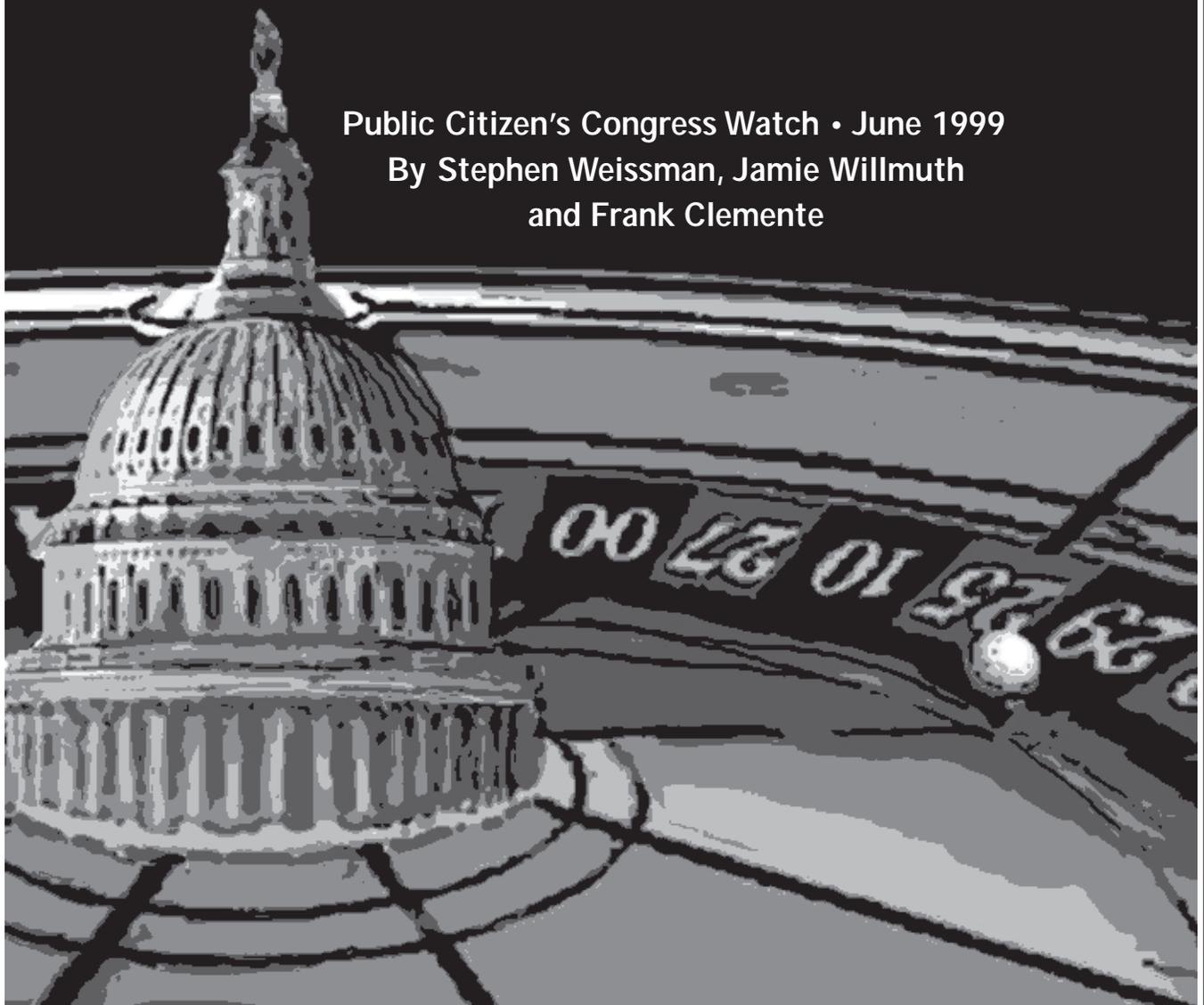


Betting on Trent Lott: The Casino Gambling Industry's Campaign Contributions Pay Off In Congress

