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SUMMARY OF MEETINGS HELD BY THE SENATE PRESERVATION OF THE HOPE SCHOLARSHIP STUDY COMMITTEE

COMMITTEE MEMBERS

Senator Brandon Beach – Chairman
District 21

Senator Bill Cowsert
District 46

Senator Rick Jeffares
District 17

Senator Burt Jones
District 25

Senator Harold Jones, II
District 22

Senator Butch Miller
District 49

Senator Jeff Mullis
District 53

Senator Valencia Seay
District 34

Senator Freddie Powell Sims
District 12

COMMITTEE FOCUS, CREATION, AND DUTIES

The HOPE Scholarship Program has allowed 1.7 million students to go to college in Georgia and more than 1.4 million four-year olds to begin their education early in pre-K. These lottery-funded education programs have made pre-K and higher education accessible to hundreds of thousands of Georgians since their inception in 1993.

However, lottery revenues have been strained in recent years to maintain program funding levels due to rising tuition costs and decreasing growth in lottery revenue.

The Georgia General Assembly acknowledged that supplemental sources of revenue need to be explored in order to preserve and expand the HOPE Scholarship and Georgia Pre-K Programs for future generations of Georgians, as these programs are essential to future economic growth and the continued development of a well-educated state work force. As a result, legislation proposing the state taxation of casino gaming and pari-mutuel wagering on horse racing has been introduced in recent years as a source of supplemental funding for these lottery-funded education programs.

Specifically, there were several legislative proposals during the 2015 Legislative Session that would seemingly provide a source of supplemental funding for the HOPE Scholarship and Georgia Pre-K Programs. House Resolution 807 was introduced by Representative Ron Stephens, proposing a constitutional amendment to legalize casino gaming in Georgia pursuant to its ratification by Georgia voters. House Resolution 807's enabling legislation, House Bill 677, was also introduced by Representative Ron Stephens, describing in detail how casino gaming would operate in Georgia, while creating a new division to oversee casino gaming in Georgia under the Georgia Lottery Corporation. In the Senate, Senate Resolution 135 was introduced during the 2015 Legislative Session by Senator Brandon Beach, proposing a constitutional amendment to authorize pari-mutuel wagering on horse racing in Georgia. At the final meeting of the Senate Preservation of the HOPE Scholarship Program Study Committee (Committee), Senator Brandon Beach presented his draft legislation establishing the regulation and organization of pari-mutuel wagering on horse racing in Georgia, if the constitutional amendment is to pass. Under these legislative proposals, casino gaming and pari-mutuel wagering on horse racing would be divisions under the Georgia Lottery Corporation, and a percentage of tax revenues from casinos and horse racing tracks in Georgia would go towards the funding of the HOPE Scholarship and Georgia Pre-K Programs.

For the purposes of assessing the viability of these legislative proposals and other legislative solutions as a means to preserve and enhance these lottery-funded education programs, the Committee was created under Senate Resolution 4. The following members were appointed by the Lieutenant Governor to serve on the Committee: Senator Brandon Beach, serving as Chairman; Senator Bill Cowsert; Senator Rick Jeffares; Senator Burt Jones; Senator Harold Jones, II; Senator Jeff Mullis; Senator Valencia Seay; and Senator Freddie Powell Sims.

A study committee in the House of Representatives was concurrently created in the 2015 Legislative Session for the same purpose of assessing the legislative proposals intended to preserve the lottery-funded education programs. The House Study Committee on the Preservation of the HOPE Scholarship, created pursuant to House Resolution 827, was composed of the following members: Representative Matt Ramsey, serving as Chairman; Representative Howard Maxwell; Representative John Meadows; Representative Butch Parrish; Representative Calvin Smyre; and Representative Ron Stephens.

The two committees held four joint meetings where various testimony was heard addressing the social and economic issues pertaining to the legalization and taxation of casino gaming and pari-mutuel wagering on horse racing, and whether these legislative proposals should be considered as a means to stabilize the lottery-funded HOPE Scholarship and Georgia Pre-K Programs.

Meeting #1 – September 14, 2015

The Committee's first meeting was held on September 14, 2015 in Atlanta, Georgia, where the Committee heard testimony from: Ms. Debbie Alford, President of the Georgia Lottery Corporation; Ms. Sharman Lawrence, Senior Vice President of Finance of the Georgia Lottery Corporation; Mr. Lucas Gangone, Director of Product Development of the Georgia Lottery Corporation; Ms. Tricia Chastain, President of the Georgia Student Finance Commission; Dr. Mark Peevy, Vice President of Research of the Georgia Student Finance Commission; and Mr. Whitaker L. Askew, Vice President of Government Relations of the American Gaming Association.

