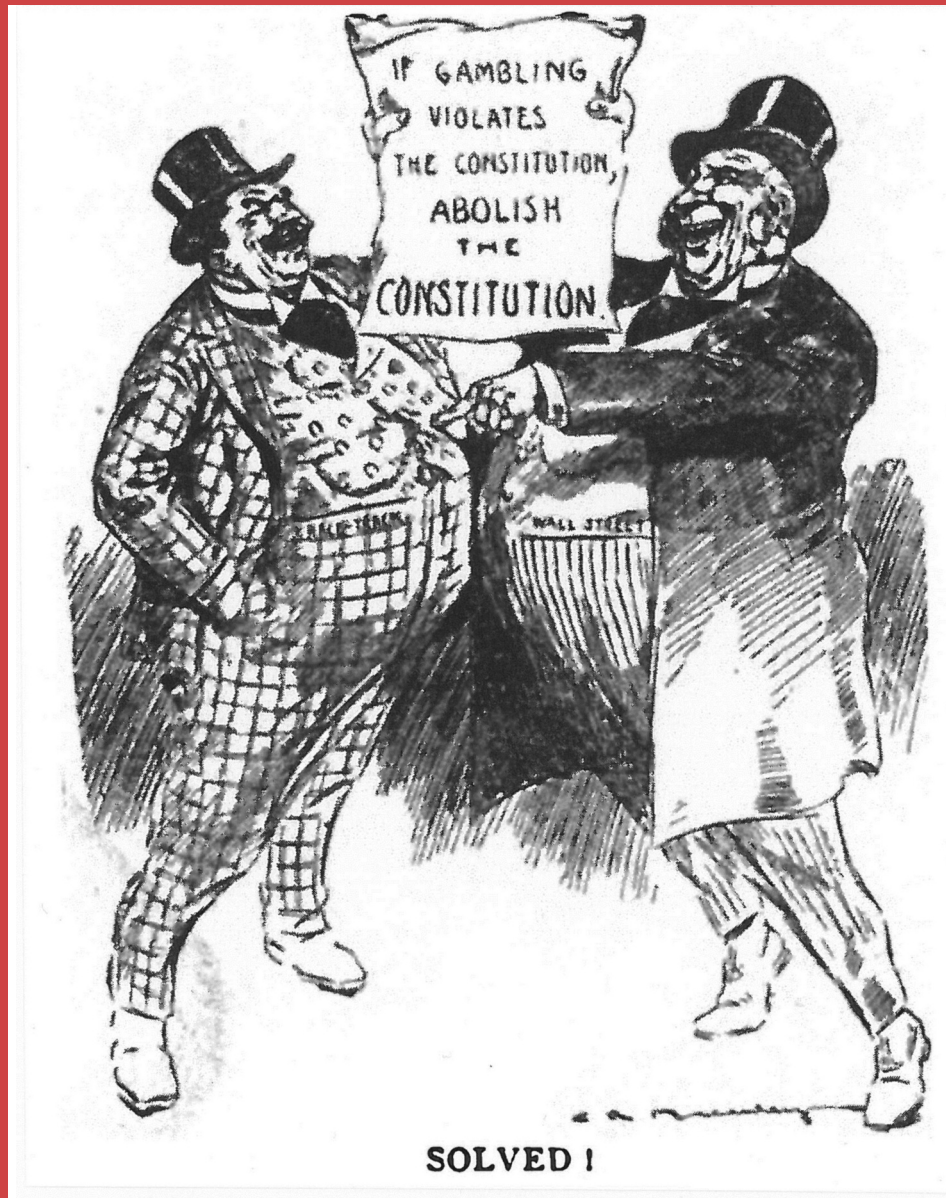


An Investigative Report by Paul Davies

## **Stacked Deck**

Inside the Politics of New York's Dishonest Casino Plan



**Institute for American Values**

## About the Author

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On the cover: Cartoon by Charles R. Macauley (1871-1934), reprinted from "Race-Track Gambling in New York," *Current Literature*, April 1908.

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## Stacked Deck

### Inside the Politics of New York's Dishonest Casino Plan

#### Introduction

*"The New York state government was at one time a national model. Now, unfortunately, it is a national disgrace. Sometimes the corruption in Albany could even make Boss Tweed blush."*

— Andrew Cuomo, announcing his candidacy for governor in May 2010.

When Governor Andrew Cuomo took the oath of office in 2011, he promised to root out corruption in Albany and run an open and honest administration. Cuomo's vision was refreshing. And his credentials as a progressive reformer — son of liberal Governor Mario Cuomo, head of HUD in the Clinton administration and successful tenure as state Attorney General — were solid.

Initially, Cuomo made impressive strides in fulfilling his promise to end Albany's "dysfunction and degradation." He got lawmakers to work together in a bipartisan way. Cuomo passed a budget that cut spending without raising taxes. He also passed ethics legislation and a landmark same-sex marriage bill.

It was a welcome change from the often inept and bumbling leadership of Cuomo's predecessor, David Patterson, and before that Eliot Spitzer whose combative style was made clear by his infamous boast: "I'm a f----- steamroller."

But not long after taking office, Cuomo abandoned his promise of transparency and turned into a steamroller of sorts himself on a major policy initiative that could impact taxpayers for years to come. Shortly after taking office, Cuomo began to work behind the scenes with gambling industry lobbyists and key legislators to change the state constitution to allow commercial casinos across the state. Given the seedy history of casinos, a public policy built on stripping wealth from citizens hardly seemed like the best way to transform Albany, let alone boost economic development.

To be sure, casinos create jobs. In a tough economy, there is a lot to be said for a casino job that often comes with benefits, even if the average pay is only around \$13 an hour. More important for cash-strapped states, casinos can generate millions of dollars in tax revenues.

But whatever the benefits may be, there is no disputing that casinos are a regressive form of taxation that strips wealth from residents — many of them elderly, minority and less affluent. While some studies have found the social and economic costs of casinos to be minor, many independent studies have shown a consistent failure to deliver on economic development promises.

But rather than engage in an open and honest debate, Cuomo essentially ignored the downsides. Instead, he proposed to legalize casinos out of the blue and then pushed through an amendment to change the constitution without releasing any independent studies or policy review. There were no community hearings or public debate.

Indeed, Cuomo talked about jobs, tourism and economic development. But most of his statements were overly broad, unsupported by hard data, and often went unchecked. Much of the real discussions and negotiations surrounding casinos took place behind closed doors. Key information was controlled by the Cuomo administration and a cadre of key legislative leaders in the House and Senate. Deals were cut to win support and neutralize competing gambling interests.

The process leading up to the public referendum in November to allow casinos was well-orchestrated and discretely parceled out so as not to stir debate or public attention. It may have been slick politics but was it good policy?

This is the story of how Cuomo and the legislative leaders in Albany maneuvered to make New York the latest state to embrace widespread Las Vegas-style casino gambling. The details are specific to New York but offer a window into how gambling interests use money and influence to reshape public policy in many state capitals across the country.

## **Inside the Back Room Deal**

Eight months after taking office, in August 2011, Cuomo announced at a news conference in Albany that he was “actively investigating” a plan to legalize Las Vegas-style casinos across the state. This news caught many political watchers by surprise. Cuomo spent \$28 million mounting his gubernatorial campaign. He released eight lengthy papers detailing his vision for New York. Not once as a candidate did Cuomo mention legalizing casinos.

