RACINOS: THE LAST HOPE FOR KENTUCKY HORSE RACING

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I. INTRODUCTION

Kentucky is known throughout the world as a leader in the horse industry. It has eleven horseracing tracks; ¹ including Churchill Downs, which has held the Kentucky Derby since 1875. ² In 2011, the Kentucky Derby had record-setting attendance of 164,858 featuring spectators and reporters from all over the world. ⁴ In addition, the Kentucky Horse Park, in Lexington, hosted the 2010 Alltech FEI World Equestrian Games, bringing more than 500,000 spectators to the state. ⁵

Despite these figures, Kentucky's economy continues to struggle, with an anticipated budget deficit for the 2013 fiscal year of \$371 million.⁶ Kentucky is a leader in the horse racing industry, but the sport has seen declining profits over the years.⁷ This decline has had a devastating impact state-wide; horses "are responsible for 100,000 jobs and \$4 billion in economic impact, . . . and are a cornerstone of Kentucky's \$8.8 billion tourism trade." Meanwhile, Kentucky's economic woes affect other states. In the last two years, the number of mares bred nationally fell 20 percent, and the amount of stallions standing stud declined 25 percent. Meanwhile, the number of farms for sale in Kentucky has skyrocketed. In

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¹ Horse Racing in Kentucky, KENTUCKY TOURISM, http://www.kentuckytourism.com/things_to_do/horses/horse_racing.aspx (last visited Dec. 18, 2012).

² Kentucky Derby Timeline, AUGUSTA CHRON. (May 6, 2011), http://chronicle.augusta.com/sports/other-sports/2011-05-06/kentucky-derby-timeline.

³ Kentucky Derby 2011 Attendance Sets Record, COURIER-JOURNAL.COM, (May 8, 2011, 9:03 AM), http://www.courier-journal.com/article/20110508/DERBYFUN/305080084/Kentucky-Derby-2011-attendance-sets-record.

⁴ Jason Shandler, *The Kentucky Derby by the Numbers*, ESPN, http://sports.espn.go.com/sports/horse/triplecrown07/news/story?id=2851357 (last updated May 2, 2007, 7:40 PM).

⁵ Attendance to the Alltech FEI World Equestrian Games Tops Half Million, ALLTECH FEI WORLD EQUESTRIAN GAMES (Oct. 10, 2010), http://www.alltechfeigames.com/news/detail.aspx?id=5836.

⁶ Phil Oliff et al., States Continue to Feel Recession's Impact, CTR. ON BUDGET & POL'Y PRIORITIES (June 27, 2012), http://www.cbpp.org/cms/index.cfm?fa=view&id=711.

⁷ See generally, Joe Drape, Gamble Sours for Many Kentucky Horse Breeders, N.Y. TIMES (Apr. 27, 2010), http://www.nytimes.com/2010/04/28/sports/28racing.html?scp=1&sq=&st=nyt&_r=0.

⁸ *Id*.

⁹ Id.

¹⁰ *Id*.

¹¹ *Id*.

For example, 265 farms (each containing more than 20 acres of land) were for sale in four Kentucky counties in 2010 – up from 199 listed in 2009.¹²

The most disturbing economic trends in the Kentucky horse industry relate specifically to horse racing. ¹³ For example, Lexington's Keeneland racetrack suffered a 50 percent decline in horse auction sales since 2007. ¹⁴ Bank loans issued for horse purchases have decreased to \$400 million, a 60 percent loss from an estimated \$1 billion in 2007. ¹⁵ In addition to decreasing sales, betting on horses has dropped 30 percent nationwide. ¹⁶

In an effort to stimulate Kentucky's economy and save the horse racing industry, Kentucky Governor Steve Beshear has advocated for expanded gaming in Kentucky; most notably campaigning for free-standing casinos and casinos at horse racing tracks (racinos). ¹⁷ For years, Kentuckians have funneled millions of gambling dollars to other states like Indiana, Illinois, and West Virginia. ¹⁸ As Kentucky receives no benefits from out-of-state gambling, Beshear aims to provide incentives that keep money within the Commonwealth. ¹⁹ He has argued for licensing fees and taxes on both free standing casinos and racinos that would bring millions of dollars to Kentucky. ²⁰ Other state legislatures have passed constitutional amendments, statutes, and regulations that allow and monitor racino gambling. ²¹ This Note analyzes these approaches in detail.

The debate over a constitutional amendment enabling casinos and racinos has been a divisive topic in the Kentucky General Assembly.²² In 2012, Governor Beshear proposed a constitutional amendment to the Kentucky Constitution in the state Senate that would have given the Kentucky electorate the chance to vote on whether to allow casino

¹² *Id*.

¹³ *Id*.

¹⁴ *Id*.

¹⁵ *Id*.

¹⁰ Id

¹⁷ Beshear 'Aggressively' to Push for Gambling in Kentucky, WKYT (Dec. 29, 2011, 12:42 AM), http://www.wkyt.com/home/headlines/136343418.html.

¹⁸ Gabriel Roxas, New Poll Shows Strong Support for Expanded Gaming, WKYT (Dec. 28, 2011, 1:04 AM) http://www.wkyt.com/news/headlines/New_poll_shows_strong_support_for_expanded_gaming_136294618.html?storySection=story.

¹⁹ See id.

²⁰ WBKO News (WBKO news broadcast Feb. 14, 2008), available at http://www.youtube.com/watch?v=A1vwvmlLMtU (featuring a news story on Governor Beshear's casino plan).

casino plan).

²¹ See, e.g., FLA. STAT. § 551.101 (2012); 4 PA. CONS. STAT. ANN. §§ 1101-1102 (2) (West 2012); W. VA. CODE ANN. § 29-22C-1 (West 2012).

