



Payout

The Campaign Contributions Of The Gambling Industry In Illinois from 2002 to June 2011

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By James Browning

Common Cause Illinois

P.O. Box 476996, Chicago, IL 60647

www.commoncause.org/illinois

“Gambling has more of a history of corruption than any other industry.”

-U.S. Sen. Paul Simon (D-IL), testifying before the
National Gambling Impact Study Commission in 1997

Introduction

Since this warning by Sen. Paul Simon, America has seen a surge in political spending by the gambling industry and a dramatic expansion of legalized gambling. In Illinois, in particular, the industry’s success in promoting its agenda has been accompanied by a bonanza of campaign contributions to the state’s elected officials and candidates for office—at least \$9.1 million between 2002 and June 30, 2011.¹

For most of that period, Illinois was one of only twelve states that did not limit campaign contributions, and it continues to be the second-largest state that does not require lobbyists to report how much compensation they receive from each of their clients. Now, despite concerns about the industry’s historic problems with corruption and the high social costs that accompany the expansion of legalized gambling—with an estimated \$3 in new social costs for every \$1 of new gambling revenue, according to University of Illinois Prof. Mark Kindt²—the industry is on a winning streak.

In May 2011, the Illinois state legislature passed a bill, SB 744, that would more than triple the state’s gambling capacity while at the same time weakening the Illinois Gaming Board. And in July 2011, the Illinois Supreme Court upheld the constitutionality of the 2009 Video Gaming Act, clearing the way for 45,000 or more video slot machine to be installed at Illinois retail liquor establishments, truck stops, and fraternal and veterans organizations.

Given these two facts—massive campaign contributions, and a massive expansion of legalized gambling—Illinoisians deserve as much objective information as possible about the gambling industry’s attempts to influence their government, and the ways in which Illinois’s campaign finance and lobbying laws can be improved to protect against impropriety, or the appearance of impropriety, in government.

¹ According to Illinois State Board of Elections records obtained by Common Cause. Figure includes contributions

² *Tribal Proposals to Acquire Land-in-trust for Gaming Across States Lines: Hearing before the H. Comm. On Resources*, 109th Cong. 4 (2005) (statement of John W. Kindt, Professor, University of Illinois), available at http://www.citizenlink.org/pdfs/fosi/gambling/JKindt_Testimony.pdf

Key Findings

- From 2002 to June 2011, the gambling industry gave at least \$9.1 million to political candidates and committees in Illinois.
- In the Illinois House supporters of SB 744 received nearly four times as much money from the gambling industry as opponents, or \$21,264 vs. \$5,729. In the State Senate, supporters received an average of \$19,800 while opponents received an average of \$15,700.
- Chief House sponsor Rep. Lou Lang received \$270,651, while chief Senate sponsor Sen. Terry Link received \$45,900.
- The establishment of some campaign contribution limits in 2011 has slowed giving by the gambling industry, but the failure to limit contribution limits to leadership committees means that unlimited amount of money can still be funneled to the industry's chosen candidates.
- Because it does not require lobbyists to report their compensation, Illinois's lobbyist registration law fails to capture the vast majority of money spent by the gambling industry on lobbying.

Three Avenues of Influence: Campaign Contributions, Lobbying Expenditures, and Electioneering

Campaign Contributions

Campaign contributions shape elections and public policy in important and decisive ways. First, while anyone may have the right to vote, few have the ability to write a four- or five-figure check to support their favorite candidate, and fewer still have the ability to bundle and strategically direct contributions from a particular interest or industry. Second, the high cost of running for office and the need to constantly fundraise has created a political culture in which big donors enjoy a kind of special access to, and influence over, elected officials.

In 2009, Illinois passed legislation to limit most types of campaign contributions, shedding its distinction as one of just twelve states with a “wild west,” no-limits regulatory scheme. As shown by Figure A on p.8, the implementation of limits in 2011 has led to a reduction in giving by the industry, from an annual average of \$1 million a year from 2002-2010 to just \$151,000 in the first half of 2011. Yet given the number of elected officials who came to office with the support of the industry, and given a loophole which lets donors make unlimited contributions to leadership committees, these new limits may be a case of “too little, too late” when it comes to checking the influence of the gambling industry.

The Illinois House passed SB 744 by 65-50, and House members who voted yes received four times as much money as those voting no: \$21,264 vs. \$5,729. The Senate passed SB 744 by 30-

27, with supporters receiving an average of \$19,800 from the gambling industry, and opponents receiving an average of \$15,700.

