

Stacking the Deck: Gambling Industry Emerges as Top Campaign Contributor in California

A Common Cause California Report

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Introduction

In 1997 Bill Lockyer, then a state senator, authored a piece of legislation that radically altered the regulation of gambling in California. His Senate Bill 8 repealed the Gaming Regulation Act, which had defined gambling law in California since 1984, and instead enacted the Gambling Control Act of 1998. This act created the Division of Gambling Control within the Department of Justice, and empowered it to act as the regulator of the state's \$14 billion legal gambling industry. The passage of this bill restructured the way the California state government deals with the various facets of the gambling industry, and indicated that the legislature intended to take more of a role in the regulation of the industry.

Lockyer's legislation was passed in 1998, and as any reader of recent newspapers would know, gambling issues have become much more prevalent in the public discourse since then. The various gambling segments have many issues of major concern in front of the legislature, particularly fewer restrictions on gambling locales and the types of activities that can occur there. With the legislature's more expansive role in dealing with these issues, it appears that the gambling segments are increasing their utilization of the political system, namely through political contributions and lobbying.

This report documents the evolving political relationship between the various gambling segments and candidates for state office over the latter half of the 1990's. The report also posits the various segments in relation to each other and how that dynamic changes as particular elements, most noticeably the Indian tribes, become politically savvy.

"Stacking the Deck" focuses largely on two main components. The first involves the gambling segments themselves - card clubs, horseracing organizations, Indian casinos, and Nevada casinos. **The gambling industry as a whole spent \$15,783,060 on campaign contributions to California statewide and legislative candidates from 1995**

through 1998. This amount far exceeds the combined total of campaign contributions from the state's four largest political donors over that same period of time: the California Teachers Association (\$4,760,055); California Correctional Peace Officers Association (\$3,536,792); Consumer Attorneys of California (\$2,334,833); and the California Medical Association (\$2,167,164).

Of the gambling contributions, 76 percent were given in 1998, and 54 percent were given by Indian tribes. For the first time in the sixteen-year history of California Common Cause's Top Ten Contributor study, Indian tribes made the list for the 1997-1998 election cycle. (The report, entitled "Capitol Investors" , was released in September, 1999). In fact, the Top Ten included three tribes, two of which ranked in the top three. That Indian casinos did not give substantial political contributions until 1998 demonstrates a radical re-evaluation of their political goals and tactics.

While the increase in Indian casino contributions is most obvious, all segments of the gambling industry gave markedly more money in 1998 than in years prior (see Chart 1). Many factors contributed to this phenomenon. Contributions dropped sharply in 1997 because of the off-year fundraising ban stipulated in Proposition 208, which was in effect at the time. In 1996, only legislative candidates, not statewide candidates, were up for election. Finally, 1995, like 1997, was a non-election year. However, the single largest factor in the marked increase in contributions in 1998 was the escalation of contributions from the Indian tribes and the subsequent increase in contributions it prompted from their gambling rivals. This report compares the political contribution strategies of the gambling segments prior to 1998 to the role and actions of the gambling segments in response to the emergence of the Indian casinos as a political powerhouse. Additionally, this report analyzes to whom the contributions went based on office, party, incumbency, and electoral success.

The second key component to this study arose unexpectedly. In the many months spent conducting research for this report, **California Common Cause unearthed apparent reporting violations totaling over \$1.5 million in contributions from the gambling industry** between 1995 and 1998. The report itemizes the potential violations and provides an analysis of the violators (both candidates and campaign contributors), including which segments of the gambling industry are the most egregious abusers. The list of potential violations and supporting documentation will be submitted to the California Fair Political Practices Commission in a formal complaint.

Finally, in response to the prevalence of undisclosed campaign contributions, this report will set forth basic proposals that could serve to counter such abuse.

Top Ten Gambling Contributors and Recipients

Gambling contributions were significantly larger in 1998 than in previous years (Chart 3). In fact, gambling contributions in 1998 were up by 1,475 percent since 1995, and up 414 percent since 1996, the last major campaign cycle prior to 1998. The aggregate Top Ten gambling contributions chart, spanning 1995 through 1998 (Chart 2), therefore closely resembles the Top Ten gambling chart from 1998 (Chart 4). Former leading gambling contributors (namely horseracing organizations) were pushed off the aggregate Top Ten list by Indian casinos that dominated the 1998 election cycle so completely as to make previous contributions by other segments of the industry pale in comparison.

These overall Top Ten contributors gave: 37 percent of 1995 money given; 54 percent of 1996 money; 36 percent of 1997 money; 64 percent of 1998 money; and 61 percent of total money given during the four year time period.

The composition of the 1995 Top Ten differs markedly. (See Chart 4 for each year's Top Ten). Of the Top Ten contributors in 1995, seven were horseracing organizations, two were card clubs (one of which, California Commerce Club, occupied the number one spot), and one, the Hotel Employees and Restaurant Employees (HERE) International Union, was aligned with the Nevada casinos.

Chart 2: Top Ten Gambling Contributors 1995 - 1998	
1. Morongo Band of Mission Indians *	\$1,705,331
2. Agua Caliente Band of Cahuilla Indians	\$1,626,269
3. San Manuel Band of Mission Indians	\$1,346,109
4. California Commerce Club	\$938,004
5. Hotel Employees & Restaurant Employees Intl. Union	\$879,871
6. Quarter Horse Racing	\$786,773
7. Viejas Band of Kumeyaay Indians	\$596,166
8. Barona Band of Mission Indians**	\$591,464
9. California Indian Nation (CINPAC)	\$580,889
10. Hilton Hotels Corporation**	\$523,350
* includes \$500 in 1998 from Mary Ann Andreas, Tribal Chair.	
** includes \$1,000 in 1996 and \$297,800 in 1998 from Inland Entertainment Corporation, which is a Barona Band-controlled entity.	
*** includes \$70,000 in 1998 from W. Barron Hilton; \$15,000 in 1998 from Thomas Gallagher, Vice-President; and \$500 in 1998 from Hilmar Rosencast, Executive.	

In 1996, six of the Top Ten contributors were horseracing organizations, two were Indian Casinos (and California Indian Nation occupied the number one position), card clubs retained one spot, and HERE

remained the one organization on the list with direct ties to Nevada casinos.

