

# The Kentucky CITIZEN

STRENGTHENING FAMILIES AND THE VALUES THAT MAKE FAMILIES STRONG

Gambling Expansion Edition

Winter 2009

## Racinos: Sleight of hand once again!

Now they're proposing a horse racing millionaires' bailout with citizens' money but WITHOUT their vote.

With an incredible reversal, gambling proponents in Frankfort are now pushing a bill to significantly expand gambling in Kentucky without allowing the citizens to have the say in the matter. Newly elected House Speaker Greg Stumbo's House Bill 158 authorizes video slot machines at the horse race tracks and circumvents the much-touted constitutional amendment, which legally has to be voted upon by the people of Kentucky.

Over the last several years all of the major gambling expansion leaders have promised a constitutional amendment. Leaders of the Kentucky Equine Education Project (KEEP) have consistently maintained the need for a constitutional amendment. Even former Gov. Ernie Fletcher, as chairman of the KEEP Board, assured the media and observers at his news conference on the Capitol steps on Sept. 26, 2005, and many times after that event, that there would be an amendment process so citizens would have their say if gambling was to be expanded.

More recently, Gov. Steve Beshear has firmly held for an amendment. His comments include his early statements on Jan. 17 and Feb. 20 of 2007 when he was competing with other Democrats for the gubernatorial nomination of his Party, as well as his statements through his election bid against Gov. Ernie Fletcher in the Fall of 2007. His convictions were confirmed in his *amendment proposal* as Governor during the 2008 General Assembly.

Of all the Attorney General opinions on gambling in Kentucky, legal opinions have always sided with those who believe a constitutional amendment is required to introduce casino-style games. Among these are the articulate opinions of Attorneys General Ben Chandler and Chris Gorman, who, in 1999 and 1993 respectively, both opined *for* an amendment. Only Stumbo, as Attorney General in 2005 and now the racino bill's sponsor, has written an opinion that concludes otherwise.

Legal scholars say that Stumbo's argument is basically a "literalist argument." In essence, because the Kentucky Constitution of 1892 does not use the word "casino" exactly, he concludes it does not ban casino games and they can just be placed "under the lottery."

There are problems with his argument:

First, there were no such things as casinos in America at that time so that exact word could not have been used.

Will you please  
lose \$700 million every year . . .  
so I can serve you better?



A legislator's racino sales pitch to Kentucky citizens

Second, historically, America had been ravaged by all kinds of games of chance that had taken such a toll on individuals, families and government (through corruption), that all the states were banning all gambling at that time. Only a few states, including Kentucky, kept horse racing legal.

And last, no one can say that when the people voted in 1988 to pass a constitutional amendment authorizing the lottery that they had been informed that they were voting on what could be twisted into authorizing casino-style gambling.

### "Do the Math"

Supporters of "racinos" *CLAIM* they'll bring in \$700 million annually. In other words, Kentucky citizens *MUST LOSE* \$700 million every year. Eighth grade algebra says: If  $X$  = money wagered, \$700 Million = 0.15 times  $X$  (VLTs payout at 85%)

Answer:  $X = \$4.67$  Billion

**Kentucky citizens will have to wager \$4.67 BILLION each year!**

Now divide \$4.67 billion by KY's population (4.27 million)

$\frac{\$4.67 \text{ billion}}{4.27 \text{ million citizens}} = \$1093.67$  wagered by every man, woman, child & infant in Kentucky each year

**\$4374.68 for a family of four every year!**

The Kicker: Of the \$700 million annual "revenue," the state gets \$245 million & *the horse industry gets \$455 million!*

Do you want state government to "raise tax revenue" by giving 2/3 of it away to Kentucky's wealthiest?

# With the one arm gone, they're still bandits

*Electronic video slots are designed to separate you from your money so you can "play until extinction," as the industry boasts.*

In the worst economic recession since the depression, the new racino plan offers existing race tracks unlimited access to a completely unregulated industry. Observers point out that it is nothing more than a feeble attempt to disguise plans to bring full-blown casinos to Kentucky.

"These machines are designed from the ground up to exploit people," said Les Bernal, Executive Director of the national organization *Stop Predatory Gambling*. "Slot machines have been widely labeled the 'crack cocaine' of gambling. They offer no tangible economic value: owners don't have to pay them wages or benefits,

provide meals or breaks, and they work 24 hours/7 days a week."

Video slot machines have been clearly documented as the most addictive form of gambling. According to research by Dr. Natasha Schull at the Massachusetts Institute of Technology (MIT), the slot machine industry

what is behind the current proposal. According to Bernal, government's promotion of predatory gambling has led to one in every 25 Americans suffering from full-blown gambling addiction or a serious problem with gambling.

The legislation under consideration places no limits on the number of slot machines each race track could have and ensures that they would not be subject to regulation by government agencies. Most astoundingly, the "Slot Barn" plan, so named by opponents, calls for the creation of a new race track in an industry that by its own account is struggling. The new

track would only have to offer racing 16 days a year, but could offer 24-hour, year-round access to the gambling industry's most addictive product.

Establishing such parlors at Kentucky race tracks also paves the way for complete casinos in the Commonwealth. The process is simple; as citizens get addicted to these machines, politicians get addicted to the tax revenue they produce, which comes clearly from middle and low income citizens.

"Once the camel's nose is in the tent, it's impossible to keep him out," said Bernal.

**"Slot machines have been widely labeled the 'crack cocaine' of gambling. They offer no tangible economic value . . ."**

*– Les Bernal  
Stop Predatory Gambling*

calculates the video, audio and ergonomic design characteristics of their products to get players to "play to extinction."

