

## Gambling on Casinos

THE equine industry is using its influence and financial clout to persuade Kentucky's General Assembly consider legalizing casino gambling at Kentucky's racetracks.

The equine industry makes some good points:

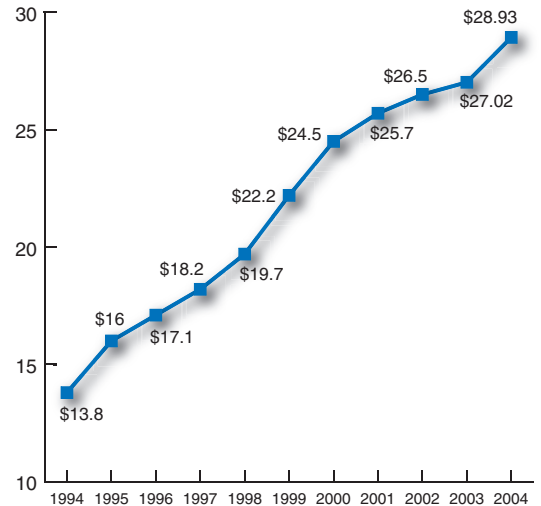
- Gambling is already legal in Kentucky – horse racing and the lottery.
- Allowing casinos only at racetracks would limit proliferation of gambling throughout Kentucky.
- The state already regulates gaming at racetracks and operates the lottery so no new bureaucracy would be necessary.
- Hundreds of millions of dollars are now being spent by Kentuckians at nearby out-of-state casinos. This money could be supporting Kentucky's educational system, economic development and equine industry.

These are valid points that strengthen the argument for expanded gambling. Here are significant issues, however, which need to be resolved:

- Is it fair to award casino gambling rights to one industry instead of making the process competitive?
- Are the locations of existing racetracks optimum sites for casinos?
- What is an equitable formula by which profits from casino gambling will be allocated?

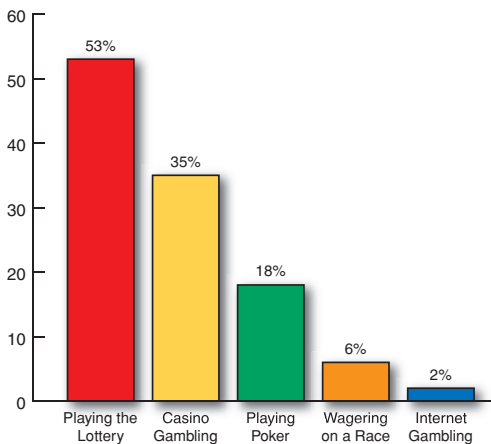
The Kentucky Equine Education Project (KEEP) is working hard to educate voters and legislators on the benefits of casino gambling. Since the voters will have to vote on amending the state's constitution, KEEP's top priority will be to get the issue on the November 2006 ballot. Putting gaming on the November 2006 ballot requires a three-fifths vote of both the Kentucky House of Representatives and Senate.

**U.S. Consumer Spending on Commercial Casino Gaming 1994-2004**



Sources: Christiansen Capital Advisors (1994-1999), State Gaming Regulatory Agencies (2000-2004)

**Forms of Gambling Participated in During the Last 12 Months, 2005**



Source: The Luntz Research Companies

### Gaming

STATE	ADMISSIONS	CASINOS	EMPLOYEES	REVENUES	TAX REVENUE
Illinois	15.3 million	9	8,628	\$1,718 million	\$802 million
Louisiana	26.7 million	10	17,377	\$2,369 million	\$761 million
Michigan	N/A	3	7,572	\$1,189 million	\$279 million
Mississippi	5.3 million	29	28,932	\$2,781 million	\$333 million
Missouri	54.2 million	11	11,200	\$1,473 million	\$403 million

### Racetrack Casinos

STATE	CASINOS	EMPLOYEES	REVENUE	TAX REVENUE
Delaware	3	2,370	\$553 million	\$196 million
Iowa	3	2,207	\$337 million	\$98 million
Louisiana	3	1,856	\$281 million	\$43 million
New Mexico	5	518	\$150 million	\$37 million
New York	4	1,813	\$192 million	\$137 million
Rhode Island	2	1,057	\$384 million	\$234 million
West Virginia	4	4,404	\$882 million	\$328 million

### State-By-State Consumer Spending on Casino Gaming, 2003 vs. 2004

STATE	2003	2004	CHANGE
Colorado	\$678.200 million	\$725.903 million	+4.0%
Illinois	\$1.709 billion	\$1.718 billion	+0.5%
Indiana	\$2.229 billion	\$2.369 billion	+6.3%
Iowa	\$1.024 billion	\$1.064 billion	+3.9%
Louisiana	\$2.017 billion	\$2.163 billion	+7.2%
Michigan	\$1.130 billion	\$1.189 billion	+5.2%
Mississippi	\$2.700 billion	\$2.780 billion	+3.2%
Missouri	\$1.330 billion	\$1.473 billion	+10.8%
Nevada	\$9.625 billion	\$10.562 billion	+9.7%
New Jersey	\$4.490 billion	\$4.807 billion	+7.1%
South Dakota	\$70.375 million	\$78.019 million	+10.9%

# Passing Lane

Commentary on Life in Kentucky



## Delta Air Lines: A Tradition in Kentucky

If tradition means anything, Kentuckians need to support Delta Air Lines. Delta was a pioneer in Kentucky aviation and collectively operates more flights from airports in Louisville, Lexington and Northern Kentucky than any other airline. Although Delta has been hammered by operational mistakes and unfavorable economic trends, the public generally rates it as one of America's great airlines.

