



Payout

**A Common Cause Education Fund Study
Of Campaign Contributions
By the Gaming Industry in Pennsylvania from 2001-08**

**By James Browning
Common Cause Education Fund
www.commoncause.org/pennsylvania**

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Synopsis

This is a study of campaign contributions made by the gaming industry to candidates and political committees in Pennsylvania from 2001-2008.¹ The study includes only contributions recorded by the Pennsylvania Department of State, and does not include contributions to candidates for local, municipal, and other offices who were not required to file contribution reports with the DOS during this time.

Introduction

It's often said about gambling that the rules favor the house and the house always wins. In Pennsylvania, the state's failure to limit campaign contributions has contributed to a political system in which the "winner" on any particular issue is often the group or groups who can exert the most influence over elected officials through campaign contributions and lobbying expenditures.

Pennsylvania is one of the few states that does not limit campaign contributions, and in 2007 it became one of the last states to force lobbyists to disclose their expenditures and the issues on which they have been lobbying. The state's online campaign contribution database is not fully searchable or sortable, so that a search for contributions from a particular interest that might take hours in another state could take hundreds of hours in Pennsylvania.

These three weaknesses—**no contribution limits, no statutorily mandated lobbyist disclosure from 2002 to 2007, and poor disclosure of campaign contributions**—meant that the gaming industry was able to conduct a massive, sustained campaign to expand legalized gambling with relatively little scrutiny. Now, with the recent State Supreme Court ruling that Pennsylvania's ban on contributions from donors with ties to casinos is unconstitutional, the state's most important protection against the industry's influence has been removed.

The Gaming Industry's Winning Streak in Pennsylvania

The circumstances under which Pennsylvania's gaming law passed were extraordinary. In July 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 pending federal lawsuit filed by the state League of Women Voters in May 2008 alleges that 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.

In April 2009, the gaming industry won another major victory when Pennsylvania's law banning contributions from donors with a financial interest in a casino was declared unconstitutional by the State Supreme Court. The timing could not be better for the industry, as House Majority Whip Bill DeWeese is pushing to legalize table games, and legislation has been introduced to allow video poker in bars and restaurants with liquor licenses. As gaming interests are now free to make unlimited contributions, none which will have to be disclosed until January 2010, Pennsylvanians may be left in the dark about the huge sums given by those trying to expand

legalized gambling—at least until after the state legislature has opened the door to blackjack, craps, roulette, and other table games.

The rapid expansion of gaming has not been the industry's only success. In 2008 Pennsylvania became the last state in the mid-Atlantic to pass a Clean Indoor Air law banning smoking in indoor workplaces. One reason for the delay was the staunch opposition of casinos and the gaming industry, and the final bill did not include a ban on smoking in casinos, only a requirement that smoking be limited to a certain percentage of each casino's floor space. A recent analysis by the Roswell Park Cancer Institute estimated that casino workers in smoking zones would be exposed to a much higher, more dangerous concentration of secondhand smoke—nearly three times as much—as a worker at a casino with smoking everywhere. By this measure, the Pennsylvania law will actually make working conditions for thousands of casino workers *more* hazardous.

Big Investment, Big Returns

As campaign contributions help any industry elect candidates who support its legislative goals, and enjoy special access to elected officials, **the gaming industry's largesse has fueled the rapid expansion of gambling in Pennsylvania, and helped it to defeat proposals to better protect the health of casino workers.**

How much has the gaming industry given during this string of successes? For 2001-08, this study found a total of

- **\$4.4 million in contributions from the gaming industry**, including donors with an ownership stake in one or more of Pennsylvania's 14 licensed gaming facilities, and other donors who have promoted legalized gambling in the state, among them out-of-state casinos, slot machine manufacturers, and horseracing associations.
- **An additional \$12.3 million in contributions from lawyers and lobbyists licensed to represent the state's 14 gaming facilities.** These contributions are included because the expansion of legalized gambling, and the resulting court cases and license applications, has created a significant source of business for lawyers and lobbyists.

These totals do not include donors who applied for casino licenses but were rejected by the Pennsylvania Gaming Control Board. Nor do they include contributions from developers with an interest in casinos yet to be built. While this reports cites the top 20 donors and top 20 recipients of contributions from the gaming industry, a complete list of contributions from the industry from 2001-08 and a complete list of contributions from Licensed Entity Representatives for the state's gaming facilities are available from CCEF by emailing jbrowning@commoncause.org.