That "play to extinction" philosophy, rooted and articulated by individuals within the casino industry, represents the worst of what can happen and is exactly

## Richards and Stumbo at odds . . . (again)

*Dropping the people's voice from the process is the issue now.*

Former House Speaker Jody Richards (D-Bowling Green) and new House Speaker Greg Stumbo (D-Prestonsburg) are at odds again, but this time it's not about politics and the Speaker's position. This time it's about principle.

Last year, gambling expansion advocates maintained that the people of Kentucky should have an opportunity to vote on the issue if in fact gambling was going to be expanded in the Commonwealth. This year, with the plan laid out by Stumbo's House Bill 158, only the legislature will have the chance to vote on the issue. This is a major reversal which could have repercussions in the long run



Former House Speaker Jody Richards and new Speaker Greg Stumbo disagree on the issue of letting Kentucky citizens participate.



when Assembly members seek re-election in 2010, but also in the short run – *in this session!*

On Jan. 9, Richards told reporters that he couldn't vote for Stumbo's bill because it didn't include the

Kentucky people in the process.

Contrary to Stumbo, Richards believes that by law a constitutional amendment is needed to expand gambling in Kentucky. Such an amendment, of course, must go through the General Assembly first. If it passes there, Richards knows that the people then have the opportunity to ratify or reject the proposed amendment in the November elections following the Assembly session.

*OPINION: Kentuckians thrive on common sense and wisdom.*

## Let us reason together

As the debate about bringing "casino-style" gambling to Kentucky race tracks heats up in Frankfort, the down-to-earth Kentucky people look for some plumb line truths to hold on to. Here's a small collection that may help and which will be best implemented with one caveat of wisdom: the state motto – "*United We Stand, Divided We Fall.*"



**Kent Ostrander is the executive director of The Family Foundation**

**"In politics, nothing moves unless it's pushed."** The idea that Kentucky needs casinos or casino-style gambling clearly didn't come from the people of Kentucky. Sure, some might desire to gamble, but this issue is and always has been generated by those who will profit the most. Who are these people? Two distinct groups: #1 The would-be owners of the casino or racino establishments (who are already some of the wealthiest citizens in the Commonwealth), and #2 The politicians who believe they can build their own political kingdoms with the contributions that result from their support. According to them, the everyday Kentucky citizen must only do his "small" part: lose.

**"The poor beg on the street corner; The rich beg in the halls of power."** This is almost a corollary of the previous wisdom. The "powers that be" are working *in Frankfort* to make sure the wealthiest among us have access to the wealth of the least among us. This year, they're even articulated arguments to keep the everyday citizen from voting on the issue if video slots are indeed coming to Kentucky.

**"Government should never profit by encouraging its citizens to lose."** Government should profit only after its policies help the people prosper. Telling Kentuckians we can gamble ourselves into prosperity is literally like telling someone to pull themselves up by their own bootstraps. It is foolish at best and deceptive at its core.

**"Many legislators value their job more than your welfare."** Many legislators would rather ask the citizens of Kentucky to lose \$700 million every year through the racino gambling scheme in order to get \$245 million for state government. Why? (They could simply act to raise taxes \$245 million.) Because they're afraid they will be voted out of office if they raise taxes. Instead, they'd rather tell you that you need to gamble and then give the \$455 million to their casino "comrades in arms," with future assurances.

# The political landscape will have an impact

*Recent elections have dramatically demonstrated to legislators that the people of Kentucky do NOT want expanded gambling.*

There are many ways to evaluate a legislative debate in the state Capitol. Several of those evaluations can come into play on any given issue, but one often becomes foremost. In the case of racinos, the stage has been set for the political calculation to carry the day.

For instance, the fiscal or economic impact of the topic in

question can be the key. Or, it can be the cultural or artistic contribution that passage or failure will produce. Since the state budget is significantly about education, the educational value of both sides of the discussion must be considered. Clearly, the ethics or morality of a proposal must be evaluated as well as the impact on the families of Kentucky.

But there is one that is not as apparent to everyday citizens but can be painfully obvious to the men and women making the laws – that’s the political

evaluation. And the bottom line of that assessment is summed up by one question: Where are the people of Kentucky on the issue? That is as it should be.

A quick examination of the political landscape regarding the racino proposal should raise red flags to all legislators who are considering coming out in support. During the 2008

**If the candidate hostile to expanded gambling and racinos wins once again (in the Feb. 10 special election), you can bet that the debate will die in Frankfort for at least another year.**

gambling debate, one of the primary realities that chilled the casino proposal fervor was the outcome of the Senate race to replace newly elected Lt. Gov. Daniel Mongiardo. That race for Senate District 30 pitted Gov. Beshear’s hand-picked choice, Scott Alexander, against State Rep. Brandon Smith. Simply speaking, Smith chose to argue against expansion of gambling and Alexander chose to follow the Governor’s lead for expansion.

The election proved fateful as Smith carried the day even though the

Alexander campaign spent \$550,000 – more than double Smith’s expenditures. In addition, voter registration favored Alexander, but Democrats crossed party lines to choose *against* gambling expansion. At that point it became crystal clear to the high-paid casino lobbyists and strategists that Kentucky citizens could not be persuaded by expensive and slick advertising campaigns, but would vote their convictions. The result of that election was that gambling expansion was dead in 2008.

Last November a similar Senate contest was generated when State Sen. Richie Sanders retired. Steve Newberry and David Givens were chosen by the Democrats and Republicans respectively to vie for the seat. Once again, the outspent and a long-shot underdog prevailed in an upset: Givens won.