²² Phil Pendleton, Expanded Gaming Could be a Hot Topic in 2012 General Assembly, WKYT, (Dec. 14, 2011, 7:07 PM) http://www.wkyt.com/home/headlines/Expanded_gambling_could_be_hot_topic_in_2012_General_Assembly_135615943.html.

gambling within Kentucky's borders.²³ This bill and other attempts at a constitutional amendment have failed,²⁴ but the issue is ripe for change.²⁵

New polls suggest that the majority of Kentucky residents would support expanded gaming. Nevertheless, some interest groups and individuals argue against introducing casino gambling to Kentucky. The primary opposition to Beshear's proposal is challenges based upon moral grounds. Some fear that Kentucky's most impoverished counties will suffer adverse effects because casinos are likely to attract those who are less educated and already financially unstable. Others argue that subsidizing racing with gambling profits is merely a temporary fix that will not last forever. Instead of short-term resuscitation efforts, critics argue that the racetracks should seek more effective and long-term cures for the struggling horse industry. Potential cures include remodeling facilities to meet modern needs, improving customer amenities, developing a plan to attract more fans, and featuring innovative bets that are easily understood by the average person.

As part of an effort to boost Kentucky's economy and revive the struggling horse racing industry, Kentucky must take steps to pass racino legislation. Since Kentucky's General Assembly has displayed reluctance to pass this legislation,³² proponents of the bill must work to achieve support from both sides. Suggested legislation should include regulations addressing opponents' concerns about the introduction of freestanding casinos and racinos. After passing the bill in the legislature, Kentucky citizens must pass the amendment authorizing casinos and racinos.³³

This note analyzes the constitutional, statutory, and regulatory approaches of other states with racinos. It then recommends other potential casino statutes and regulations, and argues that racinos are Kentucky's best

²³ Janet Patton, Beshear accuses David Williams of sabotage after Senate kills gambling, KENTUCKY.COM (Feb 23, 2012) http://www.kentucky.com/2012/02/23/2080851/gambling-bill-doesnt-have-votes.html

²⁴ Patrick Crowley, Ky. Casino Bill Dies in Senate, CINCINNATI.COM (June 22, 2009, 11:34 PM) http://news.cincinnati.com/article/20090622/news0103/306220021/ky-casino-bill-dies-senate.

²⁵ See Roxas, supra note 18, at 2.

²⁶ I.A

²⁷ Jonathan Miller, *The Moral Case for Gambling*, HUFFINGTON POST (Jan. 27, 2012; 2:06 PM), http://www.huffingtonpost.com/jonathanmiller/the-moral-case-for-gambli_b_1234160.html.

²⁸ Roger Alford, Lawmakers Kick Off Legislative Session Tuesday, WHAS11 (Jan. 2, 2012), http://www.whas11.com/news/local/Lawmakers-kick-off-legislative-session-Tuesday-136534078.html.

²⁹ Bill Shanklin, Alternative Gaming at Racetracks: Gold or Fool's Gold?, HORSE RACING BUS. (June 27, 2009), http://www.horseracingbusiness.com/alternative-gaming-at-racetracks-gold-or-fools-gold-1889.htm.

³⁰ John Cheves, Casinos No Cure-All for State Budgets, Economists Say, KENTUCKY.COM (Jan. 16, 2012), http://www.kentucky.com/2012/01/16/2030235/casinos-no-cure-all-for-state.html.

³¹ Shanklin, supra note 29.

³² Roger Alford, Governor Presents Ky. Gambling Proposal, Sponsor, BLOOMBERG BUS. WK. (Feb. 15, 2012), http://www.businessweek.com/ap/financialnews/D9STT1005.htm.

option to save the faltering horse racing industry. This Note addresses critics' arguments against racinos and ultimately urges voters to pass the proposed amendment.

II. STATE BY STATE SURVEY OF RACETRACK CASINO REGULATIONS, STATUTES, AND CONSTITUTIONAL AMENDMENTS

Twelve states have passed legislation permitting and regulating racinos. ³⁴ This section features states with large racino markets and examines their laws and regulations. It then details the process of enacting the laws and analyzes the effects of the racinos on each state's economy.

A. Pennsylvania

Pennsylvania is home to multiple racinos, as well as land-based and river-boat casinos.³⁵ In 2004, the state legislature passed the Pennsylvania Race Horse Development and Gaming Act, ³⁶ which authorized slot machines at racetracks to "enhance live horse racing, breeding programs, entertainment, and employment in [Pennsylvania]." ³⁷ Other legislative purposes included: (1) raising revenues to reduce wage and property taxes; ³⁸ (2) assisting the horse racing industry; ³⁹ (3) licensing game facilities to prevent monopolies; ⁴⁰ and (4) promoting the state's tourism industry. ⁴¹ Pennsylvania's legislature recognized the need to implement other forms of gaming in an effort to preserve its horse industry and improve the state's economy.

To achieve its goals, Pennsylvania's legislature established the Pennsylvania Gaming Control Board (Board).⁴² The Board is authorized to oversee and regulate the gaming industry to ensure compliance through

³⁴ Am. Gaming Ass'n, State of the States – The AGA Survey of Casino Entertainment, 4 (2011), available at http://www.americangaming.org/files/aga/uploads/docs/sos/aga-sos-2011.pdf.

³⁵ Id. at 21

³⁶ 4 PA. CONS. STAT. ANN. § 1101 (West 2012).

³⁷ § 1102(2.1).

 $^{^{38}}$ § 1102(3) ("[L]imited gaming is intended to provide . . . new revenue to the Commonwealth to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives.").

³⁹ § 1102(4) ("[L]imited gaming is intended to positively assist the Commonwealth's horse racing industry, support programs intended to foster and promote horse breeding and improve the living and working conditions of personnel who work and reside in and around the stable and backside areas of racetracks.").

racetracks.").