Top 20 Donors

Ira Lubert & Lubert-Adler Management	Valley Forge Casino & Pittsburgh Casino	\$455,858
Peter DePaul & Family	Foxwoods Casino, Philadelphia	\$425,750
Louis DeNaples	Mt. Airy Casino Resort	\$403,125
Penn National PAC & Employees	Grantville Casino	\$259,170
Robert Potamkin	SugarHouse Casino	\$231,000
Pasquale Deon	Bethlehem Casino	\$199,034
Richard Sprague	SugarHouse Casino	\$178,500
Lewis Katz & Family	Foxwoods Casino, Philadelphia	\$162,125
Ron Rubin & PREIT	Foxwoods Casino, Philadelphia	\$149,870
MTR Gaming Group	Presque Isle Downs Casino	\$148,800
MEC Pennsylvania Racing PAC	Horseracing	\$131,910
Centaur, Inc.	Valley View Downs Casino	\$120,000
Daniel Keating	SugarHouse Casino	\$76,750
Stephen Wynn	Wynn Resorts	\$75,000
Harrah's Casino PAC & Employees	Harrah's Casino	\$59,350
Neil Bluhm	SugarHouse Casino	\$49,159
International Gaming Technology PAC	Slots Manufacturer	\$48,000
Craig Neilsen	Ameristar Casinos	\$43,950
Robert Levy	Foxwoods Casino, Philadelphia	\$41,950
Michael & Christian Perrucci	Bethlehem Casino	\$35,795

Top 20 Donors: Without Limits, How Much Will They Give?

However great the personal integrity of an elected official, campaign contributions can create the appearance of impropriety, especially when a donor benefits from an action taken by that elected official. As the Pennsylvania State Legislature recognized the greater potential for corruption caused by contributions from the gaming industry, it is worth detailing the financial interests of some of the industry's biggest donors, especially now that the state's ban on contributions from donors with a financial stake in casinos has been overturned. **How much will they give now that the sky is the limit, and how might they try to influence elected officials?**

#1 Ira Lubert

Ira Lubert owns stakes in casinos in Pittsburgh and Valley Forge. He is the senior partner in a number of private equity funds that manage a combined \$12 billion. Pennsylvania's two largest pension funds have invested more than \$1 billion with a company run by Mr. Lubert, and he received \$8 million in fees from these investments in 2008.ⁱⁱ

#2 Peter DePaul

Facing \$100,000 in fines for violating the state's ban on campaign contributions from donors with a financial interest in a casino, developer Peter DePaul filed a suit alleging that the ban was unconstitutional, and convinced the State Supreme Court to overturn the ban in April 2009.ⁱⁱⁱ

#3 Louis DeNaples

Louis DeNaples is a billionaire and owns all or part of more than 200 businesses. His casino license was suspended in January 2008 after he was indicted for perjury for allegedly lying about his relationship with members of organized crime. In April 2009, the Dauphin County Attorney's Office dropped these perjury charges in exchange for Mr. DeNaples turning control of his Mt. Airy Casino over to his daughter, Lisa DeNaples, and his license was reinstated in June 2009.^{iv}

#4 Penn National Gaming

Based in Wyomissing, PA, Penn National Gaming owns over 20,000 gaming machines and runs over 400 tables games at nearly twenty casinos around the country. The company posted a profit of \$40 million in the first quarter of 2009, and received \$1.4 billion from Fortress Investment Group in 2004 from a failed buy-out bid.^v In 2001-02 alone, Penn National CEO Peter M. Carlino gave \$90,000 to Ed Rendell.

#7 Richard A. Sprague

Richard Sprague's biography on his law firm's website describes him as "one of the leading trial attorneys in the United States." He has served on the Pennsylvania Supreme Court Disciplinary Committee, along with William Lamb, a former Justice and fellow investor in the SugarHouse Casino. He also served as State Sen. Vincent Fumo's (#2 on list of Top 20 recipients) lawyer from 2003-07 while Fumo was the subject of an investigation which resulted in his conviction in 2009 on 137 corruption-related charges. From 2001-08, Sprague made \$178,500 in political contributions and his firm of Sprague & Sprague made \$75,900.

#9 Ron Rubin & PREIT

Ron Rubin heads the Rubin Family Charitable Foundation, a part-owner of the proposed Foxwoods Casino for Philadelphia. He also heads the Pennsylvania Real Estate Investment Trust, which owns the Gallery and Strawbridge's buildings in Philadelphia, both of which are potential sites for the Foxwoods Casino.

#16 Neil G. Bluhm

Billionaire Neil Bluhm already runs two casinos in Niagara Falls, NY, one in Vicksburg, MS, and recently obtained a license to run a casino near Chicago's O'Hare Airport. The expansion of his casino empire has come as he has increased his political contributions, including raising \$200,000 for President Barack Obama's 2008 campaign.^{vi}

#20 Michael J. Perrucci

Perrucci founded the law firm of Florio Perrucci Steinhardt & Fader with former New Jersey Gov. Jim Florio, and served as Campaign Treasurer to former U.S. Sen. Robert Torricelli from at least 2001-04, according to the FEC. Torricelli declined to run for re-election in 2002 after it was revealed that he had done favors in exchange for gifts and campaign contributions from David Chang, a North Korean businessman.^{vii}

