

ADVOCATE

RESPONSIBLE GOVERNMENT THROUGH RESPONSIBLE CITIZENSHIP

Report on Gambling Expansion

August 2009

Slots push defeated! Now "manipulation."

After their significant defeat in the June Special Session when they tried to by-pass the people, they are using new tactics.

The individuals trying to bring casinos and casino-style gambling to Kentucky have used almost all of the proverbial "tricks in the book" to succeed. But with their failure in the Special Session this summer, a brand new one is being employed – the Governor is offering anti-casino senators jobs within the Administration to remove their vote from the Senate.

The tremendous magnitude of this summer's victory over casino-style gambling is best illustrated with a brief look back over the history of this 15-year battle:

Ever since the horse industry, which once vehemently opposed any expansion of gambling, switched sides and signed on to the casinos-at-the-tracks vision, gambling

proponents had always said that they wanted to "Let the people decide." They emphatically promised to do so by using a constitutional amendment, where, after the General Assembly approved the amendment, the people would have the final say by ratification or rejection. But when their constitutional amendment efforts failed in the 2008 Session, a third time in as many years, they evidently lost all hope of ever securing the 3/5 majority needed in both Chambers to pass a constitutional amendment.

So, in January 2009 they changed their strategy and initiated an effort to by-pass the people and bring slot machines into the state with a simple statute – *with only a vote of the legislature*. But that effort failed

too, in part because 2009 was an odd-year Session and, as such, requires revenue bills to have the same 3/5 super-majority in each Chamber to pass.

Yet during the Session, the handling of the gambling bill was illuminating. At the beginning of the Session, Speaker Greg Stumbo initiated the gambling bill, House Bill 158. But, even though it passed out of House Licensing and Occupations Commit-

tee *unanimously* very early in the Session (on Feb. 12), he pushed it no further. That sent a clear message to those in the know that he did not have the 60 votes needed in the House – the 3/5 majority. But more than that, it indicated he and the Governor were already planning a summer Special Session *at that time* because HB 158 was placed in a House Committee on Feb. 13 and left to die there.

Then, this summer, as they planned, the Governor called a Special Session to push the same bypass-the-people statute along with a few other bills for "cover" that they had deliberately carried over from the last day of the Regular Session.

There, in the Special Session, they added a new twist – they tried to "buy the votes" of legislators with promises of school construction projects in their districts. Stumbo even tried to call the new bill – House Bill 2 – a "Stimulus Bill," but given the

national climate, the term bombed as expected.

Note: If an individual citizen offered money to persuade a legislator to vote a certain way, a felony would have been committed and at least one person would be going to prison. But, because it is public money – tax dollars – officials actually

"Everyone knows you cannot borrow your way out of debt; you cannot spend your way to a balanced budget; and you cannot gamble your way into prosperity . . . But their strategy violated all three truths."

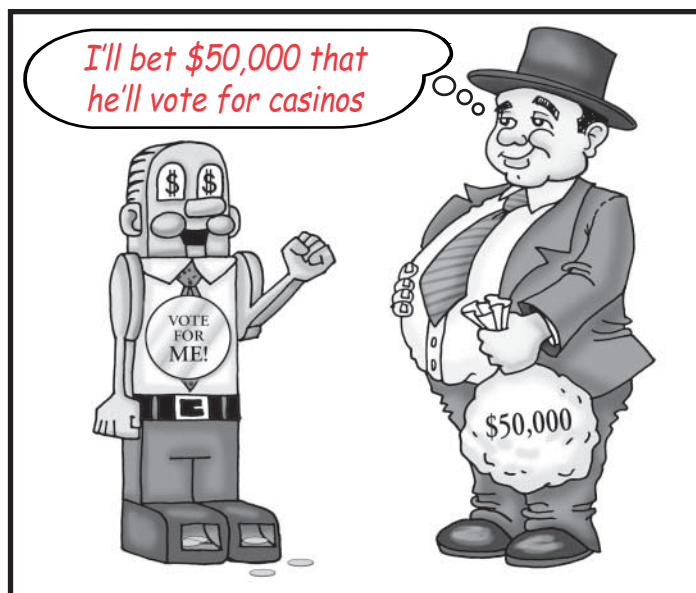
– Kent Ostrander
The Family Foundation

can offer projects to entice legislators to vote a certain way.

Sleazy? Yes. Illegal? No.

Thankfully, "vote buying" failed too,

(Continued on page 2)



Instructions: Drop influence money in slot

Gov. Steve Beshear and House Speaker Greg Stumbo have agreed *on the record* that heart-breaking stories resulting from gambling aren't real, saying, "*these problems just don't exist.*" For more on two recent and well-reported testimonies of pain and tragedy see the stories on page 7. For more on the downhill spiral of state government's involvement in the gambling agenda see the story on page 6.



The slot plan is **HUGE!**

It literally will replace horses as our new “signature industry.”

