

TABLE GAMES DEBATE HEATS UP AT CHARLES TOWN - *Mid-Atlantic Thoroughbred* *October 2009*

Jefferson County, W.Va., voters will go to the polls on December 5 to decide, once again, whether casino-style gaming belongs at their local race track. *By Bill Finley*

Horsemen, at least some of them, are on one side. Track management is on the other. The voters of Jefferson County, W Va., are in the middle.

Voters will have the last word, deciding whether or not table games will be allowed at Charles Town Races & Slots. But the weeks leading up to the county referendum on December 5 promise to be acrimonious, to say the least.

Understanding that both sides profit handsomely once race tracks expand their gaming menu, horsemen and tracks usually approach the prospect as a unified front.

However, the current situation at Charles Town has pitted not just horsemen against management, but horsemen against horsemen.

The board of directors of the Charles Town Horsemen's Benevolent and Protective Association (HBPA) has officially come out in favor of table games, while many rank and *file* members oppose them, citing what they see as an unfavorable split of revenue. These are some of the same owners and trainers who believe management at Charles Town, which is owned by Penn National Gaming Inc. (PNGI), generally treats horsemen poorly.

This is not the first time Jefferson County voters have been asked to decide the fate of table games at Charles Town. In a referendum that took place in 2007, they rejected the plan by a 56 to 44 percent margin.

The Charles Town HBPA took a neutral position back then, which may have been among the reasons the referendum did not pass. Table games got a green light that same year in the three other West Virginia counties that have pari-mutuel facilities, including Hancock County, home of Mountaineer Park.

But Penn National executives refused to give up, and they have kept the issue alive at Charles Town. With the economy reeling and the area in need of an economic shot in the arm, track management decided to take another crack at a referendum and managed to get it back on the ballot.

"The big difference this time is the economy," said Charles Town general manager Al Britton. "Jobs are always important, but this economic situation makes them more important than ever. With the table games, we can hire 500 to 600 additional people and most of those jobs will go to local residents."

In an effort to get more Jefferson County residents behind the table games, the referendum was rewritten and a bigger slice of the potential revenue is now earmarked for local communities. That has helped get some civic leaders behind the proposal. One group, which is led by local businessman Eric Lewis and calls itself "Vote Yes for Jefferson County," began to campaign for the games several months ago.

While local communities are now slated to get a larger portion of the revenue, nothing has changed for horsemen. Just as was the case in 2007, they will receive only 2.5 percent of the

revenue from table games. For a number of reasons, the horsemen's split from slot machines has varied in recent years, but it has been as high as 14 percent.

"The problem isn't that anybody is against table games, but they're not happy with the way the percentages came about," said Charles Town HBPA executive director Lenny Hale. "When you're getting 14 percent from the slots for purses, it's hard to be happy with 2.5 percent. The beef isn't whether to have them or not, the beef is we're not getting our fair share [of revenue]."

The situation at Mountaineer Park has provided the anti-table game horsemen with plenty of ammunition. Mountaineer's purses have fallen sharply since 2007. A maiden special weight race at Mountaineer that was worth \$24,200 in 2007 now goes for \$19,600. Horsemen there believe that some gamblers who had been playing slots have switched to table games, a situation that has resulted in less money going toward purses.

"The table games are definitely one of the reasons purses have gone down here," said Mountaineer Park HBPA president Rembrandt Wright. "The percentage to purses and the percentage to the state has to be the same as it is with the slots. That's the whole problem. To get 2.5 percent is a terrible deal."

Added Wright: "Yes, our HBPA supported table games. But we didn't know. You live and learn. The emphasis here has shifted from the slots to the table games. That's what they promote and that hurts the slot business. When you hurt the slot business you hurt racing. I understand that the total decrease is not just because of table games. The economy has hurt us. But the table games have been a big factor."

Faced with the prospect of table games coming to Pennsylvania, a study commissioned by the Pennsylvania Equine Coalition and conducted by Thalheimer. Research Associates found that slots business declines significantly when other forms of gaming are added to the menu. The Thalheimer study, released in August, estimated that slots play would decline by as much as 13 percent in Pennsylvania should table games come in.

Despite the situation at Mountaineer and the Pennsylvania report, the Charles Town HBPA board of directors voted to support the table games referendum in a 6 to 5 vote.

"This is only my personal opinion, but I think the table games are a good idea," said owner/trainer John Stahlin, an HBPA board member. "There are pluses and minuses, but I think the bottom line is that it will be good for Charles Town racing. We've seen purses going up in surrounding jurisdictions and Maryland will get slots eventually. We need to do something."