Top 20 Recipients

Gov. Ed Rendell				\$1,092,090
State Sen. Vince Fumo				\$400,900
State Rep. John Perzel				\$236,250
Philadelphia Mayor John Street				\$235,959
Democratic State Senatorial Campaign Committee				\$130,500
Attorney General Mike Fisher				\$117,237
House Republican Campaign Committee				\$91,200
Attorney General Tom Corbett				\$85,250
State Treasurer Barbara Hafer				\$68,600
Senate Republican Campaign Committee				\$51,850
Supreme Court Justice Russell Nigro				\$46,000
State Rep. Dwight Evans				\$44,100
State Rep. Mike Veon				\$42,600
State Sen. David Brightbill				\$40,250
Republican State Committee Of PA				\$38,000
Philadelphia City Republican Committee				\$37,100
State Sen. Robert Tomlinson				\$35,000
Supreme Court Justice Max Baer				\$32,500
State Rep. Bill DeWeese				\$30,700
PA Democratic Party				\$30,250

Recommendations

Pennsylvania should take the following steps to limit the role of campaign contributions in shaping elections and public policy, and to make information about these contributions more readily available to the public.

- I. Contribution Limits. Pennsylvania is one of the few states that does not limit campaign contributions to candidates for statewide office and its state legislature. To protect the integrity of its legislative, regulatory, and judicial processes, Pennsylvania should limit contributions from both individuals and PAC's to candidates for state and local offices. A recommended limit for General Assembly candidates would be \$500 per election cycle. For statewide offices, limits should be tied to the limit set by the Federal Election Campaign Act for Federal candidates, which is currently \$2,400 per cycle. Donors should also have an aggregate limit on contributions made to all candidates during an election cycle.

- II. Better Disclosure. The state's campaign finance database is not easily searchable and search results are not sortable, so that a search for gaming interests which might take a few hours with the more sophisticated databases used by New York or Maryland, for example, takes far longer in Pennsylvania. Electronic files obtainable from the

Pennsylvania Department of State list donors alphabetically by first name, for the most part—a disastrous approach if the point of disclosing campaign financing is to show the influence of different interests over elected officials. For example, if donor “John Jackpot” and his family own a stake in a gaming facility, the public needs to be able to easily find donations from people with the last name “Jackpot,” not people whose first name is “John.”

- III. More frequent disclosure of campaign contributions. Pennsylvania should require the quarterly disclosure of campaign contributions during non-election years. Citizens should not have to wait for as long as twelve months to learn about the influence of campaign contributions from key supporters of legislative and regulatory efforts. In election years legislative candidates should be subjected to the same disclosure schedule as statewide candidates – adding a report due on the 6th Friday prior to an election.
- IV. Voluntary Disclosure of Gaming Contributions Made Since Ban On Gaming Contributions Was Overturned. The state legislature is now considering whether to allow video poker machines in bars, and whether to allow table games at the state’s casinos. Because the state ban on gaming contributions was overturned in April, and contributions made since April aren’t required to be reported until January 2010, all members of the state legislature and statewide officials should disclose gaming contributions they have received since April—before voting to further expand legalized gambling.
- V. Judicial Reform. The June 2009 U.S. Supreme Court ruling in the case of *Caperton v. A.T. Massey Coal* makes the strongest case yet that campaign contributions to judges threaten the public interest, especially when a judge is asked to rule on a matter affecting one of his or her contributors. Since passage of Pennsylvania’s Gaming Law in 2004, the state supreme court has issued numerous rulings favorable to casinos—most recently its decision to overturn the ban on contributions from donors with ties to casinos. Because of its ties to organized crime, the gaming industry and its contributions have been perceived as a particular threat to government integrity. Yet a mere ban on gaming contributions was not enough and could never be enough to fully protect the public interest. Pennsylvania must take this opportunity to protect judges from all undue influence by switching to a system of merit selection. Until merit selection is adopted, the state should adopt voluntary public financing for judicial campaigns, with low mandatory contribution limits and voluntary spending limits.

ⁱ Report based on electronic files provided by PA DOS of all contributions of \$100 or more.

ⁱⁱ “Casino Investors Make Safe Bet With Rendell”, by Chris Fields, Philadelphia Bulletin, 4/10/09

ⁱⁱⁱ <http://www.mondaq.com/article.asp?articleid=79376>

^{iv} “Louis DeNaples Moves To Transfer Mt. Airy Ownership To Children”, by Howard Frank, Pocono Record, 4/22/09

^v <http://www.casinogamingstock.net/news/stock/penn-national-gaming-penn>

^{vi} <http://news.muckety.com/2009/01/02/chicago-billionaire-neil-blum-expands-interests-in-politics-and-gaming/9331>

^{vii} <http://www.nationalreview.com/comment/comment-hayward093002.asp>