More importantly, what was the most contested issue in the race? Expanded gambling . . . and Givens was clearly against it.

Fast-forwarding to today, the 2009 Session of the General Assembly reconvenes on Feb. 3. One week later, on Feb. 10, another important Senate election will be held to replace Brett Guthrie (R-Bowling Green), who won the Second Congressional District seat vacated by Rep. Ron Lewis. Now we have Mike Reynolds, a Democrat, and Marshall Hughes, a Republican, squaring off to see who will fill



Sens. Brandon Smith (Dist 30) & David Givens (Dist 9) both won recent races taking anti-gambling expansion positions.

the seat.

If the candidate hostile to expanded gambling and racinos wins once again, you can bet that the debate will die in Frankfort for at least another year.

## The real answer for the budget: Growth

*Keep expensive BIG GOVERNMENT solutions out and allow businessmen do what they do best.*

Instead of all the heartache that is in Kentucky’s future if video slots are brought into the Commonwealth, there is another course that the governor and the General Assembly can set that is actually quite obvious. In fact, most Kentuckians (and most Americans) just received two free courses in healthy civic economics over the past 25 years.

What we all learned, most recently in the late 1990s but also in the Ronald Reagan 1980s, is that the way to generate surpluses for government budgets – local, state and federal – is to get our economic engine running smoothly by reducing the amount of money government takes out of the economy via taxes. Or, in the case at hand, via taxes and large profits taken out by gambling interests in partnership with government.

Gambling expansion, in fact, is nothing more than a government-authorized tax collection system through some alternative industry – the gambling industry. The industry does collect some taxes for government, but walks off with huge profits – 67 percent of what’s lost by citizens. That’s obscene! If government simply raised taxes it would receive 100 percent and it would not have to share 2/3 with some other industry.

On the other hand, here’s what happens when good government policy is implemented: Government creates a stable business environment. Once businessmen have the confidence that the economic climate is stable, they hire and begin raising output. These new jobs add to income taxes for the state, but they also get more Kentuckians working. As business begins to prosper, more new and higher-paying supervisory jobs are added. This adds even more income to be taxed for the state coffers and more people working with even better jobs.

At this point, more people are making more money and, having more disposable income, they begin to buy more of the products that are being produced. This adds additional sales tax to the government’s income and each level of government finds itself in a “surplus situation.”

But, as surpluses grow, government should not overspend. (Just guess what Kentucky government has done biennial budgets in recent years – spending all that was projected rather than saving for a rainy day.)

To get out of the budget deficit that it created for itself, government should focus first on re-creating the environment in which the economic engine thrives. *Politicians do not create jobs* as many of them claim; Businessman and businesswomen are the ones who take risks and step out to create commerce, resulting in jobs. (If politicians created jobs, how come they haven’t created thousands of them in the last few months?) As the people begin to prosper, so will the government at all levels – local, state and federal.

Government’s role is simply to provide a peaceful and lawful climate for business to do its work – the creation of jobs and the marketing of goods and services.

The one thing government *SHOULD NOT DO* is introduce more taxation or gambling schemes to suck more money out of the economy – that particularly preys on the wealth of everyday people and further slows down any hope of restarting the economic engine. The people must prosper first, then government receives its fair share.

To say it another way, government should protect the people so that they can prosper – not prey upon them so it can attempt to prosper at their expense.



# Are you ready to bet the future of Kentucky on video slots at racinos?

No parent tells his child in need of school tuition to gamble. No businessmen tells his colleagues in need of cash flow monies to play the slots. Why then are some in state government telling Kentucky citizens to gamble in times like these?

This is a really bad time to suggest that casino-style gaming will save Kentucky. Like bookends on a shelf, two financial realities make the most recent racino proposal seem profoundly foolish: First, the people of Kentucky are hard-pressed financially so politicians suggest that the answer to their problem is playing video slot machines . . . and losing money? And, secondly, they propose that the troubled state treasury lean on the gambling industry when that industry has fallen more than ever before.

There is no reason to write about the tight budgets that many Kentucky families are facing right now. That's just common knowledge and every politician should be well-apprised. But what is *not* being discussed is the frailty of the gambling industry at this moment in history – and it certainly is not being mentioned by the politicians who are promoting video lottery terminals at the race-tracks.

But at least another state, Massachusetts, is being candid about their big casino plans: "It is a remarkable turnaround from a year ago, when the governor's bold plan to license three casinos around the state . . . dominated Beacon Hill for months. Specialists say the reason for the turnaround is basic: an economic crisis that has spread to the casino industry," wrote Matt Viser of the *Boston Globe* on Dec. 15, 2008.

The facts, frankly, are grim. The gambling industry suffered terribly by falling stock prices from all-time highs in 2007 to all-time lows in 2008. In addition, casinos accounted for a disproportionate large number of the country's layoffs last year and had a record number of bankruptcies in 2008. All of this raises the question: Why are Kentucky politicians even considering going into business with the casino industry?

## Stocks

The end of 2008 brought very discouraging news for everyone across the country, but especially for casino investors. Declining stock values pressured the retirement funds of millions. Home foreclosures and bankruptcy affected hundreds of thousands. Job losses jumped from around 5 percent to nearly 7 percent of those employable. The decline in the economy combined with high fuel prices for much of the year depleted the patrons of casinos, and they saw huge declines in revenue.

Where the market in general lost about 40 percent, the casinos lost an average of 80% of their stock value. While predictions suggested small casinos were most vulnerable, the largest were affected as well. The Las Vegas Sands, perhaps the casino corporation that was most overextended with leveraged debt, fell from a height of \$140.86 per share on Sept. 26, 2007 to a low of \$2.89 on Nov. 21, 2008 (down 97.9 percent).