Meeting #2 – September 25, 2015

The Committee's second meeting was held September 25, 2015 in Atlanta, Georgia, where the Committee heard testimony from: Mr. Bill Lerner, Founder of Union Gaming; Mr. Jim Murren, Chairman and CEO of MGM Resorts International; Mr. Dean Reeves, President of the Georgia Horse Racing Coalition; Mr. Alex Waldrop, President and CEO of the National Thoroughbred Racing Association; Mr. Mike Rodgers, President of the Stronach Group; Ms. Michele Fisher, Vice President of Sales and Business Development at Sportech; Mr. Louis Frillman, Founder and President of Marquette Advisors; Mr. Brent Wittenberg, Vice President of Marquette Advisors; Dr. Charlene Dukes, President of Prince George's Community College; and Mr. Joseph Martinelli, Interim Vice President for Workforce Development and Continuing Education at Prince George's Community College.

Meeting #3 – November 2, 2015

The Committee's third meeting was held on November 2, 2015 in Savannah, Georgia, where the Committee heard testimony from: Mr. James Gagliano, President and CEO of the Jockey Club; Mr. Mike Pollock, Managing Director of Spectrum Gaming Group; Professor John Kindt with the University of Illinois; Representative Rusty Kidd; Mr. Keith Smith, CEO of Boyd Gaming; Mr. Jay Doris, President and CEO of PCI Gaming; Mr. Arthur Mothershed, Vice President of Business Development of Wind Creek Hospitality; Mr. Mike Griffin with the Georgia Baptist Convention; Ms. Virginia Galloway with the Faith and Freedom Coalition; Mr. Jim Allen, CEO of Hard Rock International; Mr. John Damico, Founding Partner of MDD Forensic Accountants; Mr. Kevin Mullally, Vice President of Government Relations and General Counsel for Gaming Laboratories International; Mr. Kelly Duncan of Jones Walker; Ms. Tanya Ditty with Concerned Women of America; Ms. Cyndy Hartman with the Faith and Freedom Coalition and Conservative Women of NE Georgia; Reverend Tommy East of the Bible Baptist Church in Savannah; Reverend Dale Montgomery of the Savannah River Baptist Church in Port Wentworth; and other members of the public.

Meeting #4 – December 10, 2015

The Committee's fourth and final meeting was held on December 10, 2015 in Atlanta, Georgia, where the Committee heard testimony from: Mr. Rich Baldwin, Managing Director and Global Head of Union Gaming Analytics; Representative Ron Stephens; Mr. Doug Walker, Professor of Economics at the College of Charleston; Senator Brandon Beach; Representative Stacey Evans; and Reverend Willie J. Webb of Foundation Baptist Church.

BACKGROUND

History of the Georgia Lottery Corporation

During the 1991 Legislative Session, the Georgia General Assembly passed a constitutional amendment authorizing the establishment of a state lottery, designating all lottery proceeds for educational purposes only. On November 3, 1992, the voters of Georgia approved the amendment, officially authorizing the establishment of a state lottery in Georgia.

The following year, during the 1993 Legislative Session, the Georgia General Assembly passed the Georgia Lottery for Education Act (Act), creating the Georgia Lottery Corporation to oversee and operate the state lottery. The Act, codified in O.C.G.A. § 50-27-2(1), requires that the net proceeds of the lottery be used to

“support improvement and enhancement for educational purposes and programs.” The Act specifically designates that the lottery’s net proceeds are to be used “to supplement, not supplant, existing resources for educational purposes and programs.” Additionally, the Act states that “as nearly as possible, at least 45 percent of the amount of money from the actual sale of lottery tickets or shares shall be made available as prize money,” and “as nearly as possible, for each fiscal year, net proceeds” of “at least 35 percent of the lottery proceeds” must go the state for educational purposes and programs.