But his first utterance of the idea was delivered almost as a done deal.

“It’s really not an issue anymore of, ‘Well, if we don’t officially sanction it as a government, it’s not going to happen,’” Cuomo said at the August 2011 news conference. “It is happening. So now you have to go to the second step. If there is going to be gaming, how should it be done? And that issue, that question, is an important question for the state.”

After saying that casinos would create thousands of jobs and millions of dollars in tax revenue, Cuomo argued that the state already has lots of gambling — such as the lottery, horse racing and casinos on Indian reservations — so adding thousands more slot machines was not a big deal. Many New Yorkers travel outside the state to gamble so why not keep them — and more important, their money — in the state?

Just days after Cuomo announced that his administration was “actively investigating” legalizing casinos, the respective heads of the Republican-led Senate and Democratic-led Assembly voiced their support for the plan. Usually lawmakers take a cautious, wait-and-see approach to a new initiative — especially one that requires changing the constitution. (New York’s constitution explicitly prohibits commercial casinos, and such an initiative would require amending the state constitution to undo the prohibition against gambling in Article I, written in the early 1800s by the state’s forefathers.) Lawmakers in the opposing party might even criticize such a plan. The fact that the various political leaders were all on board suggested there had already been extensive closed-door discussions about Cuomo’s proposal.

In August, Assembly Speaker Sheldon Silver (D-Manhattan) told the *New York Daily News* that he favored casinos in resort areas like the Catskills and Saratoga Springs but not in New York City, and that there is a big difference between the clientele that patronizes a city racino and those who would be drawn to a full-blown casino: “People who want real gaming, real action as they call it, don’t go to racinos,” Silver said. In addition, he said, “People shouldn’t be able to lose a month’s salary on their lunch hour.” In September, Silver amended his comments to say he was willing to have one casino in New York City and that it should be located at the Aqueduct Racetrack in Queens.

The reaction of Senate Majority Leader Dean Skelos, a Republican from Long Island, was a little more nuanced. In September, his spokeswoman told the *New York Post* that Skelos was “supportive of a constitutional amendment that will let the people of New York decide.” Yet, she added, the senate leader thought there should be limits to the number of casinos permitted, “to make sure there is no oversaturation” in certain regions and to “take into consideration community impact and support.”

To get a vote in the legislature in Albany for Cuomo's casino plan, Silver's and Skelos's support was crucial. A few rank-and-file members might grumble or oppose the initiative, but once the top elected officials were in line, the casino debate was essentially over before it began. The next day, Cuomo said he would announce his "decision" by January.

On December 15, on a weekly radio show called "Live from the State Capitol" on TALK 1300 AM, Cuomo was interviewed by host Fred Dicker. The dean of the Albany press corps, Dicker is a curmudgeonly newsman who also writes a column in the *New York Post*. Early on, Cuomo often used Dicker to float ideas and communicate to the public. On this December morning, Cuomo used Dicker's radio show to say that casinos could be legalized before the end of his first term. "In a perfect world, would there be gaming anywhere?" he asked Dicker rhetorically. "Maybe not, but this is not a perfect world and we're in competition, so all the signs have been positive, but you know, we'll see next year. My thought for this year would be, let's do our homework, and let's talk about it, and let's start to work on it, and let's put together intelligent committees and do a real study for this year."

## **The Back Story**

**T**he spread of casino gambling in many states is a relatively new trend. Throughout much of the last century, many states worked to eliminate all forms of gambling because the vice sparked corruption and stripped wealth from citizens. By 1910, every state in the union had outlawed lotteries and other betting games, and the country was virtually free of legalized gambling.

It stayed that way until 1931, when lawmakers in Nevada approved most forms of gambling, including casinos. In the 1930s, twenty-one states brought back horse racing, including New York, which passed an amendment in 1939 that allowed betting on the races.

In 1963, New Hampshire became the first state to legalize lotteries. Other states soon followed. New York lawmakers created a state lottery in 1966. In 1978, New Jersey legalized casinos in Atlantic City. Ten years later, a federal bill paved the way for casinos to open on Indian reservations across the country, with the goal of generating jobs on reservations.

In the last twenty-five years, hundreds of Indian-run casinos have opened across the country, including five in upstate New York. Much of the money to build and expand these casinos came from Wall Street banks and hedge funds, and indeed,

some Indians have become very wealthy. Commercial casino operators and horse racing interests have watched as Indian casinos continued to grow and, chafing at the restrictions keeping them out of the market, have chipped away at gambling bans in state capitols across the country, including in Albany. In 2004, after a lengthy legal fight, New York's Supreme Court legalized "video lottery terminals"—essentially slot machines controlled by the state lottery — at racetracks, and New York's nine "racinos" were born.

More recently, casinos have become the current panacea for elected officials confronting state budget woes and high unemployment. Many lawmakers and voters are opposed to any tax hike. Meanwhile, cash-strapped states are desperate for new revenue sources.

The casino industry has seized on this opportunity, offering to build glitzy buildings, create jobs, and provide revenue for state coffers. In return for a monopoly gambling license in a region, casinos have agreed to tax rates as high as 55 percent on revenues. The industry's deep pockets have enabled it to outspend opponents by as much as 50 to 1, helping to drown out critics and shape public opinion. In some cases, casino industry lawyers even helped lawmakers draft gambling legislation.

In recent years Pennsylvania, Maryland, Ohio, Delaware and Massachusetts have all legalized casinos. In state after state, the casino lobby spent millions of dollars to line the campaign coffers of governors and top lawmakers, while also hiring the best-connected lobbyists.

Between 2005 and 2012, gambling and horseracing interests spent nearly \$50 million on lobbying and campaign contributions in New York, according to a report by Common Cause. Cuomo received the most by far, \$715,000 compared with \$594,000 for Spitzer and \$204,000 for Patterson.

In January 2010, Governor David Patterson, Andrew Cuomo's predecessor, awarded a contract to operate a racino with 4,500 video lottery terminals at the Aqueduct Race Track in Queens to the Aqueduct Entertainment Group, a group of nine corporate partners, including the Reverend Floyd Flake, an influential and politically connected pastor of a mega-church in Queens. Although AEG had initially submitted the worst of the six bids, it then recruited rapper Jay Z — whose company, Gain Global Investments Network LLC, took a 7 percent ownership stake — and was allowed to change its offer.

As the process inched along, Flake threatened to switch his support in the 2010 Democratic primary race for governor from Patterson to Cuomo. Two days later, Patterson awarded the slots contract to AEG. Patterson denied there was any quid pro quo, but federal prosecutors launched an investigation. By early March, Patterson recused himself; Jay Z and Flake withdrew from AEG; and the state withdrew its support of AEG's bid.

Following the uproar, the state lottery took over, changed the bidding rules, disqualified AEG and several other bidders, and, in September 2010, awarded the contract to the sole bidder still in the running: the Genting Group, a Malaysian conglomerate that develops and operates casino resorts in Asia, Great Britain, and the United States. How Genting maneuvered to get the contract has never been fully detailed. But with its foot in the proverbial door, Genting would soon use its influence to push for full-blown commercial casinos in New York.

## **A River of Money**

**I**n the second half of 2011 and early 2012, lobbying by gambling interests cranked up in Albany. At the same time, the Oneida Nation, which operates Turning Stone, a casino resort near Syracuse, wanted to prevent other casinos from cutting into their monopoly market: In March 2012, they hired Christopher Lehane, a former Clinton-Gore operative who also worked on Cuomo's campaign for attorney general, and whom the *New York Times* described as a master of political dark arts.