Public Citizen's Congress Watch • June 1999

By Stephen Weissman, Jamie Willmuth
and Frank Clemente



Acknowledgments

The principal author of “Betting on Trent Lott: The Casino Gambling Industry’s Campaign Contributions Pay Off In Congress” was Stephen Weissman, Legislative Representative at Public Citizen’s Congress Watch. Senior Researcher Jamie Willmuth, who was assisted by researchers Scott Walker and Sam Munger, provided extensive analysis of campaign contributions. Legislative Assistant Jessica Templeton also provided important research assistance to this report. Frank Clemente, Congress Watch Director, provided significant conceptual and editorial advice. Graphic design was by Neal Brown at Public Citizen.

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Public Citizen’s Congress Watch
215 Pennsylvania Avenue, SE
Washington, D.C. 20003
P: 202-546-4996
F: 202-547-7392
www.citizen.org



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Betting on Trent Lott: The Casino Gambling Industry's Campaign Contributions Pay Off In Congress

Executive Summary

This report examines the extent of the casino gambling industry's¹ big "soft money"² contributions to the Republican and Democratic parties and how those contributions have affected key congressional actions since 1995. The casino industry now furnishes about 68 percent of all gambling soft money. (Soft money refers to the unlimited contributions by corporations, unions and wealthy individuals to political parties for federal elections.)

"Betting on Trent Lott" highlights the relationship between the financial incentives created by the industry's soft money contributions to national Republican Party committees and the political performance of casino gambling's most powerful congressional friend, Senate Majority Leader Trent Lott (R-Miss.). It also discusses Senator Lott's continuing leadership of a minority filibuster against the McCain-Feingold campaign finance reform bill (S. 26), which would ban all soft money contributions to political parties for federal elections.

With the June 18 release of the long-awaited report of the National Gambling Impact Study Commission, public discussion of federal and state policies towards the booming "luck business" is expected to intensify. But how will policymakers respond to an industry that produces some undoubted economic benefits but also helps create an estimated two-and-a-half million "pathological gamblers," three million "problem gamblers" and another 15 million "at risk" gamblers in the U.S.?

There are no sure bets when it comes to influencing federal policymaking towards gambling. But there are certainly ways to dramatically increase your odds of gaining favorable treatment. One of the best but least democratic ways is to make large campaign contributions, especially unlimited soft money given in big chunks to political parties by corporations, unions and wealthy individuals. Without meaningful reforms of the ways in which political campaigns are financed, it is likely that the coming debate and decisions about gambling will be skewed in favor of large gambling industry contributors.

Criminal *quid pro quo* corruption, the direct exchange of campaign money for particular legislative and regulatory favors, is notoriously difficult to prove. But you don't have to win a criminal conviction to make the case that campaign contributions help drive government decisions. Wealthy donors with political agendas are sophisticated and prudent enough to know that it is sufficient to *bet on* politicians and their parties by investing in re-election campaigns and party election activities.

When political leaders raise large amounts of money while working energetically, and often stealthily, to advance their donors' political agendas, common sense suggests that financial considerations

are influencing action. The Supreme Court recognized this in its famous *Buckley v. Valeo* case upholding federal contribution limits. “Of almost equal concern as the danger of actual *quid pro quo* arrangements,” the Court observed, “is the impact of the appearance of corruption stemming from public awareness of the opportunities for abuse inherent in a regime of large individual financial contributions.”

The relatively little known legislative performance of Senate Majority Leader Lott on casino gambling-related issues illustrates the conflict between big political contributions and democracy, and raises the “appearance of corruption” concern expressed by the Supreme Court.