40 § 1102(5) ("[L]imited gaming is intended to provide broad economic opportunities to the citizens of this Commonwealth and shall be implemented in such a manner as to prevent possible monopolization by establishing reasonable restrictions on the control of multiple licensed gaming facilities in this Commonwealth.").

^{41 § 1102(6).}

⁴² § 1201(a).

appropriate measures such as licensing procedures. ⁴³ In addition to complying with these regulations, licensees must pay fees⁴⁴ to operate "up to 3,000 slot machines at any one licensed facility." ⁴⁵ Pennsylvania has designated authority to a single Board so that licensing and conflict resolution decisions are handled in a timely and consistent manner.

Pennsylvania has additional statutes to manage and control casinos. For instance, slot machine licensees are typically not allowed to extend credit; they may not "accept credit cards, charge cards or debit cards from a patron. . . or extend credit in any manner to a player so as to enable the player to play slot machines."⁴⁶ Another statute establishes a program for compulsive and problem gambling. 47 This statute mandates that the Pennsylvania Department of Health consult with addiction organizations to develop public education programs, encourage awareness, and provide training and treatment for compulsive and problem gambling. 48 One provision in the statute created the "Compulsive and Problem Gambling Treatment Fund" to pay for these programs. 49 Another provision states that "racetrack[s] where slot machines or table games are operated shall print a statement on daily racing programs provided to the general public that is similar to the following: If you or someone you know has a gambling problem, help is available. Call (Toll-free telephone number)."50 Similar signs must be posted near casino entrances and exits, automated teller machines, and other appropriate public areas in the facility.⁵¹ Failure to comply with these provisions results in a fine.⁵²

Pennsylvania's legislature also addressed the drug and alcohol-related issues associated with compulsive gambling. ⁵³ County authorities are to use certain funds to assess drug and alcohol addiction related to compulsive and problem gambling, and to treat such addictions through "nonhospital residential detoxification facilities, nonhospital residential rehabilitation facilities and halfway houses licensed by the Department of Health to provide addiction treatment services." ⁵⁴ The Bureau of Drug and Alcohol Programs must provide progress reports of these activities to the Pennsylvania Governor and General Assembly on or before October first of

⁴³ § 1202.

⁴⁴ § 1209.

⁴⁵ § 1210(a)(1).

⁴⁶ § 1504.

⁴⁷ § 1509(a).

⁴⁸ Id

⁴⁹ § 1509(b).

⁵⁰ § 1509(c)(2).

⁵¹ § 1509(c)(1).

⁵² § 1509(c)(3).

⁵³ § 1509.1.

⁵⁴ § 1509.1(b).

each year.⁵⁵ These statutes that protect against compulsive gambling and associated addictions in Pennsylvania also address some of the major complaints about racinos.⁵⁶

The Pennsylvania legislature passed several other provisions related to freestanding casinos and racinos. The Department of Labor and Industry must consult with the Department of Education to develop curriculum for gaming school instruction and provide adequate job training so individuals may secure employment with a licensed gaming entity. Fennsylvania law lists several prohibited acts, such as failing to comply with licensing procedures, which are subject to criminal penalties and fines. Pursuant to section 1520, the Board must promulgate rules and regulations governing the placement of automated teller machines (ATMs). The Board is able to prevent patrons from accessing fast cash through its restriction of ATM placement. If an ATM is out of reach or less accessible, patrons will be forced to think about their betting amounts before entering the casino, inevitably encouraging more rational and logically driven decisions.

The Pennsylvania Administrative Code sets forth Board regulations that implement and enforce gaming statutes.⁶³ For example, the burden to create a "compulsive and problem gambling plan" is put upon applicants for slot machine licenses, subject to Board review before obtaining a license.⁶⁴ The regulation requires each applicant applying for a license to submit a plan containing several features before approval is granted.⁶⁵ Among other requirements, each plan must contain: "[t]he goals of the plan and timetables to implement the plan;" "procedures to identify patrons and employees with suspected or known compulsive and problem gambling behavior;" and "procedures to prevent excluded persons" and "intoxicated patrons from gambling".⁶⁶ One regulation requires the gambling addiction signs to be posted within 50 feet of each entrance and exit, near ATMs, and other "cash dispensing or change machines." Another regulation limits the types of checks that licensees can accept from patrons, thus preventing one

 ⁵⁵ § 1509.1(d).
 ⁵⁶ See generally, Miller, supra note 27 (outlining the moral arguments against expanded

gambling).

⁵⁸ § 1518(b).

⁵⁹ § 1520.

⁶⁰ Id.

 $^{^{61}}$ See generally \S 1102 (explaining the congressional purpose of the Pennsylvania Race Horse Development and Gaming Act).

^{63 58} PA. CODE § 401a.1 (2012).

⁶⁴ § 501a.2(a).

^{65 § 501}a.2(d).

⁶⁶ *Id*.

⁶⁷ § 501a.5(a).

form of gambling addiction. ⁶⁸ Other regulations govern wagering amounts, ⁶⁹ table game rules, ⁷⁰ the licensee's extension of credit to patrons, ⁷¹ and the minimum training standards for dealers. ⁷²

Pennsylvania's statutes and regulations provide a balanced and thoughtful framework for permitting casino gambling at racetracks while addressing the pitfalls of the gaming industry and compulsive gambling.