Not to be outdone, Genting hired a who's who of influential lobbyists, including Patricia Lynch, a former top aide to Assembly Speaker Sheldon Silver and to Nicholas A. Spano, a former Republican state senator. Genting also hired Jennifer Cunningham, a close friend of Cuomo's, to do public relations work; Bradley Tusk, who was Mayor Michael R. Bloomberg's campaign manager in 2009, to assist with planning; and John Cordo, a former staffer for the Republican majority in the New York Senate.

State law does not require companies to disclose how much they spend on lobbying, but the *New York Times* reported that Genting paid Cordo \$195,000 for the first six months of 2011. When asked about the army of lobbyists the Malaysian firm had hired, Christian Goode, Genting's senior VP of development in the U.S., told the *Times* in January 2012 it wanted to participate in the political process "like any other company." Goode added: "We just want to make sure we're properly represented."

In 2011, Genting also created the New York Gaming Association, a nonprofit coalition of nine racino operators who hope to convert their racetrack video-lottery-terminal parlors into full-blown casinos. The association is led by James Featherstonhaugh, a heavyweight lobbyist known as “Feathers,” whose ties to Albany go back four decades. *The Village Voice* described Feathers as “the final toll on the thruway to the state capitol” — adding, “Everyone, apparently, pays.”

Featherstonhaugh has deep ties to the Cuomos: As an attorney, he represented Andrew in 2003 when the State Lobbying Commission accused him of acting as an unregistered lobbyist for a coalition seeking reform of the Rockefeller drug laws. He was also an adviser to Mario Cuomo and represented him in a dispute regarding his personal use of state aircraft. Feathers has handled legal matters for a number of other elected officials, including former Senate Majority Leader Joe Bruno and former Attorney General Dennis Vacco, whose firm, Crane & Vacco, paid a \$50,000 fine for charging a “success fee” if it secured a casino license from the state.

In addition to heading the New York Gaming Association, Feathers is part owner of the Saratoga Casino and Raceway, which is vying for a casino license of its own. The Gaming Association’s board includes another Albany heavyweight: Michael Del Giudice, a private equity fund manager who was Governor Mario Cuomo’s chief of staff.

### **The Genting Deal: Follow the Money**

On October 28, 2011 Genting opened its Resorts World racino, with 4,500 video slot machines, at Aqueduct Race Track, which is owned by the state and operated by the New York Racing Association. Under Genting, the Aqueduct racino has become one of the most lucrative gambling operations in the country. The net revenues are close to \$60 million a month — or roughly \$2 million a day.

The next day, on the 29th, commercial property broker Barry Gosin held a fundraiser for Cuomo at his estate in Westchester County. The event was attended by a number of gambling executives, including K.T. Lim, the chairman of Genting, and Christian Goode, the senior Genting executive. While Cuomo was there, the Genting guests were able to pitch him a plan to build a convention center at Aqueduct as part of a new \$4 billion casino resort.

In December, less than two months after Gosin’s fundraiser, the New York Gaming Association gave two donations totaling \$2 million to the Committee to Save New

York, a nonprofit backed by business and labor groups that was set up at Cuomo's urging to help promote his policies and legislative agenda.

Overnight, the donations made the Gaming Association one of the top donors to the Committee to Save New York, which spent millions on television advertising in 2011. While the amount of the donations was attention grabbing, the timing was even more interesting.

The Gaming Association, which was created by Genting and racino operators, gave the Committee to Save New York \$1.5 million on December 1. Separately, Genting gave another \$400,000 to the Committee to Save New York.

On December 4, Cuomo authored a newspaper op-ed article that clearly stated for the first time that he supported legalizing commercial casinos in New York. Two days later, the Gaming Association gave the Committee to Save New York another \$500,000.

Days later, the Committee to Save New York added legalized gambling to its list of top priorities for the 2011 legislative session.

The *New York Times* first detailed the donations in June 2012.

In an e-mail to the *Times*, Richard Bamberger, a spokesman for Mr. Cuomo, denied the money had any influence on the governor's proposal. "To try to suggest an improper relationship between the governor and gaming interests is to distort the facts in a malicious or reckless manner," he wrote. Under state law, the Committee to Save New York is not required to disclose its donor list, and Cuomo said it was not his place to pressure the group to do otherwise. But the secrecy surrounding the sources of the group's funds fuels the suspicion that deep pockets are driving Cuomo's policy.

### **Rochester: A Case Study**

Interestingly, Cuomo's December 4 op-ed announcing his support for changing the state constitution to allow casinos was published in the *Rochester Democrat and Chronicle*. Making the announcement in Rochester rather than in Albany or New York City seemed like an attempt to attract less public attention but also put more pressure on the Seneca Nation, which hoped to open a casino in downtown Rochester. At issue is the state's battle with the Oneida and Seneca Indians over hundreds of millions of dollars in revenue payments the casinos have withheld.

Cuomo's remarks may have signaled that they may soon face competition from a commercial competitor if the state doesn't get the money owed.

From some points of view, Rochester, a once-thriving company town that has fallen on hard times, is an ideal market for a casino's pitch to bring jobs and tax revenue. But William Johnson, elected mayor in 1994 and in office until 2005, isn't buying.

For more than a hundred years, Rochester, located on the Genesee River near the Erie Canal, was a manufacturing hub. Its first boom was in 1838, when it was the largest flour-producing city in the country and its population doubled in ten years. Rochester was not only successful but also progressive. Frederick Douglas founded the *North Star*, an abolitionist newspaper there in 1847, and the city was home to Susan B. Anthony. In 1881, George Eastman founded the company that would become known as Eastman Kodak. Other companies, including Bausch & Lomb and Xerox, followed by opening research and manufacturing facilities. They were attracted by the low cost of doing business and by a steady supply of educated workers from the Rochester Institute of Technology and the University of Rochester. The city's population hit its peak of 332,000 in 1950.

In the 1980s, Kodak's business started to slide, and by 2012, the company that had once been the city's biggest employer filed for Chapter 11 protection. Talk of locating an Indian casino in the city gained support, and more and more development projects included casinos as the centerpiece of economic revitalization. But Johnson opposed the idea of a sovereign nation like the Senecas owning a parcel of land in the middle of the city.

"What is it we are selling here?" Johnson said in an interview with this author earlier this year. "These casinos are not creating anything. They are not going to be some tourist delight. They are just a hidden tax on residents. All of the rosy predictions for casinos in other cities have not materialized."

Johnson thinks Cuomo's casino plan is shortsighted, and that Rochester has begun to turn the economic corner. "Things were once so bad, a casino sounded as good as any other idea," he said. "But now there is a lot of activity with both small and medium-sized businesses. The last thing we need is a casino."

## **Falling into Line**

One potential stumbling block in Cuomo's pursuit of casinos was New York City's Mayor Michael Bloomberg, whose opposition to gambling stretches

back to his first campaign for City Hall, in 2001. In 2004, he dismissed then-Governor George Pataki's push to allow gambling parlors to fund city schools.

"My personal opinion is gambling is not the way to provide public services," Bloomberg said during a legislative hearing on the subject in 2004. He added: "I'm not a big gambler myself. I go to a casino, take my \$20 bill and that's it, get it over with. People like to gamble, I mean, that's up to them. But this city cannot be dependent on a highly volatile, unpredictable revenue source."

