



STACKING

the DECK

The Gambling Industry's
Political Spending
in New York State

A Report by Common Cause/NY



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Common Cause is a nonpartisan, nonprofit advocacy organization founded in 1970 by John Gardner as a vehicle for citizens to make their voices heard in the political process and to hold their elected leaders accountable to the public interest. Common Cause/New York is a state level chapter focusing on state and local government in New York. We work to strengthen public participation and faith in our institutions of government, ensure that government and the political process serve the public interest rather than special interests, curb the excessive influence of money on government policy and elections, and promote fair and honest elections and high ethical standards for government officials.

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We gratefully acknowledge the support of the Piper Fund for our money in politics
and campaign finance reform research.

September 2012

Before 1988, legal casino gambling in the United States was limited to Las Vegas and Atlantic City and total revenues were less than \$6 billion annually.¹ After the 1988 Indian Casino Gaming Regulatory Act (IGRA)² allowed Indian tribes to operate casinos on tribal lands, legalization of commercial casinos began to spread from state to state.

In 2012, casino gambling of some kind is now present in all but twelve states and brings in over \$60 billion in annual revenue.³ Throughout the nation, the distribution of these massive profits has been guided by hundreds of government decisions that regulate and permit the scope of gambling and determine the locations and operators of casinos. As with any government decision that affects the flow of billions of dollars under our current system, competing interests invest tremendous amounts of money attempting to influence policy.

The gambling industry's conduct provides a vivid case study of how a deep-pocketed special interest group can use lobbying and campaign contributions to influence policy in New York.

KEY FINDINGS

- **From 2005 through June 2012, gambling and horseracing interests spent nearly \$50 million in political money in New York State -- over \$40 million on lobbying and roughly \$7.1 million in campaign contributions.**
 - The gambling industry plays an outsized role in Albany politics compared to its significance in the state's economy. Looking at these totals by election cycle ('05-'06, '07-'08, etc.) the industry spent at least \$9.5 million on lobbying and \$1.5 million on contributions each cycle.
 - For comparison, New York's entire banking and financial services sector spends roughly \$16 million on lobbying each election cycle,⁴ and corporate donations from the state's entire energy industry amounted to \$1.4 million in the 2010 cycle.⁵ Each of these economic sectors is hundreds of times larger than the gambling/horseracing industry in New York State.
- From 2005 through 2011, the annual flow of political money from the gambling industry was fairly stable – between \$5 and \$7 million each year in combined campaign contributions and lobbying expenditures.
 - **In 2012, the gambling industry is on pace to spend more political money than in any prior year, with nearly \$4 million spent on lobbying and over \$700,000 in campaign contributions through the first half of 2012.**

- **Racino interests have significantly outspent competing interests in both lobbying and campaign contributions.**
 - Racino interests⁶ have spent \$11.6 million on lobbying, \$2.5 million on campaign contributions, and donated an additional \$2.4 million to the Committee to Save New York.
 - Horseracing interests⁷ (not directly connected with racino ownership) have spent an additional \$8.1 million on lobbying and \$2.2 million on campaign contributions.
 - Indian tribes⁸ have spent \$8.5 million on lobbying and made \$1.1 million in campaign contributions.
 - Other gambling corporations⁹ (casino gambling corporations that are not current owners of racinos) have spent \$9.3 million on lobbying and \$1.2 million on campaign contributions.
 - New York's off-track betting corporations¹⁰ have spent \$2.9 million on lobbying and roughly \$98,000 on campaign contributions.

- **Gambling and horseracing industry campaign contributions are heavily concentrated to Governors and the leadership of the State Legislature**
 - Out of roughly \$7.1 million in total contributions, \$1.57 million went to candidates for Governor, with Andrew Cuomo receiving \$715,000, Eliot Spitzer \$594,000, and David Paterson \$204,000.
 - Over \$2.3 million went to the State Legislature's "soft money" accounts controlled by the party leadership, with nearly \$1.2 million directed to Senate Republicans, \$450,000 to Senate Democrats, and over \$700,000 in Assembly soft money going almost entirely to Assembly Democrats.
 - Over \$1.1 million went to State Senate candidates and nearly \$500,000 to Assembly candidates, with money concentrated in the leadership of the key Racing and Wagering committees and to candidates with racetracks/racinos in their districts.
 - Top five State Senators receiving money from gambling industry:
 1. Eric Adams (\$95,000), 2. Jeff Klein (\$83,000), 3. Thomas Libous (\$82,000), 4. John Bonacic (\$80,000), 5. Joseph Bruno (\$71,000)

- Top five State Assemblymembers receiving money from gambling industry:
1. J. Gary Pretlow (\$103,000), 2. Richard Brodsky (\$51,000), 3. Sheldon Silver (\$32,000), 4. Keith L.T. Wright (\$15,000), 5. Mike Spano (\$13,000)
 - Since 2005, nearly 30% of the total campaign money raised by Assemblyman Pretlow (D-87), the Chair of the Assembly Racing and Wagering Committee, has come from gambling industry interests, by far the highest percentage of any elected official.

Methodology

Research for this report began by researching the history of gambling policy in New York State and identifying key corporations, organizations, and individuals in the gambling and horseracing industry. JCOPE's lobbying database, which classifies lobbying clients by industry including "racing/wagering," provided a good start alongside general background research.

These interests were then flagged within the New York State Board of Elections campaign finance database. Donations from owners (e.g. Jeffrey Gural of American Racing & Entertainment and Timothy Rooney of Yonkers Raceway), executives (e.g. James Featherstonhaugh, President of the NY Gaming Association), and board members (e.g. board members of the New York Racing Association) are included in the total campaign contributions for each entity. For lobbying, this analysis uses data from the bi-annual reports filed by lobbying clients with the exception of some data for 2012 which uses the reports filed by lobbyists every two months.¹¹ Three corporations with primary business interests outside of gambling – Cappelli Enterprises, SL Green, and Harbinger Capital Partners – are included in this analysis due to their significant interest in New York State gambling policy.

For a full spreadsheet of the lobbying data and campaign contributions identified in this report, please contact Brian Paul at bpaul@commoncause.org

Gambling Policy in the United States and New York

Since the 1988 federal legalization of casinos on Indian tribal lands, commercial casino gambling has spread throughout the nation. In 2012, there are few places left in the United States that are not a short drive away from a full-scale Las Vegas-style casino. In order to understand the context of the political money being spent in New York, it is important to review the history of the gambling industry's remarkable expansion over the last twenty-five years.

Before the 1960's, "pari-mutuel"¹² horse race wagering occupied nearly the entire gambling market in the United States. Las Vegas was the only legal casino gambling destination in the nation, having passed legalization in 1931 as part of an effort to establish a tourist industry. In New York, the 1938 State Constitution prohibited all gambling aside from horseracing. In 1957, New York added an exception for "charitable gambling" defined as card-based bingo or lotto games administered by and for the benefit of religious, charitable, or non-profit groups.¹³

State lotteries, which seem like an ordinary fact of life for Americans today, did not exist until the late 1960's and 1970's. In 1966, the NYS Constitution was amended to authorize a lottery, making New York the second state in the modern era to do so.¹⁴ The early years of the state lottery had little resemblance to the constant-drawing, high reward contests that exist today. In 1967, the New York lottery consisted of a monthly drawing with a top prize of \$100,000.¹⁵ The rapid spread of state lotteries following the establishment of the New York Lottery is seen as the first example of a "domino effect" pattern of gambling expansion – one state legalizes and begins to raise revenue, which then causes neighboring states to do the same so as not to "miss out" on the revenue.¹⁶ Today, New York State has the largest and most profitable lottery in North America with over \$7 billion in sales in 2011 (not counting the new racetrack video lottery terminals).¹⁷

In 1970, New York State established Off-Track Betting (OTB) for horse racing as a means of expanding the gambling revenue stream for the benefit of local governments and the horse industry.¹⁸ The state was divided into seven geographic OTB regions – Capital, Catskill, Nassau, New York City, Suffolk, and Western -- each administered by a separate corporation. Despite the rapid spread of lotteries and off-track betting around the nation during the 60's and 70's, no further moves were made during this time to expand the gambling industry in New York State.

In 1978, New Jersey became the second state in the nation to legalize casino gambling in an effort to revive the tourist industry of Atlantic City. Within a decade, a dozen casino resorts opened their doors and gambling revenues rose to nearly \$3 billion.¹⁹ After this initial boom, revenues in Atlantic City have been largely stagnant and the city is often pointed to as an example of the shortcomings of casino gambling as an economic development strategy.

1988 – Passage of Indian Gaming Regulatory Act fuels expansion of casino gambling nationwide

Casino gambling began its nationwide expansion when Congress passed the Indian Casino Gaming Regulatory Act (IGRA).²⁰ The 1988 IGRA enables American Indian tribes to engage in gambling operations on Indian lands but requires tribes to first negotiate detailed legal compacts with the states before full-scale casino gambling is permitted. More than 450 tribal casinos now operate in 29 states,²¹ generating over \$26 billion in revenue annually.²² But when evaluated as an economic development strategy intended to help lift Americans Indians out of poverty, the overall benefits of American Indian gaming are unclear.²³

In New York, Indian gaming began in the early 90's when Governor Mario Cuomo entered into a compact with the Oneida Indian Nation that permitted the opening of the Turning Stone Casino Resort²⁴, the state's first full-scale casino. A gambling compact with the St. Regis Mohawk tribe, located in far northern New York on the Canadian border, was also reached in the early 1990's. Nearby in Connecticut, Foxwoods and Mohegan Sun, two of the largest casinos in the world, also opened in the 1990's as part of the legalization of Indian gambling. New York State did not reach a compact with the state's largest tribe, the Seneca, until 2001.

Across the country, money in politics played a large role in the distribution of Indian gaming facilities, with tribes spending millions on lobbyists and campaign contributions to fight for federal recognition and against the spread of competing casinos to their markets. The notorious schemes of "Casino Jack" Abramoff in representing Indian gambling interests illustrate the extent to which influence peddling in the gambling industry can spiral out of control.²⁵

Moreover, the establishment of Indian gambling in 1988 signaled a newly tolerant and supportive attitude towards gambling by lawmakers around the country and triggered a rapid expansion of commercial gambling. In the decade following the passage of the IGRA, more than a dozen states legalized commercial casinos on riverboats and/or race tracks.²⁶ Riverboat gambling spread rapidly throughout the Midwest and Mississippi basin states in the early 1990's and racetrack "racino" gambling rapidly spread throughout the East Coast in the late 1990's and early 2000's. With both the riverboats of the Midwest and the racinos of the East, a "domino effect" pattern of gambling expansion triggered by neighboring states competing for revenues is evident.

