



CORRUPT CASINO AMNESTY BILLS

MOVE TO THE SENATE

The comprehensive gambling package passed the House of Representatives by a vote of 70-32 (CA) and 67-30-1 (Enabling) on Thursday, February 15, 2024.

The Constitutional Amendment (CA) can be found here:

<https://www.legislature.state.al.us/pdf/SearchableInstruments/2024RS/HB151-eng.pdf>.

The Enabling Legislation can be found here:

<https://www.legislature.state.al.us/pdf/SearchableInstruments/2024RS/HB152-eng.pdf>.

CONSTITUTIONAL AMENDMENT

The language proposed in the constitutional amendment (CA) is vague and intentionally positive. It is not a representation of the foils of this proposal and is meant to mislead the public into voting for something they might not support otherwise.

The CA establishes three new entities of state government: Alabama Gaming Commission, Gaming Enforcement Division, and Alabama Lottery Corporation.

The CA authorizes casino-style gambling but doesn't define it. Therefore, the term could include almost anything. There should be a clear limitation of each kind of gambling in the Constitution.

The CA proposes to allow at least 10 Vegas-style casinos in every corner of the state, a state sanctioned lottery, and unlimited sports-betting on smartphones and devices. The locations are not bound by the Constitution and can be changed at any time, legislatively, without a vote of the people.

The CA outlines that the legislature may authorize any additional forms of gambling upon a favorable report from the gaming commission and legislative approval without any additional vote of the people.

The CA also outlines that the legislature may increase/decrease the rate of taxation upon a favorable report from the gaming commission and legislative approval without a vote of the people.

The CA allows the gaming commission to be the sole authority to transfer the license and/or ownership of gambling operations, without local or legislative approval.

The CA gives a huge amount of law enforcement capability to the Gaming Enforcement Agency, which would operate outside the scope of the Alabama Law Enforcement Agency (ALEA).

The CA obligates the Governor to negotiate with the Poarch Creek Indians (PCI) and authorizes and hands PCI at least another Class III casino gambling site.

The CA gives amnesty to current illegal operations to remain in operation through at least January 1, 2027. It is unclear how the unelected, unaccountable and exempted from litigation Gaming Commission will handle them after that time.

CASINOS

The legislation proposes to legalize at least 10 casino locations in every corner of the state. Legislators have hand-picked Macon County, Greene County, Lowndes County, Mobile County, Houston County, and City of Birmingham. In addition, the three current Poarch Band of Creek Indians (PCI) casinos would be authorized for Class III (Vegas-style) gambling. PCI would also be awarded with an additional location of a fourth PCI location in an undisclosed city/county in the northeast part of the state and/or in the Birmingham Metro Area. 41-30-151

Going from zero casinos with Vegas-style betting to at least TEN Class III casinos statewide is a huge expansion of gambling, not a limitation of gambling as was promised.

There are no restrictions on where casinos could be located. It would be prudent as a protection for children to prohibit casino locations from being near to schools, churches, daycare centers, playgrounds, or sports areas where children are likely to be present.

Under the suitability requirements for a casino license, it specifically says that the commission "shall consider the past and present compliance of the applicant, including whether the applicant has a history of noncompliance with the gaming licensing requirements." Yet, the legislature hand-picks specific counties where illegal operations have been in violation of state law for decades. Those locations are also grandfathered in until at least 2027. 41-30-150 & 41-30-155

Asking legislators (and possibly the general public) to vote for phantom locations is unreasonable and unconscionable. The hand-picked city and counties can have their city council/county commission affirm the desire for a casino in their area or hold a local ballot initiative. However, the legislation gives the local probate judge the option to reveal the location or keep the location secret - even during the voting process. 41-30-152

The proposed gaming commission that would be created by the legislation would be comprised of nine members – four appointed by the governor, two from the House Speaker (one of which comes from a list provided by the Minority Leader), two from the Senate President (one from a list provided by the Minority Leader), and one from the Lt.