In 1997, a year where very little money was given because of Proposition 208's off-year ban on campaign contributions, horseracing organizations held six spots, Indian casinos three spots, and card clubs one, although again California Commerce Club was the largest single gambling contributor.

In 1998, horseracing organizations no longer were the majority in the Top Ten. Indian casinos took over the list. Six Indian casinos were in the Top Ten, and occupied the top four positions. Nevada casinos had two entities on the list, while horseracing and card clubs had a single member each.

The highest annual gambling contribution prior to 1998, California Indian Nation's \$568,756 given in 1996, would only have garnered this organization a sixth place ranking in 1998. No other annual contribution given between 1995 and 1997 was high enough to qualify for the Top Ten contributor list in 1998 except this one.

Many of the top recipients of gambling money are party leaders and holders of major office (Chart 5). This comes as little surprise given the power that such people have in shaping the policy positions of their fellow politicians, as well as shaping policy itself. The leadership of the senate and assembly help fund legislative campaigns, recruit candidates to run in their party, appoint committee chairs, and make committee assignments. The governor and attorney general play pivotal roles in defining how and what gambling issues will be regulated by the state. That three of the Top Ten recipients of campaign contributions from the gambling industry were candidates for attorney general in 1998 indicates the power that this office holds in the minds of gambling contributors, most specifically the Indian tribes. The fact that Democrats comprise the majority of the Top Ten list reflects their control of the legislative process by virtue of occupying the governor's office and holding majorities in both houses of the legislature.

It is interesting to note that the top ten recipients, all of whom are to some degree party leaders in the state, received 51 percent of all gambling money given between 1995 and 1998. The remaining 299 people who received campaign contributions from elements of the gambling industry split the remaining 49 percent.

Chart 5: Top Ten Recipients of Gambling Money 1995 - 1998		
Name	Current Office Held	Gambling \$
1. Villaraigosa, Antonio	Speaker Emeritus of the	\$1,142,355

(D)	Assembly	\$1,022,410
2. Burton, John (D)	Senate pro Tem	\$988,618
3. Davis, Gray (D)	Governor	\$895,928
4. Stirling, Dave (R)	Unsuccessful AG Candidate	\$892,871
5. Lockyer, Bill (D)	Attorney General	\$830,331
6. Bustamante, Cruz (D)	Lieutenant Governor	\$672,002
7. Pringle, Curt (R)	Unsuccessful Treasurer	\$576,595
8. Calderon, Charles (D)	Candidate	\$535,450
9. Johnson, Ross (R)	Unsuccessful AG candidate	\$459,615
10. Leonard, Bill (R)	Senate Minority Leader Assemblyman, former Minority Ldr	
TOTAL MONEY		\$8,016,175

The Four Segments of the Gambling Industry

Card Clubs

There are approximately 230 card clubs in California. This number is declining steadily as more clubs are closing and new, larger facilities take their place (for comprehensive background on the various card clubs, see Roger Dunstan's "Gambling in California," published by the California Research Bureau in 1997). Although there are fewer card clubs now than in years past, the number of card tables has increased, indicating that fewer businesses does not mean less business. The largest card clubs in California are, not surprisingly, the card clubs that give political contributions to legislative and statewide candidates. The most profitable card club in the state, California Commerce Club, is also the largest political contributor among the card clubs.

Card clubs are businesses where players play against one another (not the house), and pay the card club a fee for use of the card tables. The club operator is to have no stake in the outcome of the game. State law prohibits many Nevada-style gambling games such as blackjack, and also prohibits slot machines.

Chart 6: Card Club Contributions by Organizations, 1995 - 1998

	1995	1996	1997	1998	Total
Artichoke	1,500	32,500	0	72,000	106,000
Joe's/Dennis	16,350	17,250	0	12,100	45,700
Sammut	28,550	15,800	0	0	44,350
Bay 101	145,750	391,269	19,250	381,735	938,004
Bell	0	0	0	1,100	1,100
Gardens	0	0	0	21,000	21,000

Bicycle Club	0	0	0	38,000	38,000
CA Commerce Club	11,500	19,000	0	71,500	102,000
Club One, Inc.	1,500	0	0	23,000	24,500
Hawaiian Gardens Card Club	0	0	0	2,550	2,550
Lucky Chances, Inc.	0	0	0	500	500
Normandie Card Club					
Oaks Card Club					
Oceans Eleven Casino					
Other*					
Card Club Total	\$205,150	\$475,819	\$19,250	\$623,485	\$1,323,704

Chart 7: Card Club Contributions by Amount Given, 1995 - 1998

	1995	1996	1997	1998	Total
CA Commerce Club					
Artichoke Joe's/Dennis	145,750	391,269	19,250	381,735	938,004
Sammut	1,500	32,500	0	72,000	106,000
Normandie Card Club	11,500	19,000	0	71,500	102,000
Bay 101	16,350	17,250	0	12,100	45,700
Bell Gardens	28,550	15,800	0	0	44,350
Bicycle Club	0	0	0	38,000	38,000
Lucky Chances, Inc.	1500	0	0	23,000	24,500
Oaks Card Club	0	0	0	21,000	21,000
Hawaiian Gardens	0	0	0	2,550	2,550
	0	0	0	1,100	1,100
	0	0	0	500	500

Although card clubs were the second largest gambling contributors after horseracing organizations in 1995, they fell to third in 1996 and 1997, and gave the least of the four gambling elements in 1998. This said, California Commerce Club was the largest gambling contributor in 1995 and 1997, gave the second most in 1996, and in 1998, ranked tenth. For the entire time period as a whole, California Commerce Club ranked fourth, and was the sole card club on the list.

Gardens Card Club					
Oceans Eleven Casino Club One, Inc.					
Other*					
Card Club Total	\$205,150	\$475,819	\$19,250	\$623,485	\$1,323,704
* Aggregate of organizations that gave less than \$1000					

So, while card clubs collectively are not big givers, those individual card clubs that do give tend to do so in sizeable quantities. And, the number of contributors is growing -- in 1995 six organizations gave; in 1998, ten. (Charts 6 and 7 for a list of card club contributions).

