

Testimony on Pending “Racino” Bills

The Little Traverse Bay Bands of Odawa Indians has concerns about HB 4609-12, proposed legislation that would establish additional gaming at racetracks (racinos) in the State of Michigan. The Tribe believes that these concerns must be addressed in order to fully realize the sponsors’ goals of “agricultural enhancement”, reinvigorating the horse racing industry, and providing revenue enhancements for the State of Michigan.

First, it must be said that the Tribe is not wholly opposed to the concept of racinos. The Tribe supports the agricultural and rural economic development goals of the proposals. Many concerns will be addressed by these proposals if the racinos are developed in a careful, well regulated manner: horse breeders, youth groups, open space preservation, K-12 education, farm land preservation, jobs creation and preservation, family farms, and enhancement of the rural way of life. In addition, the Tribe supports the generation of much needed funds for State.

The Tribe’s concern is that the racinos will be casinos in every sense of the word, whether or not the slot machines are regular slots or video lottery terminals (VLT’s). The Tribe is less concerned about competition from well-regulated casino operations than it is concerned about several deficiencies that arise in a careful analysis of the provisions in the proposed legislation.

- 1) **Unbridled Proliferation:** As currently drafted, these bills do not impose any limit on the number of new tracks. Any tracks currently open and any new tracks would be permitted to apply for and receive a license to operate 500 VLT’s. Additional VLT’s could be licensed at any site upon application by the track operator. This would have the effect of unlimited new casinos (racinos) within the State. In addition, there could be an unlimited number of off-track racing parlors established. In fact, there is evidence of additional gaming proposals currently being drafted for senate consideration that would permit 5 slot machines at *any* commercial establishment in Michigan.
- 2) **Minimal Racing Requirements:** The stated goal of these bills is agricultural enhancement. The means to achieve this enhancement is by reinvigorating the horse breeding industry in rural communities. The demand for additional horses would be predicated upon stimulating increased horse racing. While that is the goal, these bills have a fatal flaw. The Tribe’s experience in the development of its own casino, where bowling was originally to be a part of the operation, reveals the flaw. Within a few weeks of opening the Tribe’s casino, slots (or in the case of racinos, VLT’s) were so much more profitable than bowling, that the slots won

out and eventually replaced the bowling space. Likewise, VLT's will become the "tail that wags the dog", and racing will diminish in importance. Racing will soon become merely a pretense for developing a facility for the primary or sole purpose of housing a year-around VLT casino operation. Could this happen? **Under the current bills there is no requirement that racing continue at all at a track after the VLT's are operational.** At a minimum, the VLT operation and racing days should be tied very closely to protect the agricultural interests. In the absence of any such tie, the agricultural interests are in danger of being used to promote casino development without any real benefits.

- 3) **Lack of Meaningful Regulatory Framework:** The racinos proposed under these bills would be regulated by two different agencies. They would not be regulated by the agency that is best suited to their operation: The Michigan Gaming Control Board. Apprehension over organized crime's involvement in gaming operations is the primary reason for much of the gaming regulatory apparatus in the Tribal, State and Federal governments. The coordination of regulations and their enforcement is an expensive and complicated endeavor. Advances are made monthly to combat technical developments by those who would compromise the integrity of gaming operations. The regulations developed under the Michigan Gaming Control Board (and Tribal and Federal regulatory bodies) successfully deal with the issues of casino regulation. The Michigan Lottery, the agency in charge of VLT's, is not a regulator of casinos. The racing commissioner, whose office licenses the tracks, operates within a system that is not designed to license casinos. In addition, the costs involved in licensing and regulating a casino are not authorized in the racino bills. The Tribe concludes that because of these facts ***a meaningful regulatory framework does not exist within the current proposals.*** The possibility of corruption in the operation of racinos could negate the benefits to revenue enhancement and to agricultural interests. More importantly, any corruption in a gaming operation, whether State licensed or Tribal, creates a negative public image and impairs all other gaming operations.

In light of these concerns, the Tribe does not support the passage of the HB 4609-12 as drafted. Unless the above mentioned deficiencies are adequately addressed by amendments, it would be ***more harmful*** than beneficial to adopt these proposed bills. The racinos that would open under the current proposals would create great financial opportunity for a few investors (many of whom are out of state investors) and would most likely ***not provide*** the much touted benefits to the agricultural industry and their proponents in the State.