Spread of Gambling in the United States

STATE	YEAR OF LEGALISATION	TYPE OF CASINOS
Nevada	1931	Full-scale casinos
New Jersey	1976	Full-scale casinos in Atlantic City
FEDERAL	1988	IGRA – casinos on Indian lands
South Dakota	1989	Full-scale casinos in Deadwood
Iowa	1989, 1994	Riverboat in 1989, racinos in 1994
Colorado	1990	Full-scale casinos in mining towns
Illinois	1990	Riverboat
Mississippi	1990	Riverboat, dockside
Louisiana	1991, 1994	Riverboat in 1991, racinos in 1994
Missouri	1992	Riverboat
Rhode Island	1992	VLT racinos
Indiana	1993, 2007	Riverboat casinos in 1993, racinos in 2007
Delaware	1994, 2011	VLT racinos in 1994, full gaming in 2011
West Virginia	1994, 2010	VLT racinos in 1994, full gaming in 2010
Michigan	1996	Full-scale casinos in Detroit
New Mexico	1997	VLT racinos
New York	2001	VLT racinos
Oklahoma	2004	VLT racinos
Maine	2004	VLT racinos
Pennsylvania	2004, 2010	VLT racinos in 2004, full gaming in 2010
Florida	2006	VLT racinos with poker rooms
Kansas	2007	State-owned full-scale casinos ²⁷
Maryland	2008, 2012	VLT racinos, full gaming in 2012

Gambling in New York State expanded beyond horse racing and the lottery in 2001 with Chapter 383 of the Laws of 2001. The legislation was introduced at the request of Governor George Pataki and authorized a gambling compact with the Seneca tribe for three full-scale casinos in Western New York, allowed for the legislature to authorize three potential future Catskills casinos, and allowed for the development of video lottery terminal (VLT) “racinos” at eight racetracks, as well as a multi-state lottery (Mega Millions).²⁸ In the New York legislature, these measures were claimed “necessary” to help raise revenues after the terrorist attacks of September 11, 2001.²⁹

2001-2010: Battles over control of racino and Indian gambling sites in New York

New York’s expansion of legalized gambling was controversial and led to a series of lawsuits. The New York Supreme Court declared VLTs unconstitutional in January, 2002.³⁰ The issue was re-litigated in 2004, and the Court ruled that VLTs were constitutional provided that their revenues go towards public education like the lottery’s rather than to horseracing.³¹ In April, 2005, Governor Pataki signed a law that would give 30% of VLT revenues to the horse tracks³² and it was upheld by the New York Court of Appeals. But before electronic slot gambling could be introduced for all of the licensed racetracks, New York State had to settle issues regarding the management of its largest tracks.

The three major thoroughbred racetracks in New York—Aqueduct Racetrack, Belmont Park, and Saratoga Race Course—had been owned and operated by the non-profit New York Racing Association (NYRA) since 1955.³³ In September 2003, New York State became concerned about NYRA’s money-handling practices³⁴ and in December 2003, NYRA was indicted for federal tax fraud.³⁵ The increasing uncertainty around the scandal-ridden NYRA prompted Governor Pataki and the New York legislature to solicit bids for a new operator to take over the three racetracks at the expiration of NYRA’s license in 2007.³⁶

While numerous tracks including Saratoga, Finger Lakes Racetrack, Yonkers Raceway, and Tioga Downs opened their lucrative VLT racino facilities by 2006, the bidding process for the rights to manage horseracing at Belmont, Saratoga, and Aqueduct became bogged down in the transition between Governors Pataki and Spitzer. In late 2006, Governor Pataki’s “Ad Hoc Committee on the Future of Racing” recommended that the NYRA license be transferred to Excelsior Racing Associates, a joint venture involving Steve Wynn, Steve Swindal (former NY Yankees partner), and Richard T. Fields (protégé of Donald Trump).³⁷ The rights to build a racino at Aqueduct, the most lucrative potential racino site, were initially included.

But in February 2007, newly elected Governor Elliot Spitzer threw out the Pataki recommendations and reorganized the entire process. Governor Spitzer established a separate

GAMBLING POLICY IN NEW YORK STATE: TIMELINE



1966

NY State Constitution amended to create NY State Lottery

1970

Off-track betting for horse racing is established



1988

Federal Govt. passes IGRA, legalizing gambling on Indian lands

1993

Gov. Mario Cuomo enters into gaming compact with St Regis Mohawk tribes

2001

Gov. George Pataki signs into law Chapter 383 of the Laws of 2001, entering gaming compact with the Seneca tribe, legalizing video lottery terminals at New York's eight horse racing tracks, and authorizing three potential casino developments in the Catskills.



2004

Racinos begin to open

2008

NYRA retains control of Aqueduct, Belmont, and Saratoga after bidding process, but rights to develop Aqueduct racino are still unresolved



2010

Rights to Aqueduct racino are awarded to Genting NY LLC, after two earlier rounds of failed bids. Genting opens "Resorts World NY" in 2011 and becomes the highest grossing slot parlor in the nation.



2012

Gov. Andrew Cuomo proposes a constitutional amendment to permit seven full-scale casinos to be located around the state. In March, the State Legislature passes the amendment, but it must still pass a second time and be approved by the voters.

Jan-March

2012

NY State takes over NYRA to restructure board of directors after scandal involving withholding winnings from bettors

May

2012

Gov. Cuomo's deal with Genting to expand Aqueduct into full-scale casino convention center involving complex falls apart. Competition for anticipated full-scale casino sites begins to intensify.

June



bidding process for the management of the three racetracks to take place prior to bidding for the rights to build the Aqueduct racino.³⁸ Rejecting Pataki's decision and establishing a new bidding process for the NYRA franchise triggered a flood of over \$2 million in lobbying and campaign contributions from the competing interests.

In 2008, Governor Spitzer rejected the bids for racetrack management by Excelsior and two other joint corporate ventures, Empire Racing Associates and Capital Play, in favor of sticking with a restructured NYRA with expanded state oversight.³⁹

After Governor Spitzer's scandal-induced resignation, bidding for the Aqueduct racino stalled even further. Governor Paterson oversaw three separate rounds of Aqueduct bidding until a successful choice was finally made. Like the NYRA selection process, the Aqueduct bidding triggered a multi-million dollar outpouring of political money as the competitors sought to win favor in Albany.

In 2008, Paterson awarded the site to a partnership led by Delaware North Companies but the deal fell apart in the wake of the financial crisis in March 2009.⁴⁰ In the second round of bidding, Governor Paterson selected Aqueduct Entertainment Group -- made up of The Navegante Group, a Las Vegas casino company, along with several local companies including Reverend Floyd Flake's Empowerment Development Corporation.⁴¹ The selection was heavily criticized due to the involvement of Reverend Flake, an influential Queens pastor and former congressman.⁴² Flake had previously expressed support for Paterson's then-rival candidate, Andrew Cuomo, but met with Paterson in a political capacity two days after his bid was selected.⁴³ In the wake of heavy criticism over possible corruption and favoritism, the state decided to reverse course, revoke AEG's bid, and hold a third round of bidding.

Finally in the third round, the Aqueduct racino was awarded to Genting New York, a subsidiary of Malaysian real estate and gambling giant Kien Huet.⁴⁴ Genting opened the Resorts World Casino at Aqueduct in October, 2011.⁴⁵

While various gambling and horseracing companies were fighting over racetracks and racinos, a separate New York casino battle continues to be waged in the Catskills.⁴⁶ In 1999, Westchester real estate developer Louis Cappelli acquired the site of the old Concord Hotel, a shuttered "borscht belt" resort in Sullivan County, NY.⁴⁷ After failing several times to start casino development in partnership with Empire Resorts (the owners of the Monticello Racino and controlled by Genting), Cappelli was forced to sign over 1,500 acres of the property to his lender, Entertainment Properties Trust, due to financial troubles.⁴⁸ Recently, Entertainment Properties Trust announced a partnership with Empire Resorts-Genting to develop a \$600 million resort and gambling complex at the site of the Concord, cutting Cappelli out of the deal.⁴⁹ Cappelli promptly sued the two companies, claiming that they conspired against him and broke federal anti-trust laws.⁵⁰ The future of the Concord Hotel site remains unclear.

Also in the Catskills, in 2010 Governor Patterson reached an agreement with the Stockbridge-Munsee Mohican American Indian Tribe from Wisconsin to build a resort-casino. The Stockbridge-

Munsee were backed by Trading Cove Associates, the deep-pocketed South African resort developers that lobbied for and funded the development of the Mohegan Sun Indian casino in Connecticut.⁵¹ Met with fierce criticism from the Seneca and Oneida as well as the racino interests, the Stockbridge-Munsee plan was ultimately rejected by the Federal Department of the Interior.⁵²

Yet another front in New York's current gambling expansion battle lies in Long Island where the newly recognized Shinnecock Indian Nation is aggressively lobbying to develop a full-scale casino with the backing of Gateway Casino Resorts LLC, a company owned by Marian Ilitch of Detroit. Ilitch and her partner Michael J. Malik run the MotorCity Casino Resort in Detroit and Ilitch's wealth comes from Little Caesar's Pizza.⁵³

2011 to Present –

Full Legalization: Expanding from Racinos to Full-Scale Vegas-Style Casinos

In addition to the desire to raise revenues, legalizing gambling at horseracing tracks is often justified as a much-needed economic subsidy to the horseracing industry. Faced with declining revenues and an aging customer base, the horseracing industry has aggressively lobbied for locating slot machines at the tracks as a means of financial rescue. In New York, the horseracing industry faced a particularly severe decline during the 1990's, losing more than half of its annual attendance.⁵⁴

The horseracing industry promotes itself an important factor in the rural agricultural economy as the primary driver of the horse breeding industry, which creates jobs and demand for agricultural products and services.⁵⁵ As a subsidy to the horse industry, casino gambling facilities at race tracks are certainly effective. In New York and in most states that have legalized racinos, roughly 10 to 12% of VLT revenues are allotted to the horseracing industry.⁵⁶ One study found that gross purses (the amount paid to the winners of horse races) at seventeen race tracks around the country more than doubled after VLT slot machines were added.⁵⁷

But a recent report by New York State Comptroller Thomas DiNapoli found that the addition of VLTs at New York racetracks has not reversed the decline in the popularity of horseracing.⁵⁸ Purses and economic rewards to the industry have increased from the VLTs but attendance continues to decline and there is "almost no overlap or synergy between the casino patrons and the horseracing patrons." The implication is that VLT revenue might be better spent elsewhere rather than used to subsidize a declining industry.