Most Kentuckians are not aware of the immense size of the slots proposal that is being pushed. In the first five years, based on the Governor’s own numbers and with the slot machines set at a 90 percent payout (which is where they would need to be programmed to compete with Indiana casinos), \$7.97 **BILLION** would have to be wagered in order to achieve the \$797 million of revenue that he claims would be generated. Very simply that means Kentucky citizens will have to gamble \$7.97 **BILLION** and **LOSE** \$797 million each year. That’s almost 17 times the amount that is currently wagered at race tracks alone and more than four and a half times what is currently wagered at the three major venues **COMBINED**: 1) race tracks, 2) charitable gambling and 3) the Lottery.

Let this sink in: *In the first year*, gambling at race tracks will increase almost 17 times “overnight.” And all wagering in Kentucky must increase more than four and a half times.

In the sixth year, according to the Governor’s plan, gambling at the race tracks will have increased almost 22 times and the total of all wagering in Kentucky will be almost six times current levels at the three major venues *combined*.

To get a better picture of the magnitude of the new gambling that the slots would create, compare the amount wagered (The Handle) of the Governor’s plan after five years. He says that Kentuckians will lose \$1.02 billion each year, which requires \$10.2 billion to be wagered. And that is almost a billion more than the General Assembly currently overseas in its annual Kentucky State Budget. (See light blue background in chart at right.)

Does everyone understand why the horse industry wants control?

Worse still is the fact that track owners get the lion’s share of the profits. In the Governor’s plan, tracks get 60 percent while state government gets 25 percent and horsemen 15 percent. To be sure, race winners get some, but the everyday horseman in Kentucky only gets the leftovers.

Expanding our gambling **AND** our addictions

Pushing the first will always cause the other.

Kentucky currently has 35,000 pathological gamblers and 70,000 problem gamblers according to the Kentucky Council on Problem Gambling. Pathological gamblers are unable to control their gambling and spend all they can earn, borrow and steal. The problem gambler has negatively impacted all areas of their life, is frequently divorced, and has only marginal control over gambling.

Based on the Governor’s slots plan and his projections, the proposed \$797 million losses annually by slot gamblers during the first five years and then the \$1.02 billion losses in and after the sixth year is far larger than all current losses to Kentucky’s three largest gambling venues: horse racing, charitable gambling and the Lottery **COMBINED**. In fact, the amount placed at risk (the Handle) will be four-and-a-half times the amount currently risked at those other three. (And almost six times in the sixth year.) Given that fact, a case could easily be made that addictions will quadruple or even be six times current levels.

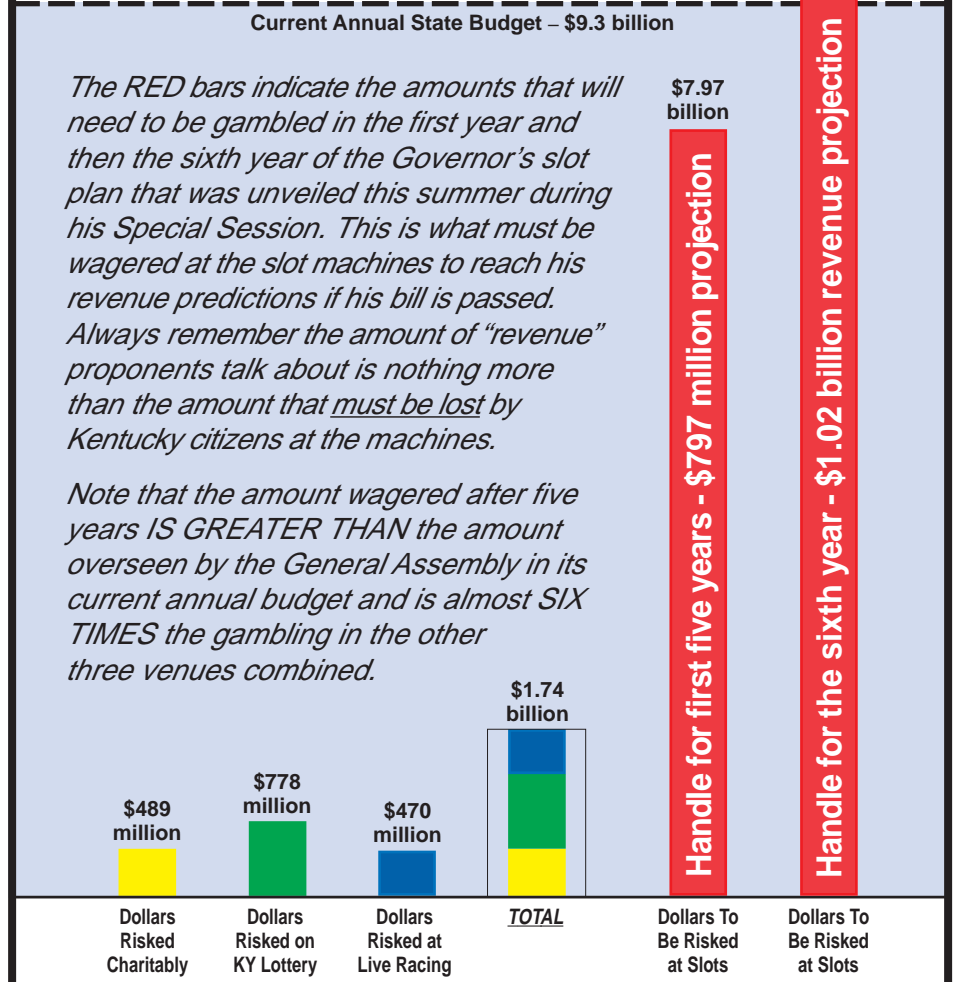
With slot venues dotting Kentucky’s landscape at its eight horse race tracks, it can be *conservatively* projected to at least double the number of pathological and problem gamblers. This means there will be at least *another* 35,000 pathological gamblers (and all the destructive behaviors that come with them) and *another* 70,000 additional problem gamblers who are also damaging their families – that’s 105,000 currently plus 105,000 new.