Stahlin continued: "Many people say table games hurt slots business, but I'm just not sure that's the case. It's just as possible that the table games will bring even more people to Charles Town, establishing a whole new clientele. I understand that things aren't going well at Mountaineer, but I think their problems have a lot to do with the recession and with Pennsylvania getting slots. They used to get a lot of people coming in from Pittsburgh and they're not getting them anymore."

After the vote, HBPA president Randy Funkhouser penned an open letter to the citizens of Jefferson County, stating that the HBPA board has "voted to enthusiastically support table gaining at Charles Town Races & Slots." The letter also implied that table games would help the racing industry. Funkhouser declined to be interviewed for this story.

"It was a very close vote and there was a lot of heated discussion," Hale said. "Some felt, and maybe they were right, that if we would give Penn National what they wanted on table games,

then we could get them to help us in other areas. We have been looking for new legislation to get purse money from other areas."

After the HBPA board voted, an informal straw poll was taken among the rank and file members. Though no vote tally was recorded, Hale said **it was clear that the general membership was not in favor of table games. Those against table games expressed many concerns, among them a potential decline in purses.**

Britton contends that Charles Town horsemen have nothing to worry about. "The issue for all of us, and to a large degree we're in the same boat as the horsemen, is that table games are a means for us to enhance slot revenue in the short term and in the long term to protect it," Britton said. "That's where the lion's share of the purse money comes from, from the slot machines, and that's where the lion's share of our profitability comes from. We've never looked at table games as a huge profit center. It's something that we can make marginally profitable. It's much more labor intensive."

Britton contends that table games are "an additional amenity that will attract folks here that may otherwise not come at all or folks that make trips to Atlantic City" According to Britton, when Charles Town polls its customers — asking "What facility do you visit the next most?" — the answer is Atlantic City.

"That's because they are full-service. They have table games and slots. We are much more convenient for the people in our market, but not having table games is a big disadvantage. That's how we look at it and we encourage the horsemen to look at it that way as well. We are trying to protect slot revenue," Britton explained.

On an even more positive note, Britton continued: "We're a publicly traded company, so we can't come out with forward-looking statements, but the West Virginia lottery has done some projections and there's a Wall Street firm that has done a position paper on what table games will mean. In both cases, they are projecting an increase in slots revenue. So, yes, we see table games having a positive impact on purses."

Some horsemen aren't buying it. There are owners and trainers who have come to mistrust Penn National Gaming and will automatically oppose anything management wants. Among their complaints is that stalls have been taken away from horsemen who speak up against management.

"The perception is that anybody who speaks up against them in any way is cut stalls," Hale acknowledged.

Britton said that management has never done anything to retaliate against local trainers or anyone who has spoken negatively about track management. Rather, he said, horsemen lose stalls only when they fail to start an adequate number of horses.

Hale said that any horseman who has a bad working relationship with Penn National Gaming will not only vote against table games but will convince friends, neighbors and relatives to oppose the referendum.

"I am against the table games because of the way management treats the horsemen," said trainer Ken Gray, who does not have stalls at Charles Town. "Why should we do anything for them? Once they get what they want and get table games and don't need our help, how badly will they treat us then? They have done nothing for the West Virginia horsemen and have put dozens and dozens of them out of business."

"The local people are going to send PNGI a loud message. Unless they start treating people in Jefferson County better, they'll never get table games. They take stalls from local residents from Jefferson County and give them to out- of-town people. The West Virginia horsemen should come first. We're the ones who helped them get the slot machines in and they promised us they would look after the local horsemen."

In Gray's view: "There is no way this bill is going to pass, because the people don't want it. I've talked to everybody. They're not against table games, but they are going to send a message to PNGI that the people around here have had enough."

Hale agrees that strained relations between Penn National Gaming and some horsemen will impact the election.

"The people who vote are the horsemen living in Jefferson County and they've been losing their stalls and have had various things happening to them," he said. "They're not happy. The general membership is not likely to vote for table games. They put this up for vote in December, so there is still time to make amends. I just haven't seen any sign of that so far."

Still another problem standing in the way of passage of the referendum is an anti-gambling sentiment among many of the community's religious leaders. Some of them believe pari-mutuel racing and slots are more than enough at Charles Town.

"This is me speaking, but I see a lot of people out there in our area who have hit bottom," said Jack Zaleski, who is on the board of directors of the Oakland United Methodist Church in Charles Town. "We do a lot of counseling and I am seeing people who can't pay the rent, people who have had their electricity turned off. I can't ascribe all that to gambling losses, but we have people in this community who have become gambling addicts."

Zaleski predicts that the vote will be close this time around, closer than it was in 2007.

"People are worried about the economy," he said. "That's why this has a chance."

But it's not just the economy. Table games are a contentious issue. Are they good or bad for racing, for the community, for society? It's up to Jefferson County voters to decide.