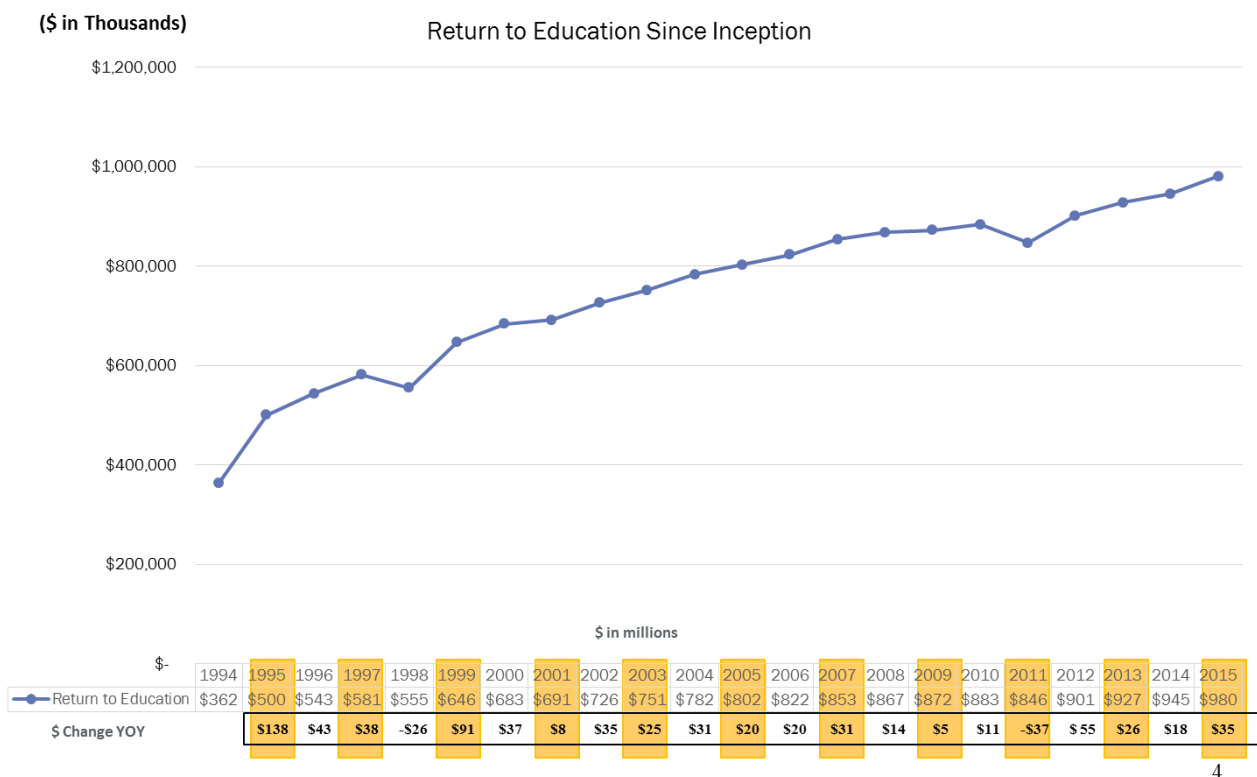
Education Programs Funded by the Georgia Lottery Corporation

The two programs which receive a large majority of Georgia Lottery funds are the: (1) HOPE (Helping Outstanding Pupils Educationally) Scholarship Program; and (2) Georgia Pre-K Program.

According to the President of the Georgia Lottery Corporation, Ms. Debbie Alford, the Georgia Lottery Corporation raises approximately \$2.7 million every day for the HOPE Scholarship and Georgia Pre-K Programs. Since its inception in 1993, the Georgia Lottery Corporation has raised more than \$16.5 billion for these education programs. As a result, more than 1.7 million students have attended a higher education institution on a HOPE Scholarship or Grant and more than 1.4 million four year olds have attended a Georgia Pre-K Program.

Specifically, the Georgia Lottery Corporation generated \$945,097,000 for education in FY2014. In FY2015, \$980,501,000 was generated; and in FY2016, it is projected that the Georgia Lottery will generate just over a billion dollars for the HOPE Scholarship and Georgia Pre-K Programs.

Over \$16.5 Billion Returned to Education



*chart provided by the Georgia Lottery Corporation during its presentation at the first Committee meeting

Revenues, Costs, and Expenses of the Georgia Lottery Corporation

Ms. Sharman Lawrence, Senior Vice President of Finance of the Georgia Lottery Corporation, also testified on behalf of the Georgia Lottery Corporation, explaining in detail the Georgia Lottery Corporation’s revenues, costs, and expenses from FY2011 to FY2015.



Georgia Lottery Corporation
P&L Statements FY2011 – FY2015 (Traditional Lottery)

(\$ in Thousands)

	FY11		FY12		FY13		FY14		FY15	
Gross Revenue	3,597,922		3,834,674		3,912,156		4,022,201		4,195,151	
Tickets Provided as Prizes	(262,316)		(274,782)		(276,225)		(282,279)		(291,684)	
Other Revenue	4,793		4,591		4,539		4,536		4,479	
Total Net Revenue	3,340,399	100.0%	3,564,483	100.0%	3,640,470	100.0%	3,744,458	100.0%	3,907,946	100.0%
Prize Expense	2,120,835	63.5%	2,289,811	64.2%	2,332,453	64.1%	2,413,844	64.5%	2,528,871	64.7%
Operating Expense	373,458	11.2%	373,344	10.5%	380,539	10.5%	390,517	10.4%	409,494	10.5%
Retailer Commissions	230,929	6.9%	228,713	6.4%	233,222	6.4%	239,322	6.4%	249,008	6.4%
Vendor Fees	68,202	2.0%	70,942	2.0%	74,395	2.0%	76,390	2.0%	84,479	2.2%
Personnel	23,389	0.7%	23,774	0.7%	24,454	0.7%	25,160	0.7%	26,240	0.7%
Advertising	21,130	0.6%	20,563	0.6%	18,796	0.5%	19,563	0.5%	21,113	0.5%
Other Gaming	18,874	0.6%	19,164	0.5%	19,270	0.5%	21,133	0.6%	18,222	0.5%
G&A	10,934	0.3%	10,188	0.3%	10,402	0.3%	8,949	0.2%	10,432	0.3%
Net Proceeds for Education	846,106	25.3%	901,328	25.3%	927,478	25.5%	940,097	25.1%	969,581	24.8%