In recent years, numerous states that legalized VLT racinos in the 1990's and early 2000's have been moving to upgrade to full Las Vegas-style casinos. West Virginia and Pennsylvania both legalized full-scale casinos in 2010 and Delaware quickly followed suit. Most recently in 2012, the state of Maryland has followed the example of its neighbors and passed legislation to allow full-scale casino gambling at its five racetracks and an additional site on the waterfront in the suburbs of Washington DC.⁵⁹

Political money and gambling industry advocacy has played an important role in this steady state-by-state expansion towards full Las Vegas style gambling. In Pennsylvania, a study by Common Cause⁶⁰ found \$4.4 million in state campaign contributions from 2001-2008, including over \$1 million to Governor Ed Rendell. And in Maryland, another study by Common Cause found \$135,000 in gambling contributions from 2006 to 2011 to Governor Martin O'Malley⁶¹.

In January 2012, New York State moved to move to match its neighboring states in legalizing full scale gambling. In his State of the State address, Governor Cuomo proposed a constitutional amendment to allow full-scale commercial casinos⁶² and unveiled an agreement to have Genting build a 3.8 million square-foot convention center at the Aqueduct Racetrack in Queens in exchange for the rights to build an expanded full-scale casino.⁶³

On March 14th, 2012, a constitutional amendment to allow “no more than seven” full-scale casinos in New York State passed the State Assembly by a vote of 96-45 and the State Senate by a vote of 36-0. The amendment must pass the legislature a second time in 2013 and must then be put on the 2013 or 2014 ballot and passed as a referendum before it becomes law.

On June 1st, Governor Cuomo announced that the convention center-casino deal with Genting was off due to Genting's demands for exclusive rights to the New York City market.⁶⁴ Shortly thereafter, the *New York Times* reported that Genting and the New York Gaming Association (the association of racino owners) had contributed \$2.4 million to the Committee to Save New York, a group that closely allies itself with Governor Cuomo's initiatives.⁶⁵ The *Times* reported that Genting convention center idea “originated at a fund-raiser for Mr. Cuomo in Westchester County, where gambling executives from Genting presented to the governor a proposal for a convention center and casino complex at the Aqueduct racetrack in Queens.”⁶⁶ Though Genting's request for exclusive rights to a New York casino was denied, the company has not stopped pursuing an expanded casino at Aqueduct or the Concord Hotel project with Empire Resorts and Entertainment Properties Trust in the Catskills.⁶⁷

The *New York Times* also reported that Genting was instrumental in organizing gambling interests to make a full-scale lobbying push in Albany, and that the Cuomo administration encouraged them to donate to the Committee To Save New York instead of spending the money directly on an advertising campaign.⁶⁸ Soon after the Genting deal fell through and the information regarding the racinos' donations to the Committee to Save New York came to light, Governor Cuomo began to distance himself from personal involvement in the process, pledging to establish a “transparent” commission to oversee the selection of casino sites.⁶⁹

No matter who makes the final decisions on casino gambling, the stakes are very high for the competing interests battling for a place in the New York market. Indian tribes with existing casinos, the Seneca, Oneida, and St. Regis Mohawks, stand to lose if casinos are built too close to their existing facilities. Racinos and the horseracing industry stand to lose if new casinos are built apart from current racino facilities and/or built too close to racinos, and Genting stands to lose if the Shinnecock are allowed to build too close to Aqueduct. Major national gambling corporations

like Boyd Gaming, Caesars Entertainment, and MGM Resorts stand to win big if chosen for a casino development.

From 1988 to 2012, casino gambling revenue has grown from less than \$6 billion to over \$60 billion annually, with Las Vegas and Atlantic City now accounting for less than a fifth of the overall market.⁷⁰ Gambling is now among the most lucrative entertainment industries in the United States – its revenues are six times the total receipts of American movie theaters⁷¹ and on par with the revenues of the entire American sports industry.⁷²

With nearly every other major American city now within a short drive of a full-scale casino, New York is the last great prize for the gambling industry in North America.⁷³

As New York's gambling expansion begins to move through the legalization process, competition for Albany's favor through lobbying, political advertising, and campaign contributions is beginning to intensify.

“Stacking the Deck”: Campaign Contributions and Lobbying Expenditures of the Gambling Industry in NY

Since 2005, New York State government has faced numerous decisions on gambling policy, including the awarding of the NYRA racetrack franchise (control of Belmont, Aqueduct, and Saratoga), the awarding of the Aqueduct racino franchise, and the location and developer of a Catskills casino. For each one of these decisions, competing interests have flooded Albany with lobbyists and targeted campaign contributions to important officials. Moving forward from 2012, the passage of a constitutional amendment to allow full-scale casino gambling and the decisions of where to locate the seven full-scale casinos will increase the flows of political money even further.

With a total of nearly \$50 million in political money spent by the gambling industry in New York since 2005, it’s no surprise that the expansion of gambling has been met with little resistance by elected officials.

“High Rollers”: Top Gambling Interests Betting \$1 Million or More on New York State

More than 75% of the gambling industry political money identified in this report comes from the top eighteen corporations/organizations/tribes that spent in excess of \$1 million between 2005 and July 2012.

- 1. The Oneida Nation (\$3.5 million)** is a tribe of Iroquois Indians that owns a large casino, Turning Stone Resort, in Oneida County located roughly between Utica and Syracuse off the NY State Thruway. Turning Stone first opened in 1993 as a bingo hall and has since slowly expanded into a full-scale casino resort.⁷⁴ In 2005, the Oneidas spent over \$1.7 million on political advertising as part of a campaign to ensure to continued legality of Turning Stone, which was under scrutiny from the state and federal government regarding the proper status of its location as “Indian land.”
- 2. Empire Resorts (\$3.4 million)** is a publicly traded gambling and horseracing company that owns and operates the Monticello Casino and Raceway in Monticello, NY. Since 2009, it is majority controlled by Kien Haut,⁷⁵ the Malaysian parent company of Genting. Monticello was one of the first racinos to open in New York and grossed \$62.6 million in 2011.⁷⁶ Empire Resorts is also a member of the New York Gaming Association.⁷⁷ Expanded gambling in New York would potentially allow Empire Resorts to add a full-scale casino with human dealers to the already lucrative gambling component of its Monticello Racino, or could allow the company to transfer its gambling license to a newly developed Catskills resort. From 2005-2008, Empire Resorts was set to partner with Cappelli Enterprises to develop a casino at the site of the old Concord Hotel resort⁷⁸ but the plans were scuttled by the recession in 2009. With Genting taking a leading role,

Empire Resorts is now pursuing development at the site in partnership with Entertainment Properties Trust, a national real estate investment trust.⁷⁹

- 3. Delaware North Companies (\$3.3 million)** is one of the largest private corporations in America.⁸⁰ Owned by the Jacobs family of Buffalo (who also own the Boston Bruins NHL team) it is self-described as a “hospitality management company” and brings in more than \$2 billion in annual revenue.⁸¹ Delaware North owns gambling venues across the country⁸² including two upstate New York racinos: the Hamburg Casino at the Fairgrounds (Hamburg, NY) and the Finger Lakes Casino and Racetrack (Farmington, NY).⁸³ Together, Hamburg and Finger Lakes had over \$200 million in revenue in 2011.⁸⁴ Delaware North was intensely engaged in the Aqueduct racino bidding process, actually winning control of the site in 2008 before withdrawing over disagreements with the state in the wake of the financial crisis in March 2009.⁸⁵
- 4. New York Gaming Association (\$3.0 million)** is a lobbying group created in 2011 to support the interests of the state’s racino owners. Its members are the nine New York racinos: Batavia Downs Casino (Western Regional OTB), Empire City Casino (Yonkers Raceway Corp), Finger Lakes Casino (Delaware North), Hamburg Casino (Delaware North), Monticello Casino (Empire Resorts), Resorts World Casino (Genting), Saratoga Casino (Saratoga Harness Racing), Tioga Downs Casino (American Racing), and Vernon Downs Casino (American Racing). The New York Gaming Association is aggressively supporting expansion of gambling in New York State and wants to ensure that the racinos secure the seven full-scale casino sites proposed in the constitutional amendment.⁸⁶ Veteran Albany lobbyist and Saratoga Casino part-owner James Featherstonhaugh is leading the organization’s efforts.⁸⁷ The NYGA has stepped up its contributions in 2012, giving over \$250,000 through the first half of the year almost entirely to members of the State Legislature.
- 5. New York Racing Association (\$3.0 million)** is the non-profit corporation that operates the three largest thoroughbred horseracing tracks in the New York State: Aqueduct in Jamaica, Queens, Belmont Park just across the Queens-Nassau border in Elmont, and the Saratoga Race Course in upstate Saratoga Springs. Historically scandal-ridden, NYRA was indicted for federal tax fraud in 2003⁸⁸ amidst concurrent concerns about NYRA’s money-handling controls and the accuracy of their VLTs.⁸⁹ After the 2003 indictment, NYRA restructured their management team to include expanded state oversight.⁹⁰ In 2008, Governor Spitzer renewed NYRA’s operation of racing at Aqueduct, Belmont, and Saratoga in exchange for the organization’s giving up their contested ownership of the racetracks.⁹¹ In March of 2012, NYRA was forced to appoint a new President and CEO after the NYS Racing and Wagering Board suggested that they knowingly withheld \$8.5 million from winning bets over a 15 month period beginning in September 2010 and hid the information from the public.⁹² Later that month, Governor Cuomo took control of NYRA; it is now run by a 17-member “turn-around” board, which includes elected members of the state legislature, appointees chosen by the governor and representatives of NYRA and the horseracing industry.⁹³
- 6. Seneca Nation of Indians (\$2.6 million)** is a tribe of Iroquois Indians that owns three casinos in Western NY – the Seneca Niagara (built in 2002, financed by Genting’s parent company Kien Huat), the Seneca Buffalo Creek, and the Seneca Allegheny. Seneca had over \$600 million in gambling revenues for 2011⁹⁴ and is actively planning expansion

and improvement of its facilities. The Seneca were the largest of the “five nations” of the Iroquois League during the colonial era. The Seneca have been busy ramping up opposition to any expansion of gambling in Western New York, where it asserts it has an exclusivity agreement with the state.⁹⁵ Recently the Senecas have ramped up their lobbying⁹⁶ and launched the “Senecas Mean Business” advertising campaign.⁹⁷