Card clubs are looking to expand their domain, and hoping to utilize the Indian casino expansion to their advantage by requesting similar treatment from the government. There is a strong fear amongst not just the card clubs, but other gambling interests as well, that expansion of the Indian casinos in number, size, and types of games offered, will limit and/or prevent non-Indian casino's ability to make money. Card clubs are lobbying for a more finite definition of "gaming," and therefore a more permissible environment in which they can operate. In the current legislative cycle, card clubs are having limited success.

In addition to the threat from Indian casinos, card clubs face a growing challenge from horseracing organizations. Hollywood Park and Ladbroke Racing, a division of Pacific Racing Association, already run and operate successful card clubs at their horseracing facilities. The tracks with established card clubs are looking to expand, and those without are looking to start card clubs on their premises.

Horseracing Organizations

Horseracing organizations, before 1998, were the major gambling contributors in California, in large part because they dealt more directly with the state government than their gambling counterparts. Card clubs, while working to expand the types and number of games played at their facilities, deal more with localities than with the state in terms of creating new card clubs, which must be approved at the local level. Indian tribes have generally dealt with the federal government in regards to the type and scope of gambling permitted on their reservations. Nevada casinos have generally contributed minimally to California candidates, and when they do contribute it is mostly as a means to limit expansion of the “illegal” gambling California already prohibits. Horseracing organizations, however, have been overseen for more than 65 years by the California Horseracing Board, which operates at the statewide level. Horseracing, more than any other type of gambling within the state, is governed by state law, and therefore horseracing organizations have had the most incentive, out of the four gambling segments, to be actively involved in the statewide legislative political process.

More than the other gambling segments, horseracing organizations also tend to be consistent in their contributions. In 1995, thirteen horseracing groups gave contributions to legislative and/or statewide candidates; in 1996, eleven contributed; in 1997, nine contributed; and in 1998, thirteen contributed. (See Charts 8 and 9 for a list of horseracing contributions).

Not just the number of contributors remains steady -- the amount given does as well. In 1996, horseracing groups gave approximately \$1,200,000, and in 1998, they gave approximately \$1,460,000. While the consistency does afford horseracing an ongoing role in gambling issues, they were completely dwarfed in terms of political contributions by the Indian tribes in 1998. The change in the dynamic of who is defining gambling issues is something with which the horseracing groups will have to contend. In 1995, seven horseracing organizations were in the Top Ten contributor list, in 1996 and 1997, six made the list, but in 1998, only one group made the Top Ten. That one organization, Quarter Horse Racing, which encompasses Los Alamitos race track, the Horsemen's Quarter Horse Racing Association, and majority shareholder Edward Allred, was also the only horseracing group to make the aggregate Top Ten.

[Open Chart 8](#)

Horseracing Contributions by Organization, 1995 - 1998

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[Open Chart 9](#)

Horseracing Contributions by Amount Given, 1995 - 1998

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Horseracing organizations are looking to ensure a prominent place in the gambling discourse in order to maintain and expand their profit-margin. To be able to compete with

other gambling options, horseracing organizations are seeking to expand. To increase their revenue, many horseracing organizations have added card clubs to their racetracks. In addition, horseracing organizations have been advocating for opportunities for people to place wagers at locales other than the track itself. (Currently one must be physically present at a racetrack in order to place a wager). Horseracing organizations regard Indian casinos as a threat to their profit-making.

Indian Casinos

There are 104 federally recognized tribes in California. The Los Angeles Times reports that 58 tribes in California have signed compacts with the Governor and/or operate casinos (note 1).

In addition, there are at least three tribes that operate casinos that were not on the Los Angeles Times' list. (For a list of tribes with casinos and/or compacts with the State, see Chart 10). Until 1998, Indian casinos were not a prominent force in California politics. Although an Indian tribal organization, California Indian Nation PAC, was the top gambling contributor in 1996, only one other Indian tribe made the list that year. In 1995, no tribes were on the Top Ten contributor list, and in 1997, only three made the list. In 1998, six Indian tribes/casinos made the Top Ten list, and due to the large amount of money given that year by Indian groups, six Indian tribes made the aggregate Top Ten list,

including each of the top four positions.

Note 1 Dan Gorman and Dan Morain, "Vote Could Transform Face of Gambling in California", Los Angeles Times, February 17, 2000, page A8.

The emergence of Indian tribes as a dominant force in California politics is a remarkable development. The Indians utilized a three-pronged strategy. First, they launched a ballot initiative (Proposition 5) that included an immense media campaign. This campaign served to frame the issues surrounding Indian gambling around notions of self-reliance, something seemingly the voters of California overwhelmingly endorse. In framing the gambling issue in such a way, the Indians managed to simultaneously make their use of casinos a positive means to help build their community while (more subtly) disavowing the use of casinos for other purposes. Now other segments of the gambling industry have to fight not only

[Open Chart 11](#)

Indian Casino Contributions by Organization, 1995 - 1998

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[Open Chart 12](#)

Indian Casino Contributions by Amount Given, 1995 - 1998

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Strange

**Bedfellows:
Tribes and Prison
Guards join forces**

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the connection](#)

the Indians' political prominence, but also the public support they have garnered. In addition, the other segments are having to fight on the terms proscribed by the Indians, which puts the non-Indian segments at a disadvantage. It is much easier for a politician to support legislation touting "self-reliance" than one touting gambling for greed.

The second part of the Indian tribes' strategy was to give an immense amount of money to state and legislative candidates. In addition, Indian tribes spent a great deal of money on lobbying state legislators in 1998. With voter support behind Proposition 5, large sums of money flowing into campaigns in the form of checks from tribes, and stepped up lobbying efforts, it makes sense for politicians to be supportive of Indians' "self-reliance" struggle.

The Indian tribes have always had political contributors in their midst. In 1995, eight organizations gave; in 1996, thirteen; in 1997, six. In 1998, however, twenty-three Indian tribes/casinos gave political contributions to legislative and statewide candidates, and gave, on average, \$331,048 each. (See Charts 11 and 12 for a list of Indian casino contributions from 1995 to 1998). In comparison, horseracing organizations, on average, gave \$112,274 apiece, and with only thirteen organizations giving, gave a much smaller monetary amount that year than the Indians.