B. West Virginia

West Virginia is home to multiple racetrack casinos with video lottery terminals and at least one land-based or riverboat casino.⁷³ In 2007, West Virginia's legislature passed the West Virginia Lottery Racetrack Table Games Act, which authorized table games at licensed racetrack facilities.⁷⁴ This was based upon legislative findings that

horse racing and dog racing and breeding play a critical role in the economy of th[e] state, enhance the revenue collected at the racetracks, contribute vital revenues to the counties and municipalities in which the activities are conducted, provide for significant employment and protect and preserve greenspace and; that a substantial state interest exists in protecting these industries.⁷⁵

The legislature also recognized that the operation of table games at racetracks would protect and preserve those industries, promote West Virginia's tourism, and indirectly benefit the state's overall economy. The West Virginia decided to allow licensees to operate these gaming facilities with the state "maintaining all ownership rights and exercising control through strict regulation of all West Virginia lottery table games." Table games," "lotteries," and "table lottery games" are used interchangeably in the statutes, and are considered similar because "each game involves consideration, the possibility of a prize and their outcome is determined

⁶⁸ § 501a.6 ("[H]olders of a license, . . . may not cash a check payable to an individual, including Social Security, unemployment insurance, disability payment, public assistance payment or payroll check for a patron.").

^{69 § 601}a.6.

⁷⁰ § 601a.2.

⁷¹ § 609a.7.

⁷² § 611a.1.

⁷³ Am. Gaming Ass'n, supra note 34, at 22.

⁷⁴ W. VA. CODE ANN. § 29-22C-1 (West 2012).

⁷⁵ § 29-22C-2(b)(1).

⁷⁶ Id

⁷⁷ § 29-22C-2(b)(9).

predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery."⁷⁸

West Virginia's legislature authorized video lottery games, which it defined as games that contain advanced computer technology. 79 The statute was passed because of the decline of the racing industry and the increasing competition from racing facilities and lotteries offered by neighboring states.⁸⁰ West Virginia's passage of the statute provides evidence that the state realized its racetracks' handicaps and decided to compete with neighboring states by providing various avenues for gambling at its faltering racetracks.

The State Lottery Commission (Commission) 81 establishes all licensing requirements, issues licenses, regulates licensee behavior, and bars certain individuals from entering licensed facilities if cause is given.⁸² The Commission is only allowed to "issue up to four racetrack table games licenses to operate West Virginia Lottery table games." 83 In their applications, licensees must include floor plans for where certain table games will be located, subject to Commission approval.⁸⁴ Applicants who wish to be employed by racetrack facilities with table games also must receive licenses from the Commission.⁸⁵ Once the racetracks are licensed, they must submit game-play rules to the Commission for approval.⁸⁶

For racetracks to gain a license to operate West Virginia Lottery table games, citizens of the county must vote to approve table games at the racetrack in a local option election.⁸⁷ If the county's citizens vote against the issue, another election cannot be held for two years. 88 If the citizens approve, however, the vote cannot be challenged through a local option election for another five years. 89 There is also a statutory safety valve: if five percent of the registered voters petition, another local option election may be held. 90 This local option election protects counties with racetracks who may wish to keep casinos out of their community.

Several other provisions regulate licensees' acceptance of wagers and extension of credit. Licensees are only permitted to accept certain types of wagers. 91 A licensee cannot accept wagers from individuals who are not

⁷⁸ § 29-22C-2(b)(5).

⁷⁹ § 29-22A-2(a).

^{80 § 29-22}A-2(e).

^{81 § 29-22}C-3(b)(5).

⁸² See § 29-22C-4.

^{83 § 29-22}C-8(a).

^{84 § 29-22}C-8(d).

^{85 § 29-22}C-13(a).

^{86 § 29-22}C-20(a).

⁸⁷ § 29-22C-7(a).

^{88 § 29-22}C-7(f). 89 § 29-22C-7(g).

^{91 § 29-22}C-28(a).

physically present at the gaming area. The Commission's agents and the West Virginia State Police can inspect and seize facilities "without notice and without warrant." This offers additional protection against possible criminal violations and ensures compliance with the Commission's licensing rules. 4

Limited gaming facility licensees have the burden of establishing policies and procedures for extending credit to patrons. The Commission provides licensees with some minimum guiding principles for establishing such procedures. There are procedures for credit verification; the approval of a patron's credit limits; front money deposits; and returned checks. These regulations hinder forms of compulsive gambling.

The West Virginia State Lottery Commission has established a regulatory code for carrying out statutory provisions governing the licensing and regulation of gaming facilities. ⁹⁸ For instance, the Commission can establish a facility's hours, ⁹⁹ and other regulations control the "conduct of gaming" to ensure that licensees comply with the Commission's orders. ¹⁰⁰ Similarly, limited gaming facility licensees must have adequate surveillance to prevent cheating. ¹⁰¹

West Virginia's statutes and regulations effectively authorize limited gaming facilities through licenses allowing the state to maintain sufficient ownership and control over each facility. Creation of the State Lottery Commission established a single administrative authority responsible for overseeing the licensing procedures and regulation over each of these facilities. 103

C. Florida

Florida is home to multiple racetrack casinos. ¹⁰⁴ A 2004 amendment to Florida's constitution allowed Miami-Dade and Broward Counties to hold a countywide vote to decide whether to allow slot machines in racetracks that met preexisting criteria. ¹⁰⁵ Multiple racinos

⁹² Id.

⁹³ § 29-22C-25.

⁹⁴ See id.

⁹⁵ W. VA. CODE R. § 179-4-151.2 (2012).

⁹⁶ See § 179-4-154.

⁹⁷ § 179-4-154.1.

⁹⁸ § 179-4-1.

⁹⁹ § 179-4-61.

¹⁰⁰See §§ 179-4-60 to 100.

¹⁰¹ See §§ 179-4-111 to 127.

¹⁰² W. VA. CODE ANN. § 29-22C-2(b)(9) (West 2012).

^{103 § 29-22}C-3(b)(5).

¹⁰⁴ See Am. Gaming Ass'n, supra note 34, at 13.

