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Does California really need more casinos?

Tribal cash, not social justice, is fueling expansion deals.

By Marc Cooper

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THE \$7BILLION THAT PASSES through California's Indian gaming facilities already surpasses the collective take of all the casinos on the Las Vegas Strip. Our state is home to more than 50 Nevada-style gambling resorts, more than 60,000 slot machines and hundreds of blackjack and poker tables. Throw in the lottery and horse racing, and we're spending six times more on gambling in California than 10 years ago — more than \$13 billion a year.

But Gov. Arnold Schwarzenegger and the Democratic leaders of the Legislature apparently don't think that's enough. They're more intent than ever on pushing through what some critics call the biggest gambling expansion in recent national history. If they're successful, California could soon surpass Nevada as the nation's gambling mecca.

The five major deals that the governor is backing and the legislators are pondering would radically expand the gaming capacity of powerful tribes that already own lucrative casinos. When those tribes won the initial right to open their casinos, they got a sweetheart deal from ex-Gov. Gray Davis and were exempted from kicking back any of their profits to the state. Schwarzenegger's rationale for expanding those deals is that if California renegotiates the compacts, the tribes will get more than the current maximum of 2,000 slot machines per casino and the state will be cut in for a percentage of earnings that could produce hundreds of millions of dollars to offset its lingering budget deficit.

If the deals go through, California will have 22,000 more slot machines and several new casinos.

The expansion deals were blocked at the end of last year's legislative session after Democrats complained that they didn't offer enough guarantees for labor unions to freely organize. Now the governor's back with his proposals, and Democratic Assembly Speaker Fabian Nuñez is trying to fashion a bipartisan compromise on the labor issue to get them approved. Democratic Senate President Pro Tem Don Perata is sponsoring one of the five expansion bills — the one that would benefit the wealthiest tribe.

Critics of unbridled gambling expansion are alarmed, in part because so much political weight is being thrown behind tribes that are already cashing in big time. The tribe that would benefit from the measure that Perata is carrying — the 400-member Agua Caliente band of Cahuilla Indians, already the biggest landlord in Palm Springs — operates two full-sized casinos that compare with Nevada's finest and would be allowed to open a third under the bill.

"Why do these established tribes need more than one casino?" asked Cheryl Schmit, leader of the casino watchdog group Stand Up for California. "Why would the state grant them multiple casinos?"

The answer, predictably enough, is money. California's gambling tribes have become one of the state's most powerful and muscular political lobbies, pouring about \$150 million worth of campaign contributions into political races over the last decade. The Agua Caliente band raised \$27 million just to support one ballot measure several years ago. Few politicians dare challenge such odds.

It wasn't supposed to be this way. Schwarzenegger initially tried to confront the power of the Indian casino lobby. During his first run for governor, a number of tribes gave more than \$10 million to his rivals. When he came into office, Schwarzenegger vowed he would wrestle the tribes into tighter regulation and would force them to pay a fair share of their profits to the state.

But when muscular tribes such as the Agua Caliente called his bluff, showing a willingness to spend about \$30 million in funding ballot measures opposed by the governor, even the mighty Terminator had to humbly fold.

With virtually no notice by the media last year, and under direct pressure from the tribes, Schwarzenegger quietly dismissed his tough top tribal negotiator. Then came a disappointing flip-flop, which brings us to the present: The same Schwarzenegger who had railed against the tribes as special interests is now supporting the new packet of expansion plans for his former rivals — and on terms that would be much more favorable to the wealthiest of tribes than those that the tribes had received previously.

The governor's drive for more gambling also comes at a time when two different state studies suggest that California might be wise to view skeptically any plan to bank more of its future on more "no-bust" blackjack tables and additional Blazing 7s machines.

The first comprehensive study by the state's Office of Problem and Pathological Gambling, published last month, reveals a whopping 1.2 million adult compulsive gamblers in the state. That's nearly 5% of the adult population, with another 5% at risk of becoming problem gamblers — with no comprehensive state treatment program even being contemplated. The social and economic costs of gambling addiction are never factored into the cost-benefit analysis of opening more casinos.

Yet another report recently issued from the nonpartisan legislative analyst's office says the Indian gaming industry is poorly regulated, that it only benefits 10% of the state's Native American population and that the governor has greatly inflated the estimate of gambling profits that the state would receive under his proposed expansion plans.

Although the governor claims his plans would bring the state more than half a billion dollars each year in new revenue, the legislative analyst's report disagrees, saying it's "very unlikely" that anywhere near that sum would materialize. Predicting that tribes will be slow in getting new machines up and running, it forecasts a short-term state revenue at more like \$200 million annually, a rather insignificant drop in the state's bucket-sized deficit.

Whether the full amount would come in over the long term is dubious as well. After all, the governor already has a record of overselling his casino deals. The \$175 million to \$200 million a year in state revenue he promised as a result of new gambling agreements he signed in 2004 have so far produced an anemic \$30 million.

The governor's office is sticking by his predictions. "Given what the assumptions are in the compacts as to the number of new machines that will be installed, we are very confident in the numbers we have put forward," said H.D. Palmer, spokesman for the state Department of Finance. "As soon as these compacts are ratified, the tribes are ready to ramp up very quickly and get these new devices [slot machines] on line. The tribes didn't enter into negotiations with us to have fewer machines but more."

But a dispute over a couple of hundred million dollars, more or less, against the backdrop of the multibillion-dollar state deficit, begs a much more central and politically uncomfortable question: When Californians voted in 1998 and 2000 to green-light Indian gaming, is the current statewide mega-gambling scheme what they really had in mind?

Probably not. The \$100-million political advertising campaign run at the time by a coalition of tribes focused on the moral imperative of offering some form of "self-reliance," some form of societal reparations to marginalized and impoverished Native Americans. Voters thought, for the most part, that they were only ratifying what already existed (or perhaps approving some modest expansion) and that the main change would be the legalization of the modest gray-market bingo parlors and slot rooms that had mushroomed on numerous reservations.

Now it seems the state is confronted with something more akin to moral blackmail. The governor's gaming expansion proposals have nothing to do with social justice and everything to do with boosting the profits of select tribes that, in some cases and under the cloak of national sovereignty, operate like rapacious, privately held corporations. Some California casinos — with tens and sometimes hundreds of millions of dollars in revenue — are owned by tribes with fewer than 50 members. (The Twentynine Palms Band of Mission Indians, for example, which runs a full-service casino near Indio, has only 14 members.)

In most cases, neither the state nor the surrounding community gets any cut of the profits. And some of the more powerful and cash-laden gambling tribes, such as the Agua Caliente, have repeatedly and brazenly flexed their political influence to prevent poorer tribes from opening competing casinos. It's hard to believe a greater justice is being served by further enriching tribes that muscle out poorer competitors.

With its virulent anti-union posture, critics of the Agua Caliente band have dubbed it "the Wal-Mart tribe." Indeed, its insistent refusal to grant labor unions the right to freely organize is what sank the legislative agreement last year on the expansion deals. Forced to choose between two sets of generous allies — the unions and the tribes — Democrats went with the former and tabled ratification of the expansion compacts.

The tribes responded in November by firing a direct shot at the Democrats, stacking \$10 million in tribal contributions against some of their candidates. The get-rough tactic apparently worked, as Nuñez is now hustling to broker a deal on the expansion compacts, trying to persuade the Agua Caliente to give a little slack on the labor issue. If successful, the compacts will be approved and juicy tribal contributions will continue to flow to both parties.

Although compacts with fuller labor rights are better than ones without, there's that bigger and more fundamental question that almost no one in Sacramento seems willing to ask: Does California really need any more casinos?