

## The Strange Case of States' Penchant for Casinos

Written by Administrator

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On Tuesday, voters in five states considered proposals to significantly expand legal gambling and approved three of them. The two defeated proposals, in California and Colorado, had something in common: They faced strong opposition bankrolled by gambling operators that would have competed with the newly authorized gambling.

Voters in Massachusetts ratified a plan, approved by the legislature, for three full-service casinos. South Dakotans voted to allow existing casinos in the Old West town of Deadwood City to offer more games, including roulette and craps. Rhode Islanders voted 57 to 43 to add table games to an existing racino in Newport — but that won't happen because city voters, whose approval was also required, rejected the plan.

(A total of [eight states](#) voted on gambling questions, including Kansas, South Carolina and Tennessee, which approved proposals by wide margins to authorize raffles and lotteries held by nonprofit organizations.)

The approvals, including the moot statewide vote in Rhode Island, are part of a strange trend. States have gradually expanded legal gambling over the last four decades as a way to generate revenue without unpopular tax increases. But large parts of the American market are now saturated, with [revenue in decline](#) in most major casino markets. A majority of Americans already live relatively near casinos, so opening new ones does more to shift revenue around than to generate new business. As supply has outpaced demand, some casinos are closing, and governments have missed their projections for gambling-related revenue.

Photo



Kelsey Smith looked at the dealer Jason Lambert after busting a hand of blackjack at Cadillac Jack's Gambling Resort in South Dakota in July. On Tuesday, South Dakotans voted to allow casinos in the Old West town of Deadwood City to offer more games, including roulette and craps. Credit Eric Ginnard for The New York Times

Rather than discouraging states from expanding gambling, in many cases this phenomenon has encouraged them. After all, if you don't expand gambling, you stand to lose existing revenue to

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your eagerly expanding neighbors. A key argument for Massachusetts casinos is that many residents gamble at Indian casinos in Connecticut, spilling revenue across the border. Rhode Island's casino expansion was sold as a defensive move against Massachusetts and Connecticut.

Where this cannibalization crosses state lines, voters have tended to expand gambling. But in California and Colorado, it would have occurred within the state. California voters rejected an Indian gambling compact that would have allowed a new casino in the Central Valley, which was contentious partly because the operating tribe bought land far from its ancestral reservation to build it. A tribe with a nearby casino [was a leading funder](#) of the campaign to reject the compact.

Similarly, Colorado voters rejected a plan for casino-style gambling at racetracks, which operators of existing casinos in the state opposed. There and in California, new state revenue was likely to be offset by lost revenue from existing operators.

Given the interstate-versus-intrastate competition distinction, it's no surprise that small states like Massachusetts and Rhode Island approved more gambling while California and Colorado rejected it. Casino expansion has spread like wildfire in the last decade through the Mid-Atlantic and the Rust Belt, where many population centers are near state borders. And even if revenue continues to disappoint, the states are likely to keep expanding gambling, just to keep up.

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