¹⁰⁵ FLA. CONST. art. X, § 23.

have opened in Miami-Dade County since the passage of this amendment, including the Calder Race Course and Flagler Dog Track. 106

Florida's legislature has authorized slot machine gaming in certain racetracks pursuant to this amendment. In Florida's system, the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation (Division) has the power to "adopt . . . rules necessary to implement, administer, and regulate slot machine gaming," subject to statutory guidelines. Along with the Division, the Department of Law Enforcement aids in the enforcement of licensing rules, slot machine operation rules, and the business operating procedural requirements of licensees. In Inc. 109

Florida's licensing procedures help the state monitor and control the slot machine activities of its licensees. 110 An application for a license requires a licensing fee and a listing of the aspiring licensee's qualifications. 111 Licenses are issued to a "licensed pari-mutuel permit holder, and slot machine gaming may be conducted only at the eligible facility at which the permit holder is authorized . . . to conduct pari-mutuel wagering activities." ¹¹² In addition, pari-mutuel permit holders must regularly schedule live racing or games, unless some natural disaster prevents a complete schedule. 113 Only thoroughbred and harness racing facilities, greyhound racing facilities, and jai-alai facilities have licenses to operate slot machines. 114 Licensees agree to grant the Division and Law Enforcement "unrestricted access to and right of inspection" of any place where slot machine gaming is conducted in the facility. 115 Additional licensing requirements include: maintaining a computer system "structured to facilitate regulatory oversight;" ensuring that slot machines are "protected from manipulation or tampering;" and submitting a security plan of the facility 116

Licensees are subject to certain licensing fees and tax rates. 117 Licensees must pay a nonrefundable license fee of \$3 million to the Division in their initial applications for slot machine licenses and \$2 million

Mary Ellen Klas, Slot Machines Arrive at Miami's Jai Alai, MIAMI HERALD BLOG (Nov. 17, 2011, 8:27 AM), http://www.miamiherald.typepad.com/nakedpolitics/2011/11/slot-machines-arrive-at-miamis-jai-alai.html.

¹⁰⁷ FLA. STAT. ANN. § 551.101 (West 2012).

^{108 § 551.103(1).}

^{109 § 551.103(1)(}e).

See generally § 551.104 (containing procedures to help monitor and control slot machine licensees' activities).

^{111 § 551.104(1).}

^{112 § 551.104(3).}

^{113 § 551.104(4)(}c).

¹¹⁴ FLA. CONST. art. X, § 23.

^{115 § 551.104(4)(}e).

^{116 § 551.104(4)(}f)-(h).

¹¹⁷ § 551.106.

annually thereafter. 118 The licensing fees become part of the "Pari-mutuel Wagering Trust Fund of the Department of Business and Profession Regulation' to be used by the [D]ivision and the Department of Law Enforcement for investigations, regulation of slot machine gaming, and enforcement of slot machine gaming." 119 These licensing fees can be adjusted to support the slot machine regulatory program. ¹²⁰ Each facility's slot machine revenues face a 35 percent tax rate. 121

Within each slot machine gaming facility, each licensee must meet certain statutory requirements. 122 Each licensee can install up to 2,000 slot machines in the facility that are simultaneously available for play. 123 Licensees must "display pari-mutuel races or games within the designated slot machine gaming areas and offer [those] patrons . . . the ability to engage in [these activities]."124 Warning signs are also required, displaying the "risks and dangers" associated with gambling, the "odds of winning," and a "toll-free telephone number . . . to provide information and referral services regarding compulsive or problem gambling." 125 Licensees can choose to reserve certain areas within the live gaming area or in a building close to the primary gaming facility for slot machines. 126

Florida's gaming hours are more restrictive than West Virginia's. 127 Although Florida's slot machine gaming facilities are permitted to open each day of the year and twenty-four hours on the weekend, they can only be open for eighteen hours on weekdays. 128 The reason for this regulation is likely because limiting a racino's hours can limit compulsive gambling. 129

Florida's legislature established programs addressing compulsive or addictive gambling. 130 The licensee trains its employees on responsible gaming, recognizing compulsive gambling behaviors, and "implement[ing] responsible gaming programs and practices." The Division contracts for services to prevent problem gambling behaviors. 132 "An nonrefundable regulatory fee of \$250,000 paid by [each] licensee to the

^{118 § 551.106(1)(}a).

¹¹⁹ *Id*.

^{120 § 551.106(1)(}b).

^{121 § 551.106(2)(}a).

¹²² See generally § 551.114 (listing statutory requirements for slot machine gaming facilities).

^{123 § 551.114(1).}

¹²⁴ § 551.114(2).

¹²⁵ § 551.114(3).

¹²⁶ § 551.114(4).

¹²⁷ § 551.116.

¹²⁹ William M. Thompson et al., Remedying the Lose-Lose Game of Compulsive Gambling: Voluntary Exclusions, Mandatory Exclusions, or an Alternative Method?, 40 J. MARSHALL L. REV. 1221, 1242 (2007).

130 See § 551.118.

¹³¹ § 551.118(1).

