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Several states set sights on sports gambling's revenue

By PAMELA M. PRAH

With their own revenues in a free fall, some states are looking to tap into the popularity of March Madness and Super Bowl pools by legalizing sports betting to snag a cut of the billions of dollars in play.

In New Jersey, Democratic state Rep. Ray Lesniak is part of a lawsuit seeking to overturn a 1992 federal law that essentially bans sports betting except for the four states that were grandfathered in because they already had wagering programs: Nevada, Delaware, Montana and Oregon.

Only Nevada allows betting on sporting events across the country and Montana, for the first time last year, began offering fantasy football betting via its lottery.

With Atlantic City casinos in a slump -- winnings were down by nearly 20 percent from the previous year -- Lesniak wants the state to get a share of the \$380 billion that some experts figure illegal betting generates. "Billions of dollars are being bet offshore through the Internet or through organized crime, and those are revenues that could be coming to New Jersey," he told The (Newark) Star-Ledger.

Delaware appeared to be poised to legalize sports betting this year after a big push from Gov. Jack Markell. Despite opposition from the three racinos, a version of the bill passed the state House early Friday.

Various forms of gambling are a bona fide business in all but two states for a simple reason: It's an easy way to get dollars flowing into the states without raising taxes. Thirty years ago, gamblers had to venture to Las Vegas or Atlantic City to bet legally. Today, every state except Hawaii and Utah has some form of legalized gambling.

"States are chasing for every gambling dollar that they can," said the Rev. Richard McGowan, a Boston College professor and author of the 2008 book, "The Gambling Debate." Sports betting may be the newest twist, but far from being the only angle states are taking to get a bigger take from Americans' love affair with gambling. Consider:

- California voters May 19 will consider allowing the state to borrow \$5 billion against future lottery proceeds as part of a deal to balance the budget.
- Illinois has a proposal that would allow lottery tickets to be sold online.
- Georgia Lottery, under pressure to find new ways to increase revenues to fund the HOPE scholarship program, has pitched casino gambling at Underground Atlanta, a shopping and dining area downtown.
- Iowa introduced two new lottery games to fund veterans' programs and considered privatizing the lottery.
- Kentucky may have a special session to consider allowing slots at racetracks to boost its famous

horse-racing industry.

- Maine regulators approved expanding casino gambling hours to include Sunday morning.
- Ohio regulators proposed allowing 14,000 video slot machines at seven horse racetracks and the owner of the Cleveland Cavaliers NBA team wants voters to decide whether four casinos should be built in the state.
- Pennsylvania is considering expanding casino gambling to include table games and slot machines in bars.
- Texas, which has a lottery but no other legalized gambling, has an array of proposals, including bids to allow slots at horse tracks, casinos and tribal gaming.

Even with the recession, Americans are still gambling. Lotteries in New York and Kentucky, for example, saw record sales. Gamblers may be taking fewer trips to Vegas, but the new casinos in Pennsylvania are raking in the dough.

Despite the recession, the gambling industry continues to be a major contributor to state and local governments' tax bases. Latest figures show a 2.2 percent decline in taxes that states and localities got from commercial casinos, but a 16.6 percent increase in taxes from racetrack casinos.

All told, the commercial casinos in 12 states generated \$32.5 billion in 2008, down 4.7 percent, but still the second-highest level, contributing \$5.66 billion to states and localities in tax collections, a 2.2 percent decline from 2007, according to figures to be released in an upcoming report from the American Gaming Association.

States also are benefiting from adding slots to existing racetracks. States and local governments collected \$2.59 billion from these "racinos" in 2008, a 16.6 percent increase from 2007, according to the AGA. "Despite the recession, the industry continues to be a major employer, a major contributor to state and local governments," Holly Thomsen, an association spokeswoman, said.

Most states are busy now working on their budgets for fiscal 2010, which begins July 1 for all but four states, trying to figure out how to factor in the federal stimulus money. All but Arkansas, Missouri, North Dakota and Wyoming expect budget gaps for the new fiscal year, the National Conference of State Legislatures said in a report last month.

State-sanctioned gambling, in general, is not without controversy. Opponents argue that any form of gambling begets crime, gambling addictions and other social ills that can end up costing the state more in the long run. But the worsening state revenue situation is giving even the most ardent gambling opponents second thoughts.

States will have to slice \$62 billion to make their current budgets balance, NCSL said last month in its latest survey of states' fiscal health. That number is on top of the \$40 billion states have already cut. Looking ahead to 2010, state deficits are expected to balloon to \$121 billion, according to NCSL.

The states' fiscal outlook is so dire that some states that typically have shied away from gambling are at least willing to consider them, said Ian Pulsipher, who tracks gambling issues for the NCSL.

That was the case in Hawaii. The Legislature hasn't approved any gambling measures, but Republican Gov. Linda Lingle's willingness to keep gambling on the table as an option after previously opposing it was important, he said.

Wyoming's Democratic Gov. Dave Freudenthal didn't drop his resistance to casinos or slot machines, but was open to joining the 43 other states with lotteries. The Legislature didn't pass the bill.

The bleak revenue picture in Massachusetts has given pause to lawmakers there who had opposed gambling. State tax collections dropped 35 percent compared with April of last year, which means the state will likely have to close a \$1 billion shortfall. That is on top of the \$3 billion the state has already closed.

"I have been an opponent of casino gaming ... but the territory we're in right now is unprecedented in terms of the budget," Democratic Rep. Peter Kocot told the Boston Herald. "With the situation in such a great state of flux ... my mind is open."