Since ascending to the Majority Leader position in June 1996, Senator Lott, who is involved with and benefits from all three of his party’s committees collecting casino soft money, has quietly but effectively worked to help pro-casino lobbies attain their federal government objectives. Similarly, over the last several years, the casino gambling industry has increased dramatically its investment in federal elections, placing its bets mostly in the form of soft money on the Republican Party:

- During the 1990s, the gambling industry’s overall contributions to federal elections (soft money, PACs, individuals) increased a whopping 447 percent. Big chunks of soft money have become the dominant form of political giving, rising from 38 percent of total gambling industry contributions in the 1991-92 election cycle to 64 percent by 1997-98.
- During the two election cycles from 1995 through 1998, the casino gambling industry provided 68 percent of all gambling industry soft money to the parties. The bulk of that soft money — 65 percent — went to the Republican Party, which controlled the Congress. Contributions to the three national Republican Party committees totaled \$4.23 million; Democratic Party committees received \$2.29 million.
- Of the Republican Party soft money received from casino interests during 1995-98, 40 percent (\$1.68 million) went to the National Republican Senatorial Committee (NRSC) where Senator Lott is most deeply involved as a top fundraiser and political strategist. During his time as Assistant Majority Leader (January 1995-June 1996) and subsequently as Majority Leader, the NRSC hit the jackpot with its take from the casino industry increasing from a paltry \$7,800 in the 1993-94 election cycle (1 percent of the total) to \$411,000 (23 percent) in 1995-96 and \$1.26 million (52 percent) in 1997-98.
- On November 22, 1997, Senator Lott and NRSC Chairman Mitch McConnell (R-Ky.) flew to Las Vegas aboard Mirage Resort Chairman Steve Wynn’s corporate jet for a series of American Gaming Association-sponsored fundraising and other events (AGA is the casino industry’s main national lobby, representing most major companies). According to GOP sources, this excursion alone reaped \$951,000 by June 1998, including three-quarters of a million dollars from six casino companies.

Senator Lott has also received lesser, but significant, amounts of federally limited “hard money” contributions to his election campaigns and “Leadership PAC” (which contributes to other campaigns) from casinos and allied economic interests in his home state of Mississippi.

And Majority Leader Lott has delivered on the casinos' bets, helping them fulfill their political agenda in Congress:

- Beginning in the weeks before he rose from Assistant Majority Leader to Majority Leader in June 1996, Senator Lott was instrumental in diluting the subpoena power of the National Gambling Impact Study Commission, limiting its ability to put the industry's practices under a strong public microscope.
- While the establishment of the commission was under consideration by Congress in 1995-96, Senator Lott helped raise, and benefitted from, \$1.78 million in soft money from casino gambling interests, including \$1.19 million from members of the AGA. Of the total, \$411,000 (23 percent) went to the NRSC.
- In the Spring of 1998, Senator Lott played the major role in preventing a Senate debate and vote on Senator Dan Coats's (R-Ind.) proposal to finance an education initiative by stopping high rollers from deducting their losses from their winnings in calculating their federal income taxes. During the same period, Senator Lott quietly inserted into a House-Senate Conference Report on the IRS Reform bill a provision permitting employers and employees solely in the casino industry to receive 100 percent tax exemptions for employer-provided meals regardless of whether the workers needed to eat on the premises in order to perform their jobs properly as required by IRS regulations. This ace in the hole move will save the industry an estimated \$316 million in taxes from 1998-2007.
- Senator Lott appears to have virtually single-handedly forced the overturning of a long-considered March 1998 Department of the Army-Environmental Protection Agency decision to assess the direct and indirect effects of past casino development on the Mississippi Gulf Coast environment, which would have delayed certain environmentally "sensitive" casino permits while the study was underway. After lobbying by certain casino interests and other business development groups, the Majority Leader moved strongly against Army-EPA policy, spurring investigations of key officials associated with that policy.
- In the 1997-98 election cycle surrounding these tax and regulatory maneuvers, casino interests gave \$2.46 million in soft money to the three national Republican Committees, of which \$1.26 million (52 percent) went to the NRSC.

A skilled politician conscious of his party's large "traditional values" constituency and of his responsibility to further a broader Republican agenda, Senator Lott has pursued his pro-casino interests discreetly — sometimes with almost brutal discretion. He has avoided public debates, votes, and press inquiries; inspired confidential government investigations of opponents of his policies in federal agencies; and all the while been careful to guard his reputation as a fair party leader.

