

## House committee gets peek at latest video lottery terminal bills

by James A. Bernsen

Gambling proponents made their pitch April 13 for a plan to bring video lottery terminals to Texas. Depending on which proposals, if any, move forward, legislators might get more than they bargained for.

Eyebrows around the Capitol might have risen when Rep. **Kino Flores** (D-Mission) got low bill numbers for his gambling bill (HB 9) and constitutional amendment (HJR 4). Speaker **Tom Craddick** said the bill numbers did not indicate his support for the measures, just an acknowledgement that the issue is one of the biggest ones the Legislature will face during the session.

Video lottery terminals (VLTs), which are similar to slot machines, are promoted as a way for the state to raise money without taxes. They are decried for missing profit targets while creating what opponents say are terrible social consequences.

The Legislature defeated VLTs in 2004. Many members remain open to the idea of limited gaming even though they oppose full casino gaming. Nonetheless, Flores' HJR 4, which would send the measure to the voters, would legalize *all* casino gaming in the state. HB 9 is limited to VLTs, but further legislation could expand gambling without going to the voters. A competing resolution, HJR 3 by Rep. **Jim Pitts** (R-Waxahachie) would restrict gaming to VLTs only. Another bill by Rep. **Craig Eiland** (D-Galveston) would legalize them on cruise ships within 12 miles of the Texas coast.

Both Flores and Pitts told the House Ways and Means Committee that VLTs will raise over \$1 billion in revenue. Flores projected total economic impact at \$3.7 billion in annual gaming-related expenditures, \$1.6 billion in annual gross product, \$500 million in annual retail sales, and 26,000 jobs.

Flores estimates actual state revenue at \$296 per machine each year. By these calculations, an estimated 20,000 machines, plus licenses and fees, would bring in about \$450 million in the first six months and approximately \$1.2 billion each biennium thereafter.

The numbers are based on comparisons with other states. While New York has seen a precipitous drop in estimated gambling revenue, Flores faults legislators there for being too greedy, with high tax rates that have discouraged casino development.

### *Saving horses*

Flores made an appeal to Texas history and heritage, reminding committee members that "the legend of Texas" is full of the imagery of horses. But the horse-raising industry, he said, has fallen on hard times, because of low purses at the three major and several minor horse racing tracks in Texas. Legalized VLTs at the tracks, he said, could turn them around, and the horse-raising industry with them.

Raising additional money for horse racing purses through slot machines would not only make Texas tracks viable, Flores said, but would also make them some of the country's best.

"If this were to take effect, I promise you, the Kentucky Derby would be a thing of the past, the Belmont would be a thing of the past..." Flores said. "All these horses will be running in the State of Texas because the State of Texas would have the largest purses in the country."

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**-- Rep. Kino Flores**

For all casino venues (12 in Flores' bill, 17 in Pitts'), a total of 35 percent of revenue incurred would be returned to the state in taxes. Although the federal Indian Gaming Regulatory Act (IGRA) prevents states from taxing Indian tribes and requires states to allow tribes to conduct any kind of gambling that non-Indian entities can conduct, the states can sign compacts, or agreements, with Indian tribes that agree to pay the tax. The state is empowered essentially to hold out gambling as an all-or-nothing bargain which tribes almost always accept. Flores' bill includes a lengthy template for such agreements.

Nonetheless, the Kickapoo tribe in Del Rio enjoys a special recognition under IGRA. A tribal representative expressed concerns that the tribe, which has some legalized gambling rights now, would be limited to VLTs under the bill.

The agreements, moreover, bind only existing tribes. Should additional tribes be recognized, or existing non-recognized tribes seek legal status in Texas, they could legally open tax-

free casinos. Such applications, though made more difficult by the Bureau of Indian Affairs, have succeeded in other states, particularly California, where non-taxed Indian gaming has undercut gambling revenue. Texas currently has eight applications for tribal status pending, most filed in the last 10 years, as Indian tribal gambling exploded nationwide.

### *Let the voters decide*

Rep. **Charlie Geren** (R-Fort Worth) spoke in favor of Flores' bill. Echoing a theme of gambling proponents, who have established a website, [www.letthevotersdecide.com](http://www.letthevotersdecide.com), Geren said the House should move quickly on gambling legislation.

"Each time we have a money problem in the Legislature, gambling comes up," Geren said. "Let's put it behind us, let's let the people of Texas decide if that's what we should do or not. Let's vote it out of the House, vote it out of the Senate."

But before a bill can get to the voters, it has to get a 2/3 vote in both houses. It's a considerable hurdle in the 150-seat House, where an anti-gambling group in the special session garnered 42 signatures (mostly Republican). Some Democratic leaders have also signaled their opposition.

Although some pro-gambling groups have speculated that gambling could be legalized without 100 House votes, Flores dismissed the idea, saying he recognized that 100 votes were needed and would not "try to pull the wool over anybody's eyes."

Geren said that gambling was essentially economic development.

"The Enterprise fund is great, and I'm happy that we have it," he said, "but this is real economic development without any cost to the citizens of the state of Texas."

But there are real costs, according to gambling opponents. **Chris Patterson**, an analyst for the Texas Public Policy Foundation, cited studies showed increased crime and sociological problems in cities like Atlantic City, N.J. which have gambling. **Suzii Paynter**, of the Baptist General Convention also testified against the gambling proposals.

"This would be about a \$4 billion tax on the population of the State of Texas," she said, citing what she called the costs of gambling.

All the bills were left pending in the committee. ☐

