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## As Gambling Grows, States Depend on Their Cut

By [FOX BUTTERFIELD](#)

Published: March 31, 2005

**D**OVER, Del. - Gambling revenues, once a mere trickle, have become a critical stream of income in a number of states, in some cases surpassing traditional sources like the corporate income tax and helping states lower personal income or property taxes.

The sums are so alluring that some officials are concerned that their states are becoming as addicted as problem gamblers. "We're drunk on gambling revenue," said Representative Wayne A. Smith, the Republican who is House majority leader in the Delaware Legislature. "Gambling revenues are like free money."

In Rhode Island, South Dakota, Louisiana, Oregon and, most of all, Nevada, taxes from casinos, slot machines at racetracks and lotteries make up more than 10 percent of overall revenues, according to a new report. In Delaware, West Virginia, Indiana, Iowa and Mississippi, gambling revenues are fast approaching 10 percent.

So vital has the money become that in Rhode Island, gambling revenue has surpassed the corporate income tax to become the state's third largest source of income, after the personal income and sales tax. It has enabled the state to avoid raising its income tax for 10 years.

Because of gambling, South Dakota officials were able to push through a 20 percent reduction in property taxes a decade ago by increasing to 50 percent the state's share of gambling revenue from video lottery terminals, up from 37 percent.

A property tax reduction was also the main argument in Pennsylvania for legalizing gambling when the Legislature last year authorized slot machines at racetracks and casinos after years of intense opposition.

Here in Delaware, where video slot machines were legalized in 1994 as a way to revive ailing horse racing and horse farming industries, racetracks are thriving, horse farms have been



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Dover Downs has brought millions in revenues to Delaware.

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preserved and the legislature, unexpectedly, has been able to cut the top personal income tax rate over several years during the late 1990's to 5.9 percent, from 8.4 percent, a reduction of nearly one-third.

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The scenes that fuel Delaware's success take place every night. On a recent cold, rainy weeknight, many of the 2,500 video slot machines at Dover Downs here were clinking steadily, as customers from as far as Baltimore, Washington and Richmond, Va., pressed the play button every three seconds, as fast as the electronic terminals can spin. That was good news for the state, since Dover Downs, a combination harness racetrack, Las Vegas-style hotel, slot machine emporium and Nascar track, pumped \$102 million from its slot machines alone into the budget last year. Delaware over all got \$222 million from gambling - 8.1 percent of its \$2.72 billion in state revenues.



Ryan Donnell for The New York Times  
Dover Downs, with a harness racetrack, slot machines and Nascar track, put \$102 million from slot machines alone into Delaware's budget last year. Now the state faces competition from Maryland and Pennsylvania.

But Delaware, like most states that rely on gambling revenue, now faces a danger - competition from nearby states for the same dollars.

Some 70 percent of gambling losses in Delaware's three "racinos," racetracks with video slot machines, come from visitors from Pennsylvania and Maryland, according to the Delaware Department of Finance. But Pennsylvania legalized slot machines last year and the Maryland Legislature is debating a bill to legalize gambling there.

If Pennsylvania and Maryland install all the slot machines they are considering, Delaware could lose \$120 million annually, almost 5 percent of state revenues, said Tom Cook, a spokesman for the Department of Finance.

In Dover, the looming battle with Pennsylvania and Maryland has touched off a debate pitting the governor, Ruth Ann Minner, against many legislators.

"We have legislators every day who propose opening new venues, like a big casino on the waterfront in Wilmington or a floating barge in the Delaware River," said Governor Minner, a Democrat. "But there are only so many dollars that are going to be spent on gambling, and I don't want to build that into the base of my budget and then find Pennsylvania and Maryland leaving a \$120 million hole in it."

So Governor Minner has decided, in her words, "to draw a line in the sand." She has allowed longer hours at the state's three racinos and encouraged them to modernize to attract out-of-state bettors. But she is saying no to stand-alone casinos or other proposed new forms of gambling like blackjack tables and sports betting.

Similar dilemmas are cropping up around the country now that 48 states, with the exception of Utah and Hawaii, have legalized some form of gambling.

Like Delaware, South Dakota first legalized gambling for a limited purpose - allowing casinos in the decaying frontier town of Deadwood to try to preserve it.

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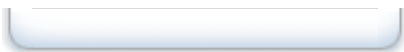
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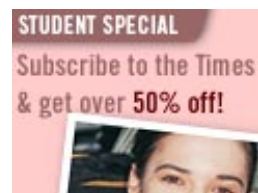
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