This *conservative* estimation regarding the growth of addictions will mean that after the slot machines arrive there will be at least 200,000 Kentuckians damaging or ruining their lives and the lives of their families by losing their homes, jobs, other assets and relationships. Over 200,000 families will be damaged in an ongoing way!

Is this the growth we want for our Commonwealth?

The “Handles”

A “Handle” is the total amount placed at risk, or gambled. The first three colored bars (l to r) indicate the current level of wagering in Kentucky’s three major areas of gambling: Charitable Gambling, The Lottery and Live Horse Racing. The fourth is the composite of all three.



Manipulation *continued from page 1*

primarily because some legislators would not be bought. Rep. Johnny Bell (D-Glasgow) expressed indignation after a caucus meeting by telling his local newspaper reporter, “But I found out today we change the rules in midstream, and if a person is not able to vote for the gambling issue, then their school won’t be built.” HB 2 finally passed the House by a 52-45 margin, but failed to even make it through the Senate Appropriations and Revenue Committee. It was voted down 10-5 on June 22.

Having failed repeatedly in the normal legislative process, those officials who are carrying the gambling industry’s burden are turning to what they have termed “a new revolution.” Apparently “revolution” means removing some of the duly-elected anti-gambling Senators by having the Governor use the power of his office to give them other lucrative jobs and then replace them by calling special elections.

Critics say this litany of blunders culminating in the summer Special Session is an absolute legislative fiasco. “It’s a little sad – everyone knows you cannot borrow your way out of debt; you cannot spend your way to a balanced budget; and you cannot gamble your way into prosperity,” said Kent Ostrander, executive director of The Family Foundation. “But their strategy – borrowing \$1.3 billion for schools, spending that \$1.3 billion while we’re broke, and doing it all on gambling proceeds – violated all three truths.”

Their ORIGINAL opinion (from 1999): Horsemen have turned, 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

A state’s deficit can be healed! Here’s how:

Instead of all the heartache that is in Kentucky’s future if slot machines are brought into the Commonwealth, there is another course that the Governor and legislators 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 15 years.

What we all learned, particularly in the late 1990s, 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. Gambling expansion does exactly the opposite – it is nothing more than a government-authorized tax collection by some alternate industry (the gambling industry) which collects the tax . . . and makes huge profits off people’s losses.

On the contrary, here’s what happens when good government economic policy is implemented:

Once businessmen have the confidence that the economic climate is stable, they hire to raise output. These new jobs add to income taxes. As business prospers, more new and higher-paying jobs are created, adding even more income to be taxed.

At this point, more people are making more money and 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. (The Commonwealth is certainly guilty of this!)

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. THEN, as the people begin to prosper, so will the government at all levels – local, state and federal.

The one thing government **SHOULD NOT DO** is introduce gambling. That will prey on the wealth of the people and further slow down any hope of re-starting the economic engine. Government should prosper only as the people prosper. To say it another way, government should protect the people so that they can prosper – it should not prey upon them for its own benefit.

Casino states’ budget woes

State	Budget Deficit *
California	– \$26.0 billion
Connecticut	– \$ 4.1 billion
Florida	– \$ 5.9 billion
Illinois	– \$13.2 billion
Indiana	– \$ 1.1 billion
Louisiana	– \$ 1.8 billion
Nevada	– \$ 1.2 billion
New Jersey	– \$ 8.8 billion
New York	– \$17.9 billion
N. Carolina	– \$ 4.6 billion
Pennsylvania	– \$ 4.8 billion
Kentucky	\$ 0 (none)

* deficits as of July 2009

Source: Center on Budget and Policy Priorities



A few notes . . .

Most casino jobs are *LOW* paying. Most are minimum wage service in food and housing or casino floor jobs partially dependent upon tips from people who are losing. To prevent cheating, the casinos abruptly change people to a different one of the three shifts, disrupting child care and other parts of their lives. Floor jobs are high stress. The \$30,000-plus “average” salaries frequently cited as the “good jobs” at casinos are inflated by the larger management salaries. Even if a worker did make \$30,000 per year that would amount to \$14 per hour, which is below the average family income in Kentucky.

Casinos at the horse tracks will *MOVE MONEY OUT* of state. Many of their purchases/expenditures are and will be made out of state. A majority of the horse farms are owned by out-of-state interests. Similarly, most horses raced here are owned by out-of-state owners, especially in the biggest races with the highest stakes. Churchill Downs is at least 96 percent owned by out-of-state interests. Turfway Park is half-owned by Harrah’s (an out-of-state corporation). Bluegrass Downs is wholly owned by Players International (another out-of-state corporation).