7. **Cappelli Enterprises (\$2.5 million)** is a private real estate company owned by Louis Cappelli. **Concord Associates LP** is Cappelli’s subsidiary created for the development of the Concord Hotel site in the Catskills (\$2.5 million includes both Cappelli and Concord). In 2005, Cappelli’s Catskills venture, Concord Associates LP, was set to merge with Empire Resorts to pursue a casino on the Concord property but the merger was called off in 2006.⁹⁸ Cappelli again tried to partner with Empire in an agreement announced in February 2008 to pursue joint casino development⁹⁹ but it was scuttled by the recession. In 2009-2010, Cappelli was in financial trouble with developments in Westchester County and used the Concord property to settle with his lender – Entertainment Properties Trust. Cappelli transferred control of 1,500 acres of the property to Entertainment Properties Trust and kept control of 140 acres, with a two-year option to reacquire the whole property for \$143 million.¹⁰⁰ Recently, Entertainment Properties Trust announced a partnership with Kien Huat, the Malaysian company that owns Genting and Empire Resorts, to develop a \$600 million resort and gambling complex at the site of the Concord, cutting Cappelli out of the picture.¹⁰¹ Cappelli promptly sued the two companies, claiming that they conspired against him and broke federal anti-trust laws.¹⁰²
8. **Genting New York (\$2.4 million)** is a subsidiary of Genting Berhad, one of the four companies of Genting Group, a multinational resort, entertainment, and gambling conglomerate. Genting’s parent company is Kien Haut, owned by Malaysian billionaire LT Kim.¹⁰³ Genting entered the New York gambling market in October, 2011 with the opening the Resorts World racino at the Aqueduct Racetrack with 5000 VLTs.¹⁰⁴ Since opening, Resorts World has been reliably generating more than \$50 million in revenue each month.¹⁰⁵ Since winning the bid for the Aqueduct site in 2010, Genting has been ramping up its lobbying and campaign contributions – all of the nearly \$2.4 million in lobbying and contributions shown here is since late 2010. Although Genting’s deal with Governor Cuomo for expanding Resorts World into giant casino-convention center complex fell through in June,¹⁰⁶the company continues to fight for a prominent place in New York’s casino expansion. Genting’s parent company, Kien Huat, also has majority control of Empire Resorts (owner of Monticello Racino) and is pursuing a Catskills casino. Kien Huat has previously financed Foxwoods Casino in Connecticut and the construction of the Seneca Niagara casino in Western NY in 2002.¹⁰⁷
9. **GTECH Corporation (\$1.9 million)** is an international gambling “technology and services” company based in Rhode Island that manages state lotteries across the U.S. (including the New York State lottery) and sells electronic gambling machines in 25 U.S. states through their subsidiary SPIELO International.¹⁰⁸ GTECH certainly stands to gain from the additional electronic gambling stations that would be needed for new casinos in New York. Historically, the company has been noted to have questionable contract practices according to a July, 2006 report from the Texas Department of Public Safety, and has been accused of bribery or corruption multiple times.¹⁰⁹

- 10. Shinnecock Indian Nation (\$1.8 million)** is a federally recognized Indian tribe based in Suffolk County, Long Island. The Shinnecock did not gain federal recognition until 2010, after a 32 year campaign¹¹⁰. The federal recognition gives the tribe the right to build a VLT casino on its 800 acre reservation in Southhampton, but the local residents and politicians are overwhelmingly opposed to a casino in the Hamptons. State officials have made attempts to structure a deal to build the Shinnecock casino elsewhere but the efforts are complicated by complex federal law regarding off-reservation Indian casinos. The Shinnecock are anxious to work out a deal to build a casino on Long Island – the Belmont Park location has been floated before -- but Governor Cuomo prefers to wait until after the constitutional amendment is passed and the Shinnecock talks can be part of the comprehensive allocation of the licenses throughout the state.¹¹¹ The **Shinnecoaks' financial partner is Gateway Casino Resorts LLC**,¹¹² a company owned by Marian Ilitch of Detroit. Ilitch and her partner Michael J. Malik own the MotorCity Casino resort in Detroit. Ilitch's wealth comes from Little Caesar's Pizza.¹¹³ Michael J. Malik has been convicted of giving out campaign contributions in other states without the proper disclosure as the Gateway Resorts LLC is pursuing numerous Indian casino opportunities around the country.¹¹⁴ Governor Cuomo and State Senators Craig Johnson and Jeff Klein refunded Malik contributions in 2011 as a result of the controversies.
- 11. SL Green Realty Corp (\$1.7 million)** is a publicly traded company focused primarily on acquiring and managing Manhattan commercial properties, owning interests in sixty five properties totaling more than 38.7 million square feet.¹¹⁵ They were part of the unsuccessful Empire Racing Associates bid for the Aqueduct Racino in 2008. SL Green tried to bid for Aqueduct again in 2009-2010, partnering with the Hard Rock Café along with Canadian banking firm Clairvest.¹¹⁶ That bid was disqualified for not complying with not complying with the rules of the bidding process.¹¹⁷ SL Green continues to retain a lobbyist on “regulatory and legislative issues pertaining to racing and wagering,” suggesting that they are still interested in potential casino development.
- 12. Yonkers Raceway Corporation (\$1.6 million)** is a private company that owns and operates the **Empire City Casino** with its 5,300 VLT slot machines.¹¹⁸ Empire City brought in over \$600 million in revenues in 2011¹¹⁹ and is far more lucrative than the harness horseracing that continues to take place at Yonkers Raceway. Empire City underwent a \$40 million expansion in 2011 to prepare for the competition from Resorts World.¹²⁰ The company has publicly expressed support for Cuomo's plan to expand New York gambling, and is seeking approval to open a full-scale casino and convention center if the amendment passes.¹²¹ Yonkers Raceway is owned by the Rooney family – the five sons of Arthur Rooney, the founding owner of the Pittsburgh Steelers¹²². While Dan Rooney continues to operate the Steelers, Timothy Rooney oversees Yonkers Raceway's activities. The Rooney family also owns the Palm Beach Kennel Club, a greyhound racing track with a poker room in Florida.
- 13. Trading Cove NY LLC (\$1.5 million)** is the New York based subsidiary of Trading Cove Associates – a partnership between two South African resort developers, Sol Kerzner of Sun International and Len Wolman of the Waterford Group.¹²³ In the early 1990's, Trading Cover Associates provided funding and lobbying for the development of the Mohegan Sun casino in Connecticut. In late 2010, Governor David Paterson made a surprise announcement that the state would support the development of a Catskills casino by the **Stockbridge-Munsee tribe of Wisconsin**, a tribe that traces its lineage back to

New York.¹²⁴ Trading Cove Associates was revealed as the force behind the Stockbridge Munsee proposal, spending over \$1.4 million on lobbying New York State officials and making over \$60,000 in campaign contributions to key officials like Governor Paterson, the Senate Republicans, and local Sullivan County officials and committees. Greeted with fierce opposition from the Senecas and Oneidas as well as the racino interests¹²⁵, the Stockbridge Munsee deal fell apart in 2011 when the application was rejected by the federal Department of the Interior¹²⁶.

- 14. Oneida Tribe of Indians of Wisconsin (\$1.4 million)** are descendants of the Oneida Indians that were forcibly relocated to Wisconsin during the 19th century. In 2004-2005 the Wisconsin Oneidas attempted to win the right to build a Catskills casino, heavily lobbying New York State officials and engaged in a long-running dispute with the New York Oneidas in the process.¹²⁷
- 15. Saratoga Harness Racing (\$1.3 million)** is the private corporation that owns the Saratoga Casino and Raceway in Saratoga, NY. The corporation has also recently expanded into the Colorado gambling market.¹²⁸ The Saratoga racino was the first electronic gambling property to open in New York, and has over 1,000 electronic games.¹²⁹ The racino brought in nearly \$156 million in revenues in 2011¹³⁰ In January 2012, Saratoga Harness Racing announced plans for a \$40 million expansion to the Saratoga racino, which would add 15,000 square-feet to the complex for table games like blackjack, roulette and craps if Cuomo's amendment is passed.¹³¹ Saratoga Harness Racing is a member of the New York Gaming Association, and is owned in part by NYGA President James Featherstonhaugh.¹³²
- 16. Capital Play Limited (\$1.2 million)** was a consortium of Australian horseracing operators and American investors¹³³ that unsuccessfully bid for the NYRA franchise and Aqueduct racino rights.
- 17. American Racing and Entertainment (\$1.2 million)** is a private company that operates horseracing, resort, and gaming facilities in the United States. The company owns Tioga Downs and Vernon Downs, two upstate New York racinos with over 700 video gambling machines each and a combined \$103 million in revenue in 2011.¹³⁴ Both are members of the New York Gaming Association.¹³⁵ Jeffrey Gural is the principal owner and is an enthusiastic supporter of the constitutional amendment to expand gambling, hoping to expand both Tioga and Vernon Downs into full-scale casinos.¹³⁶ Gural is also the Chairman of Newmark Knight Frank, a large and powerful real estate firm in New York City. Over \$650,000 of the campaign contributions connected to American Racing and Entertainment in this analysis come from Jeffrey Gural and his wife Paula as individual donors.
- 18. Nassau Regional OTB (\$1.0 million)** is one of six public off-track betting corporations formed by New York State in the 1970's. The OTB corporations have come under severe fiscal strain in recent years due to a declining customer base.¹³⁷ NYC OTB closed down in late 2010 and the remaining five OTBs have been advocating for restructuring the revenue sharing agreements with the horseracing tracks and angling for possible entry into the New York City market¹³⁸.

