed Stonington housekeeper earned \$20,104, according to U.S. Bankruptcy Court records. That same year, the records say, she lost \$14,166 at Foxwoods and \$19,512 at Mohegan Sun.

One Norwich woman collected \$1,169 in unemployment benefits for the first five months of 2003, but she lost \$47,000 gambling from May 2002 to May 2003, according to bankruptcy court records.

How does an unemployed person receiving state assistance lose that much at a casino? Credit cards. When she filed for bankruptcy, she showed \$44,467 on four credit cards, her court records say.

For the unemployed to squander government aid on gambling is bad enough. But for seniors on

fixed incomes to play more than they can afford to lose is tragic. Mohegan Sun and Foxwoods provide gambling and food vouchers to attract seniors. The sight of buses filled with seniors going to and from the casinos is common.

A recent study by Pennsylvania State College of Medicine and the University of Pennsylvania found that casino bus trips can be fraught with financial peril for some seniors. Researchers surveyed a random sample of 843 people 65 and older and found that almost 11 percent were "at-risk" gamblers - people who had recently laid down a single bet of \$100 or lost more than they could afford to. Unlike younger gamblers with greater earning power, many elderly gamblers can't work to pay off gambling debts.

Take the case of a disabled Mystic veteran and his wife, who filed for bankruptcy in 2003. The husband's entire monthly income in 2002 came from disability and Social Security, which amounted to roughly \$45,000 that year. That same year, however, he lost about \$70,000 at the casinos, according to U.S. Bankruptcy Court records. By the time he filed for bankruptcy, he had taken out a second mortgage on the couple's modest home; piled up substantial credit card debt; and drained the couple's joint savings and checking accounts down to just over \$1,700.

Problem gamblers with no property, poor credit and little income may turn to loan sharks. In 2002, federal authorities broke up a loan-shark operation that took place at Foxwoods. Two Chinese nationals were convicted in U.S. District Court of charging sky-high interest rates. Defendant Steven Chen was sentenced to 57 months in prison; his brother-in-law Gong Chai Sun got nearly three years.

A typical loan would be for \$900, according to a brief filed by defendant Chen with the U.S. 2nd Circuit Court of Appeals. The principal and \$100 in interest would be due within 72 hours, the brief alleged. Interest rates would escalate from there; at least one borrower was charged 4,055 percent.

The financing for this scheme first came from Inguan Teoh, a restaurant owner who testified at the trial against Chen. According to Chen's brief, Teoh would sometimes get Rolex watches as collateral in exchange for supplying the loan shark with money to lend to gamblers. Eventually, the brief alleged, Teoh started gambling at Foxwoods and borrowing from the loan shark, who allegedly threatened to blow up his restaurant for non-payment. (Teoh went to the police.) But in the end, even the shark turned out to be a frequent gambler. Only the casinos profited.

Jobs, But At What Cost?

Jobs are supposed to be the elixir for the social ills that flow from gambling. Together, the two casinos employ more than 20,000 people.

But the influx of thousands of new workers - some from overseas - places great strains on the affordable-housing market, the public school systems around the casinos and social-service providers.

The state's labor laws do not apply to the tribes or casinos. Casino employees don't have the right to unionize. Workers who want to negotiate for higher wages or fairer labor practices can't do it through collective bargaining.

Of 1,462 consumer bankruptcies filed in southeastern Connecticut between January 1998 and January 2005, 16 percent, or 233, were filed by employees of the two casinos. Of those 233 casino employees who went bankrupt, 15 percent had gambling debt. The casinos forbid their employees from gambling on-site. But nothing stops a Foxwoods employee from gambling at Mohegan Sun, or vice versa. "We see a lot of the gaming industry, a lot of casino workers," said Rosemary Poole of Alliance Behavioral Services in Groton, who counsels problem gamblers.

The combination of low-paying jobs and exposure to casino gambling spells doom for some casino employees. One slot machine attendant at Foxwoods is an illustration. According to bankruptcy court records, in 1998 she grossed \$18,370 at Foxwoods and lost \$34,514 at Mohegan Sun.

"The wait staff and the cocktail staff, with all that cash in their pocket, are always being tipped by gamblers," says gambling addiction counselor Diane Murphy, also of Alliance Behavioral Services. "It looks so easy to make money. So they start going to the other casino after work."

None of this should be surprising. The national gambling impact study done for Congress in 1999 concluded that problem and pathological gambling rates double within 50 miles of a casino. Nobody is closer to a casino than its employees.

Besides addiction, some casino employees go bankrupt simply because they don't make enough money to keep up with the cost of living in the area. The average monthly gross salary for the 233 casino employees who filed for bankruptcy was a mere \$2,249, or \$26,988 annually.

With transportation, health insurance and housing costs out of reach for some employees, the state ends up subsidizing them. For example, buses transport employees from Hartford to the casinos and back. The transportation is financed by a \$400,000 state grant.