Trump Entertainment was trying to sell one of its three casinos in Atlantic City as it teetered on the brink of

bankruptcy. From a high of \$4.80 on Jan. 2, 2008, the stock fell to 20 cents on Dec. 15 (down 95.8 percent).

Even the more stable Wynn Resorts fell from a high of \$175.41 on Oct. 30, 2007 to \$28.05 on Oct. 28, 2008 (down 84.0 percent)

## Bankruptcy

Bankruptcy has hit the casinos as well. In 2008, the bankruptcies began in earnest with each of the following filing for Chapter 11 protection:

- On March 11, Legends Gaming filed in Louisiana.

- On May 6, the Tropicana, owner of nine casinos, filed after New Jersey revoked one license and placed that casino in trust. The other eight were included in the petition.

- On May 29, Greektown in Detroit, with the Soo tribe as the majority owner, defaulted on a loan and on June 2 filed.

- On Nov. 17, the historic Imperial Casino in Cripple Creek filed with over five million in debt from remodeling.

**"It is a remarkable turnaround from a year ago, . . . Specialists say the reason for the turnaround is basic: an economic crisis that has spread to the casino industry."**

*Matt Viser  
- Boston Globe, Dec 15, 2008*

## Casino & Casino Tech Stocks Plunge

The chart below graphs the fall of seven major casino companies & two tech suppliers.

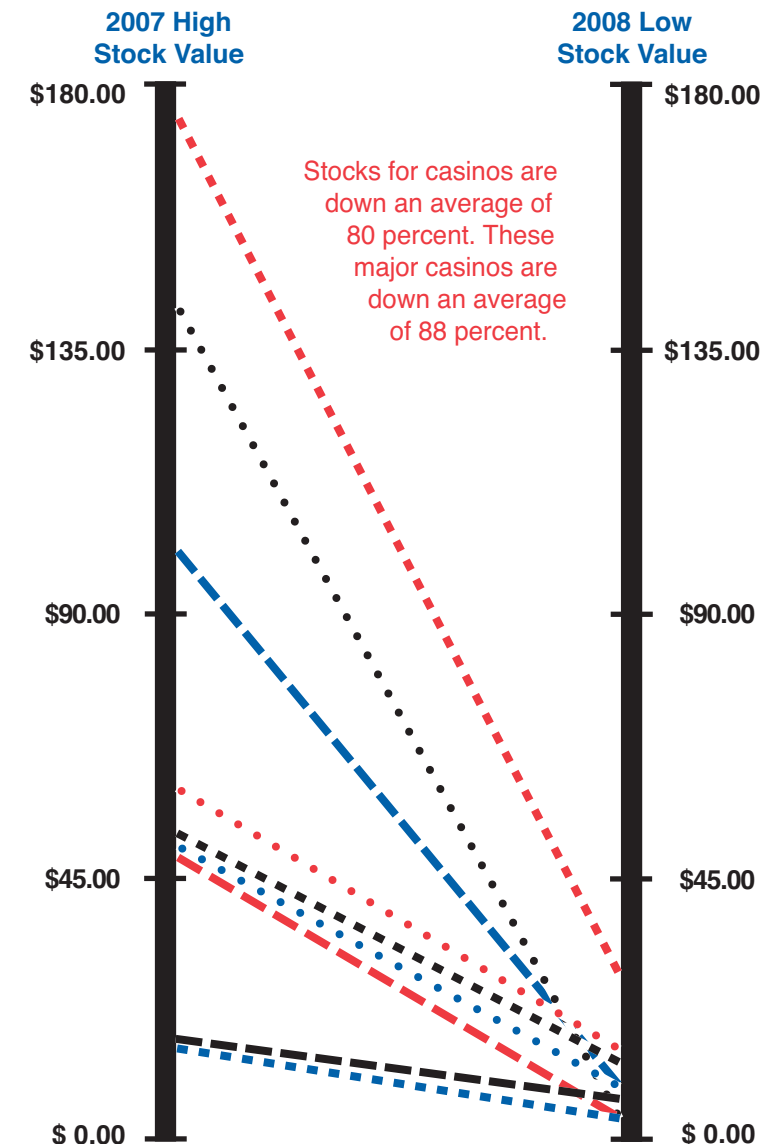
- All casino companies had their all-time high stock prices in 2007, except Boyd Gaming.\*
- All companies experienced their all-time low in October or November of 2008.
- The average drop in stock value of these firms from the 2007 high to the 2008 low is 88.0 %.
- The greatest measured fall was 97.9 % – the Las Vegas Sands – almost 100%.
- The least measured fall was 76.6 % – Bally Technologies – over three-quarters of its value.