Delta's current bankruptcy is an opportunity for the airline to restructure its operations so it can profitably provide quality services at competitive prices. Delta will hopefully be a "high flyer" soon!

## Investing the Taxpayer's Dollars

THE Louisville Arena Task Force voted to recommend the downtown riverfront site near I-64. Without question, the downtown site is superior to the alternate site at the state fairgrounds.

Being near major offices, hotels/motels, meeting & convention facilities and restaurants, a downtown arena will generate more economic stimuli for local businesses, tourism and conventions.

The final issue to be resolved is whether the downtown site is economically superior. The estimated development cost of the riverfront venue is \$270 million versus \$185 million at the fairground - \$85 million more. Amortizing the additional site acquisition and development costs

of \$85 million over 20 years at five percent interest would increase annual debt service from \$14.65 million to \$21.38 million - \$6.73 million more per year.

A financial analysis of projected revenues, the economic impact of the arena on the local economy, operating expenses and debt service for proposed sites would be helpful to taxpayers in evaluating the long-term net costs they would be obligated to pay for each arena site.

The long-term operating costs of an arena can be more of a financial liability to a community than the initial capital outlay. We hope the only thing red about the Louisville arena will be the color of the basketball team's uniforms.



## A Host of Good Ideas

COMMERCE Secretary Jim Host was a valuable component of Gov. Ernie Fletcher's cabinet. He was experienced, knowledgeable, energized,



Jim Host

forceful, ingenious and outspoken. His efforts to rebrand Kentucky and enhance the state's image will pay dividends long into the future.

His direct and common-sense approach to managing and operating the state's parks will hopefully put this department on the road to being a major asset - rather than a financial liability - to the state.

Kentuckians should thank Jim Host for investing two of his valuable retirement years into making our state a better place to live and work. Thanks for a job well done.



Lee Todd

## In Todd We Trust

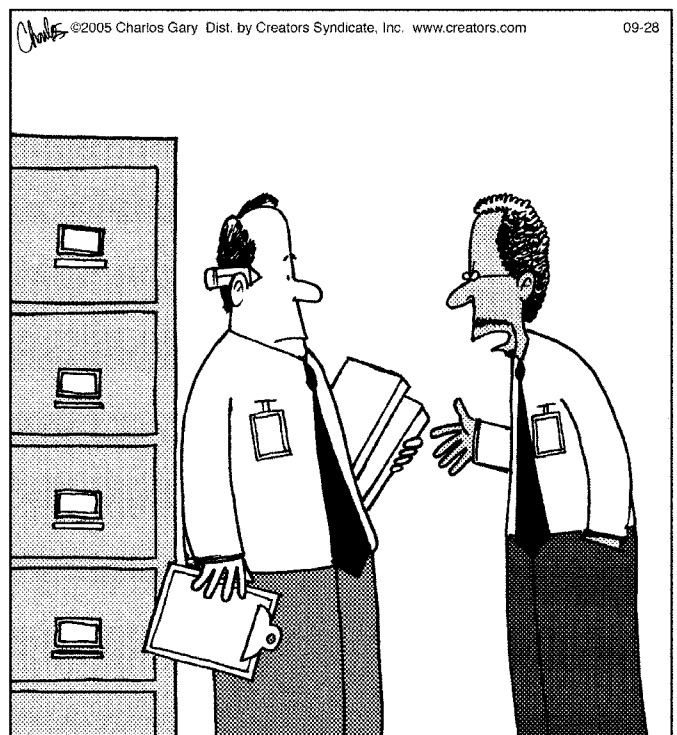
THE UK Board of Trustees recently increased President Lee Todd's salary and bonus opportunities. If Todd meets established goals, his annual compensation could reach as much as \$461,000. UK's annual budget is in excess of \$1.5 billion and Todd's enhanced compensation package is commensurate with his excellent job performance and presidential responsibilities.

## Merger Mania

TWO of Kentucky's old-line law firms - Stoll Keenon Park (SKP), founded in 1897 and Ogden Newell & Welch (ONW), founded in 1898 - announced that they will merge on Jan. 1, 2006.

The new firm - Stoll Keenon Ogden - will have 140 lawyers and offices in Louisville, Lexington, Frankfort, Henderson and Covington. The managing partner and chairman of the management committee of the new firm will be Bill Lear, who currently serves in that capacity at SKP. Kendrick Riggs, chairman of ONW's executive committee, will serve as the vice-chairman of the new firm's executive committee.

The new firm plans to expand ONW's Louisville offices, which are currently located in PNC Plaza.



"I don't get you, Steve. The boss is out of the office, yet you continue to do work."