While toiling on behalf of pro-casino interests and contributors, Senator Lott has also directed a nearly two-year filibuster against campaign finance reform legislation that would eliminate the gambling industry's large, unlimited soft money donations. The bipartisan McCain-

Feingold reform bill, which has majority support in the Senate (45 Democrats and 7 Republicans), would ban soft money contributions to political parties for federal elections.

It is ironic that Senator Lott has chosen to lead a sustained drive to thwart majority rule on campaign finance reform in the name — as he put it during a February 23, 1998, Senate debate on reform — of “greater participation by citizens in the political process” because he has squelched free discussion and democratic decision-making on controversial gambling issues.

It is certainly possible to present reasoned arguments on both sides of the federal tax and regulatory issues that concern the casino industry. And it is undoubtedly the case that Senator Lott’s pro-casino activities are the product of a variety of factors — including his political perspective, region, party affiliation, and local and national constituencies — in addition to the political contributions he has raised. What is not credible is to argue that his support for the casino gambling industry’s priorities can be assumed to be unaffected by the millions of dollars of soft money contributions from that industry. Or that this pattern of behavior will significantly change in the absence of meaningful campaign finance reform that ends the soft money system.

Nothing in this report is intended to suggest that the “take” by Democrats and Democratic leaders in Congress from gambling special interests is not similarly problematic. Clearly, the gambling industry has hedged its bets by heavily investing in Democratic politicians and party committees as well. Democratic Party committees harvest a substantial amount of casino soft money and most of the considerably smaller amount of Indian gambling soft money. And nine of the top 10 Senate recipients of gambling industry individual and Political Action Committee (PAC) contributions are Democrats, including Senate Minority Leader Tom Daschle (D-S.D.), as are four of the top 10 House recipients, including House Minority Leader Dick Gephardt (D-Mo.), according to the Center for Responsive Politics. Moreover, Democratic leaders in Congress did not oppose any of the pro-casino actions by Senator Lott described in this report.

On the other hand, the Democratic leadership, unlike its Republican counterparts, support reforming the campaign finance system by banning all soft money for federal elections, including that of the gambling industry.

If Senator Lott again succeeds in killing meaningful campaign finance reform legislation as embodied in the McCain-Feingold bill, the destructive soft money system that appears to have ensured that the casino gambling industry gets its way in Congress will continue to expand and to erode our political institutions.

Chronology: Congressional Action on Casino Policy and Casino Industry Soft Money Contributions to Republican Party Committees (1995-1998)

Dates	Key Congressional and Regulatory Developments	Soft Money Contributions
January 1, 1995 - December 31, 1995	<p>January 11, 1995 Rep. Frank Wolf (R-Va.) introduces bill to establish National Gambling Impact and Policy Study Commission.</p> <p>April 6, 1995 Senators Paul Simon (D-Ill.) and Richard Lugar (R-Ind.) introduce Senate version of Wolf bill.</p> <p>November 2, 1995 Senate Governmental Affairs Committee holds hearing on Simon/Lugar bill.</p> <p>December 21, 1995 House Judiciary Committee approves bill establishing strong Gambling Impact Study Commission.</p>	<p style="text-align: right;">\$426,475 (\$107,500 to NRSC)</p> <p>* 12/18/95 Interface \$100,000</p>
January 1, 1996 - March 31, 1996	<p>March 6, 1996 House passes strong Commission bill.</p>	<p style="text-align: right;">\$112,000 (\$25,000 to NRSC)</p>
April 1, 1996 - June 30, 1996	<p>April 17, 1996 Senate Governmental Affairs Committee effort to severely weaken House bill revealed.</p> <p>May 14, 1996 Senate Governmental Affairs Committee, encouraged by Republican leadership (including Senator Lott), approves compromise bill limiting Commission's subpoena power.</p>	<p style="text-align: right;">\$235,000 (\$75,000 to NRSC)</p> <p>* 4/14/96 Circus Circus \$75,000 to NRSC</p> <p>* 5/28/96 Tracinda/ MGM Grand \$100,000</p>
July 1, 1996 - September 30, 1996	<p>July 17, 1996 After Senator Lott acquiesced in an unsuccessful effort to further weaken the bill, Senate finally passes compromise Commission bill limiting subpoena power.</p>	<p style="text-align: right;">\$802,740 (\$180,000 to NRSC)</p> <p>* 7/16/96 Trump Hotels \$250,000</p> <p>* 7/26/96 IGT \$100,000</p>

* Examples of very large casino industry soft money contributions to the Republican Party committees during the covered period. Totals for the period include these contributions.