**chart provided by the Georgia Lottery Corporation during its presentation at the first Committee meeting*

Preservation of the HOPE Scholarship and Georgia Pre-K Programs

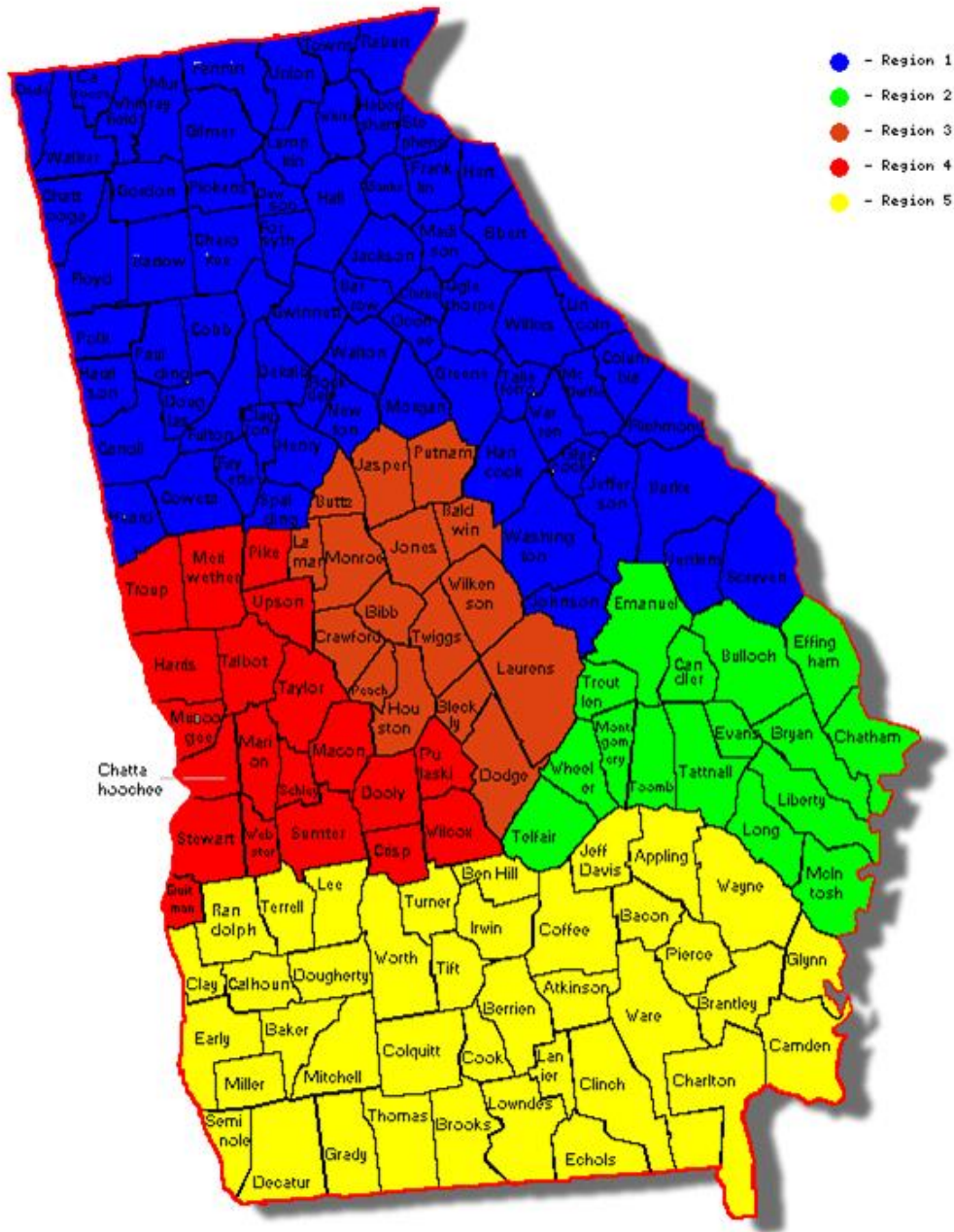
Despite the record profits of the Georgia Lottery Corporation, lottery profits may not be able to satisfy the HOPE Scholarship Program demand due to the increasing student enrollment and rising college tuition and other costs. As mentioned, legislative proposals have been made to preserve these education programs in Georgia by using a percentage of tax revenues from casinos and horse racing tracks to fund the HOPE Scholarship and Georgia Pre-K Programs.