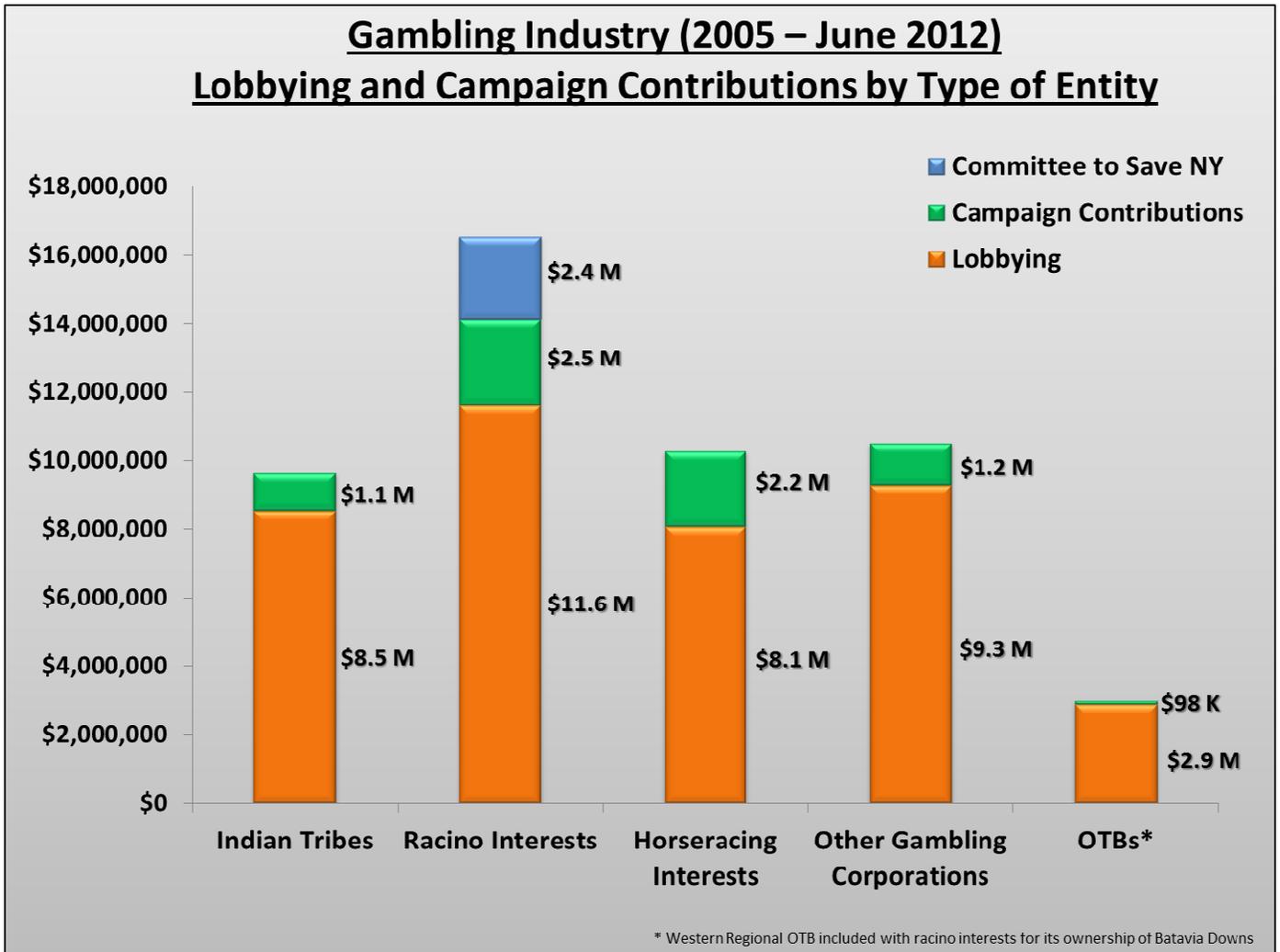
Gambling/Horseracing Industry Political Money: 2005 – July 2012

Corporation/Organization	TOTAL	Lobbying	Campaign Contributions
1. ONEIDA INDIAN NATION	\$3,515,737.33	\$3,258,252.00	\$257,485.33
2. EMPIRE RESORTS / MONTICELLO RACEWAY	\$3,406,315.00	\$3,259,505.00	\$146,810.00
3. DELAWARE NORTH COMPANIES	\$3,279,238.00	\$2,781,352.00	\$497,886.00 ¹³⁹
4. NEW YORK GAMING ASSOCIATION	\$3,022,925.58	\$673,919.00	\$349,006.58 + \$2,000,000.00 to Committee to Save NY
5. NEW YORK RACING ASSOCIATION (NYRA)	\$3,014,530.52	\$2,124,067.00	\$890,463.52
6. SENECA NATION OF INDIANS	\$2,605,614.00	\$1,878,509.00	\$727,105.00
7. CAPPELLI ENTERPRISES / CONCORD ASSOCIATES LP	\$2,540,470.40	\$2,104,764.00	\$435,706.40
8. GENTING NEW YORK	\$2,377,309.00	\$1,828,059.00	\$149,250.00 + \$400,000.00 to Committee to Save NY
9. GTECH CORPORATION	\$1,852,604.00	\$1,721,074.00	\$131,530.00
10. SHINNECOCK NATION GAMING AUTHORITY	\$1,763,909.00	\$1,763,909.00	\$0.00
11. SL GREEN	\$1,738,849.00	\$1,321,949.00	\$416,900.00 ¹⁴⁰
12. YONKERS RACEWAY / EMPIRE CITY CASINO	\$1,611,737.49	\$1,365,560.00	\$246,177.49
13. TRADING COVE NY LLC	\$1,520,924.00	\$1,470,374.00	\$60,550.00
14. ONEIDA TRIBE OF INDIANS OF WISCONSIN	\$1,353,856.00	\$1,353,856.00	\$0.00
15. SARATOGA HARNESS RACING / SARATOGA GAMING RESOURCES	\$1,265,510.00	\$867,619.00	\$397,891.00
16. CAPITAL PLAY LIMITED	\$1,204,227.00	\$1,194,227.00	\$10,000.00
17. AMERICAN RACING & ENTERTAINMENT / TIOGA DOWNS / MID-STATE RACEWAY	\$1,163,950.00	\$423,450.00	\$740,500.00
18. NASSAU REGIONAL OTB	\$1,048,393.00	\$1,048,393.00	\$0.00
19. MAGNA ENTERTAINMENT	\$893,826.00	\$887,326.00	\$6,500.00
20. NY THOROUGHBRED BREEDERS (THOROPAC)	\$852,524.00	\$424,910.00	\$427,614.00
21. EMPIRE RACING ASSOCIATES	\$831,959.00	\$776,459.00	\$55,500.00
22. NEW YORK THOROUGHBRED HORSEMAN'S ASSN (NYTHA)	\$809,353.00	\$774,803.00	\$34,550.00
23. STANDARD BRED OWNERS ASSOCIATION	\$744,213.00	\$695,839.00	\$48,374.00
24. CATSKILL OFF-TRACK BETTING	\$732,856.00	\$732,856.00	\$0.00

Corporation/Organization	TOTAL	Lobbying	Campaign Contributions
25. EXCELSIOR RACING ASSOCIATES	\$691,908.00	\$403,329.00	\$288,579.00
26. SCIENTIFIC GAMES CORPORATION	\$664,174.00	\$664,174.00	\$0.00
27. CAPITAL DISTRICT REGIONAL OTB	\$653,580.00	\$653,580.00	\$0.00
28. AQUEDUCT ENTERTAINMENT GROUP	\$483,686.00	\$483,686.00	\$0.00
29. WESTERN REGIONAL OTB	\$396,096.00	\$396,096.00	\$0.00
30. CATSKILL GAMING PROJECT	\$366,405.00	\$366,405.00	\$0.00
31. FINGER LAKES HBPA	\$345,465.00	\$345,465.00	\$0.00
32. ST REGIS MOHAWKS	\$330,736.00	\$225,946.00	\$104,790.00
33. NYC OTB -- INCLUDING OTB EMPLOYEES LOCAL 2021 AFSCME	\$288,160.00	\$190,000.00	\$98,160.00
34. SUFFOLK REGIONAL OTB	\$272,274.00	\$272,274.00	\$0.00
35. CHURCHILL DOWNS	\$210,101.00	\$202,101.00	\$8,000.00
36. GATEWAY CASINO RESORTS LLC	\$199,494.00	\$189,494.00	\$10,000.00
37. SHUFFLE MASTER	\$185,998.00	\$183,498.00	\$2,500.00
38. FRIENDS OF NEW YORK RACING PAC	\$182,857.00	\$148,507.00	\$34,350.00
39. HARBINGER CAPITAL PARTNERS	\$169,992.64	\$29,867.00	\$140,125.64
40. BLUE CHIP FARMS LLC	\$128,228.00	\$105,028.00	\$23,200.00
41. US DIGITAL GAMING	\$122,500.00	\$122,500.00	\$0.00
42. MGM RESORTS	\$109,686.00	\$109,686.00	\$0.00
43. WHITNEY INDUSTRIES	\$96,068.02	\$0.00	\$96,068.02
44. HARRAH'S OPERATING COMPANY, INC.	\$87,500.00	\$83,500.00	\$4,000.00
45. THOROUGHBRED HORSEMEN OF WESTERN NY	\$85,200.00	\$0.00	\$85,200.00
46. PENN NATIONAL GAMING	\$81,952.00	\$81,952.00	\$0.00
47. WESTERN MOHEGAN TRIBE AND NATION ¹⁴¹	\$73,438.00	\$73,438.00	\$0.00
48. Assorted Kentucky Horse Breeders ¹⁴²	\$72,801.20	\$0.00	\$72,801.20
49. STOCKBRIDGE MUNSEE COMMUNITY	\$67,036.00	\$66,536.00	\$500.00
50. WYNN RESORTS LTD	\$60,000.00	\$60,000.00	\$0.00
51. PEBBLES CORPORATION	\$53,950.00	\$45,000.00	\$8,950.00
52. RACING & GAMING SERVICES INC	\$50,304.00	\$50,304.00	\$0.00
53. CAESARS ENTERTAINMENT	\$48,750.00	\$46,500.00	\$2,250.00
54. BOYD GAMING	\$40,645.00	\$40,645.00	\$0.00
55. MOHEGAN SUN	\$22,500.00	\$22,500.00	\$0.00
56. BAY MEADOWS LAND COMPANY, LLC	\$12,550.00	\$0.00	\$12,550.00
57. HOLLYWOOD PARK LAND COMPANY, LLC	\$12,550.00	\$0.00	\$12,550.00