What does this track record mean? However a legislator may feel about gambling, and however their constituents may feel about gambling, the high correlation between legislators' support for the industry and industry support of their campaigns suggests the need for further steps to limit the potential impact of political spending by the industry. Several states, including Indiana, Pennsylvania, New Jersey, Louisiana, Michigan, and Iowa have banned campaign contributions from gambling interests—a move supported by Illinois Gaming Board Chair Aaron Jaffe.³

One effect of such a ban would be to better insulate the judiciary against potential influence by the gambling industry. Jaffe has also warned that SB 744 is “very, very bad constitutionally,” and may result in years of litigation. Jaffe issued a similar warning about the Video Gaming Act of 2009, and, on July 11, 2011, its constitutionality was upheld by the Illinois Supreme Court, clearing the way for at least 45,000 video slot machines at Illinois retail liquor establishments, truck stops, and fraternal and veterans organizations. Given this history, and given that justices on the Illinois Supreme Court, Appellate Court, and Circuit Courts are elected and can receive campaign contributions from the gambling industry, how much confidence can the public have in the courts to be an independent arbiter of gambling-related matters?

Certainly, the extent of the industry's generosity to Illinois's Supreme Court Justices is not as great as in another boom state for the industry, Pennsylvania, where a 2009 Common Cause study found that three of the top 21 recipients of money from the gambling industry were members of the Pennsylvania State Supreme Court.⁴ Only one member of the Illinois Supreme Court has received significant contributions from the gambling industry—Justice Anne M. Burke, who received \$31,000 in 2007. However, the state's failure to limit contributions to leadership committees means that those committees still have the ability to direct unlimited funds to judicial candidates. Whatever the fate of SB 744 or other, future attempts to expand casino gambling, the door is wide open for the industry to begin pouring money into judicial races and trying to elect judges who are friendly to the industry.

A complete, sortable list of campaign contributions from the gambling industry from 2002- June 2011 is available at www.commoncause.org/illinois.

Lobbying Expenditures

Illinois's lobbying law leaves the public in the dark when it come to tracking the full extent of lobbying by the gambling industry, or other industries, on elected officials. As shown in Figure C on p. 10, Illinois is the second-largest state in the country that does not require lobbyists to report how much compensation they receive from each of their clients. According to a 2011 report by Common Cause, states that do not require reporting of all lobbying-related activity—including

³ <http://www.chicagotribune.com/news/local/ct-met-gambling-money-20110724,0,4274866.story>

⁴ *Payout In Pennsylvania*, Common Cause Pennsylvania, June 2009

salaries, office expenses, consultant fees, mailings, and other activities related to communicating with elected officials—only capture a small fraction of their total spending⁵. For example, all lobbyists in Illinois reported \$1.3 million in expenditures in 2009. In Pennsylvania, which has roughly the same population as Illinois but a much stronger lobbying law, all lobbyists reported \$470 million in expenditures in 2009.

A stronger lobbyist disclosure law is also important for helping the public track spending by groups that are not directly involved with gambling, but who are lobbying for or against casinos. For while this study tracks campaign contributions from casinos, racetracks, and their owners, shareholders and executives, it should be noted that representatives of many of the state's other top donors to political campaigns filed witness slips in favor of SB 744. Supporters of SB 744 whose contributions are not tracked in this study, and whose lobbying expenditures are for the most part untraceable due to the weakness of Illinois's disclosure law include the Chicagoland Chamber of Commerce, Illinois AFL-CIO, Laborers Union International—Midwest Regions, Teamsters Joint Council 25, and Unite HERE.

To what extent did these groups spend money on lobbying in support of gaming expansion before and after expressing support for SB 744? Disclosing this information is not only in the public interest but in the interest of members of these groups who wish to know how their money is being spent.

Electioneering

In addition to campaign contributions and lobbying expenditures, the gambling industry gained a whole new avenue of influence in 2010 when the U.S. Supreme Court, in *Citizens United*, struck down a century-old ban on corporations and unions making direct expenditures on elections. In Illinois, this means that a casino or racetrack owner can now make unlimited expenditures in an attempt to defeat elected officials or candidates who have opposed their agenda. Just as dangerously, gambling interest can now *simply promise* to spend money in a race and some candidates may think twice before opposing them.

The prospect of widespread electioneering by corporations is troubling not just to candidates but to many corporate shareholders. If SB 744 does not become law, and gambling advocates try to pass a different bill in 2012, the industry will have ample opportunities to spend money to defeat gambling opponents in the state's March primary and November general election. Additionally, to what extent will expenditures by other groups that support gambling, such as members of the Chicagoland Chamber of Commerce, be influenced by the gambling issue and the chance to back candidates who support putting a casino in Chicago?