When the California Supreme Court overturned Proposition 5 on August 23, 1999, the ball went back in the Indians' court. Not surprisingly, the state legislature and Governor Davis (who received \$664,920 in 1998 alone from Indian casinos) moved rapidly after the decision was handed down to reach a compromise with the Indians as to how to proceed. The outcome of these negotiations was a legislative constitutional amendment that was on the March 2000 ballot – Proposition 1A. It is a testament to the burgeoning political power of the Indians that the governor and legislature moved so quickly to create a compact. The fact that legislators also passed, and the governor signed, legislation to grant the measure special placement at the top of the March ballot raises questions about whether favorable ballot positions are now for sale by the legislature and governor.

Nevada Casinos

The Nevada casinos have always played a somewhat minimal role in California politics. Casinos themselves are for the most part interested only in keeping the steady revenue stream coming across the border in the form of people looking for particular games (like

blackjack and slot machines) or a certain atmosphere (hotel casinos with big name performance acts, for example). While card clubs have been in existence in California for a long time, they do not provide the variety of games offered in Nevada casinos, and generally also do not offer the enormity of entertainment possibilities that one can find at Las Vegas or Reno casinos. However, the prospect of Indian casinos with “Nevada-style” games like blackjack and slot-machines poses a grave threat to the interests of the Nevada casinos, because people may opt to drive to the closer Indian casino rather than trek to Nevada to gamble.

The Nevada casino contributions over the course of 1995 through 1998 illustrate the threat that the Indian casinos, in their expanded form, pose to the Nevada groups. (See Charts 13 and 14 for a list of Nevada casino contributions from 1995 through 1998). In 1995, only two Nevada casino organizations contributed to legislative and/or statewide candidates in California; in 1996, four; in 1997, only one. But in 1998, 25 Nevada casino organizations contributed. Nevada casinos, who prior to 1998 contributed the least of the four gambling segments to California candidates, became second only to the Indian casinos in 1998. This surge in contributions was in large part an effort to counter the political strength the Indian casinos were building within the California political structure. The Nevada casinos also spearheaded the campaign against Proposition 5 in an attempt to keep Indian casinos from moving into their turf. The Nevada casinos spent approximately \$26 million opposing Proposition 5. The Indians spent almost \$68 million supporting it.

[Open Chart 13](#)

Nevada Casino Contributions by Organization, 1995 - 1998

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[Open Chart 14](#)

Nevada Casino Contributions by Amount Given, 1995 - 1998

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The only "Nevada casino group" to give political contributions every year that this study covers is the Hotel Employees and Restaurant Employees International Union (HERE, note 2),

Note 2 - HERE is concerned with employee rights, particularly workers ability to unionize, demand a particular salary, etc. HERE also represents the rights of its members, many of whom work in Nevada casinos and whose jobs might be terminated if business slows dramatically due to the popularity of Indian casinos

which, in fact, is a union that represents employees in a number of locales, not just Nevada. This union, however, was one of the major opponents to Proposition 5 and Indian gaming expansion, and so, for the purposes of this study, is given Nevada casino-allied status. (where currently the workers are not unionized).

HERE made the Top Ten contributors list every year except 1997 (when no Nevada casino made the list), and was joined in 1998 on the list by Hilton Hotels. Hilton Hotels, like HERE, has interests beyond gambling, but was nonetheless a major opponent to Proposition 5 and spends much of its lobbying effort in California on gambling issues. Over the four year time period studied, HERE was the fifth largest contributor, while Hilton Hotels, which gave minimally until 1998, gave enough that year to get it number ten status on the aggregate Top Ten list.

Nevada casinos, after the resounding victory of Proposition 5 in November 1998, fought to have the initiative overturned. When that occurred, Nevada casinos were faced with the option of continuing to attempt to fight Indian gambling expansion, which had proved largely unsuccessful in the past year, or ally themselves with the Indians. Many Nevada casino organizations are pursuing the latter, and are now looking to be hired by the Indian casinos to help create Nevada-style casinos here in California.

So, while the Nevada casinos know that some business will be lost to the Indian casinos, at least they can benefit financially from helping set-up and manage the Indian facilities. In a little more than a year and a half after the election in which Proposition 5 passed, coalitions that previously seemed unimaginable before have been forged. Already Anchor Gaming, for instance, has aligned with the Pala Band of Mission Indians, and it appears that other such alliances will follow.

Contribution Patterns

Based on Office

While contribution patterns differ between the various segments with regard to what types of candidates get money, there is a change in the general trend from 1995 to 1998 that indicates where gambling organizations see the power over their realm lying within the state government. A relatively larger percentage of the contributions are now going to statewide candidates than to candidates for the assembly and senate.

The sheer amount of money given has gone up dramatically in the four years studied in this report, so obviously the amount of money given to assembly, senate, and statewide candidates has also risen. (Chart 15). More importantly the relative percentage of the

gambling contributions given to the different levels of office has shifted, in large part because in the four years this study spans, there was a statewide race only in 1998. (Chart 16).

Because there are eighty assembly seats, assembly candidates make up the vast majority of candidates running for legislative and statewide office. It therefore makes sense that the aggregate amount of money given to assembly candidates be larger than the aggregate to either senate candidates or statewide officeholders, simply because of the sheer number of assembly candidates to whom to give money. In alignment with this logic, assembly candidates and officeholders received a fairly steady stream of gambling contributions over the years – generally they get between 42 and 62 percent of the contributions given. (They received the highest percentage in 1997, and the lowest in 1998).

Senate candidates (note 3) have seen their percentage of the contribution pie decrease significantly.

In 1995, senate candidates received over 34 percent of gambling contributions given. In 1996, that number was up to a sizeable 46 percent; in 1997 the percentage plummeted to 16 percent; and in 1998, rose slightly to a little over 23 percent of contributions received.

Note 3 - The discussion about candidates actually includes both candidates and sitting officeholders.

While gambling contributions to senate candidates have decreased, money to statewide candidates has increased sharply. In 1995 statewide candidates got a mere six percent of gambling contributions, but by 1998 that number was up to 35 percent. This is a sizeable increase. Even though assembly candidates as a whole are still getting a larger percentage of the contributions given, that money is divided up amongst many more people than is the case with statewide candidates.