Casino Gaming Bill: House Bill 677

House Bill 677 was introduced during the 2015 Legislative Session by Representative Ron Stephens as a means to preserve the HOPE Scholarship and Georgia Pre-K Programs. This legislation would permit casino gaming in Georgia with the main aim of preserving the HOPE Scholarship and Georgia Pre-K Programs. Following voter approval of a constitutional amendment in the November 2016 election, casino gaming would be allowed in those counties and municipalities that approve, by public referendum, the establishment of licensed resort facilities. The legislation creates five licensing regions throughout the state, within which a maximum of six

casinos may operate. Region 1, which embodies northeast Georgia and includes Atlanta, would be the only region permitted up to two casino licenses

Proposed Licensing Regions Under HB 677



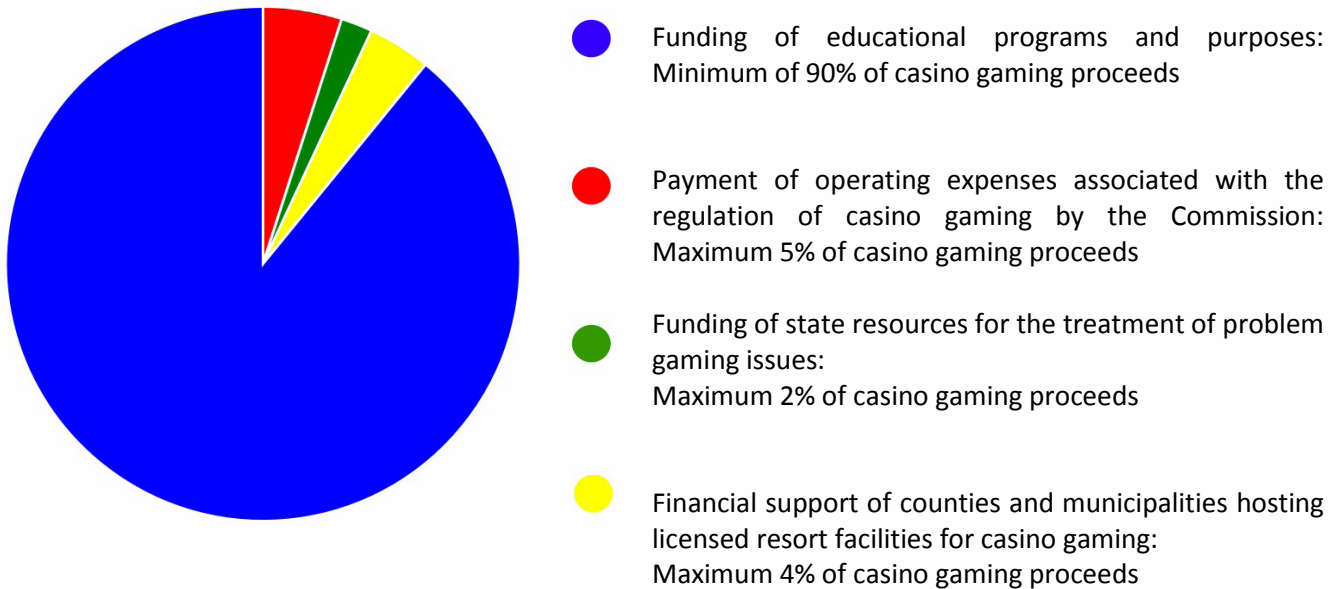
Source: diymaps.net (c)

Proposed Licensing Regions Under HB 677

Regions	Region Boundaries	Licenses Available	Minimum Investment	Casino Gaming License Fees
Region 1	Banks, Barrow, Bartow, Burke, Carroll, Catoosa, Chattooga, Cherokee, Clarke, Clayton, Cobb, Columbia, Coweta, Dade, Dawson, DeKalb, Douglas, Elbert, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glascock, Gordon, Greene, Gwinnett, Habersham, Hall, Hancock, Haralson, Hart, Heard, Henry, Jackson, Jefferson, Jenkins, Johnson, Lincoln, Lumpkin, Madison, McDuffie, Morgan, Murray, Newton, Oconee, Oglethorpe, Paulding, Pickens, Polk, Rabun, Richmond, Rockdale, Screven, Spalding, Stephens, Taliaferro, Towns, Union, Walker, Walton, Warren, Washington, White, Whitfield, and Wilkes and such independent municipalities located within the borders of those counties	Two licenses available: primary and secondary <u>Primary license:</u> must be awarded first. <u>Secondary license:</u> maximum 2,000 gaming positions	<u>Primary license:</u> Minimum \$1 billion investment <u>Secondary license:</u> Minimum \$200 million investment	<u>Primary license:</u> \$25 million <u>Secondary license:</u> \$10 million
Region 2	Bryan, Bulloch, Candler, Chatham, Effingham, Emanuel, Evans, Liberty, Long, McIntosh, Montgomery, Tattnall, Telfair, Toombs, Treutlen, and Wheeler and such independent municipalities located within the borders of those counties	One Primary License	Minimum \$200 million investment	\$10 million
Region 3	Baldwin, Bibb, Bleckley, Butts, Crawford, Dodge, Houston, Jasper, Jones, Lamar, Laurens, Monroe, Peach, Putnam, Twiggs, and Wilkinson and such independent municipalities located within the borders of those counties	One Primary License	Minimum \$200 million investment	\$10 million
Region 4	Chattahoochee, Crisp, Dooly, Harris, Macon, Marion, Meriwether, Muscogee, Pike, Pulaski, Quitman, Schley, Stewart, Sumter, Talbot, Taylor, Troup, Upson, Webster, and Wilcox and such independent municipalities located within the borders of those counties	One Primary License	Minimum \$200 million investment	\$10 million
Region 5	Appling, Atkinson, Bacon, Baker, Ben Hill, Berrien, Brantley, Brooks, Calhoun, Camden, Charlton, Clay, Clinch, Coffee, Colquitt, Cook, Decatur, Dougherty, Early, Echols, Glynn, Grady, Irwin, Jeff Davis, Lanier, Lee, Lowndes, Miller, Mitchell, Pierce, Randolph, Seminole, Terrell, Thomas, Tift, Turner, Ware, Wayne, and Worth and such independent municipalities located within the borders of those counties	One Primary License	Minimum \$200 million investment	\$10 million

