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## States in region seen competing for slots money

### Proponents view casinos in neighboring areas as drain on treasury; Pa. also weighing legalization; Critics say competition for gamblers' funds is 'race to the bottom'

By Greg Garland  
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As Pennsylvania lawmakers renew the debate over whether to legalize slot machines, the arguments in favor have a familiar ring to Marylanders - that the state must staunch the flow of money to neighboring states where the devices are permitted.

"We have become the golden goose for neighboring states," said Thomas M. Kauffman, executive director of the Pennsylvania Horse Racing Association. He says the state is losing tens of millions of dollars every month to slots in adjacent states.

In Maryland, slots supporters say the same thing about competition with the state's neighbors, including, potentially, Pennsylvania.

Pitting one state against another has proved a successful strategy as the gambling industry has expanded across the country. Because casinos pay taxes that fund important programs, lawmakers view gambling across state lines as a drain on the treasury.

"There's no way we can survive economically with all of our monies going to Delaware and West Virginia - and possibly Pennsylvania in the immediate future," said Del. Clarence Davis, an East Baltimore Democrat who supports expanding gambling. "It's Maryland money paying for education and all sorts of human services programs in those states."

But critics say the competition quickly turns into a "race to the bottom," as states try to up the ante on one another. Officials in West Virginia, for example, have said they may add blackjack and other table games to their slots offerings if Maryland or Pennsylvania legalizes the devices. And tiny Delaware, which has three racetrack casinos, is considering opening two new slots casinos.

As the competition heats up, experts who study the gambling industry say, restrictions are lifted, more sites for gambling open, and new and flashier types of games are introduced - whatever it takes to keep players coming in and the money flowing.

"We saw it especially with the riverboat casinos in the Midwest," said William R. Eadington, director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. "As one state relaxes its rules, others feel compelled to follow."

What started in 1991 as small riverboat casinos cruising the waterways of Iowa, with \$5 betting limits and other tight restrictions, has grown into something much larger. Now, giant dockside casinos are found across a wide swath of the Midwest - Illinois, Missouri and Indiana -with none of the restrictions initially imposed in Iowa.

This year, gambling proponents in the Illinois legislature are pushing to let that state's riverboat casinos expand. They also want to add up to 3,200 slot machines to each of the state's five horse racing tracks. Bars, taverns and social service clubs would be allowed three machines each.

The expansion sometimes takes odd forms. Missouri has what are known as "boats in a moat," large riverboat casino barges that sit in manmade lagoons well off the major waterways approved in the state's original riverboat gambling legislation. Louisiana has dozens of mini-slots parlors called truck stop casinos.

Robert Goodman, a professor at Hampshire College in Amherst, Mass., said such developments are no accident. He is the author of *The Luck Business*, a book that takes a critical look at the expansion of casino gambling in the United States.

Goodman said a gambling consultant developed what he called the "ladder strategy," in which gambling companies seek to enter new markets with riverboat casinos, slots at racetracks or other limited offerings that can be expanded later.

### **'Hooked on gambling'**

"You promise something very modest at the beginning. But you know once you get [gambling] in that the politicians will see it as one of the few places to go to raise revenues," Goodman said. "You could essentially call it getting a state hooked on gambling."

But gambling can be costly for a state, he said, because of social costs related to problem gambling. Stemming the flow of gambling dollars across a state's borders, though an appealing argument, is not based on sound economics, he said.

"I remember one of the senators [in Nebraska] arguing, 'We have to fight fire with fire.' I told him all the research I've seen is if you try to fight fire with fire all you're going to get is a bigger fire," Goodman said.

It becomes a "race to the bottom," he said.

Naomi Greer, a spokeswoman for the American Gaming Association, the chief lobbying arm for the gambling industry, declined to address that criticism, or the issue of gambling interests using competition from neighboring states as a selling point to expand casino-style gambling to new states.

In a replay of what happened in the Midwest, gambling inroads that started as small slots operations in the mid-1990s at racetracks in West Virginia and Delaware have rapidly evolved into mammoth slots casinos with as many as 3,000 machines.

And that has turned up the pressure to introduce casino-style gambling to larger, more populous neighbors in the Mid-Atlantic region, such as Maryland and Pennsylvania.

Maryland Gov. Robert L. Ehrlich Jr. hit heavily on that theme as he spoke to a Senate panel last week about his proposal to allow 11,500 slot machines at four horse racing tracks and 4,000 of the devices at

two stand-alone facilities on the Interstate 95 corridor.

"The competition from surrounding states is fierce," he said. "And all of us are following the progress of the slots debate in Pennsylvania."

### **Fierce competition**

In Pennsylvania, Gov. Edward G. Rendell has proposed allowing 12 giant slots casinos in the Keystone State - eight at horse racing tracks - in part because of competition from similar gambling facilities in nearby states.

Reacting to those moves by Maryland and Pennsylvania, gambling interests in West Virginia have organized a rally tomorrow in Charleston to push for allowing table games in that state's slots-only racetrack casinos.

Legislators who favor moving to full-scale casinos warn that the state's treasury could lose \$160 million a year if Pennsylvania and Maryland get slots. To compete, they say, the state needs to expand its offerings to include craps, blackjack, roulette and other table games.

### **Expansion plans**

And in Delaware, legislators are considering adding a waterfront slots emporium in Wilmington and a floating slots casino on the Delaware River near Penns Grove, N.J., extending gambling beyond the state's three racetrack casinos.

"We've gotten some pretty solid estimates that we'd lose 40 to 60 percent of slots revenue if both states [Maryland and Pennsylvania] go," said Delaware state Rep. Joseph G. DiPinto.

"If you're going to be competitive, you don't wait for your competitors to set the agenda," DiPinto said.

West Virginia Del. Kelli Sobonya, a Republican opponent of slots, notes that the businessman who runs the Mountaineer Race Track and Gaming Resort in that state's northern panhandle has obtained a license for a proposed racetrack casino venture in Erie, Pa.

In West Virginia, she said, he argues for table games as a way to compete for business if Pennsylvania gets slots. In Pennsylvania, he says, slots are needed to compete with West Virginia's racetrack casinos.

Davis, the Maryland lawmaker, said he would prefer to skip the preliminaries and go straight to full casinos instead of starting with just slots.

"I would like to see it go in that direction, but you can't get it done right now," Davis said.

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