In September 2011, after Cuomo's press conference, Bloomberg reaffirmed his opposition: "As you know, I've never liked gambling," the mayor told the *Wall Street Journal*. "I think it's regressive, and history shows it really doesn't do much for the neighborhoods around the gambling establishments. I also think that at some point here you are also going to saturate the market."

A few days later, Bloomberg hedged his bet: "On the other hand, it's also true that if they're going to have it, we might as well get some revenue from it — although I think that people are dramatically overstating the revenues that they think will come out of this."

In an interview with the *Wall Street Journal* in December about Cuomo's plan to add casinos, Bloomberg said, "I think it's, look, the governor has the problem of trying to come up with ways to provide the services that people want and that are getting harder and harder to afford," Bloomberg said. "And whatever he decides to do, we'll be supporting him. I just want to make sure that if there is gambling, some of those revenues do come to New York City. We need the revenues as well, just like every other part of the state." Stu Loeser, one of Bloomberg's aides, explained at the time that the mayor did not think a casino was a good development for the city: "He'd rather it not exist and feels it's regressive," Loeser said. "But the mayor is open to the tax revenues that a hypothetical casino could bring."

After listening to Bloomberg and his aide discuss the mayor's shifting stance on gambling, the *Wall Street Journal* said: "Bloomberg's position on gambling is nearly as nuanced as the rules of baccarat."

## **Undoing the Constitution**

**O**n December 26, Cuomo indicated to the *New York Daily News* that he and Silver were in agreement about casinos in New York City. The governor said he didn't want a casino in a densely populated part of the city but that he was okay

with putting one at Aqueduct Racetrack in Queens — but then added that he was not “preselecting” Aqueduct or any other location. On the same day, Silver told the *Daily News* he couldn’t guarantee that a bill changing the state constitution to allow casinos would pass the Democratic-controlled chamber. “I just don’t know,” Silver said.

On January 4, 2012, just four months after floating the casino idea, Cuomo used his State of the State Address to propose amending the constitution to permit casinos. In the same speech, he announced a plan to build an economic development project next to Aqueduct Racetrack: a \$4 billion giant convention center that would attract trade groups and business organizations and create jobs. It sounded like a good deal: Genting, a private “gaming development” company, would build the center at no cost to taxpayers.

The proposed center would have nearly 4 million square feet and 3,000 hotel rooms, making it the largest convention center in the country. It would be located between the city’s two major airports and would replace the Jacob Javits Center in Manhattan. “New York needs a larger, state-of-the-art venue to be competitive for the largest trade shows and conventions,” Cuomo said in his speech. “The Jacob Javits Convention Center on Manhattan’s West Side is obsolete and not large enough to be a top-tier competitor in today’s marketplace.”

Cuomo did not mention that Genting already operates Resorts World, the 4,500 video slots parlor at Aqueduct, or connect the convention center project to his call for legalizing casinos.

Two days later, the *New York Post* reported that a nonbinding letter between Genting and Cuomo’s Empire State Development Corp. said the two sides had discussed “a casino expansion to the existing video lottery terminal facility.” According to the *Post*, Genting wanted exclusive gambling rights in New York City in return for building the convention center, but Cuomo spokesman Josh Vlasto said, “There’s no agreement on exclusivity.”

Although to a casual observer Resorts World already resembles a casino, it does not have live dealers at table games. In offering to build a \$4 billion convention center, Genting was betting on turning the racino into a full-blown casino once gambling was legalized. Many convention centers are not profitable — which is why the Malaysian company reportedly wanted a guarantee that no other casinos would open in New York City, to ensure that gamblers would all come to Queens.

News of Genting's convention center deal caught other major casino operators off guard. Several Las Vegas companies scrambled to get Albany lobbyists working to get them in on the casino gold rush. They didn't want Genting to own the market outright. So they began pitching plans as to why they should build a casino in Manhattan, the *Wall Street Journal* reported on January 11.

The process to legalize casinos moved quickly after Cuomo's State of the State Address. The legislation to amend the state constitution to allow casinos was introduced in the Senate on January 22. The measure was brief and received little attention. Article I of the Constitution lists the types of gambling *not* permitted. Cuomo's amendment proposed to make casinos an exception. The constitutional change required just eight words: "and except casino gambling regulated by the state."

Weeks later, during a late-night vote in March, the legislature approved the measure changing the constitution, and allowing the creation of up to seven casinos in the state. This was the first required passage by the legislature. Lawmakers would have to hold a second vote in the next session before the measure went on a ballot to voters.

Immediately after the late-night vote, Cuomo, Senate Majority Leader Skelos and Assembly Speaker Silver issued a joint press release announcing a "landmark agreement" to begin the process of amending the state constitution to allow casinos in New York. "By taking these important first steps to legalize casinos we are finally confronting the reality that while New York is already in the gaming business, we need a real plan to regulate and capitalize on the industry," Cuomo said. The casinos would "put thousands of New Yorkers to work, drive our economy, and help keep billions of dollars spent by New Yorkers on gaming in the state." With little debate or public comment, the casino measure had cleared its first major hurdle.

Meanwhile public support was dropping. In a poll conducted on January 12 by Siena College, 53 percent of New Yorkers favored commercial casinos while 42 percent were opposed. By March, Siena College's poll found that support for casinos slipped to 48 percent, while opposition increased to 49 percent.

## **The Best Laid Plans Unravel**

**N**egotiations with Genting over the convention center broke down in late May. "The conversations haven't really worked out," Cuomo said in a radio interview on June 1 with his predecessor, former Gov. David A. Patterson, on WOR-AM. But the governor said he was already in discussions with other casino operators.

“They all want to come to New York, and they all have all sorts of exciting ideas — ideas that we didn’t even think of. They want to be here. They’re excited.”

According to the *New York Times*, which published a piece on the collapse of the deal on the same day, a major stumbling block was Genting’s desire for the exclusive right to operate a casino in New York City. “The industry has matured to such a degree, and casinos have so proliferated in the Northeast, that competitors are desperately seeking to take market share from one another or to block their entry altogether,” wrote the *Times*. (According to the New York Public Interest Research Group, Genting was unable to secure such a guarantee despite spending \$900,000 on lobbying and campaign contributions in New York in 2011.)

There were other concerns. Convention business experts questioned the logic of locating in Queens — more than an hour’s subway ride from midtown Manhattan. In addition, there was no clear plan in place to redevelop the Javits Center.

On June 4, the *New York Times* broke the story of the casino industry’s contributions to the Committee to Save New York. The *Times* also published an editorial about the funds raised the previous fall: “New Yorkers can and should have a serious debate about expanded gambling — its potential economic value to the state and its potential social costs. But there should be no debate about New Yorkers’ need to know who is contributing millions to promote what political issues.” The *Times* editorial called on Cuomo to push for the committee to disclose all of its donors. As the paper pointed out: Under the Internal Revenue Code, all 501(c)(4)s are required to have a social welfare purpose that is not primarily political. “We are eager to know what that purpose is for the committee, beyond supporting Mr. Cuomo and promoting the interests of its contributors.”