Furthermore, the Georgia Lottery Corporation would become the Georgia Lottery and Casino Gaming Commission; the Commission would retain supervision of the lottery and would be vested with the regulation of casino gaming in the state. The Casino Gaming Education Account, a separate account created in the state treasury, would be the sole repository of designated casino-related revenue and proceeds. At minimum, 90% of the state's casino gaming proceeds must be dispensed to education purposes and programs. These education programs must be fully funded before allotting funds to other purposes.

Distribution of Casino Gaming Proceeds Under HB 677



Pari-Mutuel Wagering on Horse Racing Legislation

Senator Brandon Beach's draft legislation permitting pari-mutuel wagering on horse racing is also a legislative attempt to preserve the HOPE Scholarship and Georgia Pre-K Programs. This legislation creates a Division of Horse Racing under the Georgia Lottery Corporation, which would have the power to regulate horse racing and pari-mutuel wagering in Georgia. Under this legislation, three percent of the takeout would be allocated to the Georgia Lottery Corporation for education purposes and programs.

This legislation would become effective on January 1, 2017, only if the constitutional amendment passes the Georgia General Assembly and then is ratified by the voters in the November 2016 general election. Only three racetrack licenses will be issued and in effect at any one time.

SUMMARY OF PRESENTATIONS

I. Economic Impact of Casino Gaming

While the main purpose of establishing casino gaming in Georgia is to preserve the HOPE Scholarship and Georgia Pre-K Programs, the Committee heard substantial testimony addressing other quantifiable benefits of casino gaming. Most of this testimony focused on the potential economic benefits that the legalization of casino gaming would have in Georgia. Specifically, as Mr. Bill Werner, Founder of Union Gaming, testified, because casinos are financed with private capital and not with state funds, states can use this private vehicle as an

economic engine to generate more tax revenue, job creation, highly-skilled workforce, revitalization of cities, tourism growth, and funding for social programs.

Revenue Generation

Casino gaming could generate revenue in Georgia.

Mr. Whitaker Askew, Vice President of Government Relations of the American Gaming Association, also testified to the economic benefits, specifically revenue generation, of casinos to the American economy. Mr. Whitaker stated that gaming contributes \$32 billion in tax revenues to local, state, and federal governments each year. This revenue supports a wide range of public works initiatives such as education, infrastructure, public safety, and general treasury funds.

Also, non-gaming revenue is generated from entertainment establishments constructed around casinos. Mr. Jim Murren, Chairman and CEO of MGM Resorts, testified to the economic benefits of destination resorts – specifically the non-gaming revenues which destination resorts produce with its entertainment offerings, including restaurants, shopping, shows, conventions, concerts, sporting events, spas, and golf courses. This is why over 50 percent of MGM’s revenue is generated outside of casino facilities.

Job Creation

Casino gaming could promote job creation in Georgia.

According to Mr. Whitaker Askew, Vice President of Government Relations of the American Gaming Association, there are 200 distinct job opportunities with an average casino establishment. Under the specific provisions of House Bill 677, Mr. Louis Frillman, Founder and President of Marquette Advisors, and Mr. Brent Wittenberg, Vice President of Marquette Advisors, predicts that 15,566 new jobs would be created within the casino industry, and another 14,626 jobs created indirectly, for a total of 30,279 jobs – providing employment for 10 percent of the currently unemployed in Georgia. Casino gaming would ultimately have a \$5 billion impact in Georgia annually, which is equivalent to hosting the Summer Olympic Games every year.