Dates	Key Congressional and Regulatory Developments	Soft Money Contributions
October 1, 1996 December 31, 1996		\$201,000 (\$23,500 to NRSC) * 10/11/96 Mirage \$150,000
January 1, 1997 - December 31, 1997	November 22, 1997 Senator Lott and NRSC Chairman Mitch McConnell (R-Ky.) fly to Las Vegas aboard Mirage Resorts Chairman Steve Wynn's corporate jet for a series of AGA-sponsored fundraising events.	\$611,500 (\$214,000 to NRSC) * 12/30/97 IGT \$85,000 to NRSC
January 1, 1998 - March 31, 1998	March 4, 1998 U.S. Army Corps of Engineers orders an environmental assessment of the effects of casino development and a moratorium on permits for "sensitive areas" on Mississippi coast. Pro-casino interests begin campaign to influence Senator Lott and other key members of the Mississippi congressional delegation to oppose the new policy. March 19, 1998 Sen. Dan Coats (R-Ind.) proposes amendment to the Internal Revenue Service (IRS) Reform bill to end tax deduction for gambling losses.	\$705,000 (\$520,000 to NRSC) * 3/20/98 Hollywood Park \$100,000 to NRSC * 3/24/98 Mirage \$250,000 to NRSC * 3/24/98 Starwood \$100,000 to NRSC
April 1, 1998 - June 30, 1998	Early April, 1998 Staff of Senators Lott and Thad Cochran (R-Miss.) and Rep. Gene Taylor (D-Miss.) meet with U.S. Army official Michael Davis. Lott aide reportedly accuses Davis of conflict of interest in making decision requiring environmental assessment of Mississippi coast casino development. April 22, 1998 Senator Coats withdraws tax amendment at urging of Senators Lott and Mitch McConnell (R-Ky.).	\$160,750 (\$105,500 to NRSC) * 5/6/98 Marnell Corrao \$100,000 to NRSC

* Examples of very large casino industry soft money contributions to the Republican Party committees during the covered period. Totals for the period include these contributions.

Dates	Key Congressional and Regulatory Developments	Soft Money Contributions
	<p>May 1, 1998 Senator Harry Reid (D-Nev.) proposes legislation to allow casino industry special tax exemption for free meals provided to workers, costing the U.S. Treasury an estimated \$316 million from 1998-2007.</p> <p>May 1, 1998 News reports appear that Senator Lott states that the Army Corps of Engineers is “exceeding its authority” but is “re-evaluating its position” regarding Mississippi casino development. In fact, Army Corps’ policy is never implemented.</p> <p>May 12, 1998 Rep. John Ensign (R-Nev.) proposes legislation to exempt casinos from IRS meals tax regulations.</p> <p>June 19, 1998 Senator Lott informs Rep. Ensign that his proposal will be included, without debate, in the House-Senate Conference report on the IRS Reform Bill.</p>	
July 1, 1998 - September 30, 1998	<p>June 24, 1998 Senate adopts IRS Reform Bill conference report.</p> <p>July 23, 1998 President signs IRS Reform Bill.</p>	<p>\$210,000 (\$175,000 to NRSC)</p> <p>* 8/10/98 J. Terrence Lanni/MGM Grand \$65,000 to NRSC</p>
October 1, 1998 - December 31, 1998		<p>\$768,000 (\$250,000 to NRSC)</p> <p>* 10/23/98 Circus Circus \$100,000 to NRSC</p>
<p>* Examples of very large casino industry soft money contributions to the Republican Party committees during the covered period. Totals for the period include these contributions.</p>		