Fred LeBrun, a columnist for the *Albany Times Union*, expected public opposition to casinos to grow as more details about the plan emerged. “Cuomo’s strategy to entice a constitutional amendment expanding casino gambling has relied all along on keeping the concept as dreamy and unreal as possible,” he wrote on June 23. “It’s a reasonable assumption that a broad and improbable coalition with plenty of clout, cash and a good argument will surface to try to defeat the public referendum in the fall. Early indications are that New Yorkers are slightly in favor of expanding casino gambling, but that’s without specifics on the table — notably where they’ll be built — and before opponents begin hammering home an alternative message: that gambling is lousy economic development and, basically, we don’t need it.”

## A Change in Plans

The presidential election and Hurricane Sandy knocked the casino issue from the news pages through the fall of 2012. That was fine for Cuomo and other casino supporters who continued to meet and discuss the issue in private. The upshot was that the New Year brought a new plan from the governor.

Instead of the seven casinos that Cuomo initially supported, he said on January 30, 2013, that there should be three casinos upstate and no casinos in New York City. “I believe casinos in upstate New York could be a great magnet to bring the New York City traffic up” and boost tourism, he said. Casinos upstate could boost economic development in regions still struggling from the recession, whereas a casino in the city would undermine the power the upstate casinos would have to draw Gotham’s 52 million tourists, Cuomo said. Although he offered no independent study to support the claim, Cuomo said the casinos would generate an estimated \$1 billion in “economic activity.”

The abrupt change baffled some lawmakers. “It was kind of a 180,” Senator John Bonacic, a Hudson Valley legislator who chairs his chamber’s Racing, Gaming and Wagering Committee, told *Crain’s New York*.

Clearly, the new deal was designed to win support from lawmakers upstate. Cuomo may have other reasons to scale back the number of casinos and limit their location. Keeping the casinos out of New York City — at least initially — could weaken voter opposition to the referendum in November 2013. That’s because polls showed that the strongest opposition to casinos was in New York City. Voters upstate might be more inclined to support a constitutional amendment that allows casinos because they are desperate for jobs. Meanwhile, voters in and around New York City might be less inclined to vote against the measure if they believed the casinos would be restricted to upstate.

But Cuomo described the plan for the three upstate casinos as the “first phase.” Presumably, phase two would come after voters approved the referendum, whereupon additional casinos could eventually be built in New York City or anywhere else. The Big Apple remains the Holy Grail for casino operators in the United States. “New York would arguably be the best prize North America could offer for a casino resort because of the absence of a significant full-service casino and the concentration of population,” William R. Eadington, the director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno, told the *Times*.

## The Deal Evolves

It was clear lawmakers were more focused on who would control casino licenses and where they would be located than examining the public policy implications of introducing more casinos into the state. Cuomo wanted one of the state agencies to determine where the proposed casinos would be located, but Assembly Speaker Silver wanted the legislature to have input. With the power to choose the locations will come huge political benefits, from campaign contributions to awarding contracts and doling out jobs to friends.

*Post* columnist Fredric Dicker ripped Silver for demanding that “politically chosen lawmakers” decide where the casinos are located. In a January 28 column, Dicker quoted an unnamed source saying: “This could be worth tens of millions of dollars in fees to lobbyists from gaming interests across the country, and it could make that much more money for many of Shelly’s friends.” Of course, the same could be said for Cuomo, despite his claim of an independently appointed board. If Cuomo appoints the board, he would certainly have an influence on how the members vote.

In addition to announcing the new plan, Cuomo also on January 30 met behind closed doors with Skelos, Silver and Jeff Klein, the Independent Conference Leader, to discuss casinos. Skelos said he wanted the casino-enabling legislation stripped from the state budget. Other lawmakers continued to push for a role in choosing where the casinos would be located. After the meeting, Cuomo said he would accept legislative input to an independent commission that would decide the location of the casinos. But the commission would make the final decision. “The Legislature’s role in setting policy is very important. This is a potential economic boom for upstate New York,” Cuomo said, offering no evidence to support the boom beyond the tax revenue for state coffers. “We also all agree that the actual selection of bids, specific locations, should be left to an independent, non-political body.”

Cuomo declined to detail how the policy criteria may change.

“I would just say it’s still evolving,” Silver said. When asked if the first phase would be limited to three casinos upstate, Silver repeated: “it’s still evolving.” Cuomo joked that “*evolving* is the word of the day,” as if to indicate the deal was still not resolved.

James Featherstonhaugh, the president of the New York Gaming Association, commented: “I like to think evolution is a good thing.” Featherstonhaugh, whose coalition of racino operators want to convert to full-blown casinos, said he was optimistic about the casino siting plan, but he said, “We would reserve our right

to oppose it in the event we thought it was going to be harmful.” Translation: if the racinos are not part of the deal, they would not support more casinos.

No one in the media questioned why the lawmakers continued to meet in secret or challenged the lack of public input. But in January, the *Buffalo News* decided to examine the impact the Seneca Niagara Casino, near Niagara Falls, has had on the region. When it opened 10 years earlier, the casino was expected to provide jobs and tax revenue and spur more economic development. But the paper reported that “not many of the hopes have turned to reality.” Although the casino is one of largest employers in the region, according to the *News*, the benefits stop there: “Unemployment rates in Niagara Falls are among the highest in the state, and only one major development project — the Niagara Falls Culinary Institute — has occurred in the last 10 years,” the paper said. “Much of the area around the casino remains empty and blighted. In addition, law enforcement officials have pointed to some high-profile embezzlement cases that anti-gambling voices blame on casinos.”

At a February 6 breakfast forum sponsored by *Crain’s*, the disagreement about where to build the casinos flared up again when Dean Skelos said he wanted the state to explore putting casinos within the five boroughs of New York City. He had wanted his home area on Long Island to be in the running for some time.

Cuomo shot back that he wouldn’t support any casino locations selected purely for political reasons. “Casinos done wrong are a very bad experience,” Cuomo told Susan Arbetter during an interview on *The Capitol Pressroom*, a radio show from Albany. “I am going to have nothing to do with a politically driven process. I respect the legislature, I respect their role. I also know when the legislature has gone near siting casinos and picking operators in the past, the results were very bad. There were investigations and people got into trouble. So if it is going to be a political process, I want nothing to do with it.”

Then, at a news conference on February 10, Cuomo said he was open to negotiating with lawmakers over where to locate the casinos. “I’ve never said on any issue it’s my way or the highway,” he said.

In short, the governor made clear he was willing do whatever it takes to get a casino deal. The choice of locations would be driven by the power and influence of the casino operators, racetrack owners, and individual lawmakers. No study or analysis was made or presented of how many casinos to build or where best to locate them.

## Pressuring the Indian Casinos

In February, Cuomo also started talking up a fourth casino upstate, to be located in Niagara Falls — near an existing casino controlled by the Seneca tribe. The proposal was clearly designed to pressure the Senecas to negotiate with the state or face competition. The Indian tribe had withheld more than \$500 million in tax revenue payments to the state for several years, claiming the state violated a 2002 gaming compact by allowing slot-like video lottery terminals at three facilities in the region. At the time, the dispute between the state and tribe was in arbitration. Most legal experts expected the state to lose since it had violated the agreement. But Cuomo’s hardball tactics appeared aimed at trying to exert some leverage to reach a deal with the Senecas before the arbitration decision.

