

Business leaders: Slots passage 'certainly made sense in this economy'

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Up to 15,000 slot machines could be up and running in Maryland by 2011, and business leaders are attributing the wide margin of approval for the Election Day ballot referendum to voters' desire to create new revenue to shore up the state's budget — plagued by shortfalls in the grips of a national economic crisis.

A referendum to allow five slot machine gambling parlors in Maryland passed in all 23 counties and Baltimore City on Tuesday by a 3-to-2 margin. Business groups had thrown significant weight and money behind the pro-slots lobby, seeking to prevent future tax increases like those approved in 2007.

Slots supporters from the business community and horse racing industry cheered the approval, saying it will boost economic development and recover millions of dollars Maryland loses each year when state residents travel to other states to spend money on slots gambling. But slots opponents, chief among them Comptroller Peter Franchot, continued to argue that slots won't meet the high expectations of providing a shot in the arm to state finances.

Maryland Chamber of Commerce CEO Kathy Snyder said she thinks the economic crisis and a resulting budget gap the state is facing helped push voters to vote yes on the slots issue, statewide ballot Question 2. Lagging tax receipts have created a budget shortfall that prompted \$300 million in cuts by Gov. Martin O'Malley last month and will require further work of the General Assembly to fill an estimated \$1 billion deficit next year.

"I think voters looked at the issue and recognized that hundreds of millions of dollars were voluntarily going out of Maryland every year," Snyder said in an interview Wednesday. "It certainly made sense in this economy."

Donald C. Fry, CEO of business advocacy group the Greater Baltimore Committee, agreed that widespread economic concern kept support for the referendum strong. Polls had been indicating expected results of support from about 6 in 10 voters, just about what came out Tuesday.

"I think that when people really looked at it from an economic and financial basis, they realized that gaming is a part of what

many states are utilizing for their current budgets," Fry said. "There was not a strong reason as to why Maryland should not be included, particularly when we have just as much financial challenges as other states."

The referendum, which O'Malley and the General Assembly crafted in a 2007 special session that also included \$1.7 billion in tax increases, allows slots only at five specific sites: in Baltimore City near Interstate 95 and the Baltimore-Washington Parkway, Anne Arundel County at or near Laurel Park racetrack, Worcester County at or near Ocean Downs racetrack, Cecil County along I-95, and in Allegany County on state property near Rocky Gap State Park.

Voters in all five of those jurisdictions approved the measure by a healthy margin. Statewide, votes for the referendum outnumbered those against by 1.2 million to 818,000 on Wednesday morning, according to the state election board.

Slots had been the subject of a heated debate in Annapolis since former Gov. Robert Ehrlich was in office, and the General Assembly had repeatedly failed to agree on a plan for slots. But legislators agreed last year to the five sites and a plan to divide the revenue among Maryland schools, slots parlor operators and the horse racing industry.

Schools will get 49 percent of the revenue, or as much as \$660 million annually by 2013. The operators will get a third, or about \$450 million. Horse racing will get about 10 percent, or about \$130 million, for race purses and track improvements. Local governments will get 5.5 percent and 1.5 percent will go to a minority business investment fund.

Horse racing industry groups such as the Maryland Jockey Club cheered the referendum's passage as a way to revive their flagging business.

"We are extremely pleased that, after significant effort by a number of people inside and outside the horse racing industry, the voters have approved a measure that will be of great benefit to an industry which employs thousands of people in the state," jockey club President Tom Chuckas said in a statement. "The passage of the referendum should help keep the Preakness and Maryland horse industry strong for years to come." Chuckas said his group is already in the process of preparing its application for a license to operate a slots parlor in Laurel.

Opponents to the measure, however, have

doubted that the state will be able to reach the highest revenue estimates. Comptroller Peter Franchot, who has vocally opposed O'Malley and the slots plan, was among those doubters.

"The hard, cold reality is that, despite the rhetoric put forward by the pro-slots campaign, this gambling gimmick will not solve our budget problems," Franchot said in a statement Tuesday night. "The task of balancing our state budget and meeting our critical needs has been made that much harder because so much has been promised to so many."

Franchot also pointed out that pro-slots groups such as For Maryland, For Our Future outspent anti-slots groups like Marylanders United to Stop Slots by about 10 to 1. Among political donations from business entities, pro-slots groups got about \$3 million compare to anti-slots groups' \$300,000, according to state election records.

The passing of the slots measure was something the horse-breeding industry desperately needed, said J. William Boniface, general manager of Bonita Farms in Harford County. But he said the big question mark now is the waiting period until slot machines actually go live.

"The immediate benefit is just the matter of influence of opinion across the mid-Atlantic region that Maryland [horse racing] is not dead," Boniface said in an interview Wednesday. "Now we enter the era of how can we get them up and running?"

Pennsylvania's breeders fund, for example, is expect to reach \$40 million by 2010, he said. By comparison, Maryland's fund is \$4 million.

The process to award licenses to build slots parlors will begin relatively quickly. The official bid process begins Feb. 1, according to the state law creating the referendum. The licenses carry a \$3 million fee that will go toward the new Education Trust Fund and applicants are required to have at least \$25 million for construction and related costs for each 500 slot machines at a site, according to the Maryland Budget & Tax Policy Institute.

The Laurel Park and Ocean Downs sites could be built by February 2011 — there is less to debate on location and facilities, and infrastructure already exists there. The Baltimore, Cecil and Allegany locations could be up as early as August 2011, the institute estimates.