



Gambling Help for Stumbling Ponies?

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By Lovett C. Peters

THE OWNERS of racetracks have a failing business. They report losing money and want the Legislature to enhance their profits by authorizing slot machines. Proponents argue that slots are a win-win for Massachusetts, because they will increase state revenues and boost our already thriving tourism industry. The evidence tells quite a different story.

Research by the Gaming Strategy Group suggests that 700 slot machines at each of the Commonwealth's four racetracks will generate roughly \$190 million. This translates to about \$237 million in state revenues if a facility in Western Massachusetts were included, clearly not the \$350 million to \$550 million revenue projections that are being touted by gaming proponents.

In Pennsylvania, research suggests that the state economy will experience a direct transfer loss of \$84 million per year because of the operation of 15,000 slot machines at five racetracks. The only scenario through which Pennsylvania would profit from the slots is a major influx of new players, including those from out of state. This seems unlikely since neighboring states already have gambling venues.

Similarly, Massachusetts would have a difficult time attracting out-of-state gamblers for slots since Rhode Island already has slots, Connecticut operates two full casinos, and the Maine Legislature has recently approved the installation of 1,500 slots at racetracks.

Assuming increased tourism revenue by attracting out-of-state gamblers is a gamble in itself, but are in-state gamblers a sure bet? The odds are long that Massachusetts residents who typically travel to Foxwoods for blackjack will change their habits to play the slots at Suffolk Downs.

When you add all the impacts of gambling, especially across generations, this is a lose-lose economic development strategy. The impact on area businesses will be negative. Massachusetts residents have limited discretionary dollars to spend. If gamblers spend more money on wagers of some kind, the nearby grocer, clothier, and travel agent will feel a loss of business. This is especially true of area restaurants that will have to compete with hospitality offerings at Suffolk Downs that are subsidized by gambling revenues.

Then there are gambling addictions, crime rates, bankruptcies, and divorces. The operation of slots in Massachusetts can guarantee only one fiscal certainty -- increased public health costs, which the state will, in the end, add to its health and human services and educational woes.

So, if gamblers do not increase money wagered, the losses like those in Pennsylvania will be realized here. What will Massachusetts do then? Raise taxes to foot the bill for rising public health costs? And who will supplement the income of those individuals who were laid off by failed local businesses?

Any economic development package should address the Commonwealth's main challenges. They are well known: Businesses are leaving because it is too expensive to live, own a house, and do business here, and the workforce is thinning. As a result, we were the only state to lose population last year. Bailing out failing businesses is the market's job; its not the business of government.

Suffolk Downs should do what every business that can no longer compete in the marketplace does. Find a better use for the property. And what an opportunity there is for housing-poor Eastern Massachusetts and for leaders like Mayor Menino, who strongly supports housing municipal employees in Boston.

Tucked between the Blue Line and commuter rail, one could easily imagine the creation of a community at Suffolk Downs of over 5,000 residences, millions of square feet of commercial space, and dozens of acres of open space. This could mean market-rent apartments for the young professionals who are fleeing the region because of high housing costs.

A well-considered integration of open space could resurrect Revere Beach as a regional tourist destination. And the state could ensure neutral fiscal impacts on Boston and Revere by allowing for state-funded charter public schools to provide capacity equivalent to the number of students added by the new neighborhood. Such a project would increase the significance of East Boston and Revere to the Greater Boston area, turning them into a gateway to the North Shore business community and a role model for smart growth.

What to do about the struggling racetracks misses by a long shot the problems that any reasonable state economic development package should address. Slot machines are not a gamble for the state, they are a loser for all except for racetrack owners who would like to find their own way out of the red.

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