



VIEWPOINT

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Issue 3: The Price Isn't Right

By: Jeff Hooke, Tom Firey and David Hansen

Summary

Our analysis of Issue 3, the so-called “Learn and Earn” amendment, is that the measure would be a bad deal for Ohio. Slot licenses are government allowances to operate highly desirable entertainment that the government usually prohibits. If Ohio expands slots, it should do so in a way that directs most of the economic gain to taxpayers, not a handful of gambling interests.

Main text word count: 441

State government controls the access Ohioans have to most forms of gambling. This access is a valuable asset. So valuable in fact, that the people behind Issue 3, the so-called “Learn and Earn” amendment, have made the offer to pay for college education scholarships in exchange for a piece of Ohio’s gambling market.

Our analysis of Issue 3 is that the measure would be a bad deal for the state. The handful of gambling interests which wrote Issue 3 and would benefit from it, set far too low a price for the state’s gambling market asset.

The amendment would permit seven state horse tracks and two future casinos to install and operate 31,500 slot machines, with a portion of the games’ revenues going to higher education. That sounds like a good arrangement, but the public could receive far more money from the games — we calculate as much as \$2 billion more — with the additional revenue also going to education or else being refunded to state taxpayers.

Slots licenses, in essence, are government allowances to operate heavily desired entertainment that the government generally prohibits. In a populated state like Ohio, the right to operate slot machines is practically a license to print money. If Ohio is going to allow such games, but will keep out the intense competition that would benefit consumers, shouldn’t Ohioans get the largest possible share of the massive revenues the games will produce?

To see how massive those revenues are, we need only consider the enormous prices paid when gaming licenses change hands, even in states like Pennsylvania, New York and Illinois that have large gaming taxes. Consider:

- In July 2006, Magna Entertainment sold the slots license at its Pittsburgh racetrack for \$200 million.
- In April 2006, Isle of Capri offered the City of Pittsburgh \$340 million for a slots license.
- In January 2005, the Seneca Indian Nation offered New York \$500 million to get a Catskills casino license.



Issue 3 would be a bad deal for Ohio.

Source: Wikipedia

- In July and November 2004, two slots licenses changed hands in the Poconos and Philadelphia markets at prices of \$280 million and \$440 million, respectively.
- In March 2004, the State of Illinois auctioned off the 10th casino license in Chicago, receiving seven offers, including a high bid of \$518 million.

If, and when, Ohio expands slots, it should pursue a course of responsible financial management. The state should auction slot licenses through a request-for-proposal process, which would stipulate appropriate conditions such as bidders having operational strength, adequate financing and crime-free histories. In this way, most of the economic gain of slots would go to Ohio taxpayers and not to a handful of gambling interests.

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it should pursue a course of
responsible financial management.***

**Attention
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Please contact:

Joe Staudt
88 East Broad Street, Suite 1120
Columbus, Ohio 43215

Phone: (614) 224-4422
Fax: (614) 224-4644

www.buckeyeinstitute.org
jstaudt@buckeyeinstitute.org

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(Jeff Hooke serves as chairman of the Maryland Tax Education Foundation. Thomas Firey is the managing editor of Regulation magazine, published by Washington D.C.'s Cato Institute. David Hansen is President of the Buckeye Institute, an Ohio public policy research group. More information is available at www.buckeyeinstitute.org. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.

