

PAUL MCMORROW

R.I. and Mass. are in a gambling arms race

By **Paul McMorrow** | NOVEMBER 06, 2012

The biggest race in Rhode Island isn't being fought between a Democrat and a Republican. Instead, this year's ballot pits the state of Rhode Island against Massachusetts in a casino gambling arms race.

Rhode Island voters decide Tuesday whether to allow the state's two slot machine parlors to install table games. Whether the state's gambling parlors win or lose, the ballot question won't end the arms race. As states pile into the ultra-competitive casino gambling market, they're finding that the only way to deliver on the promise of huge piles of money and easy jobs is in amping up their gambling operations and raiding someone else's casino business — an act that invites reprisals in the form of yet more expanded gambling. Massachusetts lawmakers didn't end the gambling debate when they authorized the construction of three casinos last year; they put down a marker that they're going to have defend, and revisit, ad nauseum.

Voters in Rhode Island defeated a similar casino-legalization referendum in 2006, but the landscape looks far different this time around. The current bid to convert Twin River in Lincoln and the Newport Grand in Newport into casinos enjoys the support of Governor Lincoln Chafee, and the ballot question has been polling well. Rhode Island voters have turned because they suddenly have a lot to lose, thanks to the casino law that passed on Beacon Hill last year.

The Massachusetts law allows for the construction of three resort casinos, as well as a stand-alone slot machine parlor. So now Rhode Island's two slot parlors, which siphon money away from Connecticut's two tribal casinos, are staring down the prospect of a new tribal casino across the border in Taunton, or full-scale commercial casinos in Milford, New Bedford, or Middleborough, on top of a likely slot facility in Plainville or Raynham.

As evidenced by Twin River's 2009 bankruptcy filing, Rhode Island's small facilities were already smaller players, compared with Foxwoods and Mohegan Sun in Connecticut. A surge in competition from Massachusetts could gut their business, or wipe them out altogether. A report filed with the Rhode Island Department of Revenue earlier this year estimated that Twin River and Newport Grand stood to lose anywhere between \$77 million and \$152 million per year to Massachusetts, draining between \$45 million and \$91 million from the state budget.

In any normal business, strong competitors would drive weak ones out of business. That's capitalism. Legalized gambling isn't much of a capitalist enterprise, though: When

competition gets tough, casino firms put their money to work, bending the law to tilt the market in their favor. In Rhode Island, this means spending millions on a campaign to convert Twin River and the Newport Grand to full-scale casinos, rather than concede the state's lucrative-enough cut of casino proceeds to Massachusetts and Connecticut.

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If Rhode Island's casino push is successful, it will mean that New England will soon be home to eight full-blown casinos. (One opened in Maine in July.) Last year, that figure stood at two. Casinos are multiplying because states are responding in kind to each other's embrace of gambling. Slots parlors beget more slots parlors, and new casinos spur the construction of more casinos. There's no sign of this dynamic stopping.

Cross-border gambling reprisals are becoming common across the country. Pennsylvania legalized casinos and swiped a huge piece of Atlantic City's gambling business, so Atlantic City worked feverishly to implement sports betting. New York grew jealous of the money flowing into Foxwoods and Mohegan Sun, so the state chased a huge urban casino in Queens. West Virginia found itself in the same place Rhode Island is now in: It had a good slot parlor business hit the skids when neighboring Maryland opened slot parlors, so it converted its struggling slot parlors to full-blown casinos. Of course, Maryland didn't stand pat in the face of West Virginia's escalation; the state is now pushing a ballot question to dramatically expand gambling and let it, too, open full casinos.

States have sold gambling as a jobs stimulus, and now they're locked in a race to corner a limited market. In Connecticut, casinos have responded to new competition by expanding their operations. But even though the state has thousands more slot

machines than it did a decade ago, the machines are handling less money. The calculus only works if gambling erodes ever-greater portions of the real, productive economy. Otherwise, the arms race ends with ever-expanding state gambling operations grasping for crumbs.

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