Governor. This unelected and unaccountable commission would hire an executive director. The executive director would not be subject to ethics laws. 41-30-51 & 41-30-57

The executive director would create a law enforcement agency and hire an enforcement officer who would oversee the law enforcement arm of the commission. There is no guidance as to how large that staff of officers would be, but they would have full police powers and serve outside the scope of the Attorney General and the Alabama Law Enforcement Agency. The powers of the enforcement division are alarming; they would have general police powers and can use “any means necessary” to enforce any state law on behalf of the commission. They would only answer to themselves and there are no restrictions regarding conflicts of interest. 41-40-104 & 41-30-106

Casinos would be taxed at a 24% rate. NOTE: the unelected gambling commission could reduce those rates at any time with legislative approval. 41-30-450 & Section 65 (c) Note: Pennsylvania taxes their casinos at a 64% rate.

Casino proceeds would go to the General Fund Budget Reserve Fund established in Section 29-13-3, until the total balance in the fund is \$300,000,000. 3% of the monthly revenue would be allocated among the hand-picked counties where casinos are located on a pro rata basis based on the share of net gaming revenue generated in each county. Fifteen percent of the amount received by each county commission would be distributed by the commission to undefined "nonprofit organizations". Two percent of the monthly revenue would be distributed to municipalities where gaming establishments are located on a pro rata basis based on the share of net gaming revenue generated in each municipality. 41-30-453

90% of tax revenues are deposited into the Gaming Trust Fund and 10% is allocated among each county commission for law enforcement purposes of the respective sheriff's departments. 41-30-453

Other proposed uses for the GTF are: the provision of mental health care, including the care and treatment of individuals with behavioral health needs and developmental disabilities and associated prevention, treatment, and recovery services and supports (NOTE: not specifically gambling related), the expansion rural health care services and telemedicine and virtual health care and the purchase of qualified health benefit plans for adults with income below 138 percent of the federal poverty level and parents or other caretaker relatives of dependent children with income between 14 and 138 percent of the federal poverty level (NOTE: this is an expansion of Medicaid, or KayCare, without the label), the improvement, repair, and construction of roads, bridges, and other infrastructure in counties and municipalities, the development and improvement of state parks and historical sites, volunteer fire departments, bonuses to state and education employees and bonuses to retirees of the Employees' Retirement System and the Teachers' Retirement System, and the establishment and support of drug courts, veteran's courts, and other court-approved deferred prosecution programs. 41-30-453

When we say that it is immoral to fund pet projects and state budgets on the backs of the poor, the above laundry list should suffice as an explainer. In House committee, the handful of proponents were those seeking to bolster their organizations or agencies from the losses of others.

SPORTS-BETTING

The 2024 proposal legalizes the most addictive form of gambling of all: digital sports betting. With sports-betting as a component of gambling legalization legislation, any attempted claim that the proposal will curtail or minimize gambling is demonstrably false since online gambling — on sports or anything else — would turn every computer, smartphone, and digital device in the state into a portable casino.

Legalizing sports-betting would put state-sponsored gambling in 1.5 million pockets and in every single living room in Alabama. That's not limiting access, it's at least a 1,459,900% increase in access. 41-30-251

There is no limit placed on the number of sports-betting licenses and no specific license fee delineated in the legislation. The parameters are wide and the possibility for data mining, fraud, and abuse are rampant. 41-30-251

Digital gambling has long been considered more addictive than conventional gambling and the rate of suicide skyrockets with the increase of problem gamblers. One in five problem gamblers attempt suicide. There are no limits to the number of sports-betting licenses that the gambling commission can approve, and the legislation also allows temporary sports-betting permits for large scale sporting events (such as college football games, motor sports races, and tournaments). 41-30-260

The age verification process pays lip service to restricting minors from wagering, but the language says that platforms may satisfy the age verification requirement "by using any reasonable commercially available age-verification software or program." Checking a box to say you're 21, with no documentation required, is not a strong good enough deterrent or system of protection for minors. 41-30-255

Sports betting would have a 17% tax rate. That is the average nationwide; NOTE: the unelected gambling commission could reduce those rates at any time with legislative approval. 41-30-451 & Section 65 (c)

