

## Bidding Begins for Maryland “Racinos”

BY BETTY JOYCE NASH

Maryland voters have decided to go ahead and take a chance. In the fall of 2008, they approved an amendment allowing slot machines. Up to 15,000 video lottery machines at five locations could bring \$660 million annually for the first eight years to the state education trust fund (48.5 percent of gross revenue) when fully implemented by 2013. The amendment’s supporters billed the slots revenue as a way to invest in education and also perk up the state’s foundering horse industry.

But revenue projections vary. To collect the estimated net \$660 million, the state must capture all the money Marylanders now spend at slot machines in neighboring states, plus generate dollars from new gambling at a rate of 150 percent above current levels, according to an analysis by the Maryland Institute for Policy Analysis and Research.

Maryland will get about \$90 million, earmarked for education, just from the sale of licenses to slot operators as early as 2010, with about \$150 million coming in the following year. “It’s going to cost you to bid for one of these licenses,” says Michael Hopkins, executive director of the Maryland Racing Commission. Bids are due Feb. 1, 2009. Magna Entertainment Corp., the biggest racetrack owner in North America and parent of the Maryland Jockey Club, plans to bid for machines at its property Laurel Park, home of the Pimlico Race Course and the Preakness Stakes. But not all machines will be installed at tracks — there will be a slots operation in downtown Baltimore and one at Rocky Gap State Park in Allegany County in the state’s western panhandle.

The money may help the state budget deficit. It won’t be a long-term solution to fiscal problems, though. Even gambling states like Nevada are currently in fiscal distress.

The statewide referendum amended the constitution to allow slots, and any expansion of gambling will require another amendment. In addition to wagering at horse tracks, there are currently three off-track betting locations in Maryland. Slot machines will be installed in five geographically dispersed locations. Previously the law allowed only nonprofits to operate slot machines. Some of these can be found on the Eastern Shore in the halls of charitable veterans’ organizations.

Laurel Park is on track for 4,750 machines in Anne Arundel County within two miles of Route 295. Ocean Downs in Worcester County may get 2,500. (Some Ocean City businesses weren’t too happy about that — they’re worried people will spend money on slots rather than T-shirts and restaurants.) Other sites include the 3,750 machines in Baltimore City, Cecil County with 2,500 machines within two miles of Interstate 95, and 1,500

machines in Allegany County.

Maryland’s horse industry wanted slot machines because slots gambling in West Virginia, Delaware, and Pennsylvania helps fund larger purses and that means more and better quality horses compete at those tracks. That attracts racers and breeders away from Maryland.

Racing days in Maryland have fallen from 306 days 15 years ago to 185 days in 2007, according to an August 2007 report by the Maryland Department of Labor, Licensing and Regulation. The horse racing industry nationwide is in decline because of growing competition for dollars from other entertainment.

Of gross slots revenue, no more than 33 percent is slated for the operators, 7 percent will enhance race purses and provide funds for the breeding industry (up to \$100 million annually), and 5.5 percent will go to localities to defray costs (such as increased police presence) associated with the slot machines.

There will also be 1.5 percent for small, minority, and women-owned business investment accounts, 2 percent to the state lottery for administrative costs, and another 2.5 percent for racetrack renewal. The rest is promised to education. A “problem gambling fund” will also receive \$6.4 million annually. The money will, in part, pay for a study to assess the level of pathological gambling in the state.

The horse industry occupies a special niche in Maryland, but represents only 0.4 percent of the state’s \$250 billion overall economic activity, according to economist Robert Carpenter of the University of Maryland, Baltimore County and the Baltimore office of the Federal Reserve Bank of Richmond.

Earmarks from slots for purses and breeders and racetracks amount to an industry subsidy, say some critics. “Saving a dying industry just doesn’t make sense,” says Donald Norris, chair of the department of public policy at the University of Maryland, Baltimore County. Slot machines may also compete with existing forms of state-sanctioned gambling and potentially lower revenue in other ways.

While slots money should not directly affect the state’s general fund — they are transfers between gamblers and earmarked funds, such as the education trust fund — lottery sales are expected to decline by 10 percent with slots competition, according to Norris. Some people also will substitute slot play for shopping, lowering tax revenue for this source.

Norris explains that the social costs of the new slot machines could reach \$228 million annually. Those include increases in crime, bankruptcy, cost related to gambling addiction, divorce, among others. **RF**