Dealing In The Dark: How Casinos Advance Their Agenda With Little Public Scrutiny

Casinos don't like sunlight. In the same way that casinos will darken their doors so gamblers can't see the sun going down or coming up and realize just how long they have been gambling,

⁵ <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/OPEN%20DELAWARE.PDF>

there is a remarkable trend from state to state of gaming legislation passing quickly, near the end of a legislative session, and with disturbingly little public input or scrutiny.

In 2009, the Video Gaming Act was introduced and passed through the Illinois House and Senate in just over 24 hours, and without the usual request for comments. In Pennsylvania, in 2004, a 33-line bill about background checks for racetrack employees was on its third consideration when these 33 lines were deleted and replaced by a 144-page slots bill that passed without a public hearing—a violation of constitutional requirements. In an unusual move, the law also required that only the State Supreme Court had exclusive jurisdiction to hear any challenge to its constitutionality. A lawsuit filed by the state League of Women Voters in 2008 alleged that Pennsylvania's former State Supreme Court Justice Cappy spoke to legislative leaders in secret about the need for a judicial pay raise to persuade certain other justices to uphold the constitutionality of the 2004 gaming law, which was before the Court at that time.

Illinois may now have some limits on campaign contributions, but in another cautionary tale, the gambling industry in Maryland was found to have gone to extraordinary lengths to circumvent that state's limits by funneling gambling contributions through Limited Liability Corporations. Maryland limits individual donors to making no more than \$10,000 in campaign contributions to all candidates during a four-year election cycle. Yet from 1999-2003, racetrack owner William Rickman was found to have contributed \$158,100 through multiple LLC's and businesses.⁶

Subsequent studies in Maryland also found numerous instances of members of the gambling industry simply disregarding the state's campaign contribution limits and giving many times the legal limit to pro-gambling candidates. As donors encounter contribution limits in Illinois for the first time, these two issues deserve further scrutiny: will limits be heeded, and to what extent will donors attempt to circumvent limits by funneling money through LLC's and other entities?

Big Investment, Big Returns: Another Payoff for the Gambling Industry

SB 744 offers a potential jackpot for the gambling industry and the prospect for Illinois to become the Las Vegas of the Midwest. Yet as noted by Illinois Gaming Board Chair Aaron Jaffe, the bill's benefits for the industry go well beyond profits to include less regulation and, in Jaffe's opinion, a weaker IGB. Among Jaffe's concerns:

- Video poker establishments would be able to get provisional licenses within 60 days, whether or not the IGB had been able to fully reviews their applications.
- SB 744 simply promises casinos to Rockford, Danville, Park City and a town in Southern Cook County, instead of having potential locations seek licensure through the IGB.
- A fingerprinting requirement for prospective casino employees would be eliminated.
- Chronic underfunding of the IGB will be exacerbating by the need to regulate additional gambling venues.

⁶ *Payout In Maryland*, Common Cause Maryland, February 2003

As noted by Anita Bedell, Director of Illinois Church Action on Alcohol & Addiction Problems, SB 744 would also open the door for current casino owners to obtain up to five casino licenses and thereby gain a bigger share of the state's gambling revenue. Illinois's 1990 Riverboat Casino Act, by comparison, limited owners to a single license.

Conclusions

The open-armed embrace of an industry with historic ties to organized crime, and whose product is associated with a long list of social and economic ills, is in many ways at odds with good government initiatives pushed by Gov. Pat Quinn for the state and by Mayor Rahm Emanuel for Chicago. Emanuel, in particular has taken strong steps to make lobbying more transparent, limit "pay to play" opportunities for elected officials to reward major donors with city contracts, and begin to hold public officials to higher ethical standards. Stronger safeguards are needed at both the city and state levels to protect the public against the potential for gambling money to corrupt the political process.

With legislative leaders waiting to send SB 744 to Gov. Quinn's desk, now is the time to take a closer look at the industry's political spending in Illinois, and highlight the ways in which the state's campaign finance and lobbying laws have helped it enjoy extraordinary influence. Here are recommendations for empowering the public to better understand the industry's influence in Illinois, and for better protecting the integrity of the state's political processes.