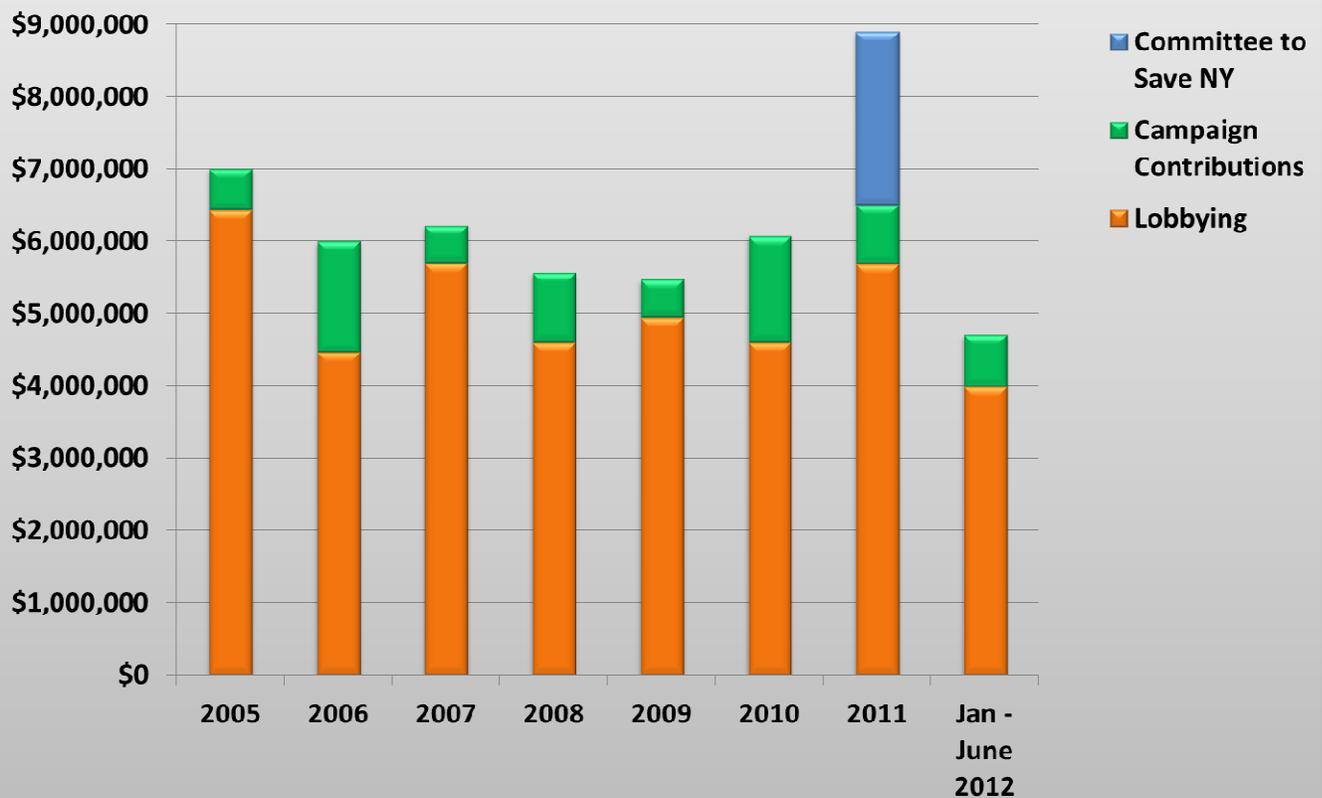
Corporation/Organization	TOTAL	Lobbying	Campaign Contributions
58. HARNESS HORSE ASSOCIATION OF CENTRAL NY	\$11,325.00	\$0.00	\$11,325.00
59. W. NY HARNESS HORSEMEN'S ASSOC. INC.	\$10,100.00	\$0.00	\$10,100.00
60. CONTESSA RACING INC.	\$9,250.00	\$0.00	\$9,250.00
61. SKYHOOK FARM	\$8,250.00	\$0.00	\$8,250.00
62. BUFFALO TROTTING ASSOCIATION	\$7,704.00	\$0.00	\$7,704.00
63. HARNESS HORSE BREEDERS OF NYS	\$6,032.00	\$0.00	\$6,032.00
64. MCMAHON OF SARATOGA THOROUGHBREDS, LLC	\$5,550.00	\$0.00	\$5,550.00
65. BALLY'S LAS VEGAS/PARIS	\$5,000.00	\$0.00	\$5,000.00
66. CAESARS PALACE, INC.	\$5,000.00	\$0.00	\$5,000.00
67. GULFSTREAM PARK RACING ASSOCIATION INC.	\$5,000.00	\$0.00	\$5,000.00
68. NATIONAL THOROUGHBRED RACING ASSOCIATION (NTRA)	\$5,000.00	\$0.00	\$5,000.00
69. RESORTS INTERNATIONAL HOLDINGS, LLC	\$5,000.00	\$0.00	\$5,000.00
70. SARATOGA HARNESS HORSEPERSON'S ASSOCIATION	\$4,100.00	\$0.00	\$4,100.00
71. MONTICELLO HARNESS HORSEMEN'S ASSN. INC.	\$3,170.00	\$0.00	\$3,170.00
72. SACKATOGA STABLE	\$3,050.00	\$0.00	\$3,050.00
73. PRIME AT SARATOGA NATIONAL	\$2,454.40	\$0.00	\$2,454.40
74. WALDORF FARM LLC	\$2,300.00	\$0.00	\$2,300.00
75. PROFESSIONAL THOROUGHBRED TRAINING, INC.	\$2,050.00	\$0.00	\$2,050.00
76. ENTERTAINMENT PROPERTIES TRUST	\$2,000.00	\$0.00	\$2,000.00
77. THREE CHIMNEYS	\$2,000.00	\$0.00	\$2,000.00
78. OAK TREE RACING ASSOCIATION	\$1,000.00	\$0.00	\$1,000.00
79. WEST POINT THOROUGHBREDS	\$1,000.00	\$0.00	\$1,000.00
80. HORSE RACING PROPERTIES INTERNATIONAL LLC	\$500.00	\$0.00	\$500.00
81. KIARAN MCLAUGHLIN RACING STABLES INC.	\$500.00	\$0.00	\$500.00
82. STATION CASINOS	\$500.00	\$0.00	\$500.00
83. TRI-NOBLE STABLES	\$250.00	\$0.00	\$250.00
84. CASTLE VILLAGE FARM	\$100.00	\$0.00	\$100.00
85. EDITION FARM	\$100.00	\$0.00	\$100.00
86. HARNESS RACE ASSN.	\$100.00	\$0.00	\$100.00

Looking at the big picture of gambling industry lobbying and donations since 2005, the racino interests as a group are significantly outspending their competitors, especially if considered alongside their bedfellows, the horseracing industry groups.



With more than \$9 million spent each election cycle on lobbying and \$1.5 million on contributions, the gambling industry plays an outsized role in Albany politics compared to its significance to the state's economy. For comparison, New York's entire banking and financial services sector spends roughly \$16 million on lobbying each election cycle,¹⁴³ and corporate donations from the state's entire energy industry amounted to \$1.4 million in the 2010 cycle.¹⁴⁴ Each of these economic sectors is hundreds of times larger than the gambling/horseracing industry.

Gambling Industry: Lobbying and Campaign Contributions by Year



In 2012, the gambling industry is on pace to spend more political money than in any prior year, with nearly \$4 million spent on lobbying and over \$700,000 in campaign contributions through the first half of the year. Large national gambling corporations like Caesars Entertainment, Boyd Gaming, and MGM Resorts are beginning to monitor the state's gambling expansion through lobbying and are likely to get more involved as the expansion grows closer and the fight for the seven casino licenses begins in earnest. We suspect that this is only the beginning of what will be a sharply increasing amount of political money spent by the gambling industry in New York.

Top 20 Gambling Industry Lobbyists: 2005 – June 2012

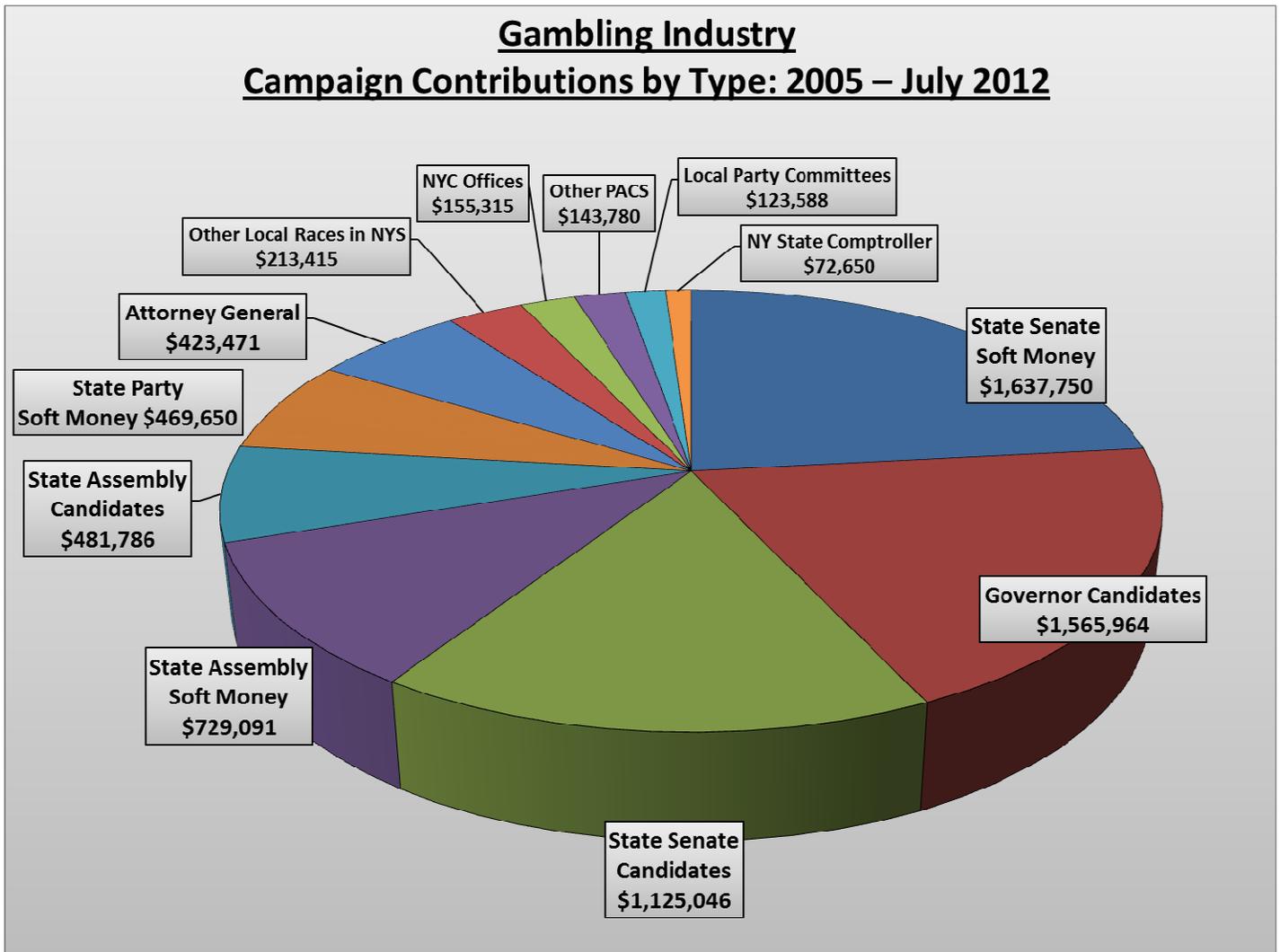
Lobbyist	Total
PATRICIA LYNCH ASSOCIATES	\$4,226,669.00
FEATHERSTONHAUGH, WILEY & CLYNE, LLP	\$2,939,777.00
MEARA AVELLA DICKINSON, LLC	\$2,491,360.00
WILSON ELSEER MOSKOWITZ EDELMAN & DICKER, LLP	\$1,943,651.00
CRANE CONSULTING GROUP, LLC	\$1,943,519.00
MERCURY PUBLIC AFFAIRS	\$1,884,507.00
BUYING TIME, LLC	\$1,787,722.00
BROWN & WEINRAUB / BROWN MCMAHON & WEINRAUB PLCC	\$1,334,351.00
BOLTON ST JOHNS, LLC	\$1,316,845.00
HINMAN STRAUB P.C.	\$1,073,818.00
PARK STRATEGIES, LLC	\$1,027,494.00
DELBELLO DONNELLAN WEINGARTEN WISE & WIEDERKEHR, LLP	\$978,580.00
KASIRER CONSULTING	\$944,000.00
CORDO & COMPANY, LLC	\$915,610.00
EMPIRE STRATEGIC PLANNING	\$811,167.00
EMPIRE RESORTS, INC.	\$807,127.00
WHITEMAN OSTERMAN & HANNA LLP	\$780,208.00
YOSWEIN NEW YORK INC.	\$695,839.00
POWERS & COMPANY	\$678,998.00
GAMING ASSOCIATION, INC. (NEW YORK)	\$673,919.00