^{132 § 551.118(2).}

[D]ivision" contributes to this "compulsive or addictive gambling prevention fund." ¹³³

Several other Florida statutes protect against compulsive or addictive gambling.¹³⁴ Patrons cannot receive complimentary or reduced-cost alcoholic beverages while playing slot machines.¹³⁵ Licensees are not allowed to extend credit or advance money "to enable a person to play a slot machine."¹³⁶ Furthermore, ATMs are not permitted in slot machine areas, ¹³⁷ and licensees cannot take checks from patrons in the slot machine areas. ¹³⁸ Finally, licensee facilities can only have slot machines that accept "tickets or paper currency or an electronic payment system for wagering and returning payouts."¹³⁹ This practice eliminates one of the many subtle ways casinos encourage patrons to spend money.¹⁴⁰ Casino chips give the illusion that patrons are not actually spending money.¹⁴¹ By eliminating this method of subtle deceit, Florida's legislature has ensured that patrons are less likely to get caught up in the fantasy of using chips rather than money.¹⁴²

Florida regulations implement its statutory mandates. Numerous regulations discuss the process of licensing. Another regulation controls the "Compulsive or Addictive Gambling Prevention Program." Licensees are required to implement this program, subject to several guidelines. The guidelines include: identifying someone to lead such a program; printing educational materials to "educate patrons about compulsive gambling and inform them of local and state wide resources available to compulsive gamblers;" and training employees within thirty days of hiring on how to identify and deal with actual and potential compulsive gamblers. Its

Through constitutional amendment and corresponding statutes and regulations, Florida has implemented slot machine gaming into its horse racing culture and addressed many concerns regarding compulsive

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133 § 551.118(3).
134 See § 551.121.
135 § 551.121(1).
136 § 551.121(2).
137 § 551.121(3).
138 § 551.121(4)(a).
139 § 551.121 (6).
140 See Why Do Casinos Use Chips Instead of Cash?, DISCOVERY CHANNEL,
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http://curiosity.discovery.com/question/why-casinos-use-chips (last visited Oct. 30, 2012).

¹⁴² Id

 $^{^{143}}$ See generally FLA. ADMIN. CODE ANN. r. 61D-14.002 - 61D-14.011 (2012) (setting forth Florida's casino licensing regulations).

¹⁴⁴ See generally r. 61D-14.019 (describing gambling treatment program requirement).

¹⁴⁵ r. 61D-14.019(1)(b).

¹⁴⁶ *Id*.

¹⁴⁷ r. 61D-14.019.

gambling. This is primarily accomplished through policies that limit the tools a casino can use to manipulate patrons.

III. ANALYSIS OF STATE RACINO LAWS AND RECOMMENDATIONS FOR KENTUCKY

Several themes emerge in the aforementioned state statutory schemes. First, each state's legislature granted power to a central authority to govern the casinos and racinos. ¹⁴⁸ In Pennsylvania, the legislature established the Pennsylvania Gaming Control Board. ¹⁴⁹ West Virginia created the State Lottery Commission. ¹⁵⁰ Finally, Florida established the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation. ¹⁵¹

Echoing these models, Kentucky's casino and racino legislation should create a single entity with the sole purpose of regulating these activities. A designated entity can exclusively focus its time and effort on promulgating rules and regulations for the casino and racino licensees to follow. Additionally, this agency could efficiently monitor the licensees to ensure compliance with its regulations. A single authority would provide efficient and consistent dispute resolution that addresses disagreements between patrons, concerned citizens, licensees, and the state.

Another recurring theme in these statutory schemes is the importance of licensing requirements, licensing fees, and taxes. ¹⁵² Stringent licensing requirements ensure that licensees follow regulations, and a failure to follow guidelines leads to a lost license. ¹⁵³ Kentucky's statutory regime must include licensing fees and taxes because they would generate significant revenue for the state and its horse racing industry. ¹⁵⁴

The states surveyed also all maintained provisions limiting or prohibiting a casino's ability to extend credit to patrons. ¹⁵⁵ In particular, state regulations addressed the placement of ATMs around casinos and racinos. ¹⁵⁶ These subtle mandates may force patrons to make more logical and reasonable monetary decisions before entering a casino. ¹⁵⁷ If a checking

¹⁴⁸ Fla. Stat. Ann. § 551.103(1) (West 2012); 4 Pa. Cons. Stat. Ann. § 1201(a) (West 2012); W. Va. Code Ann. § 29-22C-3(b)(5) (West 2012).

¹⁴⁹ 4 PA. CONS. STAT. ANN. § 1201(a) (West 2012).

¹⁵⁰ W. VA. CODE ANN. § 29-22C-3(b)(5) (West 2012).

¹⁵¹ FLA. STAT. ANN. § 551.103(1) (West 2012).

^{152 4} PA. CONS. STAT. ANN. § 1202 (West 2012); W. VA. CODE ANN. § 29-22C-3(b)(5) (West 2012); See generally FLA. STAT. ANN. §551.104 (West 2012) (containing procedures to help monitor and control slot machine licensees' activities).

¹⁵³ E.g., 4 PA. CONS. STAT. ANN. § 1518(c) (West 2012).

¹⁵⁴ E.g., 4 PA. CONS. STAT. ANN. § 1102(3) (West 2012).

¹⁵⁵ See, e.g., FLA. STAT. ANN. § 551.121(2) (West 2012).

¹⁵⁶ E.g., 4 PA. CONS. STAT. ANN. § 1520 (West 2012).

¹⁵⁷ See generally, e.g., 4 PA. CONS. STAT. ANN. § 1102 (West 2012) (explaining congressional purpose of the Pennsylvania Race Horse Development and Gaming Act).

account or savings account is less accessible while in the casino, the extra step required to withdraw more money could present enough of a deterrent to keep patrons from spending more money than they intended. Echoing these approaches, Kentucky's regulations should prohibit a licensee's ability to extend credit within casino boundaries and limit the number and placement of ATMs to the outermost areas of a casino. An even greater limitation would place ATMs entirely outside of the casino's boundaries. although, this may be an extreme solution because in-casino ATMs can be used to withdrawal cash for activities unrelated to gambling, e.g. money for food, drinks, or other entertainment within the casino. Another regulation could require casinos to offer complimentary, nonalcoholic gifts to patrons, such as free meal tickets. Not only could this reduce the amount of money patrons spend at the casino, but enticing one to step away to eat a meal or participate in another activity would present an incentive to leave the gambling table. A free food break could allow a patron enough time to think clearly and re-evaluate his or her decision to spend more money in the casino.