The money will come from the *POOR* and *MIDDLE CLASS*. The gamblers will not be the “mint julep” crowd of Derby fame – they don’t like slots! The “slot barns” will be within easy driving distance, according to the plan – just a subsidized bus ride away. Slot venues like this move money from the many to the few, they do not

manufacture or produce anything, and they damage the economy further. They will remove revenue from all kinds of businesses, including other current gambling enterprises: from charitable gambling (up to a third); from horse racing itself (attendance has declined as much as 80 percent at tracks with casinos); and the Lottery (up to 20 percent).

Casinos *INCREASE ADDICTION*. We currently have 35,000 pathological gamblers and 70,000 problem (at risk) gamblers, according to the Kentucky Council on Problem Gambling. These figures *conservatively will double, possibly triple*, since in the first first the Governor plans four and a half times as much gambling as at present compared to the current “big three” *COMBINED* – horse racing, the Lottery and charitable gambling. *FOUR AND A HALF TIMES AS MUCH GAMBLING!* Remember, slots are the most addictive form of gambling.

Casinos *INCREASE POVERTY*. This is a corollary to the previous point: 17.2 percent of Kentucky citizens currently live in poverty. This could easily increase to 25 percent.

This slots plan is a good deal *ONLY* for the horse *TRACKS*.

Kentucky will get a quarter of the revenues where other states get around 40 percent and up to 50 percent. Horsemen (breeders and horse owners) currently receive about half of net revenues on live racing at the track and half of what is received by the originating track for simulcasting. Under the slots plan, horsemen will receive only one of every seven dollars of revenue. Yes, they will get more than they do now, but the tracks and their owners get the big haul – 60 percent!. This effort is *NOT FOR* the horse industry of Kentucky, it is *FOR* the track owners!



A few questions . . .

Q With Kentucky being one of the nation’s poorest states, do the casino pushers really think Kentucky families can afford to lose \$800 million each year so the state can get \$200 million (25% of the \$800 million)?

Q If state government *really needs* to raise revenue, why would it ask a notoriously unscrupulous industry to raise it?

Q And worse, why would it allow that industry to keep 75% (60% to the tracks and 15% to horsemen) of the “revenue raised” (or “the money lost by citizens”)? The state already has a tax system that, if legislatively directed to raise taxes, would allow the state to keep 100% of the revenue raised. (Then citizens would only be out only \$200 million, not \$800 million.)

Q If Kentucky families must lose \$800 million dollars every year in order to generate \$200 million for the state’s programs, how is the state going to assist all the people who lost the \$800 billion when it receives only \$200 million? *And, in particular, when that \$200 million is already promised to one program or another?*

Q Given Kentucky’s current problems if 1000 consultants were brought to our state so each could offer his/her best suggestion for a new plan to move us forward, would *ANY* of them say: “Kentucky needs slot machines – *the most addictive form of gambling* – to create a casino ‘entertainment system’ that will have its citizens losing \$800 million each year”?

Q If the role of government is to create an environment where its citizens can prosper, why is the government getting involved in promoting a gambling system that will encourage its citizens to lose their wealth? (And then rely on government for even more assistance?)



A few answers . . .

Why did they say “Let the people decide” last year and now pushing a bill that keeps citizens from having a real say in the decision?

It seems that they’ll say whatever they have to in order to get what they want! The fact is that they failed with the constitutional amendment that is required by law and they’re now settling for something less.

Why does Churchill Downs not have the money it needs to boost its purses to a competitive level when it advertised just several years ago of investing \$121 million to renovate its facilities?

You would think that they would have better managed their assets. That makes this whole thing feel like a bailout for a mismanaged corporation that is being paid for with losses from everyday Kentucky citizens.

And if Churchill Downs wants to help government so much by “raising revenue” through slots, why did they deed over all of their property to the City of Louisville for 25 years and rent it back for \$1 a year to avoid paying property taxes?

Yes. That’s right. Churchill is not currently paying property taxes on the \$121 million of improvements AND the previous value of their holdings. Every other business is paying property taxes. Why does Churchill Downs now need more of the citizens’ money?

Is it possible that the horse industry has poorly marketed itself and is asking us to fix their poor business strategy?

Maybe if the horse industry marketed “horse racing” rather than just “gambling” they would draw new clientele – Racing IS the sport of Kings! (And gambling isn’t.)

If Kentucky already struggles with addictions to alcohol, substances like meth and oxycontin, tobacco and even food (obesity is rampant), why are we even considering the introduction of slot machines?

Slot machines are regarded as the crack cocaine of gambling. It looks like the drive for money is more important than the care for the people of Kentucky. The whole concept seems to be to place machines around the state that will extract funds from the players at a rapid rate and have a very small staff to keep the machines working.

Gambling Expansion: *The “Four Truths”*

Truth #1: The Family is targeted.

Though “slots-at-the-tracks” 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 “slots 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 single people. 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 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 “\$797 million annually” from slots . . . And \$1.02 billion annually in five years. That means proponents are serious about ripping-off Kentucky families,. This is a *VERY, VERY BAD* idea!



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 with the Governor’s plan: If \$797 million is taken annually from Kentucky families (and then the \$1.02 billion annually) that currently is spent on goods and services in the state, where will businesses find customers that can afford what they offer?