Company Name/ Exchange symbol	All-Time High with date	All-Time Low with date	% Drop from All-Time high
<i>Casino Companies</i>			
<b>MGM Mirage</b> MGM NYSE	\$ 99.75 on 10-9-07	\$ 8.00 on 11-20-08	-92.0 %
<b>Wynn Resorts</b> WYNN NASDAQ	\$175.41 on 10-30-07	\$28.05 on 10-28-08	-84.0 %
<b>Las Vegas Sands</b> LVS NYSE	\$140.86 on 9-26-07	\$ 2.89 on 11-21-08	-97.9 %
<b>Boyd Gaming</b> BYD NYSE	\$ 48.70 on 5-30-07*	\$ 2.81 on 11-21-08	-94.8 %
<b>Penn National</b> PENN NASDAQ	\$ 62.57 on 6-18-07	\$11.82 on 10-24-08	-80.8 %
<b>Pinnacle Enter</b> PNK NYSE	\$ 36.17 on 3-5-07	\$ 2.58 on 10-28-08	-92.9 %
<b>Ameristar Casinos</b> ASCA NASDAQ	\$ 36.90 on 7-5-07	\$ 4.63 on 11-21-08	-87.5 %
<i>Casino Technology Companies</i>			
<b>Bally Technologies</b> BYI NYSE	\$ 52.25 on 12-26-07	\$12.21 on 11-21-08	-76.6 %
<b>Intern'l Gaming Tech</b> IGT NYSE	\$ 49.12 on 2-25-07**	\$ 7.03 on 11-2-08	-85.7 %

\* Boyd Gaming's all-time high price occurred on 3-7-05 and was \$5.65 higher than 2007 high above.

\*\* International Gaming Technologies was actually valued \$ .29 higher in early 2008 – on 2-28-08.

Research from [www.data.CNBC.com/quotes](http://www.data.CNBC.com/quotes)



These four corporations, with a total of 12 casinos, went into bankruptcy in 2008.

In addition, two casino holding companies also filed for bankruptcy protection. The ramifications of these numbers are better understood in the light of no more than two bankruptcies within the industry in any previous given year.

But that is only part of the picture. Many others teetered on the brink of bankruptcy dependent either on refinancing or an upswing in revenues to survive, both of which are unlikely. These included the Wild Horse casino in Cripple Creek, Trump Entertainment, the Las Vegas Sands (with multiple casinos), the Majestic Star and Station Casinos (also with multiple casinos).

## Layoffs

Casinos and their politician advocates have long touted the "good jobs" created by bringing casino gambling into a new market. Unfortunately, these "good jobs" are consistently marked by their low pay, rotating shifts and high stress. But now the casino industry has damaged their claims to bring good employment into an area with their usually quick layoffs – layoffs at a rate three times as high as other businesses across the nation.

The Department of Labor indicated that 533,000 jobs

were lost in November 2008, raising the unemployment rate to 6.7 percent with hotel and casino resorts laying off a higher percentage than other sectors of the economy. The accommodation industry (including the casino hotels) laid off 36,600 people and the casinos 13,100 for a total of 49,700. The hotels and casinos accounted for 9.3 percent of the layoffs in November, much greater (approximately three times) than their share of the economy.

Suddenly those good job promises seem a little hollow when the first thing that goes in tough times is their workers.

## Recent Record of Casino Bankruptcies

- 2001** (Sept) Aladdin Casino, Las Vegas. This was only the third Las Vegas casino to file for bankruptcy in two decades.
  - 2002** (July) President Riverboat Casino, St. Louis.
  - 2003** (June) Castaways Casino, Las Vegas. This was formerly Harrah's Showboat.
  - 2004** (Oct) Hollywood Casino, Shreveport, LA.
  - 2004** (Nov) Trump Casinos, Atlantic City. All three casinos were included.
  - 2006** (Aug) Ocean Jewel, Tampa Bay. This was an off-shore casino cruiser.
  - 2006** (Sept) Scarlett's Casino, Central City, CO.
  - 2007** (Aug) Premier Entertainment, Biloxi, MS.
  - 2008** (Mar) Legends Gaming, owners of two Diamond Jack's casinos in Louisiana.
  - 2008** (May) The Tropicana, Kentucky. After New Jersey revoked the license and placed the casino in trust, the corporation filed with the other eight properties. This was the largest casino bankruptcy in history.
  - 2008** (May) Greektown, Detroit. The majority stock holder was the Soo tribe of Michigan.
  - 2008** (Nov) Imperial Casino. Cripple Creek, CO.
- In addition, two casino holding companies filed:*
- 2008** (Mar) Louisiana Riverboat Gaming Partner
  - 2008** (Mar) Roadrunner River Resort

This made 2008 the worst year in history, by far, for casino bankruptcies.

## Casinos and Layoffs

Casinos move quickly to lay off employees to protect their cash flow. The layoffs affected casinos and gambling corporations of all sizes. The following are a few examples.

- In November the Las Vegas Sands laid off 50 workers, and then 216 in December, about 2.5% of the work force at the casino. More lay offs were expected. The real story, however, was that the Sands shut down building projects in PA, NV and Macau, laying off over 11,000 construction workers.
- The Oasis Resort Casino in Mesquite, NV laid off 500 of its less than 1000 employees (50 % plus). Oasis was the largest employer in this town of 20,000 and the layoffs had a devastating effect according to the mayor.
- Ameristar Casinos have been teetering on the brink of bankruptcy in late 2008 and in mid-November laid off 5% of their employees at their Kansas City casino and 6% at the St. Charles, MO casino. This was part of their nationwide layoff of 4.5% of all employees.
- Casinos laid off over 10,000 employees after 9/11 attacks and now have exceeded 13,100 in the current economic downturn. In Las Vegas alone 550 culinary workers are off as well as 1000 workers at the MGM Mirage and 2100 at the three Harrah's casinos there.
- The world's largest casino, Foxwoods in CT, laid off 700 in October and more were expected.
- Station Casinos (another casino company on the verge of bankruptcy) laid off all reservation workers at all their casinos and out-sourced reservations to a foreign country.
- In Atlantic City over 1500 out of 40,600 workers (3.7%) have lost their jobs. 4500 more workers were on reduced hours, which at many casinos has been a prelude to layoffs.
- Even Indian casinos in California have been affected as one of the largest, the Pechanga Casino and Resort laid off 410 of its 4770 (8.6%) workers.