Casino employees are also heavy users of the state's health insurance program. Mohegan Sun ranked sixth among employers with 762 adult and child recipients in the HUSKY A plan, according to a March legislative report, though the casino disputes the findings. Foxwoods was 12th with 501 recipients in the state insurance program. The Department of Social Services estimates that it costs well over \$2 million a year for these benefits.

Affordable housing is an even bigger problem. With the 2004 median home sale price in New London County at \$236,500, according to the Eastern Connecticut Realtors, home ownership is out of the question for a lot of casino employees. Even renting an apartment can be a problem.

"We need more housing that is suitable for a service workforce economy," said Lisa Shippee, director of neighborhood services for Thames Valley Council for Community Action, a nonprofit social service agency. "From the government's perspective, our area looks economically healthy

because we have a low unemployment rate. But the real picture is that these are service jobs starting around \$9 per hour, and to afford a two-bedroom apartment in New London County requires about \$18 per hour."

One result is that some casino employees are showing up in homeless shelters. The Council for Community Action shelter in Norwich and the Covenant Shelter in New London, the two largest in southeastern Connecticut, say they have housed 29 adult casino employees and 40 children of casino employees in the past 18 months. These are working people who can't find a place to live.

There are a host of challenges for children, such as getting to school and trying to do homework, and costs to taxpayers, such as subsidized school lunches, when families live in homeless shelters. Both shelters are funded in large part by grants from the state Department of Social Services. "With the growth of the casinos, we have a hideous housing crunch," Shippee said. "Even though there is economic opportunity to get a job, it is 10 times harder to go into an apartment."

Bankruptcy, homelessness and state-subsidized transportation and health insurance are symptoms of low wages. Casinos have had to recruit from overseas - South Korea, Brazil, Haiti and Europe, for example - to fill low-wage job vacancies.

But the influx of Chinese workers from New York - driven north by the closing of garment factories - has been most noticeable. The number of Chinese in Norwich is now around 3,000.

'Perfect public policy storm'

"We have the perfect makings of the perfect public policy storm," Norwich Assistant City Manager Bob Zarnetske told the Norwich Bulletin in April. "Inexpensive, old-stock housing - which does not support a large grand list [of taxable property] - and a massive influx of low- and moderate-wage earners who need local services, such as schools, social services, police, fire protection and housing inspectors."

According to Norwich Free Academy, the largest high school in New London County, 19 percent of its 2,398 students now have a parent or guardian employed by the casinos. Many of these students are not English-speaking. Two years ago, the school offered five classes for students in the English Language Learners program. This year, NFA offered 15 ELL classes and had to extend them beyond English to include math, science and history. "We have tripled the number of ELL classes we're offering in three years," said Larry Rich, the director of the Norwich Free Academy's guidance office. "That's going from one to three times the number of teachers in a two-year span. And it's only going to keep growing."

Some teachers now spend half their day teaching English-assisted classes. This year, there are 125 students in ELL classes. Within two years, school officials expect that 10 percent of students at the high school will require English assistance. "That's approaching the percentage of students in special education, which has its own faculty and program," Rich said.

The Norwich Bulletin reported in March that 32 languages are spoken in the homes of K-8 students in Norwich, and 10 percent of the 240 high school students live in homes where English is not the primary language. And 79 percent of the adults enrolled in adult education in Norwich work at the casinos.

This influx affects the school's ability to qualify for federal funding, which is tied to proficiency test scores under the No Child Left Behind Act. Many of these students also require reduced or free meals, tutors and nursing assistance.

Aside from school costs, Norwich reports that the casinos rack up another \$1 million per year in public safety, social service and public works. Norwich is not alone. Local legislators and municipal officials across New London County are petitioning the state for more funding to offset casino impacts.

The legislature is considering a bill that would increase the amount of slot machine revenue that goes to the towns closest to the casinos. But simply adjusting the formula of the slot machine fund is like rearranging the deck furniture on the Titanic. The casinos are devastating towns around them. As they continue to expand, so will the problems and costs they generate.

The big question is what to do about all this mess. The casinos aren't going away. But there are things the state can do to prevent the problem from getting worse.

For starters, the state must commission a comprehensive, independent study that fully examines the costs of gambling-related crime, suicide, divorce, bankruptcy and property loss, and the host of infrastructure burdens stemming from low-wage jobs at the casinos.

In the meantime, the state must ensure that going forward, every public policy decision related to casinos is made in favor of the broadest public interest. For example, proposals to expand highways that will simply make it easier for more gamblers to get to the casinos should be rejected. And efforts to shut off problem gamblers and to discourage teen gambling should be pursued.

Finally, the state should re-examine the slot machine compact it has with the two tribes. In exchange for \$400 million, the state has bought a perpetual social problem with myriad hidden costs. It's time for the state to evaluate whether this is really a good deal for the state, or whether it should seek an arrangement that more accurately reflects the costs.