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

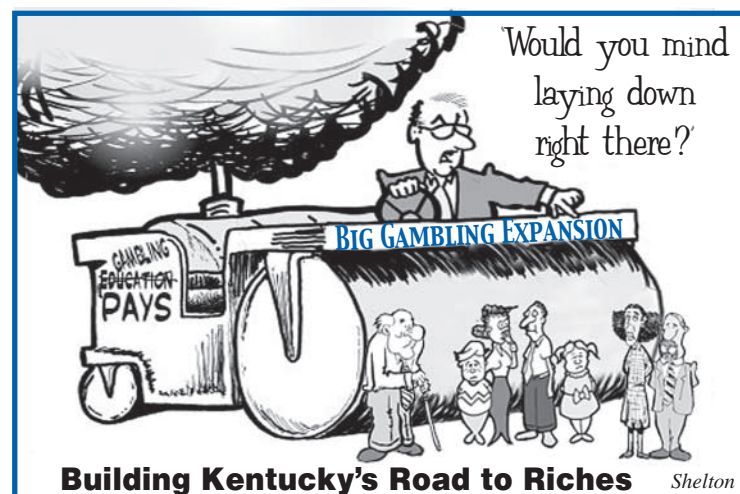


Truth #3: Government will be corrupted. (See page 6 – It’s happening!)

With billions going into the hands of the race tracks, 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?



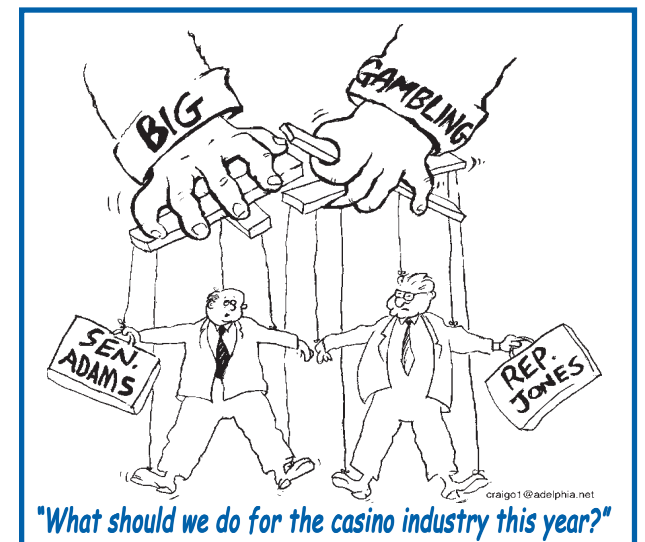
Truth #4: The Vulnerable are destroyed. (See page 7)

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 (*and their families*) will be destroyed.



Evidence mounts on the gambling lobby's influence over government officials



EDITOR'S NOTE: Below is a chronological overview of what HAS BEEN and IS happening within the upper echelon of state government. With this simple time line, the serious control being exerted through elected officials by those pushing casinos and casino-like gambling becomes manifest.

February 2007 – Democratic gubernatorial candidate Steve Beshear announces his advocacy for casinos.

April 2007 – State Treasurer and gubernatorial candidate Jonathan Miller ends his primary campaign, endorses pro-casino candidate Beshear, and days later flies to Las Vegas for what he terms “personal business meetings.” Beshear appoints Miller to be Democratic Party Chairman.

2007 – Candidate Beshear raises \$7 million for his campaign, including huge sums from casino advocates.

2007 – Casino interests contribute \$489,500 to the Democratic Party's Kentucky Victory Fund.

2007 – Beshear supporter forms Bluegrass Freedom Fund, raises \$3.15 million to finance advertisements attacking Beshear's opponent and calling ostensibly for governmental “ethics reform.” Over \$2.2 million of the “ethics reform” fund came from casino supporters, including \$1 million from one person – Bill Yung, a casino company CEO who recently lost his New Jersey license and was sued by investors for reckless management.

November 2007 – Beshear wins election and proclaims casinos can produce \$500 million in new taxes but his claim is unsubstantiated except by casino advocates.

December 2007 – Several pro-casino individuals, including casino owners who have lost their operating licenses in two states, make \$10,000 donations to Gov. Beshear's \$766,000 inauguration celebration fund.

December 2007 – Anti-gambling and freshman State Rep. Brandon Spencer (D-Prestonsburg) suddenly and unexpectedly resigns just weeks before the beginning of the 2008 General Assembly, leading to the subsequent special election of Greg Stumbo, historically the state's most aggressive pro-casino legislator.

January 2008 – Gov. Beshear releases his state budget proposal, calling for government agency funding cuts, suggesting casinos could provide new tax dollars.

January 2008 – Gov. Beshear repeats his projection that casinos will raise \$500 million in tax revenue, but is contradicted by a legislative study that projects only \$300 million.

