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Del. turns to casinos for budget fix

With the way cleared for sports betting, table games, lawmakers push for more venues

By JEFF MONTCOMERY
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Widely viewed as a long shot in April, the recent step toward legalization of casino table games appears ready to launch Delaware into big-time gambling, including a strong push to expand it beyond horse racing tracks.

Delaware needs to fill a nearly \$900 million hole in next year's budget.

Sports betting promised some help. Table games, somewhat more. But officials acknowledge the real money will come only from approving more casinos.

"I firmly believe that there's a part of the market that isn't being tapped," said House Majority Leader Peter C. Schwartzkopf, D-Rehoboth Beach, who led talks that accelerated action on table games.

Schwartzkopf favors authorizing a new casino at the proposed Del Pointe resort in Millsboro, and said he was working for linkage of the final table-game vote and a bill that would allow a new gambling site. Delaware law now allows slot machines and gambling only at the state's three racetracks.

Sen. George H. Bunting Jr., D-Bethany Beach, who co-sponsored Schwartzkopf's bill, said fairness de-

mands more casinos.

"The fair thing would be to have something for Sussex and something for Wilmington," Bunting said.

"We've given these three entities the largest subsidy in the state's history. And they're doing very well."

Some lawmakers are predicting a special session in late summer or early fall for a final vote on details for

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Casinos: Del. would have 2nd-most options after Nev.

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table game revenue-sharing and oversight, issues still being hammered out by a three-member panel under a 75-day deadline, which met - in public - for the first time Friday.

Approval would make Delaware the only state outside Nevada to offer legal gambling, including sports betting, in so many forms. Dealers could begin flipping cards within months.

"This will turn the sites in Delaware from slot houses to full-blown casinos," said James S. Weinert, an analyst with Spectrum Gaming Group, a New Jersey research and gambling consulting firm.

The payoff: hundreds or thousands of new Delaware jobs and millions in revenues, with some groups claiming the revenues would surge most if the state approves at least one more entirely new casino.

Backers of one venture in Sussex claim their plan alone would boost state revenues by an estimated \$85 million per year. An earlier casino plan for Wilmington's Riverfront forecast a \$90 million annual gain for the state, and \$6 million windfall for the city treasury.

Hurdles remain, including a potential court fight over sports betting, a separate gambling addition approved for casinos over objections and threats of a legal challenge from the NFL and the NCAA.

Administration officials admit the gambling expansion remains one of Delaware's few hopes for immediate growth in an economy wracked by plant closings and business restructurings. Legislators openly conceded that worries about Delaware's failing economy provided the political will that powered the changes through and could lead to additional revenues.

Table gaming never got a single mention last year, when Gov. Ruth Ann Minner's administration issued a 111-page report on options for increasing revenues.

"If it weren't for the financial problem we have, I don't think it would have gotten to first base, any of it," said Rep. Gerald Hoeker, R-Ocean View, who voted against casino gaming and tax expansions.

Transformation in 7 minutes

Markell flopped table games, such as poker, craps and blackjack, as a new revenue source earlier this year while touring the state discussing solutions to the state's budget crisis. He also initially recommended sports betting, an increase in the state share of casino proceeds and the opening of three new casino sites.

Table gaming was shifted to a back burner for this year, Markell spokesman Joe Rogalsky said, because of public reaction and concern about the complexities of managing and overseeing the new venture.

Then lawmakers came to a different conclusion while watching state revenues decline alarmingly.

On May 8, shortly after midnight, they abruptly bet the farm.

In seven tightly choreographed minutes, the House introduced and approved a surprise amendment that put table games on the front burner, pushing Delaware's racetrack slot machine venues into full-blown casinos.

The amended measure authorized sports betting at racinos, scaled back the tax and fee hikes proposed by Markell and declared the Legislature's intent to see the startup of table games "as soon as possible" - all without a ripple of public debate over details or consequences.

In the only public explanation offered from the floor, Rep. Thomas H. Kowach, R-Brandywine Hundred South, said earlier proposals "did not go far enough to enable a maximum revenue stream for the state."

Delaware's casino competition



Rep. Gerald Hoeker, R-Ocean View, said gambling expansion is the wrong way to fix budget woes.



Rep. John Kowalko, D-Newark, said he is in favor of a quick approval of table games to 'replenish' funding.

could make the state a serious contender to Atlantic City and would draw gambling dollars now spent in other neighboring states.

James R. Karmel, a Harvard Community College professor and author of books on the gambling industry, said that Delaware might have dealt itself a winning hand this year, despite a downturn in the gambling economy and concerns about casino "securitization" in some areas, including Atlantic City.

The sole bright spots in New Jersey's casino market currently, Karmel said, are sites that have pushed heavily into table games. One relatively new venture, Borgata Hotel Casino & Spa, gets 26 percent of its revenue from table games, while the table game percentage for Jersey casinos as a group has grown to 31 percent.

"A lot would have to happen for Wilmington to become Las Vegas," said Karmel, who manages the Web site GamingAtlantic.com. "But I do think there's a possibility that a lot of the energy that has come out of Atlantic City ... might shift to Delaware."

Karmel added: "There is some sense that the table gambler might be more affluent and willing to spend more money on bars, restaurants, clubs and spas, maybe, than traditional slots players."