Local leaders did not think Cuomo was serious about building a competing casino near Niagara Falls. “Of course, he’s using it as a bargaining chip,” Niagara Falls Block Club President Roger L. Spurback told the *Buffalo News*. “I would do the same thing.” Mayor Paul A. Dyster agreed. “The discussion of the possibility of a non-Seneca casino in Niagara Falls serves two objectives. It creates additional leverage to resolve the dispute with the Senecas, and at the same time, it provides an option if the dispute isn’t resolved.”

Separately, some insiders said Cuomo might also be trying to help Howard P. Milstein, a billionaire developer from Manhattan and a major campaign contributor who owns 140 acres of blighted undeveloped land in Niagara Falls. Cuomo had appointed Milstein to lead the state Thruway Authority. The prospect of a commercial casino might spur development of Milstein’s property.

By February 2013, a Siena College poll showed support dropping for the casino amendment. Only 48 percent of New Yorkers supported Cuomo’s casino plan, down from 52 percent the previous month, with 42 percent opposed and 10 percent undecided. “Passage of the amendment by voters is still an iffy proposition and far from a sure bet,” Siena poll spokesman Steven Greenberg told the *New York Post*.

Two polls conducted for Genting by the consulting firm, Global Strategy Group, at the end of January found that Cuomo’s push to legalize casino gambling faced an uphill battle with voters. But the poll was also designed to build support for Genting’s casino in Queens.

One statewide poll of 804 likely general-election voters found 50 percent would vote against a plan of just three upstate casinos, while 44 percent would vote in

favor. Although earlier polling had indicated a narrow majority of voters supported legalizing full-scale casinos, the Global Strategy Group polls found that support dropped when voters were given more specific information about where the casinos would be located. The poll found 56 percent of voters opposed building a full-scale casino in New York City; 60 percent opposed a casino in Queens; 62 percent opposed a casino in Brooklyn — and 74 percent said no to a casino located in “your neighborhood.” However, the polling did show voters’ support for transforming the slots barn at the Aqueduct Racetrack into a full-blown casino — the slots barn being the property of Genting.

### **Three, Four or Five Casinos?**

Although most Albany watchers expected the casinos referendum to be on the 2013 ballot, Cuomo told reporters in Albany on May 1 that he might delay the public vote until November 2014. The large turnout expected for New York City’s mayoral election this November might cause the casino measure to fail. But Cuomo’s talk of delay was just a brief bluff. He faces reelection in 2014, and is unlikely to want the casino issue to become part of his reelection campaign. So a week later, Cuomo announced he planned to push the casino measure in 2013.

On May 9, Cuomo formally announced his plan for three casinos at unnamed locations upstate. Privately, insiders said that Albany, the Catskills and the Southern tier of New York State were the most likely locations for the new commercial casinos. After a self-imposed five-year waiting period, casinos could be added in New York City and other parts of the state, the idea being to give the upstate casinos a “head start.”

“If you want tomorrow to be different than yesterday, then do something different,” Cuomo said. “This is a big idea that we believe could bring economic energy to upstate New York that needs it desperately.”

Try as he may to sell the plan as cutting edge, Cuomo’s idea was not big or original. Many other states have legalized casinos years ago, including Mississippi, Louisiana and West Virginia. In each case, the casinos have done little to spur additional economic development, lower the unemployment rate, increase aid to schools or reduce property taxes.

On May 23, Senate lawmakers met behind closed doors to hammer out their own bill, separate from the governor’s plan, calling for five upstate casinos, including up to three in the Catskills and two video slot machine sites on Long Island. State senator John Bonacic said Cuomo’s plan lacked transparency: “The governor calls this

an upstate economic development act,” he said. “I do believe he wants jobs upstate. I am concerned, however, that his desired jobs will not materialize unless there is broader transparency and more specificity as to where all seven of the proposed casinos will go.”

The *Albany Times Union* had already criticized the disingenuous way Cuomo and the legislative leaders in Albany have gone about trying to change the state constitution, in a strongly worded editorial on May 7. “Crossing one’s fingers and hoping for the best rarely works out well at the blackjack table. It’s not a particularly good way to make laws, either,” wrote the *Times Union*, while noting Cuomo’s “disdain” for public debate. Albany’s newspaper of record raised a number of basic questions that had gone unanswered in the push to legalize up to seven new commercial casinos: “Are casinos a good bet, or just his hunch? If casinos come in, what happens to VLT parlors, including Saratoga Casino and Raceway, that are now supplying hundreds of millions of dollars a year to education and the equine industry? What terms will casinos operate under? How saturated is the Northeast gambling market becoming? How much might casinos draw tourism, entertainment and other discretionary spending away from communities that don’t get them?”

## **The Art of the Deal**

Meanwhile, by June, Cuomo nailed down a series of agreements in which the tribes operating casinos — the Mohawks in northern New York, the Oneidas in the central part of the state, and the Senecas in the west — agreed to resume paying the state tax revenue that they had been withholding, and Cuomo agreed to prohibit commercial casinos from opening in the markets they control. A casino in Rochester or in other large swaths of New York was suddenly no longer an option.

The deal caught the attention of an attorney who has long been involved in legal battles surrounding casinos owned by tribes. Attorney Cornelius Murray, who represents the towns of Vernon and Verona, asked state and federal prosecutors to investigate whether Cuomo’s deal with the Oneida Nation amounted to illegal vote buying. The deal gives the tribe a monopoly on casinos in central New York and up to 25,000 acres of tax-exempt land in trust; in exchange, the Oneidas give the state 25 percent of their slot revenues and support the amendment to allow non-Indian gambling in New York. “It is such a blatant, transparent quid pro quo, and it’s there in black and white,” said Murray. “You can’t go around commanding and

requiring people to vote a certain way, stacking the deck on a constitutional amendment vote.”

Murray sent a letter to the U.S. Attorney’s Office, the state Attorney General, the state Inspector General, and the Albany County district attorney asking for an investigation. “We question whether the governor has used his power of his office to purchase the vote of the Oneida Indian Nation ... by explicitly requiring the (nation) to support the constitutional amendment the governor so strongly favors in exchange for gambling exclusivity, tax exemptions and other considerations given to the nation,” the letter reads. Cuomo spokesman Rich Azzopardi said the “claims lie well within the realm of absurdity.”

Other objections were noted: *The Wall Street Journal* described Cuomo’s effort to use casinos to drive tourism upstate as a “theory.” An executive at Las Vegas Sands, the biggest casino operator in the country, said Cuomo’s plan to prohibit casinos in New York City in an effort to drive tourism upstate was misguided. “I don’t think there’s any real understanding of the casino business,” Sands President and Chief Operating Officer Michael Leven said at the company’s annual meeting in New York when an investor asked about expanding into New York. “It’s 20 years past the time where the Catskills would have been the place to put an integrated resort.” Leaving New York City out of the equation — at least for now — was more about politics than policy, as the Sands’s Leven pointed out. “A lot of what happens in terms of casino locations and what happens with governments is that they make political decisions and not necessarily what’s best for the state,” Leven said.

A Quinnipiac poll released on June 6 showed 48 percent of voters supported amending the constitution to allow expanded casino gambling, with support weaker in New York City.

On June 10 legislative leaders emerged from yet another round of private negotiations with Cuomo. “We are talking about where we are,” Silver said. Skelos said lawmakers and lobbyists were still haggling over whether to authorize three or four or five casinos.