Perhaps the most consistent feature in each state's regime is the presence of a compulsive and problem gambling program. ¹⁵⁸ Kentucky should adopt a similar framework, putting the burden on casinos and racinos to fund and establish such programs. Kentucky's central regulatory authority responsible for gambling and racinos would review these programs before they are implemented. Although the ultimate burden of program creation would be on casinos and racinos, Kentucky's regulatory authority should promulgate the minimum guidelines for these programs, similar to Pennsylvania's regime. 159 Each plan should include: (1) a training program for casino employees to recognize and handle compulsive and problem gambling; (2) specific locations where gambling addiction hotline help signs must be placed (near ATMs, entrances, slot machines, table games, and the exits of the casinos); (3) a gambling addiction pamphlet to give patrons exhibiting signs of compulsive gambling; (4) a requirement that no alcohol is given to slot machine patrons; and (5) a requirement that no patron is served alcohol in excess. These regulations could help ease the fear of those who protest the adoption of racinos for public policy reasons.

Kentucky should require each casino to employ a certain number of individuals to implement the compulsive and problem gambling program. Certain employees could be in charge of patrolling casino or racino floors for potential compulsive gamblers. Through proper training, these employees would locate problem behaviors, provide pamphlets on

¹⁵⁸ See generally, e.g., Fla. Admin. Code Ann. r. 61D-14.019 (2012) (highlighting presence of gambling addiction program).
¹⁵⁹ 58 PA. Code § 501a.2(d) (2012).

compulsive gambling, and ensure that inebriated or excessive gamblers are no longer served alcohol. The casino would have supervisors and managers oversee the program and ensure the casino is meeting and exceeding the state's regulatory and statutory standards.

The regulatory agency could implement casino employee education courses in Kentucky high schools and vocational colleges. Vocational classes could certify students for many facets of a casino's business. Likely positions include: casino dealers; table game operators; casino pit bosses; slot machine mechanics and supervisors; casino surveillance workers; casino decorators; casino floor personnel; servers; compulsive and problem gambling program employees; casino marketing employees; and casino maintenance staff. ¹⁶⁰ In offering courses to high school and vocational college students interested in pursuing careers in the casino industry, Kentucky can build the foundation for immediate employment upon graduation. The introduction of casinos in the state would create numerous jobs because casinos require skilled employees to operate successfully. ¹⁶¹ With these increases in employment opportunities, it would be wise to prepare interested students for such jobs.

Kentucky must first pass a constitutional amendment that would permit the introduction of racinos and freestanding casinos into the state. Pursuant to constitutional grounds, Kentucky's General Assembly must enact a statutory framework that sufficiently regulates casino businesses, addresses the concerns of Kentucky citizens who oppose casinos, and maximizes economic benefit to the state and its horse racing industry. One of the statutes must create a central agency administering all casino activity. This sole authority should create regulations as previously described. Casino specific legislation will improve Kentucky's economy and horse racing industry.

IV. CRITICS WAGERING AGAINST RACINOS

The introduction of racinos in Kentucky would help revive the state's struggling horse industry, create new jobs, and stimulate the economy. ¹⁶² Still, some critics are not persuaded that these benefits outweigh the drawbacks, and their arguments are discussed below.

¹⁶⁰ Casino Jobs, CASINOJOBS411, http://www.casinojobs411.com/ (last visited Oct. 29, 2012).

See Casino Jobs, supra note 160.
 Timothy W. Martin & Cameron McWhirter, Kentucky Trots Toward a Vote on Casinos, WALL
 St. J. (Jan. 4, 2012), http://online.wsj.com/article/SB10001424052970204368104577136512122368478.html.

A. Racinos Tend to Attract Those who can Least Afford to Gamble

Racino opponents argue that racinos tend to attract those who can least afford to gamble, ¹⁶³ contending that racinos will most negatively impact already impoverished counties. ¹⁶⁴ Those who struggle financially could be manipulated to believe that the only way out of poverty is "through a slot machine." ¹⁶⁵

While this is a valid concern, proactive legislation can help avoid this problem. For example, Governor Beshear proposed that in addition to a state-wide vote on the constitutional amendment lifting the ban on casinos in Kentucky, individual counties would vote for casinos and racinos within their borders. ¹⁶⁶ If individual counties decide whether to have casinos in their community, those who fear the dangers associated with compulsive gambling would have more than one opportunity to campaign against the introduction of casinos.

In addition, Kentucky could adopt regulations and statutes that actively combat compulsive and problem gambling. Training and awareness could effectively control and reduce compulsive gambling. The potential for gambling addiction should not outweigh consideration of the many benefits to the state's economy and the horse industry that it would provide. Other addictive activities have not been outlawed; for example, nicotine in cigarettes contributes to smoking addictions, which cause 440,000 premature deaths in the United States each year. ¹⁶⁷ Nicotine in smokeless tobacco can similarly lead to addiction. ¹⁶⁸ Alcohol is considered an addictive substance and annually causes 2.25 million deaths worldwide. ¹⁶⁹ Many fast food restaurant businesses thrive on selling cheap, fattening, and potentially addictive foods. ¹⁷⁰ Despite the possibility of addiction and abuse, all of these substances are common and legal in the United States.

Every day, an endless supply of unhealthy, dangerous, and addictive options exist for Americans, regardless of their economic or social status. Simply keeping Kentuckians away from local casino and racino gambling does not eliminate all avenues of addictive gambling.

¹⁶³ WBKO News, supra note 20.

¹⁶⁴ *Id*.

¹⁶⁵ *Id*.

¹⁶⁶ Id

¹⁶⁷ Harms of Smoking and Health Benefits of Quitting, NAT'L CANCER INST. (Jan. 12, 2011), http://www.cancer.gov/cancertopics/factsheet/Tobacco/cessation.

