

House rejects sports betting

Opponents say bill takes too much from casinos

BY GINGER GIBSON • THE NEWS JOURNAL • MAY 6, 2009

DOVER -- An attempt to legalize sports betting and hike the state's share of gambling revenue was rejected by the state House on Tuesday night after the bill failed to get a necessary three-fifths majority.

The legislation -- a key element in Gov. Jack Markell's budget proposal -- ran into heavy opposition from lawmakers who said they were concerned about Harrington Raceway and Casino's claim that it would have delivered a potentially fatal blow to its profits.

Patti Key, CEO of Harrington Raceway, stopped short of saying the move would drive the operation out of business, but suggested the governor's office ignored her proof that it would do exactly that, by taking a bigger chunk of Harrington's revenues.

Gov. Jack Markell had said the legislation was needed to generate \$55 million to help plug the state's roughly \$600 million budget deficit for next year and avoid further cuts to programs or salaries. Markell already is proposing an 8 percent cut in worker pay.

"This isn't over," Markell said. "The bottom line is, we still need to find the funding to do all the things we need to do." Markell said lawmakers who opposed his proposal were voting against something that could reduce proposed pay cuts.

"It's disappointing, but I hope it's a wake-up call to the state's 30,000-plus employees," Markell said. "Those that vote against this bill, or went not voting, sided with the casino owners."

The vote was 23-15 in favor of the legislation, with three abstentions, but it needed a 25-vote majority. Democratic Majority Leader Pete Schwartzkopf, the bill's sponsor, said those who opposed the bill need to explain their vote to the hundreds of state employees expected to rally outside Legislative Hall this afternoon.

"They put private interests over the interests of the state," Schwartzkopf said.

Rep. Richard Cathcart, R-Middletown, said he voted against the bill because of concerns about Harrington Raceway.

"I think what was told to us by Harrington was not a threat, I think it was a real-life situation," he said.

Cathcart said he doesn't think the governor's office made enough of an effort to reach a compromise with the casinos.

He would like to see an independent party work with Markell and the casinos to get a reliable estimate of the probable impact on the casinos.

"All I asked when we left for Easter was for them to sit down and negotiate," Cathcart said. "The burden is for the governor to look at the numbers."

The bulk of the two-hour debate centered on claims that the legislation would hurt Harrington, Dover Downs and Delaware Park, which now are the only locations where slots gambling is legal.

The tension rose several times during the debate. More than once, Speaker Robert Gilligan, D-Sherwood Park, informed the room that no lobbyists were allowed to talk to lawmakers on the floor. At one point, he called former state Democratic Party chairman Richard

Bayard out by name and asked him to leave the chamber. Bayard is a lobbyist for the Delaware Racing Association and Harrington Raceway.

Key testified that the bill's increase in the state share of revenues would cost Harrington \$3.2 million and it would make nothing from sports betting. She said her net income last year was about \$7 million.

Key said she took a copy of Harrington's audited financial reports to a meeting with Markell, but it was ignored.

Finance Secretary Gary Pfeiffer said he was never given a complete copy of Harrington's finances and that the audited report contained only past numbers, not projections.

He said an analysis has shown the casino would make more money as a result of sports betting than it would lose through a bigger state levy.

"I've been in the private sector, and the vast majority of the businesses in this state would consider themselves lucky to have those profit margins," said Pfeiffer, a former chief financial officer of the DuPont Co.

Tom McGonigle, Markell's chief of staff, said the casinos turned down several proposals. The administration offered to lower the state share increase to 4 percentage points until sports betting was operational, McGonigle said. Officials also offered to lower the increase to 5 points for all revenues up to what the casinos bring in this year, with the full increase on anything above 2009 levels -- and promise table games by July 1, 2010, McGonigle said. That offer was also rejected.

A point of confusion during debate centered on the legality of sports betting, with several Republicans expressing questions that lawsuits would render sports betting illegal and negate any possible revenues.

A legal opinion will have to wait until a bill is passed by the Legislature, the state Supreme Court ruled last week.

Markell had asked the state's highest court for an advisory opinion on sports betting and added gambling sites when he submitted his proposal.

Chief Justice Myron Steele wrote that the initial request was moot since the legislation had been amended. Steele wrote that the court could not make a ruling until legislation passes the General Assembly.

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VOTES ON AMENDMENTS

Amendments voted on prior to defeat of sports betting bill:

H.A. 1 -- Stricken: Was replaced by amendment No. 3.

H.A. 2 -- Passed: Prohibits betting on the Wilmington Blue Rocks.

H.A. 3 -- Passed: Requires bookmakers to be licensed in U.S.

H.A. 4 -- Passed: Requires that studies on table games and new venues be completed at the same time.

H.A. 5 -- Passed: Restored language from the original bill that allows minority leaders to appoint members to review commission.

H.A. 6 -- Defeated: Would have authorized table games at existing venues immediately.

H.A. 7 -- Defeated: Would have authorized the creation of new betting venues.

WHAT'S NEXT

Tuesday night's defeat doesn't mean efforts to legalize sports betting are dead. House members and the governor have said they're not giving up. Lawmakers can:

- Recall the vote and ask that it be taken again.
- Allow the legislation to be reconsidered in its current form.
- File a new bill that is either identical or contains changes.