January 2008 – Gov. Beshear hand-picks a pro-casino candidate to replace Lt. Gov. Mongiardo in the State Senate. Roger Noe, the locally favored candidate and

Letter to the Editor, Hazard Post, January 25, 2008

To the Democrats of Harlan, Bell, Leslie, & Perry Counties:

I'm Roger Noe, a lifelong Democrat from Harlan. I tried to become your candidate to fill the seat vacated by Daniel Mongiardo. What I didn't realize was that Governor Beshear, Lt. Governor Mongiardo, Leo Haggerty, and Chester Jones had already chosen the Democratic candidate, and they did it in the most dishonest way possible, they rigged the election against Democratic policy. With the aid of Beshear's appointed head of the Democratic Party, Jennifer Moore, Scott Alexander was given the nomination. Leo Haggerty was given a \$50,000 a year job for his part, and I'm just waiting to see how Mongiardo awards Chester Jones.

I still believe in Democratic principles, but I am disappointed to have to say that I have no faith in our current Kentucky Democratic leadership. They have insulted the intelligence of the Democrats in our counties, and are strong arming public officials for support in furthering their dishonest agenda.

We Democrats were deceived by Beshear/Mongiardo, and the rest of the state should be prepared for the same treatment. Unless you vote responsibly we will be haunted by more of their immoral corruption of Democracy.

— Roger Noe
Harlan, Kentucky

former legislator who was rejected by Beshear, goes public in a letter to the editor of his local newspaper before the special election, writing “They . . . are strong arming public officials for support in furthering their dishonest agenda.” (The Governor's candidate loses the election to the anti-gambling expansion candidate.)

February 2008 – Bill Yung, the casino CEO who contributed \$1 million to Bluegrass Freedom Fund, acquires northern Kentucky commercial property and states his expectations to compete for a gambling license.

February 2008 – Gov. Beshear suggests sales of casino licenses could produce “several hundred million dollars” in revenue during the current budget cycle.

February 14, 2008 – Gov. Beshear announces massive 12-casino plan that is far larger than he had ever discussed. It includes casinos at race tracks and free-standing casinos as well.

February 26, 2008 – The House Elections and Constitutional Amendments Committee meets to consider and presumably pass the “Casino Amendment,” but there are several votes on different versions of the bill and all fail.

The committee members are in disarray and an abrupt vote is taken to adjourn. Later that day Rep. Dottie Sims is removed from the committee by the Speaker of the House because she voted contrary to his preferred version of the amendment. She is replaced by two pro-casino members and the amendment passes favorably out of committee the next day.

March 3, 2008 – Newspapers and state blogs report missing Capitol visit sign-in logs that indicate that casino CEO Bill Yung had met with the Governor in early January even though the Governor denies such a meeting.

April 2008 – The casino legislation dies because of lack of support by House members. (To prevent embarrassment, it is never brought to the House floor for a vote.)

January 9, 2009 – Speaker Greg Stumbo announces plans to run a non-constitutional amendment that will authorize slots at the race tracks under the Kentucky Lottery. He is the only (former) Attorney General that has ever opined that a constitutional amendment is not needed.

February 3, 2009 – To pass his slots initiative, the media reports that Stumbo consults with former Rep. Jerry Bronger (D-Louisville), who went to prison for taking gambling-related bribes in the 1990s' Operation BOPTROT scandal. Bronger pleaded guilty in 1992 to taking \$2000 in bribes from lobbyist Bill McBee regarding a racetrack gambling bill.

February 12, 2009 – House Bill 158, Stumbo's bill, passes its House Committee unanimously *BUT IT*

NEVER MOVES! Observers believe that since an odd-year short Session of the General Assembly requires 3/5 majority to pass a revenue bill and everyone knew there were not 60 votes in the House to pass HB 158, a summer Special Session was planned and manipulated from the beginning of 2009.

March 2009 – The 2009 Session closes without a gambling bill passed . . . and without several bills that were ready to be passed on that last day. The House simply refuses to act.

April thru early June 2009 – The horse lobby initiates major media as well as news campaign arguing that much of the horse industry will leave the state if it doesn't get relief.

April thru early June 2009 – The Governor's office initiates major campaign saying the state will experience an almost \$1 billion shortfall if it does not get relief.

May 29, 2009 – Gov. Beshear announces plans for a Special Session beginning June 15.

June 3, 2009 – The Governor makes official call for the Special Session for topics dropped at regular Session end.

(Continued on next page)

Two more casualties of gambling surface

The Governor and the Speaker have said “these problems just don’t exist.” Unfortunately, the news media report otherwise.

Family destroyed, bankruptcy, then suicide

Another gambling-related tragedy occurred the very weekend before Kentucky’s State Senate would vote on expanded gambling through slot machines. Dr. Stanley Lowenbraun, a prominent Louisville oncologist was found dead from a self-inflicted gunshot wound in a casino hotel room on June 20.

Lowenbraun’s downward spiral over years left a trail of devastation that included bankruptcy, family break-up, and criminal charges. His cancer practice once grossed \$7 million annually but he was forced to declare bankruptcy in 1999 after gambling away \$8 million at casinos and racetracks. Louisville lawyers said they believed his \$13 million bankruptcy case was the largest ever in Louisville triggered by gambling problems.

According to the *Courier-Journal*, Dr. J. David Richardson, a Louisville surgeon and thoroughbred owner, remembered Lowenbraun as a “major horseplayer, with all the good and bad that implies.” The paper also reported in 2001 that Lowenbraun continued to gamble at Churchill Downs three years after filing for bankruptcy.