Senator Lott Hits the Jackpot with Casino Industry Soft Money Contributions

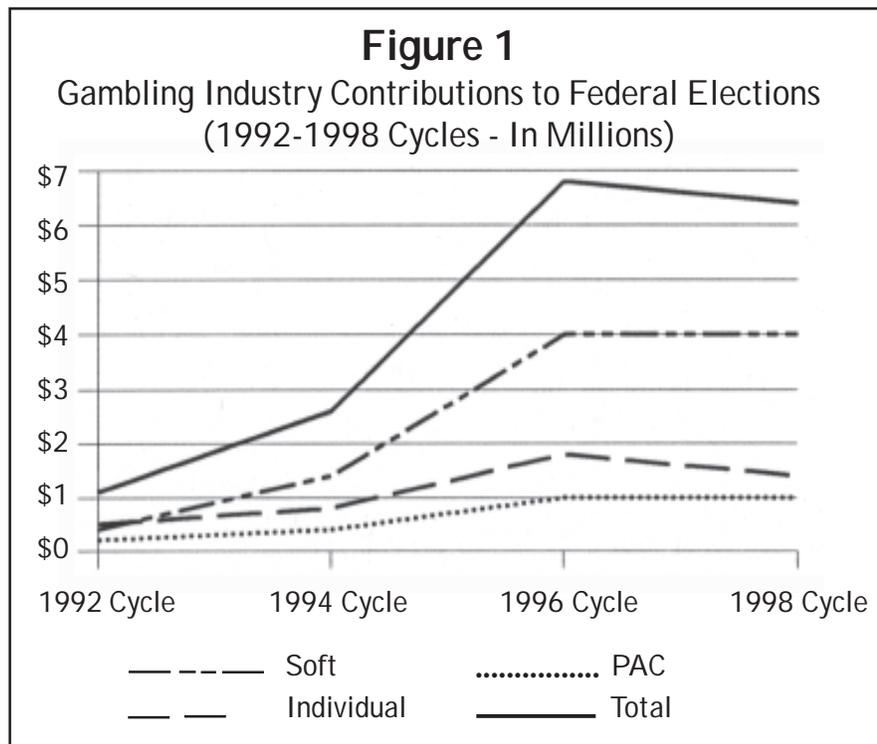
“I have very deep concerns that the embracing of gambling by the political parties is very dangerous. With the amount of money flowing into both political parties, we’re not going to be able to take an objective view.”

Senator Dan Coats (R-Ind.)³

In the last quarter of the 20th century, legalized gambling became a major industry in the United States. Back in 1976 there were no casinos outside of Nevada, only 13 states had lotteries, and two had off-track betting.⁴ Today, 26 states have approved casinos (15 on Indian reservations only), 37 states and the District of Columbia run lotteries, and slightly more than 37 have off-track betting.⁵ In 1996, the gross annual wager was \$586.5 billion — more than four times as much as in 1982.⁶

Gambling Industry Political Contributions

As the gambling industry has grown, so has political debate about regulating it. Policy makers at all levels of government must weigh the economic benefits of gambling (particularly in poverty-stricken areas) against the considerable social costs. There are an estimated two-and-a-half million “pathological gamblers,” three million “problem gamblers,” and 15 million “at-risk gamblers” who experience relatively high rates of unemployment, bankruptcy, divorce, arrest and incarceration.⁷



As the debate has proceeded, the gambling industry has vastly increased its contributions to political campaigns in the 1990s. According to the Center for Responsive Politics, as Figure 1 and Table 1 show, the industry’s contributions to candidates for federal office and to national political parties — in limited amounts of “hard money” from individuals and PACs and unlimited amounts of soft money to parties — went from \$1.16 million in the 1991-92 election cycle to \$6.36 million in 1997-98, an increase of 447 percent.