LOTTERY

A statewide lottery would be legalized and governed by an unelected and unaccountable corporation of seven members appointed solely by the Governor. The lottery commission would be paid, and they would be exempt from the state bidding laws. There is conflict of interest language for the members of the commission, but only if the conflict pertains to a contract over \$1million. The paid president of the commission is elected by the other commission members and may hire an undisclosed number of additional employees. None of the employees or commission members appear to be subject to ethics laws. 41-30-403

The legislation specifies that the lottery is a paper lottery only but leaves the door open for digital lottery instants and other games if there is a requirement to do so to participate in a multi-jurisdiction draw-based lottery or if the commission and legislature approves additional forms of gambling. 41-30-429 & Section 65 (b) 1

The lottery commission would be tasked with contracting with advertising agencies to promote the lottery and sale of lottery tickets. There are no restrictions in the bill on target audience, types of advertising, or levels of spending on advertising. Children are not protected. Commercial advertising will also be for sale on the physical tickets. The corporation's goal is stated thusly, "shall endeavor to maximize the amount of revenues that may be generated for deposit into the Lottery for Education Fund". 41-30-410

Unclaimed prize money (only up to \$200,000/year) would be allocated to the State Department of Mental Health for the treatment of gambling disorders. That constitutes .001% of the expected \$200 million from the lottery annually. 41-30-413

Illegal lottery devices and selling state sponsored lottery tickets to minors would carry a \$100 fine but selling counterfeit lottery tickets would be a Class C felony and the heft of lottery prize by deception or fraud would be a Class B felony. 41-30-423, 41-30-424 & 41-30-425

The Lottery for Education Fund would be legislatively appropriated for any non-recurring expenses related to education, including, but not limited to the establishment and support of problem gambling addiction treatment centers and programs, the establishment and provision of a scholarship program for public two-year community and technical colleges, to support of dual enrollment costs at any public two-year or four-year university in the state, formula based distribution to local boards of education for capital or other nonrecurring expenses, and funding for four-year colleges for research purposes. 41-30-431

Those seeking to vote for a lottery to fund college scholarships in the mold of the Georgia HOPE scholarship program will be disappointed to find out that scholarships for Alabama students at 4-year colleges aren't included, though a direct funding stream for 4-year colleges for research purposes is included. 41-30-431

A HOTBED OF CORRUPTION

Corruption is literally written into the bills:

The Lottery Corporation, solely appointed by the Governor would be paid employees, but and they would be exempt from the state bidding laws.

There is conflict of interest language for the members of the corporation, but only if the conflict pertains to a contract over \$1 million.

The paid president of the commission is elected by the other commission members and may hire an undisclosed number of additional employees. None of those employees or corporation members appear to be subject to ethics laws.

The Lottery Corporation would have no accountability to any other entity or any ongoing oversight.

The Alabama Gaming Commission would have no accountability to any other entity or any ongoing oversight.

There is a provision that employees cannot lobby the commission for two years after they resign employment, but Executive Director and Gaming Commission members are free to lobby immediately.

There is no prohibition for employees and/or Gaming Commission members to work for a regulated entity.

The Gaming Commission would be set up in July 2024, before the proposed November vote of the people.

There is no prohibition for legislators or other elected officials from being appointed as a commissioner or employees of the Alabama Gaming Commission, Gaming Enforcement Division, or Alabama Lottery Corporation.

There is no prohibition for close family members or business associates of legislators or other elected officials from being appointed as a commissioner or employees of the

Alabama Gaming Commission, Gaming Enforcement Division, or Alabama Lottery Corporation.

There is no prohibition of legislators or other elected officials from having a personal or business interest in gambling operations or the Alabama Gaming Commission, Gaming Enforcement Division, or Alabama Lottery Corporation.

THE WHOLE PACKAGE

Gambling advocates expect the combination of lottery, casinos and sports wagering to bring \$900 million- over \$1billion annually. \$300-\$400 from casinos, \$200 million from the lottery, \$300 million from the compact with the PCI and \$10 million from sports betting. As a reminder, there is no product in gambling: the proceeds are a percentage of the losses of our fellow citizens. We estimate that to produce \$1 billion for state coffers, Alabama citizens would need to LOSE \$3.1 billion first.

