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## This week

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# Legislators face election-year gamble

Legalized Cherry Masters could generate \$300M annually

By [Peter Schnitzler](#)

IBJ Reporter

## Should legislators legalize a form of prohibited gambling that excise police rarely try to stop?

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The lure of easy gambling money is always an enormous temptation for cash-strapped legislators. But in 2006, the stakes will be higher than ever.

Bars and restaurants are organizing an attempt to legalize electronic poker machines, commonly known as Cherry Masters. By one count, as many as 40,000 operate illegally around the state.

Under government administration, Cherry Masters could generate \$300 million in annual tax revenue for state and local governments, advocates of legalization say. That would fill a lot of potholes.

"I think it's time we legalize 'em, tax 'em, and control 'em," said Senate Appropriations Committee Chairman Robert Meeks, R-LaGrange. "They're already out there. People have to be blind not to see."

Many Hoosier voters have grown comfortable with a state lottery, two horse tracks and nearly a dozen casinos borders. But with 2006 an election year, legislators may be hesitant to allow gambling on every street corner, I activists would remind voters exactly who turned Indiana into another Nevada.

"If this happens, you're going to have proliferation into every part of our state. You'll have a complete smothering of gambling activity," said Rev. John Wolf, chairman of the Valparaiso-based Indiana Coalition Against Legalized ruin of us. It really will."

But with a potential annual ante of \$300 million, many legislators may be willing to take a gamble at the polls.

"It is, I think, the only possible change in the gaming laws in the short session," state Rep. Win Moses, D-Fort sponsor a bill legalizing the machines.

Electronic gambling machines have long been illegal in Indiana. But cops and prosecutors often let the law slip and operate them in small numbers. They have bigger fish to fry.

And juries seldom take the crime seriously, anyway. Moses recalled an anecdote from a southern Indiana prosecutor who attempted to convict the leader of a VFW post. The defendant peppered his testimony with stories of his service in the Hamburger Hill.

"By the time it was done, jurors were ready to pin another medal on the guy," Moses said.

Perception of selective prosecution is what has brought the issue to a boil now. This year, Dave Heath, chairman of the Alcohol and Tobacco Commission, made a key change to Excise Police policy. Frustrated that bars simply hid their machines for a few days in response to warnings, Heath's troops began removing their computer motherboards.

"I don't think we're doing any more than this agency has in the past," Heath said. "We're just doing it a little differently."

But restaurants and bars are crying foul. Excise Police typically inspect only businesses that sell liquor. They can't inspect self-service laundries and convenience stores were getting off scot-free.



Loren Fifer, owner of the Fort Wayne taverns Peanuts and Peanuts Too, said his profits dropped by half after forced him to remove 10 Cherry Masters. Afternoon crowds dwindled.

"People in Indiana like to play games. They like to gamble," Fifer said. "The loss of the machines has been a loss of patrons, who would normally also buy food and beer."

Indiana Licensed Beverage Association Executive Director Brad Klopfenstein is organizing bar and restaurant lobby legislators on behalf of the Cherry Masters. Klopfenstein would like to limit Cherry Masters to establish licenses, making it easier to prevent minors from playing.

"The way it stands now, you have otherwise-honest local business owners basically made criminals by having isn't so much expanding gambling as controlling gambling that's already out there."

Moses' bill would limit businesses to five machines. The measure also would standardize Cherry Master jackpots. Indiana Gaming Commission Executive Director Ernest Yelton said slot machines at the state's casinos must pay off 90 percent collect. Unregulated Cherry Masters return far less money to players--often 40 percent of funds or less.

Moses and other advocates will have to overcome a skeptical Republican majority. Both Gov. Mitch Daniels and House Leader Brian Bosma are on record as reluctant to expand legalized gambling.

"It's kind of like prohibition. If everybody's going to drink, let's put it in a system that requires it to be licensed," said Yelton. "There's a groundswell of interest. I can't say support yet."

Estimates vary widely on the number of Cherry Master machines operating in Indiana. Eager to press its case, the Beverage Association approximates the number at 30,000 to 40,000. Indiana Gaming Commission's Yelton says his guess might be 6,000 to 25,000.

"I don't think anyone has made a very accurate count of these machines," he said.

If legislators are most concerned about generating guaranteed gambling revenue, they might opt instead to fund slot machines at Indiana's two pari-mutuel horse tracks, which have asked for years for a financial boost.

Rep. Eric Gutwein, R-Rensselaer, plans to introduce a bill that would allow both horse tracks to each pay a one-time license fee for slot machines. Gutwein expects the slots then would generate \$170 million in tax revenue annually.

"Whether you like gambling or not, the state is dependent on its revenues. And we're going to lose those two things if we do something," Gutwein said. "The alternative, putting thousands of Cherry Masters around the state, doesn't make sense."

Gutwein's measure is sure to draw opposition from the 800-pound gorilla in Indiana gambling, casinos. They could be turned into land-based "racinos," siphoning off their central Indiana customers.

Mike Smith, executive director of the Casino Association of Indiana, said he's neutral on Cherry Masters, since they are the most prevalent. But he doubts any form of expanded gambling will pass in the short session and is instead focusing on an increase in casino taxes. Indiana's casinos produced \$775 million for the state in fiscal 2005.

Others, however, believe the time is right to turn to Cherry Masters as a new revenue source. Meeks said the legislative agenda will be to provide property tax relief. Doing so, he said, will require finding replacement revenue on year after year.

"If you are going to do any kind of property tax relief, the only way you're going to do it is through something similar to what we're doing with the Cherry Masters," he said.

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