On June 13, Cuomo traveled to Niagara Falls to trumpet the deal he had struck with the Seneca Nation, in which the Senecas would give the struggling city a lump sum payment of \$89 million. However, the payment was just a fraction of the more than \$500 million the Senecas owed the city and state. Mayor Dyster called the agreement “one of the happiest days of my life, and, I’m sure for the city of Niagara Falls.”

But not everyone was happy with the deal. “One of the reasons I ran for city council was to make sure our residents had a voice when the casino compact expired and had to be redrawn,” City Council Chairman Glenn Choolokian told the *Niagara Falls Reporter*, a weekly newspaper. “I wanted to go to bat for our city and I wanted to get a better percentage from the state’s share of the slot machine drop. For the life of me I can’t see how the state could just extend the compact with no input from the city. How did this happen? Where was Mayor Dyster when it did happen?”

“The state gives away 52 of our prime downtown acres to the Seneca and then blocks us from participating in the 2002 compact negotiations,” Choolokian continued. “Then the state picks a pointless fight with the Seneca and Niagara Falls, gets hammered financially for four years, then Governor Cuomo admits he was wrong in the first place on the casinos, and secretly extends the compact with not so much as a phone call to ask us what we think about all of this. Our residents are just beginning to grasp what the state has done here. We’re pleased to see the \$89 million settlement, but at what eventual cost to the city was that settlement reached?”

On June 14, the number of casinos that would be licensed initially remained up in the air. Cuomo said he was open to changing his proposal from three to four casinos upstate. Hours later Senator Bonacic suggested there should be five upstate casinos.

Lawmakers and lobbyists were also haggling over how much casinos would be taxed. The proposed tax rate for the new casinos was 25 percent. But the racetrack operators complained, because the racinos are taxed at 67 percent. The casinos would have an unfair advantage. As a result, the racetrack operators threatened to oppose the governor’s plan. “Rushing to pass legislation that fails to fully understand the actual impact of the bill seems misguided,” said a statement from the New York Gaming Association. “We hope the legislature will treat this issue with the prudence it deserves.” The casinos backed by Cuomo will “simply cannibalize as much as 85 percent of the state’s current gaming market, shifting revenue and jobs from one facility to another but resulting in no real increase in new jobs and an annual loss of \$1 billion of tax revenue for education,” said association president Featherstonhaugh.

Over Father’s Day weekend the negotiations took yet another twist. The governor’s spokeswoman, Melissa DeRosa, seemed to be bracing for the possible failure of the casino referendum. She said the state would open more slot parlors if the full-blown casinos are rejected — a legal loophole that is allowed via the state lottery.

Cuomo's plan to add more city slot parlors would offset the loss of the upstate casinos and "combat the loss of revenue to neighboring states and secure new funding for our schools." But new slot parlors would also mean more competition for the existing racinos, which Cuomo shrugged off. "No racino was granted a lifetime monopoly," Ms. DeRosa said. "We were elected to act in the best interest of the people, not politically connected racino owners."

Cuomo's plan essentially guaranteed the state would get more gambling whether voters approved the referendum or not.

## **Place Your Bets**

What was really driving the negotiations was money. Cuomo is in search of more tax revenue to spend. In 2011 and 2012, gambling interests spent \$17.8 million on lobbying and political contributions — up 36 percent from the previous two years, according to an analysis by Common Cause. The racinos spent nearly \$10 million of that number in Albany. In the final days of the 2013 session, the lawmakers continued to meet in secret. The Vegas operators continued to push for casinos in and around New York City. The racetrack operators continued to argue for a lower tax rate on gambling revenue.

The final version of the bill came together on June 21, the last day of the legislative session. But the state constitution requires lawmakers have three days to review all bills before voting. To get around the three-day waiting period, lawmakers on June 21 passed what is known as an "emergency provision." Of course, there was no emergency other than it was the end of the legislative session and lawmakers wanted to go home.

Cuomo, who came into office promising an open and transparent administration, played down the need for the three-day waiting period, saying the last-minute changes to the bill were minor and technical.

In the end, after all of the maneuvering, Cuomo got most of what he wanted. Lawmakers agreed to amend the constitution to authorize as many as seven new casinos, but only four in the first seven years. The initial casinos would be located in the Catskills, the Albany area and the Southern Tier region near the Pennsylvania border. None would be located near the five existing Indian casinos or in New York City or its suburbs.

Voters still have to approve the amendment in November. But Cuomo managed to win the support of various competing gambling interests and keep them from spending heavily to defeat the referendum at the voting booth. Featherstonhaugh, the head of the New York Gaming Association, said the final bill was a great improvement — just days after the association said it could not support the bill.

Genting was happy because it effectively received a monopoly on slots in the New York City area for seven years. The company said it fully supports “the governor’s goals of upstate job creation and economic development outlined in the proposal.” Likewise, the Indian casino operators received geographic exclusivity for their casinos. In the end, a buoyant Cuomo appeased all of the competing gambling interests. That was huge because opposing gambling firms have the money to back an advertising campaign to kill the casino bill. For his part, Cuomo said the casino legislation was “about gaming, and gaming is about tourism, and tourism is about jobs.” Once again, Cuomo offered no independent studies to support his claim that more casinos would attract more tourists.

### **Keep the Money Flowing**

Perhaps the ultimate hypocrisy came at the end of the legislative session. The initial bill had contained a provision that would prohibit companies seeking a casino license from making campaign contributions. As recently as June 6, Cuomo had said he wanted to rid his casino proposal of politics. The initial bill made clear that casinos have a corrupting influence on many states, regardless of strict oversight and regulation. “Unlike most other regulated industries, gaming is especially susceptible to corruption and potential criminal influence,” the bill said. “It is imperative to eliminate any potential corrupt influence in the gaming industry and the electoral process.”

But when the final bill emerged two weeks later, the campaign provision language had been stripped out. None of the lawmakers noticed until two hours before the vote. Some lawmakers were not even aware when they voted that the provision was no longer there. “I believe this was not an appropriate decision,” said Assemblyman John McDonald, a Democrat from Cohoes. “At a time when the public trust is being questioned due to the actions of a small minority of the legislature, this does nothing to help enhance the image of the legislature or change the culture that the public finds troubling.”

Assemblyman Phil Steck, a Democrat from Colonie, said the swift passage of the bill — which took place in less than a week after its introduction — did not allow enough time for many lawmakers to read through the legislation and debate its merits. Of course, there were no public hearings. In fact, members of the public had no time to review the final bill and make their feelings known to their elected representatives.

Assembly spokesman Michael Whyland blamed the senate for removing the provision barring casinos from making campaign contributions. Senator Bonacic defended the move, arguing that limiting political donations raised constitutional issues.

Cuomo said he gave up on the provision to ban the campaign contributions because he couldn't convince lawmakers to keep it in. "We couldn't work out everything," he said. "Some things we couldn't come to terms with."

Going forward, opening the door to casino interests is likely to result in an explosion of gambling money shaping many decisions in Albany, said Bill Mahoney, of the New York Public Interest Research Group a few days after the legislative session ended. "New Yorkers can now expect the flood of casino donations we have seen in recent years become a torrent of special interest money designed to influence our elected officials," Mahoney said.

Perhaps the only guarantee is that the legalization of commercial casinos will result in even more corruption in Albany. Days after lawmakers voted to legalize casinos, a study by economists Douglas M. Walker and Peter T. Calcagno published in the journal *Applied Economics* found that federal corruption conviction rates increased in the states that legalized casino gambling. Focusing on the years 1985 to 2000, when casino legislation was pushed in a number of states, the economists found the corruption often began in the two years before and after casino legislation was passed. The study said the increase in corruption convictions before states approved casinos indicated the gambling industry was attracted to states that had an existing culture of corruption. The increase in corruption convictions after casinos are legalized indicated the gambling interests had a corrupting influence on regulators as well.