Dr. Charlene Dukes, President of Prince George’s Community College, and Mr. Joseph Martinelli, Interim Vice President for Workforce Development and Continuing Education at Prince George’s Community College, testified on the benefits of the partnership between Prince George Community College and MGM Resorts. Specifically, the partnership has been beneficial for the local residents of Prince George, Maryland in workforce development, as 40 percent of the people employed by MGM Resorts in the community are required to be local residents. MGM Resorts encouraged Prince George’s Community College to implement a culinary and hospitality industry training in order to encourage its students to secure employment in the hospitality and tourism industry through MGM Resorts. Overall, the partnership has been beneficial to the community and students of Prince George’s Community College.

Mr. Keith Smith, CEO of Boyd Gaming, stated that the average gaming employee – like those working at MGM Resorts – makes more than \$43,000 per year, with many supervisors, managers, executives, and other professionals earning well above that. Thus, the vast majority of gaming jobs earn well above minimum wage.

Tourism

Casino gaming could increase tourism in Georgia.

Mr. Louis Frillman, Founder and President of Marquette Advisors, as well as Mr. Brent Wittenberg, Vice President of Marquette Advisors, testified on Georgia’s casino gaming market potential under the provisions of House Bill 677, which permits six casinos in designated regions across Georgia. In order to assess Georgia’s visitation and revenue potential for casino resorts in Georgia, Marquette Advisors conducted a market study

assessing factors such as Georgia's population, income, availability of gaming and complimentary leisure and recreational activities, as well as the impact of competing facilities in neighboring states, such as North Carolina, Alabama, Mississippi, and Florida. According to Marquette Advisors, under the provisions of House Bill 677, casino gaming would attract 26 million visitors to Georgia annually. Those visitors would spend \$2.4 billion per year.

II. Important Factors to Consider in Developing Casino Gaming Legislation

As mentioned, Mr. Bill Werner with Union Gaming testified that states can use casinos as a private vehicle and economic engine to generate: tax revenue, job growth, a highly-skilled workforce, a revitalization of cities, tourism growth, and funding for social programs. However, Mr. Werner explained that these private dollars will not be deployed at their optimal level if Georgia does not draft the proper casino legislation.

Tax Rates

The gaming tax rate is one of the most critical elements in establishing casino gaming legislation.

According to Mr. Bill Werner with Union Gaming, there is a direct relationship between gaming tax rate and casino company investment and reinvestment. When tax rates are high, companies cannot dedicate their money to building casinos. This has a negative impact on state and local tax revenues, job creation numbers, and tourism and economic benefits. Conversely, when states have lower tax rates, investment and reinvestment in casinos is typically higher – as is construction and job creation. Also, states always compete with nearby states for gaming dollars; thus, it is important to set a tax rate that is on par or lower than competing states. Lastly, certainty is critical for casino companies. Legislation must ensure that tax rates do not change and new casino competition appear later; this is imperative in casino investment and reinvestment. Mr. Mike Pollock, Managing Director of Spectrum Gaming Group, echoed Mr. Werner's testimony, explaining that a lower tax rate generates more overall economic activity by attracting more capital investment.

III. Economic Impact of Pari-Mutuel Wagering on Horse Racing

Revenue Generation

The legalization of pari-mutuel wagering on horse racing could generate revenue in Georgia.

Mr. Dean Reeves, with the Georgia Horse Racing Coalition, testified that studies show that the horse racing industry could bring approximately \$25 million in tax revenues annually for education programs in Georgia. Add in the tourism, business opportunities, agriculture growth, and the potential economic impact could approach \$500 million. Additionally, no taxpayer dollars or revenue would be required to build a horse racing facility in Georgia, as it would be privately financed.

Job Creation

The legalization of pari-mutuel wagering on horse racing could create jobs in Georgia, as it is a labor intensive industry.

Mr. Alex Waldrop, President and CEO of the National Thoroughbred Racing Association, discussed the types of jobs required for operating an actual horse racing facility and track. Track employees, breeding farms, trainers, grooms/hot walkers/exercise riders, jockeys/drivers, veterinarians, and service and suppliers are horse racing industry jobs that will be available in Georgia if a horse racing facility and track is established in Georgia. Mr. Mike Rodgers, President of the Stronach Group, reemphasized the fact that the horse racing industry is very labor intensive; he testified that the labor goes back to the rural community through its farms, breeders, and hay producers. Additionally, jobs will be required for off-site pari-mutuel wagering facilities and other entertainment establishments surrounding the race track.

Equine Industry and Tourism

The legalization of pari-mutuel betting on horse racing could grow the equine industry and increase tourism in Georgia.