Unlimited soft money became increasingly potent over this period, rising from 38 percent of total gambling industry contributions in the 1991-92 election cycle to 64 percent by 1997-98. Both parties have benefitted from this largesse, with the Republicans garnering 66 percent of total soft money contributions in 1997-98.⁸ According to Common Cause, gambling is the 11th largest industry out of 33 giving soft money to the Republicans, and the 12th largest giving to the Democrats.⁹

The Dominant Casino Interests and Their Contributions

Most of the nation's bets are placed in non-Indian casinos, mainly in Las Vegas, Nev., or Atlantic City, N.J., but also on cruise ships, riverboats, and smaller land-based establishments featuring video poker-type machines. These casinos accounted for 40 percent of total 1997 gambling revenues of \$51 billion — what the house keeps after paying off winners. Indian casinos accounted for 12 percent, state lotteries 33 percent and a miscellany of pari-mutuel sports, bingo, bookmaking, card and charitable games the remaining 15 percent.¹⁰

To understand how extensive non-Indian casino gambling has become, it is only necessary to consider that its revenues are approximately: four times those of American movies, four times those of all spectator sports, three times those of video games, and twice those of all recorded music.¹¹

An important step toward defining the industry's entire political agenda and mobilizing its resources behind that agenda occurred in June 1995 when the dominant, non-Indian casino interests established the American Gaming Association (AGA). Awakened by President Clinton's brief proposal of a federal gambling tax in 1994, major casinos recruited former Republican Party Chairman Frank Fahrenkopf Jr. in June 1995 to lead the AGA, which Fahrenkopf describes as an "aggressive Washington advocate and national representative" of the "gaming-entertainment" industry.¹² Behind the AGA's developing program was the political muscle of the casino industry's soft money. Indeed, one of Fahrenkopf's principal innovations has been a program of raising soft money in support of AGA objectives by inviting leaders of the House and Senate Democratic and Republican party committees to Las Vegas for combined fund-raising/educational meetings.¹³

Table 1
Gambling Industry Contributions to Federal Elections
(1992-1998 Cycles)

	1992 Cycle	1994 Cycle	1996 Cycle	1998 Cycle
Soft	\$439,768	\$1,446,169	\$3,973,681	\$4,047,350
PAC	\$224,945	\$349,792	\$970,146	\$960,722
Individual	\$498,260	\$840,344	\$1,831,573	\$1,355,410
Totals	\$1,162,973	\$2,636,305	\$6,775,400	\$6,363,482

Source: Federal Election Commission records compiled by the Center for Responsive Politics (www.crp.org). Includes all contributions from casinos, Indian gambling interests, and non-casino gambling interests to federal candidates, parties and PACs.

According to Public Citizen's analysis of Common Cause data — the most comprehensive data on soft money because it traces fully the links between contributors from the same industry — from 1995-98 the casino industry provided 68 percent of all gambling industry soft money to parties.¹⁴

As Figure 2 and Table 2 show, casino industry soft money to the two parties rose from an estimated \$1.13 million in the 1993-94 election cycle to \$3.62 million in the 1997-1998 cycle. During 1995-

98, as the AGA powered up, casino interests ponied up \$6.52 million in soft money: \$4.23 million (65 percent) for the Republicans and \$2.29 million (35 percent) for the Democrats. Of the total, AGA members contributed almost two-thirds, with the rest coming from casino-related companies that were not members. (See the Appendix for a detailed breakdown of these amounts, including individual company contributions.)

Senator Lott's Role

One year after the birth of the AGA, Trent Lott became Republican Majority Leader of the U.S. Senate. In that role (and earlier as Assistant Majority Leader), he has been deeply involved in, and benefitted from, party fundraising from casino soft money donors.¹⁵ In the first place, as Figure 3 and