¹⁶⁸ Smokeless Tobacco and Cancer, NAT'L CANCER INST. (Oct. 25, 2010), http://www.cancer.gov/cancertopics/factsheet/Tobacco/smokeless.

¹⁶⁹ Kounteya Sinha, *Globally, 200M Use Illicit Drugs*, TIMES OF INDIA (Jan. 6, 2012), http://timesofindia.indiatimes.com/india/Globally-200m-use-illicit-drugs/articleshow/11381768.cms.

¹⁷⁰ Doreen Nagle, American Land of Health, Wealth and Fast Food, TWITTWEB (Jan. 3, 2012), http://twittweb.com/america+land+health+wea-15038678.

Kentucky citizens continue to spend money in neighboring states containing casinos and racinos. ¹⁷¹ Indiana and West Virginia are more competitive and benefit from Kentucky's gambling dollars. ¹⁷² If money is to be wagered on gambling, that money should be kept in Kentucky. 173

Gambling may not be an ideal solution for everyone. In an ideal world, Kentucky's horse industry could survive absent racino revenue. However, we should not throw away Kentucky's history, trademark, cultural pride, and namesake when solutions exist to revive it. Although some critics believe casinos are an evil to be eradicated, Kentucky's economy and its horse industry currently face a financial crisis.¹⁷⁴ With racinos. Kentucky's economy can be stimulated, and its world-famous horse industry can be revitalized.

V. CONCLUSION

If Kentucky fails to take the appropriate steps to introduce racinos and freestanding casinos within the state, the industry will face much more than a financial crisis. 175 Kentucky's horse racing industry, one of the state's most famous and recognizable features, is in danger of failing. 176 Horses are responsible for thousands of jobs and are a huge source of revenue for Kentucky, but the industry has witnessed a consistent decline in profits in recent years.¹⁷⁷ The number of Kentucky horse farms for sale has risen drastically while racetracks, such as Lexington's Keeneland, have encountered plummeting profits. 178

Meanwhile, Indiana and Pennsylvania have embraced racinos, thus reaping clear benefits. ¹⁷⁹ In 2007, racinos brought "\$2.2 billion . . . to the state and local government in the [twelve] states that allow them, a 54.6 percent increase from the previous year." 180 Purses jumped almost 50 percent from 2008, the last year before racinos, to 2009, the first year with them, up from \$13.9 million to \$20.8 million with 122 additional races. 181 Kentucky racetracks are thus at a competitive disadvantage compared to

¹⁷¹ Andrew Robinson, Beshear Pushes Gambling, BOWLING GREEN DAILY NEWS (Jan. 5, 2012), http://www.bgdailynews.com.

172 Am. Gaming Ass'n, supra note 34, at 8.

¹⁷³ Robinson, supra note 171.

¹⁷⁴ Pendleton, supra note 20.

¹⁷⁶ Drape, supra note 7.

¹⁷⁷ Id.

¹⁷⁹ Pamela M. Prah, States Wager on Racetrack Slots, STATELINE (May 27, 2008), http://www.stateline.org/live/details/story?contentId=312565.

¹⁸⁰ Id.; See also Am. Gaming Ass'n, supra note 34, at 8 (explaining that twelve states now

have casino gambling).

181 Mark Hansel, Can Racinos Work in Kentucky?, CINCINNATI.COM (July 24, 2011), http://news.cincinnati.com/article/20110723/NEWS0103/107240327/Can-racinos-work-Kentucky-.

neighboring states with higher purses due to its lack of supplemental income from slot machine dollars. 182

Kentucky must take steps to put the issue of racinos on the next statewide ballot as soon as possible. Past attempts to accomplish this goal have met harsh resentment from those who morally oppose the casino industry and its negative effects on society. 183 Opponents fear that more accessible avenues of casino gaming will attract those who can least afford to gamble. 184 While this is a valid argument, it is also flawed due to its paternalistic nature.

Kentucky citizens theoretically have a right to spend their money how and where they choose. Although casinos are another source of potential addiction, numerous other addictive activities legally exist. ¹⁸⁵ Banning racinos and casinos within Kentucky's borders will not stop addictive behavior. Kentuckians already drive short distances across state lines to spend money at casinos. ¹⁸⁶ Kentucky must prevent other states from reaping the benefit of its citizens' hard-earned dollars. ¹⁸⁷

Since the Kentucky General Assembly failed to give Kentucky citizens the right to vote on the issue, ¹⁸⁸ proponents of the bill must work to achieve support from both sides. To do so, Kentucky legislators must examine the already successful statutory frameworks of other states and attempt to create a system that works for Kentucky. The proposed bill should address the concerns of casino opponents and maximize revenues for the horse industry and the state through casino licensing fees and taxes. Only then will the General Assembly permit Kentucky citizens the opportunity to voice their opinions on the issue in a state-wide vote. While this option may not be ideal for many citizens, it is no long shot for Kentucky to consider. Instead, it should be Kentucky's favorite option for saving the state's economy and its dying horse racing industry.

¹⁸² *Id*.

¹⁸³ Miller, supra note 27.

¹⁸⁴ Alford, supra note 28.

¹⁸⁵ See Harms of Smoking and Health Benefits of Quitting, supra note 167; Smokeless Tobacco and Cancer, supra note 168; Sinha, supra note 169; see also Nagle, supra note 170 (describing legal addictive substances).

¹⁸⁶ Robinson, supra note 171.

^{18&#}x27; Id

¹⁸⁸ Janet Patton, Beshear Accuses David Williams of Sabotage after Senate Kills Gambling, KENTUCKY.COM (Feb. 23, 2012), http://www.kentucky.com/2012/02/23/2080851/gambling-bill-doesnt-have-votes.html.