ST. LOUIS • It was the afternoon of May 27, 1994 — 20 years ago this Tuesday — that the first customers boarded the Admiral riverboat, an old cruise ship retrofitted to become the state's first floating casino in the modern era, and began playing the first legal craps, blackjack and video poker in the shadow of the Gateway Arch.

"I think it will be a big help financially for everybody" in jobs and tax revenue, Harvey Humes, a retired bank manager from St. Louis, told a reporter that day, reflecting the state's hopes for the new industry as he walked away with $10 in winnings.

Like a high-roller chasing a hot streak, Missouri's two-decade foray into legalized casino gambling since then has had its ups and downs.

In those 20 years, there have been a lot of changes to what is now a 13-casino industry that grosses roughly $1.7 billion a year. Most of those changes have involved the casinos' aggressive transformation from the romanticized riverboat fantasy embodied by the now-scrapped Admiral, to the Vegas-like glitz of Lumière Place that now towers in its place.

"I sponsored it to save tourism for the state of Missouri," says former Missouri state Rep. Herbert Fallert, D-Ste. Genevieve, who filed the 1991 legislation that started it all. He said he had envisioned a nostalgic industry of riverboat cruises and tourist amenities, with the gambling being just one of the lures.

"It turned out to be more of a gaming thing. It kind of got away from us."

On the other hand, the casinos have provided some $4.7 billion to Missouri schools since 1994. Industry supporters point out that local communities also get numerous other benefits: a cut of the casino gross revenue taxes, local property taxes, jobs and development.

"They took that deserted piece of wasteland and developed it into what it is today. It's beautiful," said state Rep. Bob Burns, D-south St. Louis County, whose district includes River City Casino

at Lemay, which opened in 2010. “They’ve completely rejuvenated the community. They’ve been a godsend.”

Still, data supplied by the Missouri Gaming Commission, which regulates the casino industry, show what industry watchers have known for the past several years: The casinos aren’t bringing in the reliably growing dollars that they used to for the taxpayers. The slump of the past few years, blamed on increased gaming competition regionally and on the national economic downturn, drove last year’s state portion of the casino tax to the lowest it has been since 2009.

And since that money is dedicated entirely to Missouri’s education budget, the effects are real.

“We continue to this day to battle the perception that gaming money takes care of the needs of our schools,” said Brent Ghan, spokesman for the Missouri School Boards Association. “It certainly has not done that.” The reality, he said, is that the state is still underfunding school foundation levels.

Educators say that rather than providing a net gain to education, the casino money has merely freed up funds for other things. And they worry that tying education’s fortunes to an industry as volatile as gambling is a bad bet.

Last week, days before the 20th anniversary of casinos in Missouri, Gov. Jay Nixon’s office drove that point home.

“[R]evenues from lottery and riverboat gaming have continued their steep decline, resulting in an additional estimated shortfall of $35.1 million for the current 2014 Fiscal Year which ends June 30,” Nixon’s office announced. “These revenue sources are exclusively dedicated to education per Missouri law, and their decrease will directly affect school funding in these final weeks of the fiscal and academic year.”

FROM QUAINT TO GLITZY

The seed of Missouri's casino gaming industry was planted in May 1991, with passage of a measure by the Legislature putting the issue to voters the following year. Opponents, including then-Gov. John Ashcroft, focused on the usual concerns: organized crime, gambling addiction and what it would do to the character of the state.

In Missouri, and other Midwestern states pondering their own casino industries, there was an emphasis on making the industry as unlike Las Vegas as possible. By putting the casinos on riverboats that would cruise the Mississippi and Missouri rivers, went the reasoning, the facilities would be more Mark Twain than Bugsy Siegel.

But over time, the boats stopped cruising. Some casinos stopped being boats at all. And notions about helping struggling rural areas fell away, as the casinos congregated largely around St. Louis and Kansas City.

"It's different than what I had hoped it would have been," Fallert, the former state representative, said last week. He was the chief sponsor of House Bill 149, the 1991 bill that set up the referendum that started today's industry in Missouri.

"I wish it would have helped the smaller communities," Fallert said. "I'm happy that it's helped (the state) economic development and it's helped education. But it kind of got away from the original idea."

Mike Winters of the Missouri Gaming Association, which represents casinos, chalked it up to the normal evolution of a new industry.

"As any industry continues to age, things are going to change. That's what we've seen," he said last week. "There have been some statutory changes that have allowed the industry to flourish."

The casinos were originally required to be on riverboats and to cruise during gambling sessions. There was a $500 loss limit per patron per gambling cruise. And there was a court-ordered prohibition on games of chance that precluded slot machines from the boats, limiting the offerings to "skill" games such as blackjack.

All those prohibitions have gradually been lifted by lawmakers or voters over the years, expanding the size and scope of the industry each time — generally on the heels of full-court efforts or multimillion-dollar public relations campaigns by the industry.

“The casinos came in and showed us a bill of goods,” alleges Kerry Messer of the anti-gambling Missouri Family Network. “They showed us commercials with Mark Twain-like characters going up and down the river saying, ‘This is what Missouri casinos are going to look like.’ ... I don’t know of a single promise they made that they have kept.”

Still, the criminality and scandal that has shadowed gambling in some other states has been notably absent in Missouri. Roger Stottlemyre, executive director of the Missouri Gaming Commission, the state entity that oversees the industry, said in a statement that the casinos “are good corporate citizens, who have contributed substantially to home dock cities, and counties and through taxes to education.”

The Missouri Gaming Association maintains that the casinos have prevented tax increases, and that casino gambling has become “a mainstream activity enjoyed and supported by millions of Missourians.”

EDUCATION SHELL GAME?

By law, all of the state’s portion of the casino tax — which is 90 percent of the 21 percent tax on gross revenue — goes directly to the education budget. It generally totals more than $300 million annually these days.

Yet that budget over the past 20 years doesn’t show schools getting any more than would be expected through the normal process of inflation. Some years, the state’s total portion has even gone down.

Further, casino and lottery taxes have gradually made up a larger portion of the education budget. In 1995, those gaming taxes comprised just 2 percent of the total education budget. By 2000, it was 6 percent. For the past several years, it’s been 10 or 11 percent.

The education budget as a whole hasn't been rising by nearly that much. The clear indication, say educators, is that the "extra" money from casinos is being offset by reductions from what the state would have otherwise spent out of the budget — and that that shell game is getting worse even as schools continue to struggle with underfunding.

"Ever since we've had gaming money, there's been discussion about whether we've actually seen net funding for our schools that we would not have seen otherwise," said Ghan, the spokesman for the Missouri School Boards Association. While there's no way to know what lawmakers would have appropriated for education if not for the casino income, the suspicion is that that income "has just allowed them to use general revenue funds for other purposes."

Critics of the industry also include those who work with people with gambling problems. Almost 1,000 people have voluntarily excluded themselves from casinos under a state program for compulsive gamblers.

"Because of the presence of the casinos, there are certain people who would have not otherwise become addicted," said Arlene Miller, a St. Louis-based certified gambling addiction counselor. "There's all this access with the 24-7 gambling."

The self-exclusion program used to keep compulsive gamblers out of the casinos for life. That was changed by rule in 2011, with the support of the industry, to allow those gamblers to apply for re-entry after five years.

The latest potential change, also at the behest of the industry, would allow casino patrons to gamble on credit. The Legislature passed it in April, and it's awaiting action by Nixon.

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