Mr. Alex Waldrop, President and CEO of the National Thoroughbred Racing Association, testified on the economic benefits of the horse racing industry. Mr. Waldrop explained that around 173,000 Georgia households own horses, with horses qualifying as the sixth most valuable commodity in Georgia. Additionally, the equine industry contributes over \$868 million to Georgia's economy. Georgia, Mr. Waldrop explained, needs horse racing, as Georgia breeders and owners are currently raising their horses in surrounding states that allow horse racing, such as Florida, South Carolina, and Kentucky. Additionally, Georgia horse racing fans are visiting horse racing tracks in these surrounding states and elsewhere. All of these factors are costing Georgia jobs and revenue. Thus, if Georgia allowed pari-mutuel wagering on horse racing, Georgia would grow its already well-established equine industry. Growing this industry, with its support businesses (feed production, training, farriers, veterinary services, and equine products), would bring jobs to rural areas where unemployment rates are high.

Mr. Dean Reeves, President of the Georgia Horse Racing Coalition, also testified that Georgia is in an ideal position to benefit from pari-mutuel betting on horse racing, which would ultimately result in a broad range of economic benefits. Mr. Reeves reemphasized Georgia's established equine industry, with nearly 180,000 horses in Georgia; as a result, Georgia would be growing an industry that is already well established by permitting pari-mutuel betting. Also, Mr. Reeves explained, Georgia has a regional and metro advantage by being located within the largest cluster of non-pari-mutuel states in the nation, and is also in a position to grab market share from neighboring states that do have pari-mutuel betting, such as Florida, Kentucky, Maryland, and New York.

Impact in Other States

Other states have benefitted economically from the horse racing industry.

Mr. Dean Reeves, President of the Georgia Horse Racing Coalition, informed the Committee on the economic impact that the horse racing industry has had on Florida based on a 2014 statewide, compressive, and independent study by Cummings Associates. Major findings of that study included: the horse racing industry supports more than 12,000 jobs; the industry annually pays those workers more than \$400 million in wages and benefits; and the industry generates an annual impact of more than \$900 million each year – a larger impact than spring training baseball in Florida.

Mr. Reeves also informed the Committee on the economic impact that the horse racing industry has had on Kentucky based on a 2012 University of Kentucky Agricultural Equine Study. Based on this study, the equine industry has had a total economic impact of almost \$3 billion, and generated 40,665 jobs in 2012. The tax contribution to Kentucky was approximately \$134 million, while the total number of racing and breeding jobs was 22,449.

IV. Social Costs of Casino Gaming and Pari-Mutuel Wagering on Horse Racing

Increased Crime

There is a debate as to whether crime increases in states with casinos and pari-mutuel wagering on horse racing.

According to Dr. John Kindt, Professor at the University of Illinois, crime increases approximately 10 percent per year every year around new gambling facilities with electronic gambling machines. Ms. Cyndy Hartman with the Faith and Freedom Coalition and Conservative Women of NE Georgia testified on her own personal experiences living with casinos near Atlantic City, New Jersey. She explained how the introduction of casinos in Atlantic City in 1978 eventually ruined the city by increasing crime and prostitution.

However, according to Mr. Whitaker Askew with the American Gaming Association, research of multiple states proves that crime goes down over time in casino states.

Gambling Addiction

Casino gambling and pari-mutuel wagering on horse racing in Georgia could increase gambling addictions in Georgia.

Reverend Tommy East of the Pastor Bible Baptist Church in Savannah, Georgia testified on the potential social costs of legalizing casino gambling in Georgia. Specifically, Reverend East testified that casinos contribute to the process of people becoming addicted to gambling and then depend on problem gamblers for their revenue base. This affects the individual, but also the individual's family, community, church, city, state, and ultimately, country. Dr. John Kindt, Professor at the University of Illinois, reiterated Reverend East's testimony. Specifically, Dr. Kindt testified that people around gaming facilities spend 10 percent less on food and 25 percent less on clothing, while 37 percent had raided their bank accounts to gamble as a result of gaming addictions, which are comparable to crack cocaine addictions.

Ms. Tanya Ditty, State Director of Concerned Women of America of Georgia, also testified to the potential gambling addictions that casinos and horse racing could promote or encourage if legalized in Georgia. Specifically, living within ten miles or less of a casino doubles the risk of problem gambling; likewise, individuals living in a disadvantaged neighborhood have a 90 percent increase in the odds of being a problem or pathological gambler.

However, Mr. Doug Walker, Professor of Economics at the College of Charleston, testified that the social costs of casino gaming are mostly attributed to pathological gamblers, and include: income lost from missed work; crime; corruption of public officials; divorce caused by gambling; and gambling. According to Mr. Walker's testimony, most pathological gamblers have other disorders, such as alcohol use disorders, drug use disorders, anxiety disorders, and obsessive-compulsive personality disorder. Mr. Walker asked how the social costs of gambling could be measured when most pathological gamblers have multiple disorders. Social cost studies ignore this issue; and as a result, there is an exaggeration of the social costs attributable to gambling.