Card clubs consistently give the most amount of money to assembly candidates as a whole. (Chart 17). In fact, assembly candidates received 55 percent and 56 percent of the total card club contributions in 1995 and 1996 respectively, 79 percent of the total in 1997, and 40 percent of the contributions in 1998. Senate candidates also consistently received a sizeable share of the card club contributions, garnering 44 percent and 43 percent respectively in the years 1995 and 1996, and 37 percent of the total in 1998. (In 1997, senate candidates received only 20 percent of the contributions). Statewide candidates received far less than 1 percent of the card club contributions in 1995 and 1996, but by 1997 had a five percent share. In 1998, statewide candidates received 23 percent of the contributions. The amount of money this totaled greatly surpassed the three years previous card club contributions combined.

Card clubs have traditionally worked at the local level to establish permits to build and/or expand their operations, which illustrates why they have contributed a smaller amount of money than their fellow gambling segments to statewide and legislative candidates. Nonetheless, card clubs have opted to contribute to legislative candidates, and while contributions do not guarantee allies, they at the very least raise candidates' awareness of the issues. The allocation of funds toward statewide candidates represents a slight shifting of priorities. With Indian casinos fighting at the statewide level for an expansion of their gambling operation, card clubs too are looking to state leaders to assist in altering state law to be more friendly to their interests.

Horseracing organizations, like card clubs, have given their money primarily to assembly candidates. Senate candidates have also received a large share of the contributions. Because there were no statewide races in the years covered in this report until 1998, it was only then that statewide candidates got anything but minimal contributions. The large allocation of money to statewide candidates suggests that horseracing organizations, like their gambling industry cohorts, are looking for statewide leaders to be sympathetic to their cause. This is true particularly in light of the power the Indian casinos have amassed in conjunction with their reshaping the perceptions of what constitutes a “good” gambling organization (note 4).

And, while contributions to statewide candidates rose in 1998 largely because there was a statewide election that year, the voluminous amount of money poured into statewide races by the Indians forced non-Indian gambling interests to interact at the statewide level just to ensure that their perspectives were heard.

The Indian casinos shifted contribution patterns between 1995 and 1998. They gave the largest percentage of their money to assembly candidates in 1995 and 1996, but in 1997 and 1998 gave them the second most after statewide candidates. Indian casinos contributed the least to senate candidates every year except 1996, when they received the second most after assembly candidates. Contributions to statewide candidates have varied greatly: in 1995, statewide candidates received the second most money of the three, in 1996, they received the least, and in 1997 and 1998, statewide candidates received the largest percentage of Indian casino contributions. That the Indian casinos gave more money to statewide candidates than to assembly candidates in 1997 and 1998 is telling because the number of statewide candidates is so much less. It appears that the Indians' priority is to give to candidates for all seats, but with a strong emphasis on state officeholders. Of particular focus are the governor and attorney general, both of whom

Note 4 - The Indians were particularly effective in constructing their utilization of gambling around issues of self-reliance and economic self-sufficiency. Most voters perceived these issues to be salient ones. The other gambling segments found their seemingly greed-based approach to gambling expansion juxtaposed with the seemingly altruistic goals of the Indians.

have a great deal of say in how much leeway Indian casinos are given to expand, and the lieutenant governor, who may potentially have influence at a later date.

Although in 1995 and 1996, Nevada casinos gave the largest percentage of their contributions to senate candidates, by 1998 assembly candidates were the largest recipients. Nevada casinos, also struggling to ensure that their issues are heard by state leaders, began to contribute in sizeable quantities to statewide candidates in 1998 (in large part because in 1998 there was a statewide election), but did so in a manner relational to their other contributions. Given that there are more assembly candidates than candidates for other offices, they got the most money from Nevada casinos in 1998, then senate candidates, and finally statewide candidates. Nevada casinos are spreading the wealth amongst candidates for all offices -- a “cover all the bases” strategy.

Based on Party

Overall, 61 percent of the gambling contributions over the four year period of this report went to Democrats. Democrats received a majority of the contributions from each gambling segment every year with two exceptions. (See Chart 18). Card clubs gave slightly more money to Republicans in 1997, and horseracing organizations contributed more to Republicans in both 1995 and 1997. (Chart 19).

While card clubs gave twice as much money to Democrats as to Republicans in 1995, in 1996 the discrepancy was much smaller, and in 1997 card clubs actually contributed more to Republicans than Democrats. However, in 1998, card clubs gave Democrats more than five times the amount they gave Republicans, perhaps signifying a shift toward a strategy of voting for victors.

Nevada casinos have always given much more money to Democrats than Republicans, although this phenomenon can be easily explained by the fact that the Hotel Employees and Restaurant Employees International, the major Nevada casino-affiliated contributing entity, is a union. Unions are traditionally allied with the Democrats, and HERE is no exception.

Horseracing organizations and Indian casinos distributed their contributions relatively evenly between the parties, both demonstrating a slight preference for Democrats. Such distribution is ostensibly a good way to ensure that members of both major parties are familiar with the organization and issue agenda.

Even during the years when horseracing organizations gave the majority of their money to Democrats, Republicans received almost as much. The Indian casinos, although seemingly faring better under a Democratic regime than a Republican one, nonetheless gave \$2,008,868 to Republican candidates for the legislature in 1998, roughly 64 percent of the money the Indians gave to all Republican candidates in 1998. Part of this money came from the Agua Caliente Band of Cahuilla Indians, who worked in tandem with the Morongo Band of Mission Indians to produce and distribute voter guides on behalf of numerous Republican candidates running for legislative office in 1998. In contrast, the largest percentage of money given to Democrats from Indian casinos, 47 percent, went to those running for statewide office.

As long as the Democrats remain in power, they are likely to receive the bulk of gambling contributions.

Based on Incumbency

Not surprisingly, the trend in this arena is fairly constant across the various gambling segments. (Chart 20). In fact, the aggregate trend across the four-year time period strongly resembles the trends for each segment taken individually. (Chart 21). Every year, incumbents received the vast majority of the money. Every year, challengers received a minimal amount of money.

In 1995, incumbents received 89 percent of the gambling contributions; candidates running for open seats received eight percent; candidates who held legislative or statewide office while running for another seat that was open received four percent; and challengers received miniscule contributions, far below one percent of the total (note 5).

Note 5 Numbers add up to more than 100 percent due to rounding.

In 1996 the pattern looked very similar, although candidates running for open seats (with experience and without) received a larger share of the contributions. Incumbents received 78 percent of the gambling contributions; candidates for open seats received 11 percent; sitting legislators running for another seat that was open received seven percent; and challengers received only four percent of the contributions.