Mississippi led the country in casino states with high corruption rates. By comparison, states that did not legalize casinos had a lower corruption rate. Given the history of corruption in Albany, the study does not bode well for a clean casino process in New York.

## **The Missing Debate**

Throughout the process there was little to no discussion about the economic and social costs that come with casinos. In fact, there is plenty of evidence available that indicates that casinos do more harm than good for communities.

A study in Ontario published in 2001 found that 60 percent of the revenue from slot machines comes from problem gamblers. The figures in other studies vary, but clearly the business model for local convenience casinos depends in large measure on problem gamblers.

A 2011 study by the University of Maryland, Baltimore County found that one in every thirty state residents had a gambling problem. Those most at risk for developing gambling addictions are single men between the ages of eighteen and twenty-nine, either African-American or Latino, with less education and income than the overall population.

A study by the University of New Orleans found that casinos in Louisiana and Mississippi hurt existing businesses. The Chicago Better Government Association surveyed gamblers at Illinois casinos and found that only 3 percent of out-of-state players spent money outside the casino. “The largest percentage of gamblers are locals,” the survey said. “There is no doubt that Illinois draws their largest share of patrons from their own communities and other nearby communities. Over five-sixths (83%) of the amount of money gambled is not new money brought into the local area. It is money that is already in the community.”

If anything, the spread of gambling in recent years has only decreased the need for people to travel very far to gamble. There are so many more options closer to home. Having a casino close to home makes gambling more convenient, and results in many people frequenting casinos more often. Wouldn't the state be better off creating policies or supporting industries that generate wealth for residents rather than strip money from the pockets of those who can least afford it?

But casinos are experts at attracting and keeping gamblers on site, offering free drinks, cheap buffets and free live entertainment. Rather than attract or support ancillary businesses, casinos draw customers away from surrounding restaurants and other entertainment venues. In the most severe cases of problem gamblers, casinos divert money that is necessary for clothes, food, medicine, rent and child support.

Nelson Acquilano, the executive director of the Council on Alcoholism and Addictions of the Finger Lakes, explained the impact of casinos. “Gambling destroys families, gambling increases divorce, gambling increases bankruptcy, gambling increases mental illness,” he said. “Gambling increases suicide and we have a lot of data and statistics to support this.”

Independent studies show casinos cost taxpayers more than they bring in over the long run. One study by Baylor University professor Earl Grinols found casinos create \$3 in social costs for every \$1 they bring in.

Casinos can also result in the loss of jobs at some of the surrounding businesses. As residents spend more time eating and drinking for free or reduced prices at casinos, area bars and restaurants suffer. In Atlantic City, for instance, many restaurants and retailers closed after casinos opened. If anything, the Atlantic City streets are more desolate. For the most part, gamblers take a bus or drive to the casinos and then leave.

Nobel-prize winning economist Paul A. Samuelson described gambling as the “sterile transfer of money or goods between individuals, creating no new money or goods.” Billionaire investor Warren E. Buffett called gambling a “tax on ignorance.” Even Governor Cuomo’s father, Mario, understood the negative impact. “There is a respectable body of economic thought that holds that casino gambling is actually economically regressive to a state and a community,” he wrote in a 1994 book, *The New York Idea*.

None of that seemed to matter to Cuomo and other casino supporters. In fact, Cuomo demonstrated that he was never interested in engaging in a public debate about the pros and cons of casinos. Instead, he was focused on the politics of pushing through a change in the constitution without attracting much public attention or scrutiny.

## **Tilting the Odds**

Several steps taken in the months leading up to the November 2013 vote underscore that crass politics was behind Cuomo’s drive to bring casino gambling to New York.

In August, the *New York Daily News* reported that The Committee to Save New York — the nonprofit that received more than \$2 million from gambling interests and

spent millions more promoting Cuomo's top agenda items, including casinos — was “declaring its mission's accomplished” and closing its doors.

A representative for the Committee told the *Daily News*: “We came together to challenge the special interests in Albany and neutralize them and we believe we were successful.” Any evidence to support that claim was not provided.

That same month Cuomo also decided to place the casino referendum at the top of the ballot. Usually referendums go at the bottom of the ballot. But Cuomo wants to give the casino measure top placement in the hopes that it will offer the best chance to pass.

In September, Cuomo administration officials and the legislature went one step further by getting involved in the wording of the ballot question. Usually, the referendum summarizes the law that is passed and gives voters an option to say yes or no. But the casino measure promises that legalizing casinos will help to lower taxes, create jobs, and generate more revenue for schools. There is no mention of the economic and social costs that comes with casinos. Critics said that the rosy wording was just another attempt to try to tilt the vote in favor of casinos.

“It has more spin than a roulette wheel,” said Blair Homer of the New York Public Interest Research Group.

Indeed the initial draft of the ballot measure did not mention any costs or benefits from casinos. The wording stated simply: “The purpose of the proposed amendment to section 9 of article 1 of the constitution is to allow the Legislature to authorize and regulate up to seven casinos. If approved, the amendment would permit commercial casino gambling in New York state.”

But then Cuomo administration officials and the legislature got involved and reworded the ballot question so that it now reads like this: “The proposed amendment to section 9 of article 1 of the Constitution would allow the Legislature to authorize up to seven casinos in New York State for the legislated purposes of promoting job growth, increasing aid to schools, and permitting local governments to lower property taxes through revenues generated. Shall the amendment be approved?”

A *New York Daily News* editorial said Cuomo was “not playing straight” with voters. “The forces pushing for expanded gambling in New York — including Gov.

Cuomo — are perverting the constitutional amendment process by putting what amounts to a pro-casino campaign advertisement on the ballot this fall.”

Stephen Shafer, chairman of the Coalition Against Gambling in New York, said the wording was misleading. “These are not literally lies, but when read quickly are extremely deceptive and one-sided,” Shafer said.

“The deceptive wording of this amendment on the ballot and the advancement of this late entry to ‘number one’ position are obvious moves to misinform and bias voters.”

Indeed, a poll conducted in late September by Sienna College indicated the rosy wording on the ballot prompted more voters to support the casino measure. But when the positive claims were removed, voters were evenly divided. Just like the casinos, Albany had tilted the odds in its favor.

Somewhere, even Boss Tweed was blushing.

## About the Institute for American Values

The Institute for American Values, founded in 1987, is a private, nonpartisan organization devoted to research, publication, and public education on issues of family well-being and civil society. By providing forums for scholarly inquiry and debate, the Institute seeks to bring fresh knowledge to bear on the challenges facing families and civil society. Through its publications and other educational activities, the Institute seeks to bridge the gap between scholarship and policy making, bringing new information to the attention of policy makers in the government, opinion makers in the media, and decision makers in the private sector.

## A Casino Land Report

The Institute for American Values and its partners are conducting a series of investigations called “Casino Land: America in an Age of Inequality.” The goal is to understand the meaning and role of casinos in American life — how they work and what they do, the values they embody and transmit, their impact on civil society, their connection to government, and their relationship to the rise of American inequality. This report is a part of that series.

## Institute for American Values

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