Of the top lobbyists representing the gambling industry from 2005 through June 2012, many are names that routinely appear among New York’s top overall lobbyists. Patricia Lynch Associates, Wilson Elser Moskowitz Edelman & Dicker, Bolton St. Johns, Hinman Straub, and Kasirer Consulting each regularly place among the top ten lobbyists in the state. As a percentage of their overall revenues, Featherstonhaugh, Wiley, & Clyne, and Meara Avella Dickinson LLC have the most significant stake in the industry. James Featherstonhaugh, who also serves as President of the NY Gaming Association and is part owner of Saratoga, is an especially important figure with close ties to the Cuomo family. “Feathers,” as he is known in Albany, is leading the coordinated efforts of the horseracing and racino interests.¹⁴⁵

Like other major lobbying clients in New York, the top spending gambling interests tend to hire multiple lobbying firms at once. In 2010 alone, Delaware North retained seven separate lobbying firms. In the first half of 2012, Genting retained six separate lobbying firms at once. New York lobbyists appear to recognize the conflict of interest that would occur by representing one of the state’s Indian tribes at the same time as a commercial gambling interest and have avoided doing so since 2007.

Spreading Gambling Money Around

Gambling industry donors are active in races all across New York State but contributions are heavily concentrated to Governors and the leadership of the State Legislature who hold the crucial levers of policy.



Campaign Contributions to Gubernatorial Candidates

Candidates for Governor of New York received nearly \$1.57 million from the gambling industry from 2005 to July 2012, with Andrew Cuomo receiving the highest amount at nearly \$716,000. Gubernatorial contributions are overwhelmingly concentrated to the three Democratic governors who oversaw gambling expansion policy decisions during this period. Governor Spitzer received much of his nearly \$600,000 from interests involved in the NYRA franchise bidding. On a single day in 2006, Spitzer received \$200,000 in donations from four LLC's connected to lead Excelsior Racing investor Richard T. Fields.

Republican candidates that were widely perceived to have very little chance of winning (Faso, Weld, Lazio, Paladino) received little or zero industry money, a pattern also seen in other Common Cause/NY analyses of interest group spending.

<u>Candidate</u>	<u>Gambling Industry Campaign Donations</u>	<u>Party</u>	<u>Cycle(s)</u>	<u>Position/Involvement with Gambling Legislation</u>
ANDREW CUOMO	\$715,959.28	DEM	2010-2014	Strong supporter of gambling expansion and establishing seven full-scale commercial casinos
ELIOT SPITZER	\$593,830.20	DEM	2006-2010	Governor during selection of operator for Aqueduct, Belmont, Saratoga NYRA franchise
DAVID PATERSON	\$204,150.00	DEM	2010	Governor during selection of Aqueduct racino franchise, Stockbridge-Munsee Catskills plan
JOHN FASO	\$28,925.00	REP	2006	
GEORGE PATAKI	\$21,250.00	REP	2006	Supporter of 2001 legalization of racinos, donations here are only from 2005, final year of office with no re-election campaign
WILLIAM WELD	\$1,000.00	REP	2006	
RICK LAZIO	\$850.00	REP	2010	
CARL PALADINO	\$0.00	REP	2010	

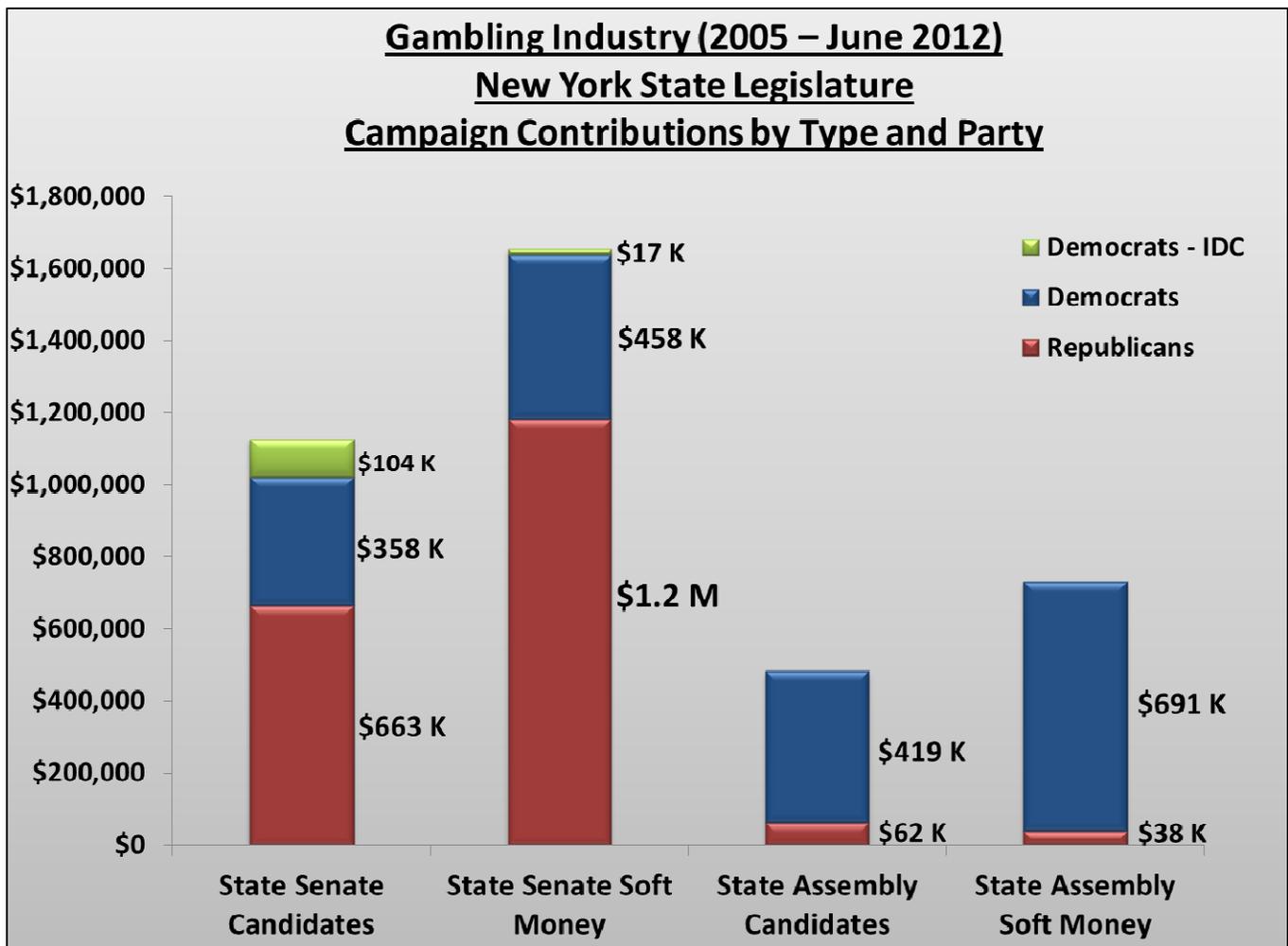
The concentration of money in gubernatorial races reflects the sky-high contribution limits for statewide offices in New York State. Donors are free to give up to \$60,800 in a single year to candidates for Governor, Attorney General, and Comptroller, one of the least restrictive limits in

the nation.¹⁴⁶ And this limit can be easily avoided by using the LLC loophole, as the donations by Richard T. Fields demonstrate.

Campaign Contributions to the State Legislature

More than half of all gambling and horseracing industry donations – \$3.9 million – went to the candidates and committees of the State Legislature. Of this sum, nearly \$2.4 million went to the State Legislature’s “soft money” accounts controlled by the party leadership, with over \$1.6 million split between Senate Republicans and Democrats and over \$700,000 going almost entirely to Assembly Democrats. In New York State, these soft money accounts have no limits at all on the size of individual contributions

Not surprisingly, soft money donations are concentrated towards the party holding the majority. While in the majority during 2009-2010, Senate Democrats received significant soft money donations, but Republicans overall received more than twice the Democrats’ sum since 2005. In the Assembly, almost all the soft money donations from the gambling industry went to the Democrats who hold a commanding majority in that chamber.



Top State Senate Recipients of Gambling Industry Contributions

In both the State Senate and Assembly, gambling money is concentrated in the party leadership, the leaders of key committees, and to legislators with racetracks and racinos in their districts.

<u>Top 10 State Senators</u>	<u>Gambling Industry Campaign Donations</u>	<u>Party</u>	<u>District</u>	<u>Location</u>	<u>Committees & Key Positions</u>
ERIC ADAMS	\$95,243.02	DEM	20	Brooklyn	Racing, Gaming and Wagering (former Chair in 2009-2010)
JEFF KLEIN	\$82,500.00	DEM - IDC	34	Bronx, Westchester	Chair of Alcoholism and Drug Abuse, IDC Leader Sponsored 2009 bill to allow electronic table games ¹⁴⁷ .
THOMAS LIBOUS	\$81,750.00	REP	52	Binghamton area	Deputy Majority Leader Tioga Downs in district
JOHN BONACIC	\$80,166.58	REP	42	Catskills	Chair of Racing, Gaming and Wagering (2011-Present), sponsor of constitutional amendment to expand gambling
JOSEPH BRUNO	\$70,950.00	REP	43	Saratoga area	Former Majority Leader (1994-2008) Saratoga racino in district
TIMOTHY KENNEDY	\$58,100.00	DEM	58	Buffalo area	Select Committee on State-Native American Relations, Hamburg racino in district
MICHAEL NOZZOLIO	\$52,180.00	REP	54	Finger Lakes	Racing, Gaming and Wagering Finger Lakes racino in district
GEORGE MAZIARZ	\$45,050.00	REP	62	Niagara Falls area	Chair of Select Committee on State-Native American Relations Seneca Niagara casino in district
DEAN SKELOS	\$42,500.00	REP	9	Nassau	Majority Leader
ROY MCDONALD	\$31,704.40	REP	43	Saratoga area	Racing, Gaming and Wagering Saratoga racino in district