“Dr. Lowenbraun’s tragic suicide illustrates why we work so hard against expanded gambling,” said David Edmunds, policy analyst for The Family Foundation. “It is heart-breaking and ironic that I focused on the problem of suicide linked to gambling in my testimony before the Senate Appropriations and Revenue Committee on June 22, not realizing this tragedy had occurred just two days prior.”

Gambling lobby *continued from page 6*

June 4, 2009 – The Governor adds gambling to the call of the Special Session.

June 15, 2009 – House Bill 2, sponsored by Speaker Stumbo, is introduced on the first day of the Special Session.

June 15, 2009 – Attorney General Jack Conway, having been asked on May 18 for an opinion as to whether slots-at-the-tracks can be implemented without a constitutional amendment (without the people’s final ratification), announces his perspective. So, on the first day of the Special Session (just four weeks after the request), Conway, whose office maintained that he had six months (until October) to respond, “surprisingly” announces his opinion – he agrees with the only other Attorney General’s opinion that says it’s “Okay” to pass slots as a simple statute – Greg Stumbo’s 2005 opinion. All other Attorneys General had concluded a constitutional amendment was needed. Important point: As it turns out, Stumbo is the highest-ranking Democrat endorsing Conway in his 2010 run for the U.S. Senate. (*What a coincidence.*)

June 16, 2009 – House Bill 2 does not receive the support it needs from legislators in the House so a \$1.3 billion school spending program is announced to secure more votes. Rep. Johnny Bell (D-Glasgow) says, “But I found out today we change the rules in midstream, and if a person is not able to vote for the gambling issue, then their school won’t be built.” (Note the irony – the Session is called because of an almost \$1 billion budget shortfall and yet the gambling bill is promoted by the spending of another \$1.3 billion.)

June 19, 2009 – HB 2 barely clears the House in a 52-45 vote. (51 votes were needed.)

June 22, 2009 – HB 2 fails in a Senate Committee in a 10-5 vote. Pro-gambling House leaders cry foul.

July 10, 2009 – Rumors from Frankfort say Sen. Charlie Borders (R-Grayson) will be offered a state job by the Governor. Observers believe it is because of his anti-gambling vote and the Governor’s plan to change the Senate so he can have control.

July 15, 2009 – Sen. Borders resigns. The Governor arranges a quick election cycle so, according to observers, his Party can control the outcome. The election date is set for August 25 – leaving less than six weeks lead time.



Given the various manipulations that casino proponents have been offering Kentucky citizens at this time, Internet bloggers accused the *Courier-Journal* of burying the story for over a week until after the Kentucky General Assembly had voted on the expansion of gambling in the Commonwealth.

Edmunds pointed out that while a deliberate withholding of a news story is possible, it usually takes a few days for information regarding a suicide to be released.

Academic research consistently indicates that increased suicide rates coincide with the expansion of gambling, yet spokesmen for the gambling industry refuse to acknowledge this reality. In fact, during a live televised debate on June 8 when challenged about serious consequences of expanded gambling, Gov. Steve Beshear and House Speaker Greg Stumbo, who are working closely with gambling officials, whole-heartedly agreed that “these problems just don’t exist.”

“Sadly, this proves Stumbo and Beshear could not be more wrong,” said Edmunds. “The very lives of Kentucky citizens and the well-being of their families are at stake.”

“... suicide rates were up to four times higher than in comparably sized cities where gambling is not legal.”

– NEW YORK TIMES reporting on a study by Dr. David Phillips, professor of sociology at the University of California

Basketball, fame and fortune . . . now debt

Once again the entangling web of gambling has lured another high-profile victim into its net, but this was a net far different from the one with which he was familiar – one that hung under a basketball rim. Unfortunately, now Antoine Walker, former All-star NBA player and starting forward of UK’s 1996 National Championship team, is facing criminal charges related to almost a million dollars in gambling debts.

The Las Vegas district attorney’s office has filed a criminal complaint against Walker alleging he failed to pay back \$822,500 in gambling debts.

Walker, 32, is charged with three felony counts in passing \$1 million in bad checks to three Las Vegas casinos. Walker wrote the checks to take out credit markers to continue his play at the casinos. Each charge carries a 1-4 year prison sentence. He was finally arrested July 16 at Harrah’s Casino in Stateline, Nevada. According to police, a Harrah’s employee who had seen a TV news report on Walker approached a deputy on foot patrol. Walker was then arrested at a bar inside the casino.

His bail was originally set at \$905,050, but it was later reduced to \$135,000, which he has met and is now awaiting court proceedings.

These criminal charges are the latest in a string of problems for Walker. He was charged with suspected drunken driving in January of this year and two years ago gained notoriety when he was bound at gunpoint while assailants took a car, cash and jewelry from his suburban Chicago home. The 6 foot 9 inch power-forward has said he would like to return to the NBA, but these criminal charges generated by and adding to his gambling problems may block his opportunity.



Alms for the rich, losses for the poor

At a time when many Kentuckians are losing their jobs, being put on furlough by their employers, and can't pay their mortgages, it is hard to envision why some people might want to pass legislation that would fatten the bank accounts of the wealthy horse racing tracks, many of which are not even owned by Kentuckians.

It's even harder to envision how they think they can do it bypassing the people in clear violation of Kentucky's Constitution.