No victory yet

A few more cards must fall before table-game supporters can claim victory.

The gambling bill approved last month created a three-member committee to recommend licensing fees and a formula for splitting revenues from table gaming.

Terms of the bill give the group until July 26 to submit a plan and report on administration and enforcement of the games. If no agreement can be reached, any one of the three can offer an option for lawmakers' consideration by Aug. 12.

Close behind, several lawmakers predict is a battle over a new casino for Sussex County, possibly followed by a gambling site in Wilmington. Some question whether the state can continue to justify a monopoly for three racetracks as gambling profits grow.

Schwartzkopf, the House majority leader, found sponsors from both parties and both chambers earlier this month for a bill that would allow construction of a casino at Del Pointe despite the lack of an active racing operation in Millsboro.

Sussex County, with the state's highest unemployment rate, deserves a share of casino industry growth, Schwartzkopf said, adding: "There are some lawmakers who don't want to do anything because they think it will hurt Harrington Raceway. I think that's a shame."

Preston Schell, the developer behind the proposed Del Pointe project in Millsboro, said that resort needs a casino license to make the investment work.

"I think it's very irresponsible of the Legislature, if they continue to expand the market for our existing casinos by allowing table gaming while not entertaining the intention and wishes and really behest of Delaware taxpayers by considering additional venues," Schell said.

"Sussex County has been left out of this economic opportunity ever since it began," Schell said. "That is a direct result of the political influence of our three existing casinos. If they could have their way, they would have gotten slots and table games and nothing else, and would have held their monopoly."

Midway Slots at Harrington Raceway, the southernmost of Delaware's three racinos, is in Kent County, although it occupies Delaware State Fair land offer considered the capital of southern Delaware's farm community.

Schell said a Sussex casino

could draw more visitors from areas around Washington, D.C., and could tap into Delaware coastal resort visitors, a group now seen as reluctant to battle traffic to gamble at Harrington or Dover.

Wilmington has kept up steady pressure for its own casino.

John Rao, communications director for Wilmington Mayor James M. Baker, said city officials strongly support a casino attraction for the state's largest city. The most recent proposal envisioned a \$600 million complex on the Seventh Street peninsula.

"I think it's a logical thing to come up," said Sen. Harris B. McDowell III, D-Wilmington North. "The unwritten tradition is that we have four political subdivisions," including the counties and Wilmington. "In this particular case, they cut Wilmington out."

Spectrum's Weinert said Delaware should move cautiously on additional sites. Maryland, he noted, has authorized 15,000 new slot machines that could keep that state's gamblers closer to home, and other states are considering new attractions.

"It depends on whether Delaware wants any potential new properties to cannibalize the existing properties," Weinert said. "I think after the table games and sports betting stabilize, after about three years of operation and the regional markets have stabilized some, then it might be more appropriate to study what pockets of Delaware and elsewhere in the Northeast might support new casinos."

Michael Pollock, also with Spectrum, predicted that Pennsylvania and other states will fight back.

"We fully expect, and we built it into our models, that Pennsylvania is going to be adding table games, and in particular that's going to be a reaction to Delaware, which arguably is a reaction to West Virginia," Pollock said.

Pollock also saw room for growth in Delaware, as gambling continues to grow nationwide.

"I think Delaware is an important and early state in the process, and table games are a very important piece of the future," Pollock said. "It has experienced a resurgence in recent years in a number of markets, and there's a lot of growth potential. A lot of relatively young and relatively affluent groups are tending to gravitate to table games rather than slot machines."

A vulnerable industry

Despite predictions of an economic jolt, some officials warned against leaning too heavily on gambling as a cure for Delaware's economic woes.

"I think it's a piece of the economic puzzle and can be an important part of our economic future, but it's not THE future," said Kleinschmidt of the chamber. "We still need to look at growing the economy through getting small businesses to grow and become middle-sized businesses. We need to work through the double challenge with the GM and Chrysler closing."

"Gambling is not going to replace those really good, blue-collar jobs. It certainly helps and, meanwhile, the state and chamber and others need to redouble our efforts."

GamingAtlantic.com's Karmel agreed that some data suggest the mid-Atlantic casino getting already saturated. Other signs point to new opportunities for growth.

"There is a potential with sports betting and table games that Delaware Park or Dover Downs might create such an attractive and large and wonderful type of casino that it starts bringing people in from outside the region," Karmel said, growing the entire market.

Hoeker said Delaware should be curbing state spending instead of promoting gambling. "I think that's the wrong way to try to build your economy - on the backs of the wage earner," Hoeker said. "For the state to benefit in this, somebody has got to be a loser."

John Stapleford, a Delaware resident and economist with Moody's Economy.com, was far more critical.

"It's a regressive tax. It takes from low- and moderate-income people and redistributes the money to other folks. If you don't believe that, go to any of the casinos. What you're going to see is predominantly older people and minorities."

Stapleford said Delaware should be aggressively pursuing more productive industries that are less vulnerable to economic downturns.

He added that tax revenues would increase its tax revenues at the expense of some unable to afford the burden.

"It'll give us a burst of energy," Stapleford said. "A burst of sugar. But in the long run, it's not a very healthy thing for economic development."

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