Recommendations

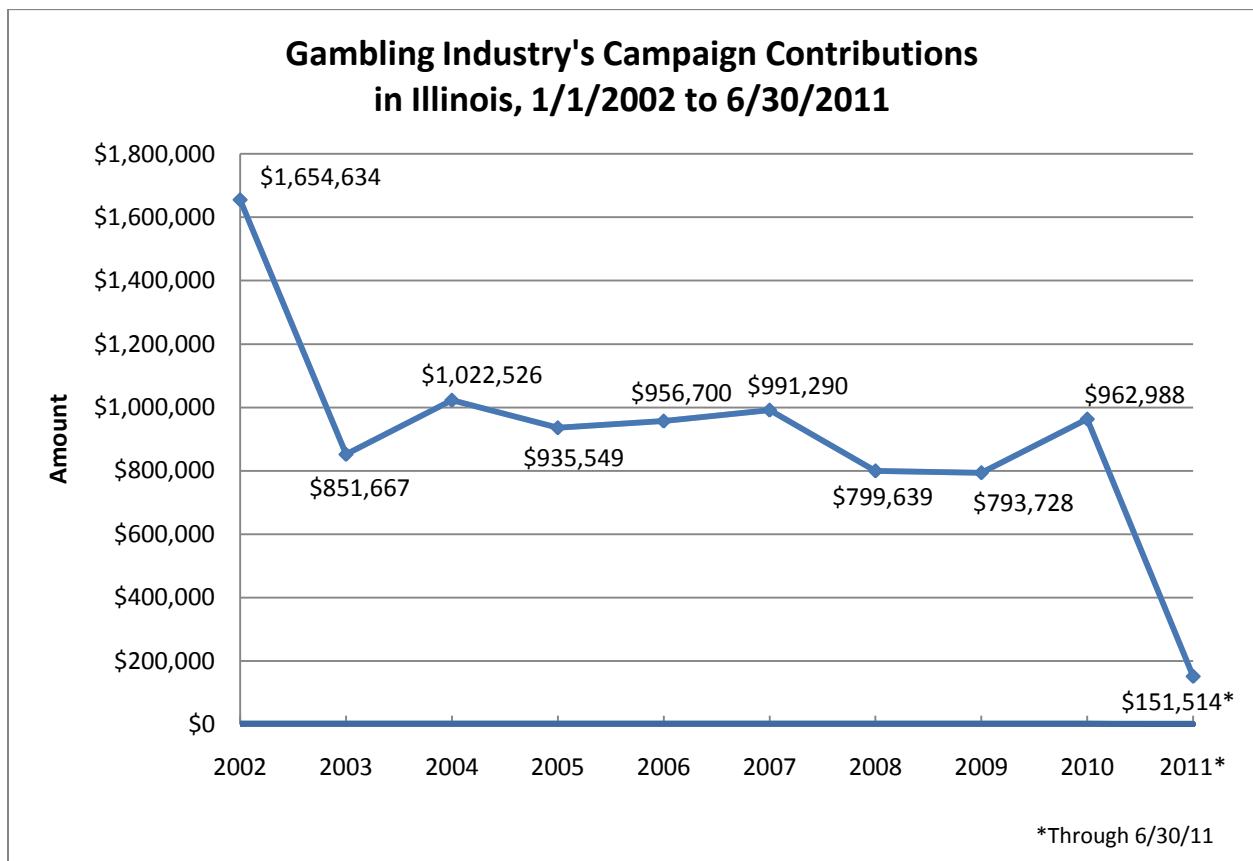
- I. **Ban Campaign Contributions From Gambling Interests.**
- II. **Stronger Campaign Contribution Limits:** Extend the state's limit on campaign contributions to cover contributions to leadership committees, and impose an aggregate limit on contributions that individual donors may make to all candidates during an election cycle.
- III. **Stronger Lobbyist Disclosure:** Strengthen the state's lobbying law to require disclosure of lobbyists' compensation from each of their clients, and require lobbyists to report the bill numbers of bills on which they have been lobbying.
- IV. **Shareholder Disclosure of Independent Expenditures:** As a safeguard against the expenditures now allowed under the U.S. Supreme Court's *Citizens United* decision, require corporations spending corporate funds on elections to disclose those expenditures to their shareholders.

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Figure A: Annual Contributions by Gambling Industry from 2002 to June 2011

As shown by the chart, the creation of campaign contribution limits in 2011 has led to a decrease in giving by the gambling industry. However, as documented in previous studies by Common Cause, the industry has a record of going to extraordinary lengths to circumvent contribution limits, such as creating multiple limited liability corporations whose main function is to funnel additional campaign contributions to pro-gambling candidates.⁷ In Illinois, two weaknesses in the state's campaign finance law continue to be the failure to limit contributions to leadership committees and the failure to create an aggregate limit on all contributions a donor may make in an election cycle.