In 1997, incumbents received 96 percent of gambling contributions, and candidates running for open seats received four percent. Sitting legislators running for an open seat

other than the one they currently held received two-tenths of one-percent of the total contributions. Challengers received no money.

In 1998 that contribution dynamic changed noticeably (for everyone but the challengers). Incumbents received only 49 percent of the gambling contributions; sitting legislators and statewide officeholders running for open seats received 30 percent; candidates running for open seats received 17 percent; and challengers received four percent of the contributions.

Again, the change in composition of the recipients in 1998 was in large part due to the fact that statewide offices, which generally garner larger campaign contributions, were up for election, and most of the offices were open seats being contested by sitting legislators. Term limits also account for some of the change in how money was allocated. In 1998, all but 20 seats in the state of California were before the voters. Many officeholders were being termed out of their current office, and therefore were seeking a higher office. These are people with whom many of the gambling organizations had a pre-existing relationship and with whom the gambling groups might have already been comfortable. In addition to a familiar relationship influencing monetary contributions is the reality that the odds predict that an officeholder seeking another office is going to be victorious. Just as the odds of an incumbent winning re-election are quite high, so too are the officeholders running for an open seat, in large part due to name recognition and how assembly and senate district boundaries are drawn in California (note 6).

As Chart 20 illustrates, every gambling segment closely resembles the previously described aggregate model. The Indian casinos were the only segment to differ slightly. In 1998, they gave a much larger percentage of their contributions to both open seat candidates and those candidates who were sitting officeholders than did the other gambling segments. This is explained, in part, by the tremendous amount of money given to Democratic statewide candidates, many of whom were holders of different offices at the time of the 1998 election. The Indian tribes also opted, in open seats, to provide non-monetary contributions in the form of slate-mailers to numerous Republican candidates (as previously described), which explains the increased amount of money given to open seat candidates.

Note 6 - Senate districts are essentially two assembly districts combined, so an assemblymember running for senate is already well-known and electable in his/her district and therefore needs only to attract a minimal number of people from the second district in order to win.

Based on Outcome

It is not surprising that candidates who were victorious received more gambling contributions than candidates who lost. The vast majority of gambling contributions went to incumbents, sitting officeholders, and people holding legislative or statewide office running for another position. In large part because of name recognition and large campaign chests due to their incumbency status, these people tend to win. It makes sense for organizations attempting to frame policy to want to have a relationship with a lawmaker, rather than a loser in an election. To that end, as an aggregate, gambling contributions went overwhelmingly to victors. In 1995, 97 percent of the money went to sitting officeholders and winners of special elections; in 1997, the number was up to 98 percent. In election years the percentage was still quite high – 89 percent in 1996, and 75 percent in 1998, went to winners of elections. (Chart 22).

Card clubs were most likely to give to winners – 95 percent of their contributions from 1995 to 1998 went to electoral victors. 89 percent of Nevada casino contributions went to winners, with 1998 being the year they gave most to losers. (1998 was the year losers received the largest percentage of contributions, mostly because of the statewide races where every candidate for attorney general was given a great deal of gambling money in order to “hedge bets”). Horseracing gave 82 percent of their money to electoral victors. Indian casinos' relatively low percentage of giving to victors, 81 percent, can be attributed to the fact that they gave money to competing candidates running for the same seat, and spent heavily on slate mailers for Republican assembly candidates who ended up losing. (See Chart 23).

Post-Election Money

In 1998, 29 candidates received campaign contributions from gambling interests totaling \$547,124 after the November election. Appendix D details each gambling contribution received from 1995 through 1998, and delineates post-election contributions by two asterisks following the post-election amount. Chart 24 lists candidates who received over \$10,000 post-election 1998.

Chart 24: Candidates who Received Over \$10,000 in 1998 Post-election Money		
Name	Current Office Held	Gambling \$
1. Davis, Gray (D)	Governor	\$220,000
2. Lockyer, Bill (D)	Attorney General	\$80,000
3. Cardenas, Tony (D)	Chair, Asmb. Select Comm. on	\$50,500 \$49,300

These post-election contributions cannot hide behind the mask of subsidizing campaign work, and instead appear intended to mend fences and/or buy influence. This seems particularly true when the post-election contributions are the only contributions from that organization that the candidate received. Such was the case with

4. Burton, John (D)	Indian Gaming	\$35,000
5. Angelides, Phil (D)	Senate pro Tem State Treasurer	\$26,500 \$26,052
6. Villaraigosa, Antonio (D)	Speaker Emeritus of the Assembly	\$21,000
7. Bustamante, Cruz (D)	Lieutenant Governor	
8. Floyd, Richard (D)	Assemblymember	

Treasurer Phil Angelides, who received post-election money from four Indian organizations who had never previously contributed to him. They were: Agua Caliente, who gave him \$25,000 post-election, and Barona Band, Inland Entertainment (who worked on behalf of Barona Band), and Rumsey Rancheria, all of which gave him \$2,500. Of these four organizations, three had given sizeable contributions to Curt Pringle, Angelides' opponent, during the months leading up to the election. Agua Caliente contributed \$67,000 to Pringle's campaign that year; Barona Band and Inland Entertainment each contributed \$12,500.

Another example involving Agua Caliente is the race for attorney general. Agua Caliente contributed \$226,000 in 1998 to Dave Stirling and no money to his opponent, Bill Lockyer, in the months preceding the election. After Lockyer's victory, however, he received a \$25,000 check from the Indian tribe.

Gray Davis received a \$10,000 check after his gubernatorial victory from the California Thoroughbred Breeders Association. This organization never gave Davis a contribution before his 1998 election win, and in fact had given Davis' opponent, Dan Lungren, \$4,000.

Not surprisingly, none of the gambling interests made contributions to defeated candidates after the 1998 election, with the exception of \$1,238 given to Chris Quackenbush, wife of Insurance Commissioner Chuck Quackenbush, by the Morongo Band of Mission Indians.