Top State Assembly Recipients of Gambling Industry Contributions

<u>Top 10 Assembly Members</u>	<u>Gambling Industry Campaign Donations</u>	<u>Party</u>	<u>District</u>	<u>Location</u>	<u>Committees & Key Positions</u>
JAMES GARY PRETLOW	\$102,750.00	DEM	87	Mount Vernon-Yonkers	Chair of Racing and Wagering, sponsor of constitutional amendment to expand gambling
RICHARD BRODSKY	\$50,092.49	DEM	92	Westchester	Former Chair of Committee on Corporations, Authorities and Commissions, was a vocal opponent of gambling
SHELDON SILVER	\$33,050.00	DEM	64	Manhattan	Speaker of the Assembly
KEITH L.T. WRIGHT	\$15,000.00	DEM	70	Manhattan	Chair of NY County Democratic Party, Co-Chair of NY State Democratic Party
MIKE SPANO	\$12,649.00	DEM	93	Yonkers	Current Mayor of Yonkers, formerly Assembly Racing and Wagering
PHIL GOLDFEDER	\$11,700.00	DEM	23	Ozone Park, Rockaways (Queens)	Racing and Wagering, Aqueduct racetrack and casino in district
JOE MORELLE	\$9,900.00	DEM	132	Monroe County (Rochester)	Economic Development, reportedly in consideration to be next Majority Leader
JOE ERRIGO	\$9,000.00	REP	130	Livingston, Monroe, and Ontario Counties	Formerly on Racing and Wagering, Finger Lakes racino in district
FRANCINE DELMONTE	\$7,650.00	DEM	138	Niagara County	Formerly on Racing and Wagering, Seneca Niagara casino in district
DENNIS GABRYSZAK	\$7,485.00	DEM	143	Erie County	Economic Development

Among all the state legislators, James Gary Pretlow, the Chair of the Assembly Racing & Wagering Committee, stands out. Pretlow has received more money from gambling interests than any other state legislator and it is very unusual to find an Assembly member rather than a State Senator to be the top money recipient from an interest group. Most eye-opening is the finding that **Pretlow has received more than 30% of his campaign funds since 2005 from gambling interests.**

No other legislator has received more than 10% of campaign dollars from the industry, and although Governor Cuomo has raised more money in absolute dollars than any other official, it must be seen in the context of his overall fundraising – Cuomo’s \$715,000 from the gambling industry represents less than 2% of the overall money raised for his gubernatorial campaign.

Selected Quotes on Gambling from Top \$ Public Officials

John Bonacic: “Regarding casino gaming, with the now promised support of the Governor and commitment from the Senate and Assembly, we are in the best position ever, to fulfill this type of long-sought resort development in the Catskills Region.”¹⁴⁸

Joseph Bruno: ““If it were up to me, there wouldn't be any gambling in the world, but we are surrounded with casinos...It's just having to face reality.”¹⁴⁹

Andrew Cuomo: “It’s time we confronted reality. It’s not a question of whether we should have gaming in New York – the fact is we already do...We don’t fully realize it, regulate it, or capitalize on it...It’s estimated that over \$1 billion of economic activity from gaming can be generating in our state. Therefore, let’s amend the Constitutions so we can do gaming right.”¹⁵⁰

Jeff Klein: ““This is a smart approach to generate new revenues for education.”¹⁵¹

Thomas Libous: “It's going to mean more jobs, a new hotel and convention center, and millions pumped into the local economy. It's what our community needs.” “I'm going to do everything I need to do as a representative of the Southern Tier to push hard for Tioga.”¹⁵²

James Gary Pretlow: “Past governors have been rather cool to casino gambling. This governor sees the light and knows that this is something we should probably be involved in.”¹⁵³ “The existing race tracks are strategically located for this...It wouldn’t be a bad idea if they were operating as casinos.”¹⁵⁴

Sheldon Silver: “Under the current system, gaming revenue is pouring out of the state as New Yorkers spend their entertainment dollars in neighboring states. We need the ability to keep that revenue here in New York.”¹⁵⁵

Gambling and the Public Interest

“It is currently impossible to obtain even a rough approximation of a true cost-benefit calculation concerning the economic impact of legalized gambling.”¹⁵⁶

National Gambling Impact Study Commission, 1999.

Despite the constant chorus of “economic benefits” sung by the gambling industry and supporting politicians, the overall impact of expanded gambling on the economy remains highly ambiguous. While a recent report commissioned by the New York Gaming Association¹⁵⁷ claims that racinos have brought New York State almost \$2 billion in “economic output”¹⁵⁸ (mostly through new jobs), other studies suggest that gambling may actually have a net negative economic impact.

A comprehensive review written for the Canadian Consortium for Gambling Research concludes that jobs gained in gambling-related industries are often at the expense of jobs in other sectors of the economy.¹⁵⁹

“A majority of the better quality studies have found that the introduction of gambling has either simply created changes in the pattern of business starts/failures/revenue or a negative impact on other businesses that is offset by the revenue gains in the new form of gambling.”¹⁶⁰

Beyond the questionable benefit to the overall economy, it is also clear that gambling acts as a type of regressive tax—low-income people lose more of their income to gambling than higher income groups do.¹⁶¹

Introducing/expanding gambling is a proven method of creating a new government revenue stream, as some portion of revenues or winnings is always taxed.¹⁶² However, it is unclear whether gambling has a net positive impact on revenues. A 2010 study looking at the effects of legalized gambling nationally concludes that “casinos have a small but negative impact on state revenues... [because] as people spend more of their income on gambling activities, their spending on other goods and services is likely to decline”¹⁶³ In other words, gambling may simply be “cannibalizing” revenue by capturing dollars that otherwise might go towards more productive investments and activities.

Earl Grinols, an economist from the University of Baylor, argues that the social and economic costs of introducing gambling outweigh the benefits. The availability of local casinos creates many more problem gamblers than would otherwise exist. Legalized gambling has been shown to consistently increase rates of problem gambling and related effects like increased rates of bankruptcy, suicide, and divorce.¹⁶⁴ This effect is greatest directly after gambling is legalized (or expanded), and decreases gradually as time goes on.¹⁶⁵ While studies on problem gambling are not conducted often, a 1996 report concluded that 7.3% of New Yorkers were problem or potential problem gamblers.¹⁶⁶ A study by Grinols and David Mustard for the University of Illinois attempted to statistically compare the costs and benefits of gambling and concluded that “the [social and economic] costs of casinos are at least 1.9 times greater than benefits.”¹⁶⁷

In the face of these arguments against gambling, industry spokesmen and supportive public officials like former Governor Ed Rendell¹⁶⁸ of Pennsylvania and Governor Cuomo argue that people susceptible to gambling addiction are already gambling in neighboring states. But there is no clear proof behind this assertion and it seems like common sense that it would be easier to become addicted to gambling with a casino just down a road rather than a two hour drive.

Overall, it is difficult to fully assess the economic and social impact that gambling has had in New York, and even more difficult to accurately predict the future impact of expansion. What is clear is that gambling is definitely not as beneficial to the public interest as the industry argues.

Restore the Public Trust with Campaign Finance Reform and Public Financing of Elections

What is not as clear is the basis on which government decision-makers are setting policy related to gambling. Throughout the nation, the tremendous expansion of casino gambling has been heavily influenced by flows of political money. In New York State, key government decisions like the renewal of the NYRA franchise, the awarding of the Aqueduct racino, and the passage of the constitutional amendment for full casino gambling have all been accompanied by multi-million dollar industry payouts for lobbyists and campaign contributions.

After the revelation of the New York Gaming Association and Genting's donations to the Committee to Save New York, Governor Cuomo promised to establish a "transparent" commission to oversee an "open competition where we bring in the best companies and we get the best deal for the taxpayers that we can do."¹⁶⁹

If the constitutional amendment for casino gambling is passed, it is indeed important that a truly independent commission oversee the selection of the seven casino sites.

But if Governor Cuomo and other public officials are serious about restoring objectivity and transparency to policymaking, then reforming New York State's campaign finance laws and passing public financing of elections should be the first order of business. With sky-high contribution limits in which individuals are free to give up to \$60,800 in a single year to a statewide candidate, unlimited cash by donating through LLCs, and unlimited cash to state legislative soft money accounts,¹⁷⁰ New York's campaign finance system facilitates the ability of large dollar donors to buy access and influence.

Governor Cuomo has repeatedly stated his strong support for campaign finance reform on the New York City model.¹⁷¹ Public financing has been highly effective in New York City at encouraging democratic participation and amplifying the influence of small donors and constituents. In 2009, City Council candidates who opted into New York City's public financing system received roughly 25% of their total campaign cash from small donors giving amounts of \$200 or less. The corresponding figure for State officials is abysmally low at 7% overall, with some individual state legislators clocking in at less than 2%.¹⁷²

Public financing of elections on this model, coupled with lower contribution limits and the closing of loopholes, would provide an incentive for candidates to raise small donations from their actual constituents. Legislators would pay more attention to the citizens they are supposed to represent and be less dependent on raising money through huge checks from special interests.

As long as the rules of the game make politicians accountable to narrow special interests like the gambling industry, they're never going to be accountable to the public who elected them. Policy decisions will continue to be made in the backrooms of lobbyists' offices and donors' homes instead of through public debate and objective evaluation.

If there is to be expanded gambling in New York State, who will set the terms? Will the terms be set by vigilant, independent policymakers acting in the public interest or by the "high rollers" winning outsized returns on their political dollars? Campaign finance reform and public financing of elections will provide the public with greater confidence that their state's future isn't decided in a high stakes game where the dealer always wins.

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⁸ "Indian tribes" includes the three tribes currently operating casinos in New York (the Seneca, Oneida, and St. Regis Mohawks, as well as the Shinnecock Nation and the Stockbridge Munsees who are pursuing gambling.)

⁹ "Other Gambling Corporations" includes all other gambling companies not currently owning a racino. This category includes corporations involved in the bidding for the Aqueduct site such as Penn National Gaming, Peebles Corporation, MGM Resorts, and Wynn Resorts, as well as others that have begun to lobby such as Boyd Gaming and Caesars Entertainment. This category also includes corporate developers interested in entering the gambling business, like Cappelli Enterprises and SL Green, and the corporate backers of the Shinnecock Nation (Gateway Casino Resorts) and Stockbridge Munsee (Trading Cove LLC). This category additionally includes some gaming equipment makers such as GTECH Corporation and US Digital Gaming.

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¹¹ As of August 23, 2012, bi-annual client filings for Western Regional OTB, the NY Gaming Association, Cappelli, Enterprises, Suffolk Regional OTB, Capital District Regional OTB, Genting, Shuffle Master, Saratoga Harness Racing, Empire Resorts, Gateway Casino Resorts, and the Shinnecock Nation were still not filed on the JCOPE website. Two month reports filed by their lobbyists through June 2012 were available and substituted for the client reports.

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