

Should Massachusetts Expand Gambling?

There are few issues that inflame passions as much as whether or not to legalize casinos in Massachusetts. Governor Deval Patrick's proposal to license three resort casinos in 2008 was defeated, but a new proposal has now been put forward and will soon be debated on Beacon Hill.

Gambling is legal under federal law, leaving it up to each state to determine what forms of gambling, if any, they will allow. New Hampshire was the first state to authorize a state lottery in 1963, and almost every other state has since followed suit. Nevada was the first state to legalize casino gambling in 1931, followed by New Jersey in 1979. A total of 19 states now have commercial casinos and another 13 states have casinos on Indian reservations. Only 2 states -- Utah and Hawaii -- do not allow any form of gambling.

According to the American Gaming Association, 43% of gambling revenues in 2002 were generated by commercial casinos, 28% by state lotteries, 17% by Indian casinos, and the remaining 12% from other legalized forms of gambling (horse and dog tracks, jai-alai, charitable games, and card rooms).

Gambling activities in the United States generated more than \$90 billion in gross revenues in 2006, which is the difference between the total amount wagered minus the winnings returned to players.

Online gambling, which has grown in popularity along with the Internet, is regulated by the federal government. The Unlawful Internet Gambling Enforcement Act of 2006 did not prohibit online gambling, but rather outlawed financial transactions involving online gambling service providers. Although many offshore gambling providers reacted by shutting down their services for US customers, online gambling is still widespread and enforcement is lax.

In Massachusetts, like many other states, gambling has a long history. Indian tribes claim that gaming was part of tribal culture long before Europeans arrived. Today, Massachusetts runs a large state lottery, and also permits wagering on horse racing and charitable gaming. Last year the state began participating in the huge interstate Powerball lottery. Dog racing, however, was recently ended as a result of a 2008 ballot referendum.

In 1994, Governor Weld agreed to let the Wampanoag Tribe build a casino in New Bedford. New Bedford voters approved the idea in a referendum, but a few years later the plan was killed in the state legislature. Since then, proposals to legalize casinos have been introduced each legislative session, but have not been successful.

Last week, the state legislature's Joint Committee on Economic Development and Emerging Technologies, with the strong backing of House Speaker Robert DeLeo, released legislation that would authorize two casinos in Massachusetts along with a limited number of slot machines at each of the state's four race tracks.

The two casino licenses would be sold for a minimum of \$100 million each, and the four slot-machine licenses for at least \$15 million each. The resort casinos would be required to invest a minimum of \$500 million each in order to ensure that they build hotels, restaurants, and entertainment venues in addition to gambling facilities. A newly established Massachusetts Gaming Commission (with appointees of the governor, attorney general, and treasurer) would be responsible for selecting the winning bids and geographic locations, and for regulating the gambling industry. New enforcement bureaus would also be established in the attorney general's office and the state police. The regulatory and enforcement costs would be borne by the gambling licensees.

The legislation proposes that the state collect 25% of all casino revenue and 40% of all slot-machine revenue. This revenue would be directed to dedicated funds, as follows:

- 30% to an Education Fund
- 30% to a Local Aid Fund
- 30% to an Economic Stabilization Fund
- 7% to a Local Capital Projects Fund
- 2% to a Community Mitigation Fund, and
- 1% to a Massachusetts Tourism Fund

In addition, gambling operators would be assessed \$5 million annually for a Public Health Trust Fund to assist people who are affected by compulsive gambling.

To help minimize political influence, gambling licensees and their key employees and agents would be prohibited from making political campaign contributions.

Proponents of expanded gambling in Massachusetts argue that economic development is critical to helping the state recover from the severe recession and fiscal crisis. They contend that this proposal will create 15,000 new jobs, including a mix of temporary construction jobs and permanent jobs at each casino and race track. The state would receive at least \$260 million in up-front licensing fees, and a new annual revenue stream of \$200-600 million that could help fund education, local aid, and other services. They also argue that a significant portion of the money that will be spent at these facilities is money that would otherwise go out of state to casinos in Connecticut and Rhode Island (and possibly casinos in other New England states in the future). Resort casinos also have the potential to attract tourism dollars to Massachusetts from other states.

Opponents of expanded gambling argue that the benefits of new jobs and revenue are outweighed by the social costs of gambling. These costs include compulsive gambling, crime, domestic violence, and other social ills. They also argue that casinos and slots will hurt the state lottery, thus generating less net revenue for the state than expected. They point to research showing that gambling is essentially a regressive tax, and contend that there are better and fairer ways to raise revenue for the state.

Some people, including Governor Patrick, draw a distinction between resort casinos and slot machines at race tracks. They argue that the former has the potential for greater job creation, boosts tourism, and incurs relatively lower social costs.

The bill will be debated by the House of Representatives next week. If it passes, it will then go to the Senate and a likely Conference Committee before reaching Governor Patrick's desk.

I welcome your feedback on this proposal to expand gambling in Massachusetts or any other issues. Please visit our website at www.RepJasonLewis.com. You can also reach me at 617 722-2060 or by email at Jason.Lewis@state.ma.us.

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