# “Four Truths” about gambling expansion

## Truth #1: The Family is targeted.

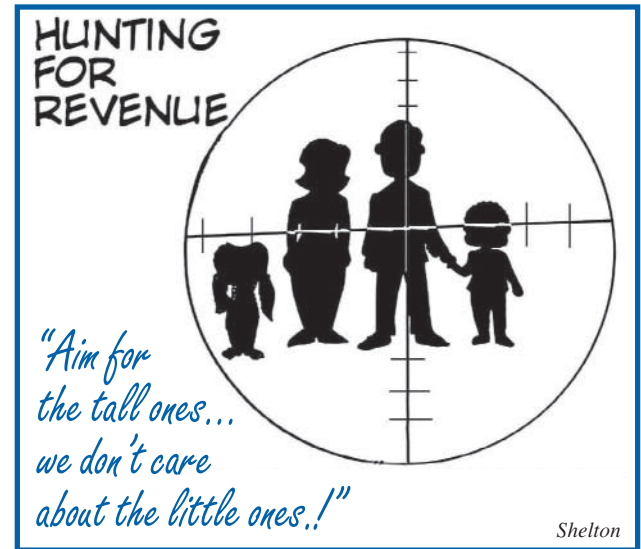
Though casino folks have always exaggerated how much “can be raised,” no one is pointing out that huge sums of money — literally billions of dollars over time — will simply *change hands*.

Clearly, gambling doesn’t create new wealth. It only makes wealth change hands.

What hasn’t happened in this “racino” hype is a discussion that tells us *where* all this money will come from.

Corporations can’t gamble, nor can businesses, institutions, schools, churches, nonprofits, clubs, nor civic organizations — only moms and dads, and a few singles. In other words, all the BILLIONS of dollars that they say will be “raised” over the years through gambling is just a shift of assets *FROM* the hands of the family *INTO* the hands of the gambling industry. The government gets its share simply by heavily taxing the money as it changes hands. The bottom line is that family picks up the whole tab, and tragically, government, charged with protecting families, is maneuvering to “get in on the action.”

Now advocates say “revenue of \$700 million annually” from racinos. Exaggeration no doubt . . . but that means proponents are willing to extract a total of \$1.4 billion from Kentucky families every two years. This is a *VERY BAD* idea!



*Don't worry about us ma'am...  
We've just come to clean up.*



## Truth #2: Businesses will lose.

As families lose, businesses will lose. Think about it: after the losses, parents can’t afford to take the family out to eat, buy their children new clothes for school, purchase a new refrigerator or finance a new addition to the house.

And, when a family files bankruptcy, the businesses that the family owes lose even more. In other regions of the country where casinos have opened, the losses to businesses have been clearly documented. But the casino/racino *always* gets its money.

The fact that businesses will lose is common sense: If \$700 million is taken from Kentucky families that currently is spent on goods and services in the state, where will businesses find customers that can afford their goods and services?

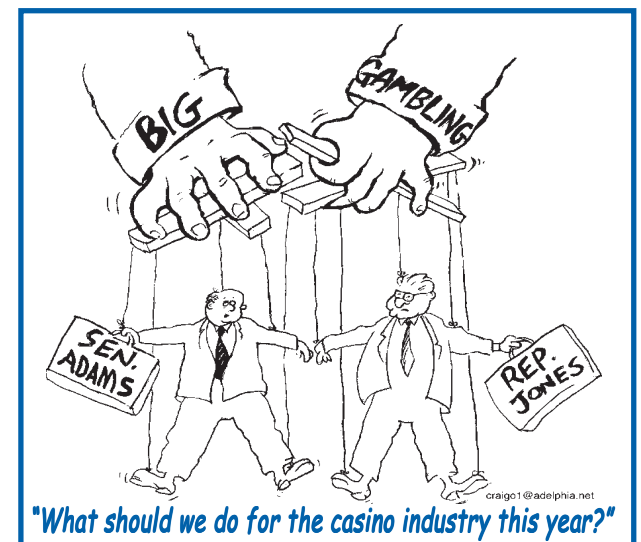
Remember, Las Vegas was built by *losers* — not winners. Racinos will simply drain the wealth from Kentucky’s communities, and local economies will pay dearly.

## Truth #3: Government will be corrupted.

With billions going into the hands of the racino interests, who will become the greatest contributor and most influential group in the political process? If our legislature is “gambling friendly” today, how much more “friendly” will it be in ten years, when many of its members have received sizeable contributions from the gambling interests?

Now, imagine that there’s a tough debate, like “Should we legalize prostitution?” (as was the case in the “casino state” Nevada). That legislature decided to legalize prostitution in order to embellish the gamblers’ “good times.” If gambling interests want it, what will the legislature do? The answer: the will of the gambling interests.

The gambling world is all about two things — “A good time” and “the bottom line.” “Good times” demand prostitution and strip bars, and of course, when good times go awry, you’ll need abortion to be readily available. “Nice” legislators that will reluctantly vote for gambling today will themselves be replaced by pro-gambling legislators that will not care one iota about the family. Is it likely that Kentucky will escape the corruption of its values?



## Truth #4: The Vulnerable are destroyed.

Though families are targeted (*see above*), finances aren’t the worst of the costs to families. Financial loss is just the beginning of a tragedy that all the family members, even extended family members, experience.

There will be some citizens, poor in spirit as well as poor in financial assets, whose lives will be totally destroyed — relationship-damaging financial stress, alcoholism, drug use, child neglect and abuse, spouse neglect and abuse, divorce, depression, suicide, embezzlement, imprisonment and crime (both victim and perpetrator).