Chart 25: Gambling Organizations that gave over \$10,000 in 1998 Post-election Money

1. Agua Caliente Band	
2. Cabazon Band	\$130,284
3. Rumsey Indian Rancheria	\$100,000
4. California Commerce Club	\$52,500
5. Twenty-Nine Palms Band	\$52,000
6. Pacific Racing Association	\$50,000
7. Normandie Card Club	\$25,750
8. Artichoke Joe's	\$25,500
9. Barona Band/Inland Entertainment	\$25,000 \$30,300
10. California Thoroughbred Breeders	\$10,000

Twenty-six separate gambling organizations gave post-election contributions: ten of these organizations were Indian casinos, six were horseracing organizations, six were card clubs, and four were Nevada casinos. Chart 25 lists the gambling organizations who gave over \$10,000 post-election 1998.

Lobbying

Gambling organizations spent \$12,999,829 on lobbying expenses in California from 1995 through 1998. As with political contributions to candidates, the amount of money spent in 1998 was larger than in years past. This increase is largely due to Indian tribes' expanded utilization of lobbying, which parallels their expanded utilization of the initiative process and political contributions. Whereas Indian tribes spent \$362,287 on lobbying in 1995, by 1998 that amount grew to \$1,711,695. Indian tribes spent a total of \$4,273,969 on lobbying over the four-year time period; 40 percent of that was in 1998. (See Chart 26). The Indian casinos are the only gambling segment that has shown a steady increase in lobbying expenditures over the four-year period covered by this report. This suggests that the Indians may continue to spend more and more money on lobbying as a means to accomplish their objectives.

Of the ten organizations which spent the most money on lobbying from 1995 to 1998, three were Indian groups. The group that made the number eight spot, Californians for Indian Self-Reliance, had never spent money on lobbying until 1998. (See Chart 27).

[Open Chart 27](#)
**Gambling Lobbying of
\$1,000 or more from
1995 through 1998**
will open as a PDF in its
own window.

Although Indian casinos spent the most money on lobbying in 1998, horseracing organizations spent the largest amount of money on lobbying over the four-year time period. The total of \$4,333,107 mirrors the horseracing organizations' political contributions in that both are fairly high and consistent. Horseracing organizations spent more money lobbying than any other gambling segment until 1998, when their lobbying contributions were dramatically surpassed by the Indians'. Again, this is the same relationship that appears with campaign contributions over the 1995-1998 period.

Four of the fifteen horseracing organizations that contributed to lobbying efforts made the Top Ten lobbying expenditure list.

Nevada casinos' lobbying expenditures decreased (barely) from 1995 to 1996, and then plummeted to become the lowest lobbying contributor of the gambling segments in 1997.

In 1998, however, undoubtedly in response to the Indians utilization of the various political mechanisms at their disposal, Nevada casinos' lobbying expenditures increased sharply. Even with their rise in lobbying, Nevada casinos remained number three of the four gambling segments in money spent on lobbying. Nevertheless, out of the seven organizations that spent money on lobbying from 1995 to 1998, two Nevada casinos made the Top Ten lobbying expenditure list. Circus Circus claimed the number one position, with over \$1.8 million spent on lobbying. That an organization based in Nevada is the largest single gambling lobbying entity in front of the California legislature illustrates how essential the California market is to the success of the Nevada gambling industry.

Card clubs have never spent a great deal of money on lobbying in comparison to their gambling counterparts. Only seven card clubs spent \$1000 or more between 1995 and 1998 on lobbying expenses in California. In 1998, when other segments were either significantly increasing their lobbying expenditures (the Nevada and Indian casinos) or continuing their normal pattern of spending (horseracing organizations), card clubs spent a markedly smaller amount on their lobbying campaign. One factor contributing to the decline of card club lobbying was the federal closure of the Bell Gardens Bicycle Club in 1996. The Bicycle Club was the second among card clubs and fifth among all gambling entities in lobbying expenditures in 1995 before being shut down for illegal gambling activities, serious crime occurring on the premises, and poor management.

Two organizations, Circus Circus and the Viejas Band of Kumeyaay Indians, each spent more on lobbying from 1995 to 1998 than all of the card clubs combined. California Commerce Club, also a political contributor powerhouse, placed fourth on the Top Ten lobbying list. The \$884,601 they spent on lobbying represents more than 55 percent of the total card club lobbying expenditures.

Campaign Reporting Violations

Not the original focus of this report, the plethora of apparent campaign reporting violations pertaining solely to the gambling industry was so egregious that it had to be included. These potential violations were discovered after the amount of money that a candidate claimed to have received was cross-referenced with the amount the donor claimed to have given. The discrepancies fell into three types. The first type was when an organization failed to file altogether even though that group gave more than the \$10,000 threshold which legally obligates a donor to file a disclosure report (note).

Note 7 - Any individual or entity that gives \$10,000 or

The second type was when there was a discrepancy in the amount of money an organization reported giving and the amount a candidate reported receiving. The third type was when an organization or candidate failed to report a contribution that the other party showed.

State law requires that campaign contributions be reported in campaign disclosure reports filed at regular intervals and housed at the Secretary of State's office. Unfortunately, it is common for the Secretary of State's office, or the people looking through the files, to lose, misplace, or remove reports, causing files to be incomplete. Therefore, the Secretary of State's office may share some of the blame for the missing data and inconsistencies in the filings. It is possible that some of the data which this report concludes were not disclosed in fact may have been properly disclosed but has since been misplaced, lost, or stolen. However, the conclusions on unreported contributions are based on checking and rechecking the information provided by the Secretary of State for a period of over one year.

more per calendar year to candidates for office in the state of California must file a "major-donor report" with the Secretary of State. This major donor report must, amongst other things, detail to whom the organization gave money, as well as what, if any, money the organization received from others.

Based on the data available at the Secretary of State's office, it appears that \$1,518,521 contributed by gambling organizations from 1995 through 1998 was not reported either by the donor or recipient. Of this amount, a total of \$972,352 was reported having been received by candidates that the donors did not report as having been contributed, and \$395,452 was reported having been contributed by donors that candidates did not report as having been received. An additional \$150,717 was money spent on slate mailers by the Morongo Band of Mission Indians and the Agua Caliente Band of Cahuilla Indians that candidates failed to report. These potential violations are even less clear cut than the others, because it remains uncertain whether candidates received official notice that the mailers were being made and distributed on their behalf.