The enabling legislation includes a provision for fully funding Medicaid Expansion without a vote of the legislature to do so. That back-door type of maneuvering was a political calculation and undercut a decade of work holding back that liability. In addition, if employed, will harm workforce development and efforts to increase labor participation.

Nowhere in the legislation does it specify that one license equals one casino. It is possible these bills would allow dozens or even hundreds of casinos in the state.

The steady drumbeat of legislators asserting their intention to curtail illegal gambling rings especially hollow with the fact the bill allows current illegal operators to continue operating through 2027. In addition, the penalty would remain the same for unlawful gambling (Class A Misdemeanor) 41-30-150

The ability for the commission to transfer casino ownership and licenses without legislative approval opens the door to having a casino in any city or county in the state. 41-30-151

The transfer proposition unduly benefits PCI. Under the current proposal, they would have four casinos, but only one would come under the licensing process due to their federal status. However, since any licensee can hold up to two licenses, PCI could potentially hold ownership of 5, or half of the casino licenses in the state. 41-30-157

There are multiple places in the bill under both the casino and lottery section where it talks about maximizing profits, maximizing the amount of revenue, etc. Clearly that is the focus on the proponents of the bill. There is little/no acknowledgment of any negative

repercussions of changing the culture of the state or of the societal consequences that follow increased access to gambling. 41-30-406

The only provision in the legislation that directly addresses problem gambling is the utilization of unclaimed prize money from the lottery (only up to \$200,000/year). That constitutes .001% of the expected \$200 million from the lottery annually and gives no responsibility for problem gambling to the casinos or sports-betting. The legislation should be amended to create a legitimate funding source for problem gambling and put it as a percentage of the total amount of "profits" annually for all legalized gambling.

There is no provision to limit or eliminate giveaways and "free bets". In fact, they are encouraged and written into the legislation. Those marketing tools are used to ensnare participants and create habits that increase losses and increase the probability for problem gambling. Note: One in five problem gamblers attempt suicide. API estimates these bills will create over 41,583 additional problem gamblers in the state of Alabama. Statistically, these bills will create an additional 8,316 attempted suicides in the state.

There is no prohibition for contracts between gambling operators and K-12 schools, state agencies, or institutions of higher education. Those contracts could be used for corrupting purposes both for the institutions and to negatively impact and condition minors.

There is no prohibition for gambling operators or the state of Alabama advertising for the lottery, casinos, or sports betting at sporting events where minor children are present.

There is no provision that eliminates the ability for one owner to hold two licenses and/or two locations.

Charitable organizations would be required to apply and pay a \$25 fee to the gaming commission hold a raffle, play bingo, etc. and requires them to submit reports of expenses, prizes, etc. Additionally, there is a provision for social gambling that specifically says that socially gamble if "the game is not a casino-style game". 41-30-300

The proposal legalizes at least ten casinos, creates a statewide lottery, and unleashes unlimited sports betting, but a poker night in your home with friends would technically be illegal since that is a casino-style game. Violations are a Class C misdemeanor with up to three months in jail and a \$500 fine. 41-30-303

The legislation states that the award of a license by the Alabama Gaming Commission shall be deemed final and conclusive by the courts of this state as to any unsuccessful gaming establishment license applicant. No action, claim, counterclaim, defense, or other legal contention challenging the validity of such a license shall be brought or maintained in a court of this state by an unsuccessful gaming establishment license applicant, and the courts of this state shall be powerless and without jurisdiction to issue to an unsuccessful

gaming establishment license applicant an injunction, writ, order, or any other form of relief that would have the effect of preventing the commission from issuing a license or invalidating a license previously awarded by the commission. Basically, the bill says that if you are denied a license or transfer, there is no recourse; a state court cannot hear an appeal for denial - there is no standing. This invites and allows additional levels of malfeasance and corruption in the licensing and possible transfer process. 41-30-161

There should be a prohibition of minors from working at casinos. The legislation allows for 18-year-olds to hold jobs in casinos but 19 is the age of majority in Alabama.

API will continue to provide lawmakers and the public our best information from research, statistics, and polling data with regards to the negative impact that this culture-changing expansion of gambling would have on the state of Alabama and the unfortunate societal consequences that would certainly follow.