

S. Florida can look up to West Virginia for gaming success story

By Josh Hafenbrack
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March 13, 2005

CHARLESTON, W.Va.· This blue-collar state, known for the hardscrabble coal mining towns tucked in its narrow valleys, is fast becoming a gambling empire in Appalachia.

Dog and horse racing tracks, which were skidding toward bankruptcy a decade ago, now glitter with expansive rows of slot machines. In this poor state, West Virginia's four pari-mutuel tracks form an \$800 million industry. Mini casinos have sprouted in bars, strip malls and fraternal organizations in neighborhoods from the southern coalfields to the northern steel towns, and in the rural hamlets in between.

As South Florida readies for slots at four pari-mutuels in Broward County, West Virginia provides something of a blueprint for the economic and cultural implications slots-driven gambling could bring, according to experts and an industry executive with ties to both states.

Florida legislators in Tallahassee now are trying to define the payout and taxation rates of the latest voter-approved gambling industry to be at two tracks and two jai-alai frontons. Those are decisions West Virginia once faced.

"I've learned a lot up here that I'm going to take to South Florida," Dan Adkins, vice president of a gambling company that owns Hollywood Greyhound Track, said in an interview from West Virginia's marble-paneled state Capitol building.

Adkins' company also owns Tri-State Racetrack and Gaming Center, a pari-mutuel dog track in suburban Charleston, the capital city.

Facing crushing budget deficits, West Virginia made its first foray into slot machines in 1994. Gambling expansion was sold by promising increased spending on schools and social programs.

The Legislature approved a tame version of the machines, which look like regular slots but actually are a form of bingo, similar to the ones installed at South Florida Indian gaming resorts. But that decision sparked a gambling proliferation. In 1999, the tracks switched to the Class III slots approved by Broward voters, which are the type of machines used in Las Vegas and Atlantic City, N.J.

Two years later, the state approved the highly controversial slot expansion into communities, meaning they'd be placed in adult settings such as bars.

West Virginia's machine count rapidly has expanded, numbering more than 11,000 today.

But the debate over whether slots have been a financial panacea for West Virginia has been a political flashpoint for years.



The advertisement features a yellow background with a circular logo at the top containing the text "Gold MEDAL". Below the logo, the text reads "Make Your Homemade Best With Gold Medal®". In the center is an image of a bag of Gold Medal All-Purpose Flour. At the bottom, a white coupon with a red border contains the text "SAVE 25¢ On any 5 Lb. or larger Gold Medal® Flour." and a button that says "Click here to print coupon."

Racing Association President John Cavacini said slots saved the dog and horse racing industries. Purses have soared by 10-fold, he said.

"This has been a true, tremendous success story in the state of West Virginia," said Cavacini. "I can't tell you the amount of people from other states who have come up to look at our tracks. It's really become a model for `racinos' all across the country."

The tracks paid \$323 million in state taxes last year. In a small state with less than a \$4 billion budget and 1.8 million people, the tracks are the third-largest revenue producer behind personal income taxes and sales taxes.

The gambling machines in bars contributed another \$112 million. The money is used to build schools and sewer lines, pay for elderly care at nursing homes and to fund free in-state college for any high school senior with a "B" average.

House Speaker Bob Kiss argued that gambling has helped soften the blow from decades of job losses in the manufacturing industry.

Coal mines, chemical plants and steel mills once formed the backbone of West Virginia's workforce, but each has atrophied in the face of international competition and technological advances.

"Slots saved some of the steel communities," the democrat said. "And in 10 years, we haven't raised taxes. That's because of slots."

Kiss cited one regret in the state's gambling setup: The tax rate. West Virginia taxes 47 percent of the slots revenue at pari-mutuels, a figure he said should have been higher.

The Statehouse's top-ranking Republican, Senate Minority Leader Vic Sprouse, wishes the rate had been 70 percent or 75 percent, like New York, and he contends the state should have slowed the pace of the industry's growth.

Sprouse said gambling has plunged "West Virginia into a race to the bottom [against other states] to see who can have full-fledged casinos first."

"It's a slippery slope," he added. "You rely more and more on that gambling money. It becomes addictive to government."

There are signs that gambling revenues are imperiled, with Pennsylvania ready to turn the switch on a staggering 61,000 slots, for example. To stave off the competition, West Virginia legislators are nearing approval of table games: poker, black jack, craps and roulette that supporters promise will create 2,000 jobs and generate \$400 million.

For now, the draw remains slots.

In a Charleston bedroom community called Cross Lanes, the Tri-State Racetrack and Gaming Center sits low-slung in the side of a mountain.

Past a long, narrow row of wrought iron gateways, there's an oval Greyhound racing track, where dogs howl across the dirt for 10 races a night, six times a week.

Next to the track, however, is the reason a few hundred cars already are parked in the lot at noon on a drizzly, cold Friday: A casino with three stories of machines.

"I love it," crowed Kim Maxson, 42, as she plunked quarters into a game called Progressive Keno. "It's the thrill. Somebody's gotta win, and it might as well be me."

Is she addicted?

"Oh, yeah," said Maxson. "Isn't anybody that comes here? You either love it or you hate it. You're either here all the time or you're never here. There's no in between."

The rows of blinking, beeping machines include games called Frog Prince, Enchanted Unicorn, Wheel of Fortune and Super Cherry.

Payouts range from quarters clanging in metal bins to a game where the right combination of numbers lands a red Mercedes convertible. Another bank of machines is hooked together, and hitting a perfect seven-number combination wins \$187,000. On this afternoon, the crowd is exclusively middle-age and elderly. At night, the faces are slightly younger, although the majority still is about 50 and older.

To be sure, not everyone seems at the mercy of the machines that critics derisively call "no-arm bandits."

Nick Williamson is a marketing professor at the University of North Carolina-Greensboro who comes to the track once every three weeks with his wife, also a college professor.

He stays for two days and bets \$300. "It's a getaway," said Williamson, 57. "It's totally different than what we do otherwise."

With a loyal slots client base, the track is flourishing. It just completed a \$26 million upgrade that added more machines and an upscale restaurant. New plans are under way for a 230-room hotel and an entertainment complex for shows.

The track has 880 employees, compared with 120 before the slots came online. Surrounding the track, on roads that were dirt lanes a few decades ago, commerce is humming. There's a Wal-Mart, Lowe's and shopping centers, as well as restaurants and hotels.

But gambling critics and a leading researcher call slots, in the words of Florida Gov. Jeb Bush, a "false hope."

One of West Virginia's leading economists, Michael Hicks, has completed a yet-to-be published study of the state's racinos. He concluded that they expand the community's workforce by 1 percent, but the gambling jobs pay 3 percent less than the ones they replace.

The Marshall University researcher also said nearby retail shops experience a precipitous drop in sales, since tracks siphon off employees and customers.

The Rev. Monty Brown sees a darker force. Gambling machines are designed to hook those who can least afford it, he said.

"These tracks prey on the most susceptible in society," said Brown, pastor at Charleston's St. Marks United Methodist Church and a former prosecutor.

Gambling executives counter that problem gamblers are rare and the industry funds a gambling addiction hotline that has handled 3,000 cases in the past four years.

As for the economics, tourism officials say gambling has had a ripple effect. Gambling getaways are packaged with the state's other tourism outlets, which focus on weekend stays for skiing and whitewater rafting.

Back at the track, James Bryant hits a \$250 jackpot. He considers it a small victory saying he's under no illusions that he can beat the house odds.

"But the jackpots, that light going on, is what keeps you coming back," said the 61-year-old Virginia resident. "Anybody that sits here and puts their money in these machines is an idiot. But we do it anyway."

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