⁷ *Payout in Maryland*, Common Cause Maryland, February 2003

Figure B: Top Recipients of Campaign Contributions from Gambling Industry in Illinois House & Senate from 2002 to June 2011⁸

As shown by this chart, 21 of the top 30 recipients of contributions from the gambling industry voted in support of SB 744, which would more than triple the state’s gambling capacity. A list of all recipients of gambling industry money in the current state legislature is available at www.commoncause.org/illinois.

Ranking	Member	Party	Contributions	Vote on SB 744
1	Rep. Tom Cross	R	\$510,750	Yes
3	Rep. Michael Madigan	D	\$352,650	DNV
4	Rep. Lou Lang	D	\$270,651	Yes
5	Sen. James Claybourne	D	\$137,500	No
6	Sen. John Cullerton	D	\$94,150	Yes
7	Sen. Christine Radogno	R	\$94,050	No
8	Rep. Angelo Saviano	R	\$91,550	Yes
9	Sen. Martin Sandoval	D	\$59,700	Yes
10	Sen. Kirk Dillard	R	\$57,950	Yes
11	Sen. A.J. Wilhelmi	D	\$57,475	No
12	Rep. Daniel Burke	D	\$55,850	Yes
13	Sen. William Haine	D	\$54,527	Yes
14	Sen. Terry Link	D	\$45,900	Yes
15	Sen. Bill Brady	R	\$42,200	Present
16	Rep. Thomas Holbrook	D	\$40,920	Yes
17	Rep. Linda Chapa La Via	D	\$39,350	No
18	Sen. Don Harmon	D	\$36,000	Yes
19	Sen. Mike Jacobs	D	\$34,350	No
20	Rep. Robert Rita	D	\$34,000	Yes
21	Rep. Eddie Lee Jackson	D	\$33,000	No
22	Rep. Edward Acevedo	D	\$31,150	Yes
23	Rep. Daniel Reitz	D	\$30,650	Yes
24	Rep. Arthur Turner	D	\$28,650	Yes
25	Sen. Dave Syverson	R	\$28,100	Yes
26	Sen. Donne Trotter	D	\$27,801	Yes
27	Rep. Frank Mautino	D	\$27,800	Yes
28	Rep. Kevin McCarthy	D	\$27,350	Yes
29	Sen. Antonio Munoz	D	\$26,800	Yes
29	Sen. Gary Forby	D	\$26,600	Yes
30	Rep. Mark Beaubien	D	\$25,700	Yes

⁸ Source: Illinois State Board of Elections

Figure C: Lobbyist Disclosure in Top 10 States by Population, 2009⁹

Illinois's lobbyist disclosure law fails to capture the vast majority of spending by the gambling industry. As shown by this chart, Illinois is one of the biggest states that does not require lobbyists to report how much they have earned in fee and compensation from each of their clients. Such fees often represent 90% or more of all lobbying expenditures in a state. All lobbyists in Illinois reported \$1.3 million in expenditures in 2009. In Pennsylvania, a state with roughly the same population, this figure was \$470 million due to its stronger lobbyist disclosure law.

State	Fee	Fee application	Expenditures	Salaries	Lobbyists	Principals	Registration threshold
CA	25	per lobbyist, per year	\$553,843,326	yes	DNR	DNR	\$5,000 in any quarter
NY	200	for all registrations	\$197,800,000	yes	5447	1137	\$5,000/year
TX	500	for all registrations	\$4,973,569	no	1518	18933	\$1,000/quarter
FL	20	per client, per year	DNR	yes	1991	3068	Anyone who lobbies for \$
IL	300	for principals per client, per year	\$1,355,072	no	1791	1781	Any principal who lobbies
PA	200	per client, per year	\$470,000,000	yes	1500	1700	\$2,500 or 20hrs/quarter
OH	25	per client, per year	\$407,322	no	1539	1578	Anyone who lobbies for \$
MI	0	DNA	DNR	yes	DNR	DNR	\$1,100/year
GA	200	first/each additional per client, per year	\$1,527,215	no	1806	n/a	\$250/year
NC	100	per client, per year	\$23,753,584	yes	746	799	5% of time in 30 day period

Key to abbreviations and terms in Figure C: DNA=Does Not Apply; DNR=did not respond to COGEL survey; Fee=Lobbyist Registration Fee; Expenditures=All expenditures reported by registered lobbyists; Salaries=Do lobbyists report their compensation; Lobbyists=Number of registered Lobbyists; Principals=Number of registered principals; Registration threshold=How much lobbying triggers the need to register

⁹ Source: Council on Governmental Ethics (COGEL) Blue Book: *2010 Lobbying Update On Litigation and Legislation, U.S. & Canada*