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## The Post and Courier

# Democrats' proposed fix for state's roads doubles down on gambling



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COLUMBIA — South Carolina's deteriorating roads could be free of potholes, its aging bridges rehabilitated.

And it could be done without new taxes or an increase in the gas tax.

Rather, the hundreds of millions of dollars a year needed to keep roadways from deteriorating further would come from casinos along the Grand Strand in Myrtle Beach and legalizing betting on horse races in other parts of the state.

House Minority Leader Todd Rutherford and other Democrats are offering that as an alternative to Gov. Nikki Haley's and Republican lawmakers' transportation plans.

"In order to pay for South Carolina's roads, we need new money," Rutherford said. "Either we're going to raise people's taxes, or we're going to come up with new ideas."

Haley and Republicans have offered divergent plans for dealing with the state's \$1.5 billion-a-year shortfall in transportation funding. No bills have been introduced so far. The governor set out a three-part, all-or-nothing proposal that would phase in a 10-cents-a-gallon hike in the state gas tax in exchange for a gradual cut in the income tax and centralizing control of the Department of Transportation. Legislators are proposing raising the tax on wholesale fuel sales.

House Democrats' proposal, while not directly tied to improving transportation, emulates nearly half the states in the nation struggling with the same dilemma as South Carolina — how to keep up with infrastructure needs without raising taxes?

Casinos have spread quickly, particularly throughout the Northeast and Mid-Atlantic states. Casinos operate in Louisiana, Mississippi and South Florida, and some states have tribal casinos on Indian reservations, but the Southeast is the only region to have largely kept gambling out, said David Schwartz, who runs the University of Nevada-Las Vegas's Center for Gaming Research.

That's likely due to strong religious traditions in the South, according to Israel Posner, executive director of the Richard Stockton College of New Jersey's institute on gaming, hospitality and tourism.

Pennsylvania's first casino opened in 2007. Five years later, the state was getting \$1.5 billion a year from the heavily taxed gambling industry, surpassing Nevada, home to Las Vegas and 250 casinos statewide. The money was used to reduce property taxes and promote tourism and economic development. New York's gaming revenues also rivaled Nevada, raising \$822.7 million for its schools.

Posner said Pennsylvania and New York reap windfalls from gambling because they take a large cut of the revenues. Pennsylvania gets more than half of the money dropped on slot machines.

To attract resort developers, South Carolina would likely need to keep tax rates lower, Posner said.

"The higher the tax rate, the less of an investment that you're going to see," Posner said. "In Nevada, you have these grand palaces that have come in because you have a low tax rate, same as Atlantic City. The low tax rate encouraged a lot of very significant investment."

Rutherford's bill doesn't specify a tax rate or how many casinos the state would allow. Instead, it would change the state's Constitution to let the General Assembly approve casinos and other gambling.

Even if Democrats could muster the necessary votes, legalized gambling would be a poor bet in South Carolina.

It would need to pass by two-thirds vote in both the House and Senate, then be approved by a majority of the state's voters. For that reason alone, the state Chamber of Commerce, which supports Haley's roads plan, doesn't see it as a viable option for fixing the state's transportation system.

It also doesn't have support from Myrtle Beach. The president of the Myrtle Beach area Chamber said in a statement that legalizing casinos was a "misguided" approach.

"It's been tried before, and it's failed before," Myrtle Beach Mayor John Rhodes has been quoted previously as saying.

Myrtle Beach civic leaders didn't even want bingo parlors, which were legalized in 2004, fearing they would harm the Grand Strand's family-friendly image.

Gambling isn't seen as a panacea by everyone. Critics say it dangles statistically unattainable riches in front of those least able to afford to part with their money or are unable to stop gambling no matter how much they lose.

Les Bernal, national director of Stop Predatory Gambling, which opposes state-sanctioned gaming, including lotteries, said casinos do one thing— separate gamblers from their money.

“Casinos represent the ultimate budget gimmick,” Bernal said. “All it's done is pushed off hard budget decisions.”

Slot machines, in particular, are designed to keep gamblers playing and losing, Bernal said, exploiting primarily lower- and middle-class players.

The federal Department of Health and Human Services estimates that about 1.5 million Americans have experienced pathological gambling and that two to four times more have had issues with problem gambling.

If South Carolina does allow casinos on its coast, it would be jumping in as the industry shifts from the traditional model of resorts in Las Vegas and Atlantic City, experts say.

Gambling's spread along the East Coast has made for casinos that are less vacation and weekend destinations than places to stop for an hour or two. That's caused big problems for Atlantic City's casinos. A UNLV gaming research report found that between 2006 and 2014, revenue was nearly cut in half.

Posner said Atlantic City's woes should serve as a cautionary tale for states thinking about allowing gambling.

“Atlantic City shows no sign of reversing its current losing streak,” UNLV's study concluded.