California Common Cause has submitted a formal complaint to the state Fair Political Practices Commission (FPC) documenting over 300 gambling industry reporting discrepancies totaling over \$1.5 million. It is the responsibility of the FPC to investigate these discrepancies and make the ultimate determination as to whether reporting requirements have been violated, and if so, to take enforcement action.

One interesting complication in this area is that Agua Caliente claims that its filing of contribution reports with the Secretary of State's office is a courtesy and not a necessity. Many Indian tribes claim in the campaign disclosure statements they do file that they are sovereign nations separate from the state and therefore not subject to its laws, including

those pertaining to campaign finance. Most of the tribes note that they file disclosure statements as a courtesy, not as a matter of law. However, federal law prohibits foreign nations or individuals from contributing to candidates, and state law prohibits foreign nations or individuals from contributing to initiative campaigns. To accept the argument that Native American tribes are sovereign nations not subject to state campaign reporting laws means that the tribes would also be banned from contributing to, much less sponsoring, statewide initiatives. This would have made Propositions 5 and 1A impossible. Because several tribes failed to file disclosure reports, even though they contributed heavily to legislative and statewide candidates, a large chunk of the money they contributed (but failed to report contributing) ought to be deemed in violation of state law.

In addition to the multitude of campaign contributions that either candidates or major donors failed to disclose, there were also a great many "common" mistakes that serve to complicate and convolute the disclosure process. Math mistakes and misspellings aside, often candidates fail to accurately report the name of the contributor. For instance, some candidates reported receiving contributions from the "San Miguel Band of Mission Indians," a Band which does not exist in the state of California. The candidate, one would assume, was referring to the "San Manuel Band." Such perversion of the contributor's name makes finding the contribution within a disclosure statement difficult.

Another consistent problem is that candidates, while remembering to file late contribution reports as required by law in the weeks prior to an election, often fail to include those contributions in their next disclosure report. State law mandates that candidates include these late contributions in their next report, and this is especially important because the Secretary of State's office, in California Common Cause's experience, is prone to losing campaign documents, and particularly late contribution reports.

Possible Remedies

Failure to report either giving or receiving a campaign contribution is a flagrant violation of political reform law, but unearthing such violations is an extremely time-consuming and daunting process. California Common Cause recommends the following:

- **A stronger regulatory system with more oversight.** Currently the Fair Political Practices Commission (FPPC), for a variety of reasons including budgetary constraints and a de-prioritization of disclosure enforcement, does not proactively monitor campaign reports. The FPPC needs to make the enforcement of campaign disclosure law more of a priority, and needs to have access to the resources to be able to do so.

- **A more accessible way to review disclosure documents.** On-line disclosure is currently in effect, and provides an easier way to access campaign disclosure data. However, to view documents prior to the year 2000, one must review documents at either the Secretary of State's office or the State Archives, a seemingly purposefully convoluted process. Both the Secretary of State and State Archives have many incomplete files, meaning that candidates and/or major donors disclosure forms from years as recent as 1997/1998 are lost in the abyss, possibly never to be seen again. This makes it quite difficult to get a complete picture of who is getting and receiving money.
- **A more stringent process to look at original files at the Secretary of State's office.** Currently there are original disclosure files that are missing statements. Either this is because of misfiling on the part of staff, in which case the problem is one of incompetence on the part of the SOS and should be remedied through those channels, or is due to people taking original statements from the file and failing to return them. California Common Cause recommends that the Secretary of State establish a better system of securing original files to which the public should not have access while maintaining complete files of copied reports for public review.
- **Retention of major donor reports.** None of these candidate violations would have been noticed without major donor statements. These statements are essential to the enforcement process. Without them the word of the candidate will be taken as absolute truth with no mechanism for ascertaining the actual veracity of the disclosure statements. In recent months there has been discussion at both the FPPC and the Bipartisan Commission on the Review of the Political Reform Act of 1974 about scaling back requirements for major donor statements. California Common Cause strongly believes that these documents are needed in order to gain an accurate picture of when and where campaign money is being distributed.

Methodology

The purpose of "Stacking the Deck" is to examine the influence of the gambling industry on state politics and policymaking. Therefore, this report focuses solely on legislative and statewide races and officeholders. While most of these gambling organizations also gave money to local and national candidates, perhaps as well as candidates from other states, such contributions are beyond the scope of this report. In addition, neither contributions to local, state, or federal party committees ("soft money") nor independent expenditures are included in this report, for they do not constitute direct contributions to the candidate.

Stacking the Deck addresses the four segments of the gambling industry active in California politics - card clubs, horseracing organizations, Indian casinos, and Nevada casinos. Nevada casinos were included because they have long had a vested interest in minimizing the gambling in California to protect their own market share. The state lottery was not included because research did not uncover any lottery-related entities that spent significant funds on campaign contributions or lobbying expenses.

Card clubs are defined as those businesses that operate card rooms and are not run by Indian tribes or horseracing organizations. Horseracing organizations are those businesses, which primarily operate racetracks. Many of these organizations also operate card clubs at their racetrack locations; however, because the main function of these businesses is horseracing, they are labeled under that category.

Indian casinos are those Indian tribes that operate casinos or are hoping to establish a casino. Also included are those organizations through which Indians gave money to lobby/contribute on behalf of the casinos, like Inland Entertainment Corporation and Tribe Management Partners. Some organizations are amalgams of many tribes. The term "Indian" was used only because this is how almost all of the Native-American organizations involved politically with the gambling issue refer to themselves and their organizations.

Under the label "Nevada casinos" fall, obviously, all Nevada casinos that contributed money, but also those groups that had an interest in curbing Indian gambling and/or protecting the profitability of Nevada casinos. This includes, for example, the Hotel Employees and Restaurant Employees International Union (HERE), who fought against the Indians for both reasons. HERE regarded the Indian casinos as (1) anti-union in general and (2) cutting into the business profit of Nevada casinos, thereby lowering the need for employees and leading to the loss of jobs and wages for union-workers employed by the Nevada casinos.

The information used in this study was obtained by carefully looking through the campaign disclosure statements of every California legislative and statewide candidate and officeholder who received a campaign contribution between 1995 and 1998. This information was then cross-referenced with every relevant major donor report. The process was repeated several times over the course of 2 years.

When the candidate and major donor disagreed over the amount given, the amount attributed to the candidate was the higher amount.