And even worse, the children will lose their childhoods, and be affected for a lifetime.

Doctors have a policy regarding their treatment of any patient: First do no harm. Policymakers in Frankfort would do well to apply this wisdom to the gambling expansion decision . . . because the Vulnerable will be destroyed.

**From 1999, their ORIGINAL opinion:** Horsemen have turned and are now saying, “If you can’t beat ‘em, join ‘em.”

# Horsemen used to work against casinos

*Editor's Note: For years the horse racing industry in Kentucky fought against the expansion of gambling and, in particular, bringing casinos into our state. The Family Foundation worked side-by-side with them. That alliance was broken when some horsemen radically changed their position to one of wanting to own casinos. Illustrating their earlier views is an opinion piece that former Gov. Brereton Jones (and current Chairman of KEEP's board) wrote for the Lexington Herald-Leader that was printed on June 8, 1999. The point is that the horse industry leaders once absolutely opposed casinos — logically and eloquently. The Family Foundation agrees with Gov. Jones' 1999 piece and we do not recognize anything that would change the veracity of his arguments.*

## From the Lexington Herald-Leader Tuesday, June 8, 1999

Let's get straight to the point. Casino gambling in Kentucky is a bad idea. The very thought of our own government promoting the deception of slot machines and roulette wheels is a sad commentary.

These casino “games” are programmed so that the house cannot lose. Regardless of how much money you have, you are guaranteed to lose it all if you play long enough. This is absolute. We already have an abundance of gambling opportunities with the lottery, bingo and horse racing.

At least the horse business creates a signature industry that provides 80,000 jobs and produces a commodity that sells around the world for million of dollars. You can succeed at various levels in the industry with education and hard work.

If we find that casino gambling in adjoining states is destroying this industry, then we will need to make conscious decisions about how we can overcome this situation.

We have already begun to address this with the creation of the National Thoroughbred Racing Association. To react too hastily and create an overabundance of gambling could do major harm to this important segment of our economy.

If we legalize casinos, a few managers, lobbyists and politicians will make a lot of money, and tens of thousands of Kentuckians will lose a lot of money. We are told, however, that the state will make \$200 million to \$300 million and that this can be used to do wonderful things for all of us. You name it and the casino money will pay for it.

Does this sound familiar? I remember a candidate for governor who was proposing a state lottery. His ads said, “What do you want – higher taxes or a lottery?” Kentucky voted for the lottery. We also got the state's highest tax increase in our state's history.

We justifiably frown on any person in our society who profits by deceiving others. We have an abundance of laws on the books to protect us from the deception of our fellow citizens.

How then, in the name of decency and common sense, can we justify proposing that our own government should enter into the business of promoting games of chance, where our own citizens have no chance for long-term success?

Gov. Paul Patton deserves a great deal of credit for the emphasis he has put on education, which is absolutely the real key to our future.

Preparing our people for good jobs with good pay is a far more worthy goal for our state than to fund the creation of a bunch of casinos, with mostly dead-end jobs, whose intent it is to fleece the public on a daily basis.

We have a Cabinet for Economic Development in state government that is second to none in the United States. It is run by people with great ability, dedication and integrity.

With our educational, business, labor and political leaders working with these folks, we can help give them vision and create better jobs with much better pay than the casinos will ever provide, and we will all feel much better about our future.

Please call your legislators today and ask them to vote no on casino gambling. Tell them to dispose of this issue during the first half of the next session of the General Assembly so that they will be free to do the important business of the people before they adjourn.

They must not allow this issue to monopolize their time. We can do better.



Former Gov. Brereton Jones, current Board Chairman of KEEP

# The gambling lobby: Deceptive once again

Last year they said they were FOR getting the people involved.

It really is no surprise that it was all empty rhetoric last year. During the 2008 session gambling expansionists said they wanted to get the people of Kentucky involved in the decision as to whether to bring casinos into the state. Now they're pushing a bill this year that prescribes that legislators alone will make the decision.

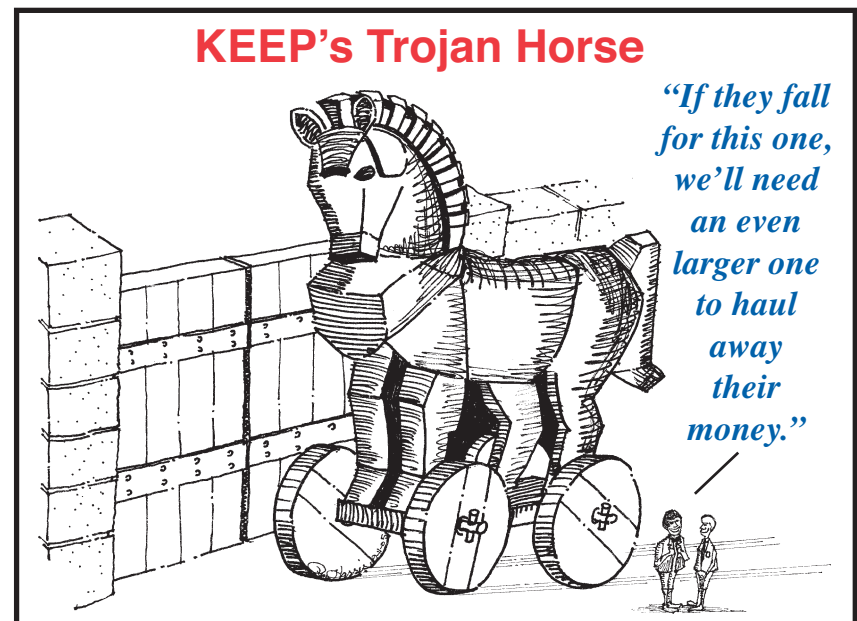
This will be a problem for many legislators who whole-heartedly bought into last year's strategy. At that time they said they were going to vote FOR the constitutional amendment because they wanted to “Let the people decide” the issue by voting on an amendment.

