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## Indian Casinos: Wheel Of Misfortune

By Donald L. Barlett and James B. Steele

Maryann Martin presides over America's smallest tribe. Raised in Los Angeles in an African-American family, she knew little of her Indian ancestry until 1986, when at age 22 she learned that her mother had been the last surviving member of the Augustine Band of Cahuilla Mission Indians. In 1991, the Bureau of Indian Affairs (BIA) certified Martin and her two younger brothers as members of the tribe. Federal recognition of tribal status opened the door for Martin and her siblings to qualify for certain types of government aid. And with it, a far more lucrative lure beckoned: the right to operate casinos on an Indian reservation.

As Indian casinos popped up like new housing developments across Southern California, Martin moved a trailer onto the long-abandoned Augustine reservation in Coachella, a 500-acre desert tract then littered with garbage, discarded household appliances and junk cars, about 25 miles southeast of Palm Springs. There she lived with her three children and African-American husband William Ray Vance. In 1994, membership in the tiny tribe dwindled from three adults to one when Martin's two brothers were killed during separate street shootings in Banning, Calif. Police said both men were involved in drug deals and were members of a violent Los Angeles street gang.

Subsequently, Martin negotiated a deal with Paragon Gaming, a Las Vegas company, to develop and manage a casino. Paragon is headed by Diana Bennett, a gaming executive and daughter of Vegas veteran and co-founder of the Circus Circus Casino William Bennett. Martin's Augustine Casino opened last July. With 349 slot machines and 10 gaming tables, it's the fifth and by far the most modest casino in the Palm Springs area. But it stands to make a lot of non-Indian investors--and one Indian adult--rich.

And get this: Martin still qualifies for federal aid, in amounts far greater than what many needy Native Americans could even dream of getting. In 1999 and 2000 alone, government audit reports show, she pulled in more than \$1 million from Washington--\$476,000 for housing, \$400,000 for tribal government and \$146,000 for environmental programs.

It wasn't supposed to be this way. At the end of the 1980s, in a frenzy of cost cutting and privatization, Washington perceived gaming on reservations as a cheap way to wean tribes from government handouts, encourage economic development and promote tribal self-sufficiency. After policy initiatives by the Reagan Administration and two U.S. Supreme Court rulings that approved gambling on Indian reservations, Congress enacted the Indian Gaming Regulatory Act in 1988. It was so riddled with loopholes, so poorly written, so discriminatory and subject to such conflicting interpretations that 14 years later, armies of high-priced lawyers are still debating the definition of a slot machine.

Instead of regulating Indian gambling, the act has created chaos and a system tailor-made for abuse. It set up a powerless and underfunded watchdog and dispersed oversight responsibilities among a hopelessly conflicting hierarchy of local, state and federal agencies. It created a system so skewed--only a few small tribes and their backers are getting rich--that it has changed the face of Indian country. Some long-dispersed tribes, aided by new, non-Indian financial godfathers, are regrouping to benefit from the gaming windfall. Others are seeking new reservations--some in areas where they never lived, occasionally even in other states--solely to build a casino. And leaders of small, newly wealthy tribes now have so much unregulated cash and political clout that they can ride roughshod over neighboring communities, poorer tribes and even their own members.

The amount of money involved is staggering. Last year 290 Indian casinos in 28 states pulled in at least \$12.7 billion in revenue. Of that sum, TIME estimates, the casinos kept more than \$5 billion as profit. That would place overall Indian gaming among FORTUNE magazine's 20 most profitable U.S. corporations, with earnings exceeding those of J.P. Morgan Chase & Co., Merrill Lynch, American Express and Lehman Bros. Holdings combined.

But who, exactly, is benefiting? Certainly Indians in a few tribes have prospered. In California, Christmas came early this year for the 100 members of the Table Mountain Rancheria, who over Thanksgiving picked up bonus checks of \$200,000 each as their share of the Table Mountain Casino's profits. That was in addition to the monthly stipend of

\$15,000 each member receives. But even those amounts pale beside the fortunes made by the behind-the-scenes investors who bankroll the gaming palaces. They walk away with up to hundreds of millions of dollars.

Meanwhile, the overwhelming majority of Indians get nothing. Only half of all tribes--which have a total of 1.8 million members--have casinos. Some large tribes like the Navajo oppose gambling for religious reasons. Dozens of casinos do little better than break even because they are too small or located too far from population centers. The upshot is that a small number of gaming operations are making most of the money. Last year just 39 casinos generated \$8.4 billion. In short, 13% of the casinos accounted for 66% of the take. All of which helps explain why Indian gaming has failed to raise most Native Americans out of poverty. What has happened instead is this:

**A LOSING HAND.** Revenue from gaming is so lopsided that Indian casinos in five states with almost half the Native American population--Montana, Nevada, North Dakota, Oklahoma and South Dakota--account for less than 3% of all casino proceeds. On average, they produce the equivalent of about \$400 in revenue per Indian. Meanwhile, casinos in California, Connecticut and Florida--states with only 3% of the Indian population--haul in 44% of all revenue, an average of \$100,000 per Indian. In California, the casino run by the San Manuel Band of Mission Indians pulls in well over \$100 million a year. That's about \$900,000 per member.

