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Delaware may allow betting on all sports

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April 28, 2009

With a short drive, Marylanders could be legally betting on Ravens games when the NFL season begins in September - assuming Delaware Gov. Jack Markell and lawmakers push through sports wagering legislation, the first of its kind on the East Coast.

Delaware's legislature will consider allowing wagering on all sports when its session resumes today. While there is agreement among the governor, key legislators and the state's gambling interests on the broad issue of sports betting, making it a reality bogged down early in the session over the details.

Delaware's effort to broaden gambling beyond its pari-mutuel horse racing and slot machines is evidence of an increasing competition among local governments that rely on casino gambling to help balance their budgets and bolster their economies.

"Delaware is a gaming state, and the governor wants to do what's necessary to protect Delaware's gaming industry," said Joe Rogalsky, Markell's spokesman. "Plus he wants to use it as an economic development tool."

In 2008, Delaware's three racinos - casinos at racetracks - paid more than \$210 million in taxes (between 6 percent and 7 percent of the total state budget) and accounted for nearly 2,600 jobs. But taxes and jobs were down from the previous year - a decrease of 2.8 percent in tax money and a loss of about 300 jobs.

Adding sports wagering to Delaware's gambling menu has become an appealing notion for two reasons: a looming \$750 million deficit in the state's budget and increased competition for gambling dollars from Pennsylvania's new slots casinos and from Maryland's future slots parlors.

"There is now a Newtonian mind-set that an action in one state causes a not necessarily equal but certainly opposite reaction in another state," said Joseph Weinert, senior vice president for Spectrum Gaming Group, a New Jersey-based research and consulting firm. He likened the escalation between jurisdictions as gambling's version of an "arms race."

And those competitive responses are likely to intensify in tough economic times when raising money through discretionary activities such as gambling is politically more palatable than raising state income and sales taxes.



"A state will usually start out with very strict regulations," said Mark W. Nichols, an economics professor at the University of Nevada-Reno, who has researched the financial impact of gambling expansion among jurisdictions. "Then a nearby state sees its residents traveling to that neighboring state to gamble and that serves as a justification to legalize gambling in that other state."

In Delaware, advocates of sports gambling hope to capitalize on the state being grandfathered under a 1992 federal law that limited sports betting to states that allowed such wagering when the measure went into effect. As a result, only four states are permitted to have sports gambling - Nevada, Oregon, Montana and Delaware.

Nevada, of course, has sports books in its casinos that generate tens of millions of dollars in revenue. Oregon had a successful sports lottery for about 18 years but gave it up to hold a round of the NCAA men's basketball tournament in Portland. Montana just began a sports lottery that accounts for relatively modest sales. And now Delaware, which experimented with a failed sports lottery in 1976, wants to introduce parlay wagering in its racinos.

Pro sports leagues, such as the NFL, as well as the NCAA have argued against Delaware's plans, believing that wagering on their events poses a threat to the integrity of the games. But with no pro sports teams in the state and no Division I university that could host a big money-making tournament, Delaware appears somewhat insulated from their lobbying efforts.

Meanwhile, even states that are not grandfathered under the federal law are considering sports gambling to deal with the sour economy. New Jersey state Sen. Raymond Lesniak has filed a federal suit trying to overturn the 1992 law on constitutional grounds, contending, in part, that the federal government is overstepping its bounds in regulating an activity that should be left to the states and that the law is discriminatory. Atlantic City's gambling industry has been hammered by the recession as well as by Pennsylvania slots casinos, and some believe sports wagering would rejuvenate the New Jersey casinos.

Greg Gemignani, a Las Vegas-based attorney who specializes in federal gambling law, said Lesniak's lawsuit faces a stern challenge.

"It's going to be difficult for them to do," Gemignani said. Of particular interest, he said, is who is not a plaintiff in the suit, specifically the state of New Jersey "and the [federal law] is actually aimed at the states."

The more immediate prospect, though, is legalized sports gambling in Delaware. The previous governor was an opponent of sports betting, but Markell hopes his sports wagering package will fill about \$55 million of a \$750 million hole in the state budget. But there were provisions in the original bill that the casino industry opposed. Already axed are Markell's proposals to allow three more casinos and 10 sports betting parlors. But the governor's insistence on raising the state's share of the gambling revenue split from 37 percent to 45 percent remains a sticking point.

If sports wagering is approved in Delaware, Markell administration officials believe that the logistics can be worked out so that betting can begin this football season on pro and college games (excluding Delaware schools); football is considered the most popular and lucrative wagering sport.

Unlike in Nevada, bettors will not be able to wager on an individual event. State law requires games to be based on luck rather than skill, and parlay betting fulfills that requirement. For instance, a bettor would have to couple two events - the outcome of the game with who wins the coin flip, or, more typically, the outcome of two games. The exact nature of the betting has not yet been determined.

The more complex wagering might dampen some bettors' enthusiasm, but proponents are counting on the novelty of sports wagering to attract new visitors and on a spillover effect where those customers spend more on slots, food, beverages and even hotel rooms. Even in Las Vegas, sports wagering accounts for only about 1 percent of gambling revenues so sports books are justified by the indirect impact they have on the bottom line.

Delaware racinos "would definitely enjoy a honeymoon effect with it," said Jay Rood, the sports and race book director for MGM Mirage, the casino company that owns the Bellagio, Mirage and several other casinos in Las Vegas. "Depending on how it's run and how it's structured would determine how long that honeymoon would last."

Rood added: "It would be a huge advantage for them to distinguish their product from their neighbors'. We may not have a huge [direct] impact on revenues, but we put butts in the seats and that's important, especially in tough times."



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