The fact of the matter was many legislators planned to vote “yes” on the amendment to pick up the political contributions for their

re-election campaigns from the horse and gambling industries and still tell their constituents that they weren't really FOR casinos; they were just “voting ‘yes’ to let the people decide.”

One legislator even went out of his way to tell the media that he was going to vote “yes” FOR the amendment to bring casinos to Kentucky and then vote “no” AGAINST them when the vote was brought to the people in the November election. The ultimate flip-flop!

Now, if a legislator who said he was “personally” against casinos last year votes “yes” on the new proposal, they'll clearly be voting a pure “yes” for gambling expansion and their constituents will know it. And if that's not enough to raise the ire of constituents, the new proposal will completely keep the people without a say in the matter.



*OPINION: Kentuckians generally support the “Sport of Kings,” but they don’t want it funded by the peasantry.*

# Should we be bailing out millionaires?

It has become an annual rite in Kentucky to unveil casino legislation at the beginning of every annual legislative session. Every year, casino advocates stand proudly in front of their shipworks to introduce the newest version of the S. S. Fleece Kentuckians for the Public Good. They christen it with a bottle of champagne (or is it bourbon?) and watch it slide into the water, at which point it promptly hits the iceberg of reality and sinks.

In past sessions, casino legislation has had trouble making it out of the State House of Representatives. Several times, it hasn’t even managed to make it out of committee.

This year is no different. Or perhaps it is.

On the one hand, the captain of this year’s ship is an accomplished legislator whose skills in political navigation are legendary. Newly elected Speaker of the House Greg Stumbo (D-Prestonsburg) is being hailed as the man who can keep casino legislation afloat and get it past an unfriendly State Senate.

There is certainly something to be said for Stumbo’s political capabilities, but his bill, House Bill 158, poses some intractable problems for casino advocates. The first problem has to do with what the bill would do. The second problem has to do with who it benefits.

HB 158 proposes to turn horse tracks into slot barns. It would allow tracks to

install video lottery terminals, machines with excellent reputations for emptying the pockets of low-end gamblers. They are the crack cocaine of the gambling industry, since they are not only more efficient at taking money, but are the most addictive form of gambling.

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**... it’s hard to conceive how bringing in massive mechanized gambling that takes the focus off of horses will help the industry – and the culture based on them.**

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problems with this claim.

The first problem is that it is hard to see how, given the economy, any gambling scheme can produce this kind of revenue. The gambling industry has been hit harder than most other industries by the financial crisis, since the discretionary income that is the target of casinos has evaporated. A rising number of casinos are declaring bankruptcy, and their stock values have plummeted. People just aren’t gambling like they used to – because they can’t.

The second problem is that, even if you could produce this kind of revenue

The bill’s advocates claim that there are enough Kentuckians willing to be lured into playing these machines to produce \$700 million in revenue. There are two

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**By what argument do you support taking money from the economic class that is having trouble paying its mortgages and giving it to people who pay hundreds of thousands of dollars for a horse without blinking?**

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from expanded gambling, it would involve a level of increased gambling that is quite simply staggering. If you take a calculator to it, you quickly discover that \$4.67 billion will have to be wagered in order to produce the \$700 million the bill’s proponents promise. That is over \$1,000 wagered for every man, woman, and child in the state.

And where will this money – wagered mostly by those much lower on the economic ladder than those who commonly attend horse meets – go? HB 158 requires some of the money to go to the government. But over 65 percent of the money would be designated for the horse industry.

One of the main arguments for the bill is that it would help the horse industry, perhaps Kentucky’s signature industry. The first problem with this argument is that it’s hard to conceive how bringing

in massive mechanized gambling that takes the focus off of horses will help the industry – and the culture based on them.

But even if the bill did help the horse industry, it is hard to understand the logic of taking

money from those lower on the economic ladder and giving it to those on a much higher rung. By what argument do you



**Martin Cothran, policy analyst for The Family Foundation, was recently named spokesman for Say No To Casinos**

support taking money from the economic class that is having trouble paying its mortgages and giving it to people who pay hundreds of thousands of dollars for a horse without blinking?

HB 158 is quite simply the “Millionaires’ Bailout.” Kentuckians support the “Sport of Kings,” but they don’t want it funded by the peasantry, particularly at a time of economic crisis.

Will the gambling boat make it out to sea this year? Kentuckians will first have to be convinced that they really should support bailing out an industry that includes not only wealthy Kentuckians in its ranks, but Arab Sheiks who, despite the troubled economic times, still have their private 747s.

As for me, I’m betting on the iceberg.

**To help, to contribute, or for more information, visit:**

[www.kentuckyfamily.org](http://www.kentuckyfamily.org) Web site of The Family Foundation

[www.saynotocasinos.org](http://www.saynotocasinos.org) Web site of the Say No To Casinos campaign

[www.kybaptist.org/publicaffairs](http://www.kybaptist.org/publicaffairs) Web site of the Kentucky Baptist Convention

[www.kycage.org](http://www.kycage.org) Web site of the Coalition Against Gambling Expansion

**FOR EMAILED UPDATES call 859-255-5400 or email to [tffky@mis.net](mailto:tffky@mis.net)**

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