**THE RICH GET RICHER.** While federal recognition entitles tribes to a broad range of government benefits, there is no means testing. In 2001, aid to Indians amounted to \$9.4 billion, but in many cases more money went to wealthy members of tribes with lucrative casinos than to destitute Indians. From 1995 to 2001, the Indian Health Service, the agency responsible for looking after the medical needs of Native Americans, spent an average of \$2,100 a year on each of the 2,800 members of the Seminole tribe in Florida. The Seminoles' multiple casinos generated \$216 million in profits last year, and each tribe member collected \$35,000 in casino dividends. During the same six years, the health service spent an annual average of just \$470 on each of the 52,000 members of the Muscogee (Creek) Nation in Oklahoma, whose tiny casinos do little more than break even.

**BUYING POLITICIANS.** Wealthy Indian gaming tribes suddenly are pouring millions of dollars into political campaigns at both state and federal levels. They are also influencing gaming and other policies affecting Native Americans by handing out large sums to

influential lobbying firms. In 2000 alone, tribes spent \$9.5 million on Washington lobbying. Altogether they spend more to influence legislation than such longtime heavyweights as General Motors, Boeing, AT&T--or even Enron in its heyday.

**GAMING TRIBES AS EXCLUSIVE CLUBS.** Tribal leaders are free to set their own whimsical rules for admission, without regard to Indian heritage. They may exclude rivals, potential whistle-blowers and other legitimate claimants. The fewer tribe members, the larger the cut for the rest. Some tribes are booting out members, while others are limiting membership. Among them: the Pechanga Band of Mission Indians in Riverside County, Calif., whose new Las Vegas--style gaming palace, the Pechanga Resort & Casino, is expected to produce well over \$100 million in revenue.

**GOLD RUSH.** Since only a federally recognized tribe can open a casino, scores of groups--including long-defunct tribes and extended families--have flocked to the BIA or Congress seeking certification. Since 1979, as gambling has boomed, the number of recognized tribes on the U.S. mainland has spiked 23%, to a total of 337. About 200 additional groups have petitioned the bureau for recognition. Perhaps the most notorious example of tribal resurrection: the Mashantucket Pequot of Connecticut, proud owners of the world's largest casino, Foxwoods. The now billion-dollar tribe had ceased to exist until Congress re-created it in 1983. The current tribe members had never lived together on a reservation. Many of them would not even qualify for government assistance as Indians.

**THE IMPOTENT ENFORCER.** Congress created the National Indian Gaming Commission (NIGC) to be the Federal Government's principal oversight-and-enforcement agency for Indian gaming--and then guaranteed that it could do neither. With a budget capped at \$8 million, the agency has 63 employees to monitor the \$12.7 billion all-cash business in more than 300 casinos and small gaming establishments nationwide. The New Jersey Casino Control Commission, by contrast, has a \$59 million budget and a staff of 720 to monitor 12 casinos in Atlantic City that produce one-third the revenue. The NIGC has yet to discover a single major case of corruption--despite numerous complaints from tribe members.

**THE WHITE MAN WINS AGAIN.** While most Indians continue to live in poverty, many non-Indian investors are extracting hundreds of millions of dollars--sometimes in violation of legal limits--from casinos they helped establish, either by taking advantage of regulatory loopholes or cutting backroom deals. More than 90% of the contracts between tribes and outside gaming-management companies operate with no oversight. That means investors'

identities are often secret, as are their financial arrangements and their share of the revenue. Whatever else Congress had in mind when it passed the regulatory act, presumably the idea was not to line the pockets of a Malaysian gambling magnate, a South African millionaire or a Minnesota leather-apparel king.

**FRAUD, CORRUPTION, INTIMIDATION.** The tribes' secrecy about financial affairs--and the complicity of government oversight agencies--has guaranteed that abuses in Indian country growing out of the surge in gaming riches go undetected, unreported and unprosecuted. Tribal leaders sometimes rule with an iron fist. Dissent is crushed. Cronyism flourishes. Those who question how much the casinos really make, where the money goes or even tribal operations in general may be banished. Indians who challenge the system are often intimidated, harassed and threatened with reprisals or physical harm. They risk the loss of their jobs, homes and income. Margarite Faras, a member of the San Carlos Apache tribe, which owns the Apache Gold Casino in San Carlos, Ariz., was ousted from the tribal council after exposing corruption that led to the imprisonment of a former tribal leader. For three years, Faras says, those in control mounted nighttime demonstrations at her home, complete with loudspeakers. They initiated a boycott of her taco business, telling everyone she used cat meat. They telephoned her with death threats. Says Faras: "I don't know what else to say, other than it's been a nightmare."

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