Their on-going strategy, which was taken up in House Bill 2 in the Special Session called by Gov. Steve Beshear, proposes to put video slot machines at Kentucky's tracks. Video slot machines are the most predatory form of gambling, and they direct their appeal at gamblers at the low end of the economic scale. These are people who could never afford the lavish lifestyle of those who run Kentucky's tracks.

The tracks have come, gold-plated cup in hand, and tried to convince state lawmakers that good public policy demands alms for the rich.

As one former state legislator likes to say, "When poor people beg, they do it on the street corners. But when rich people beg, they do it in the halls of power." If the horse tracks are in such financial straits, how could they have afforded the army of high-priced lobbyists they sent to the state capitol earlier this year? Reports indicated they spent over \$400,000 just on lobbying legislators. And where did they get all the money they have dumped into the expensive advertising campaign that hit television and radio across the state?

The loudest voice calling for passage of such legislation is Churchill Downs, the state's largest and richest racing track, and one which is almost exclusively owned by out-of-state investors. It argues that low purses threaten to kill horse racing in the state, which cannot compete with horse tracks in other states whose purses are subsidized by the profits from video slots.

If Churchill Downs is concerned about purses, couldn't it have used some of the \$121 million it recently lavished on remodeling the clubhouse on purses instead? In fact, if things are so bad, how could it have afforded the project in the first place?

And, more revealing, how do they explain that things are bad when company profits

**As one former state legislator likes to say,
"When poor people beg,
they do it on the street corners.
But when rich people beg,
they do it in the halls of power."**

rose 81 percent in one year – 2008 over 2007?

But even if bailing out a rich industry by expanding gambling in Kentucky served some public purpose, it would run head-on into the state's Constitution. Up until the last legislative session, expanded gambling advocates were pushing for a constitutional amendment because they believed – like everyone else – that the voters in 1988 approved only a state lottery, not other forms of gambling.

KEEP, the horse industry's largest lobbying group, which has been calling to "Let the people decide" for several years, pledged it would only support legislation that guaranteed the money would go to education. Of course, this is in order to avoid a replay of anger over the Lottery proceeds never going to education, as voters were promised, until ten years later. And Gov. Steve Beshear said the following in his campaign for governor, a statement that is still on his campaign's web page: "It is time to put this question on the ballot and let the people of Kentucky decide. As Governor of this state, I will make sure that the people have an opportunity to make that choice."

There was nothing in the ballot language of the Lottery Amendment even hinting that citizens were voting for video slots. In fact, not only did the Legislative Research Commission limit its discussion to instant and online games in its explanation to voters in 1988, but when the amendment was debated on the floor of the House, bill sponsor Bill Donnermeyer assured his fellow lawmakers that the Lottery amendment did "not provide for slot machines or anything like that."

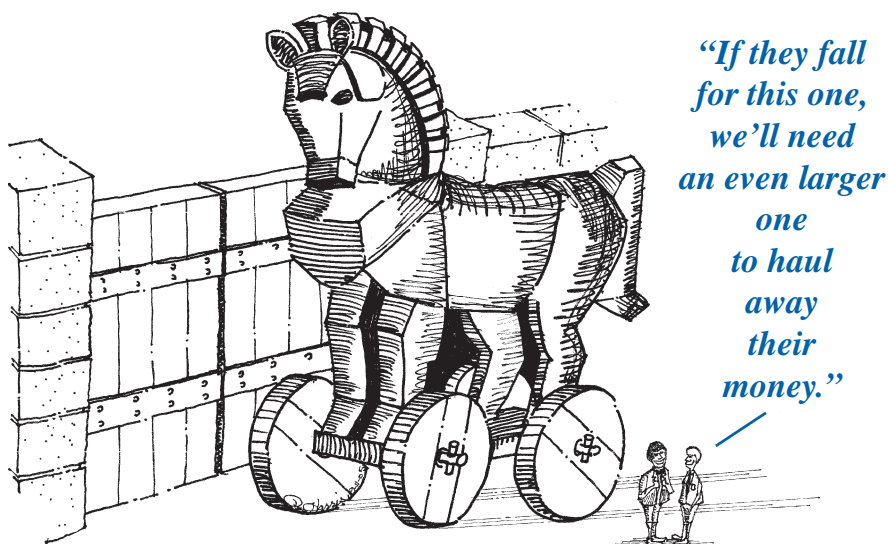
The proponents of expanded gambling are again making big promises to the people of Kentucky. They would be a lot more believable if their record on keeping past promises wasn't so bad.



Martin Cothran is senior policy analyst for The Family Foundation

If Churchill Downs is concerned about purses, why couldn't it have used some of the \$121 million it recently lavished on remodeling the clubhouse to fund them?

The Slot's Trojan Horse



Websites with more:

www.kentuckyfamily.org

The Family Foundation

www.saynotocasinos.org

Say No To Casinos

www.kybaptist.org/publicaffairs

Kentucky Baptist Convention

The Kentucky Citizen ADVOCATE

The Kentucky Citizen ADVOCATE is published by The Family Foundation of Kentucky, a nonprofit educational organization that works in the public policy arena on behalf of the family and the values that make families strong.

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