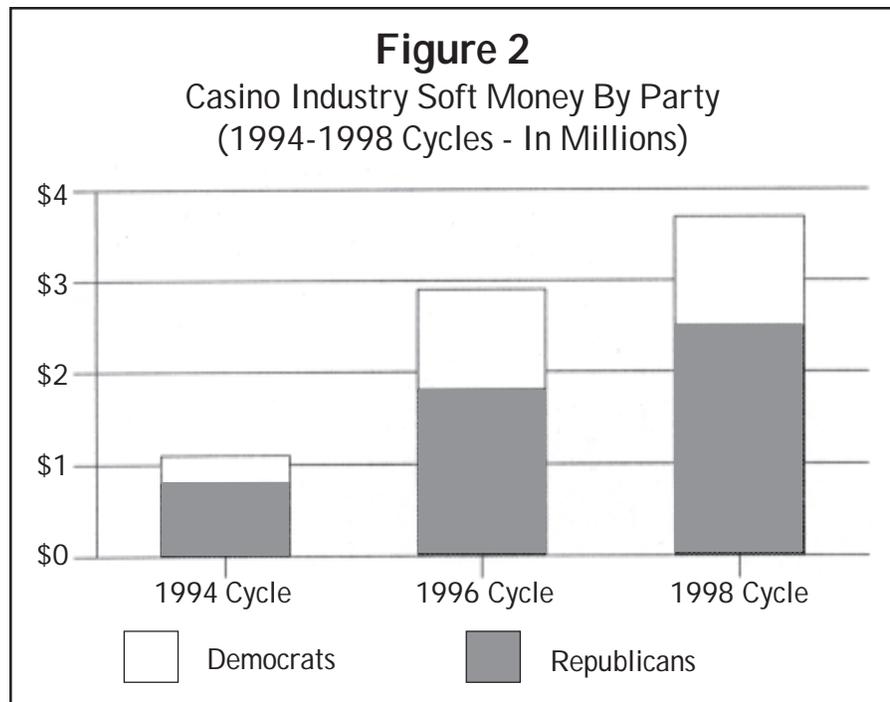
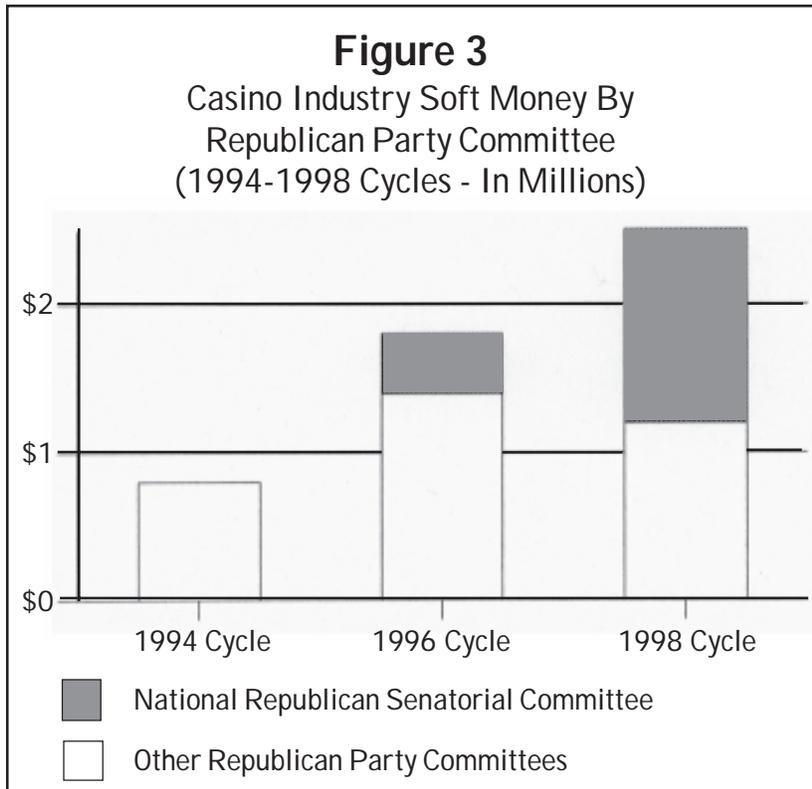


Table 2
Casino Industry Soft Money By Party (1994-1998 Cycles)

Year	Democrats	Republicans	Totals
1994 Cycle	\$338,869 (30%)	\$793,800 (70%)	\$1,132,669
1996 Cycle	\$1,124,650 (39%)	\$1,777,315 (61%)	\$2,901,965
1998 Cycle	\$1,160,800 (32%)	\$2,455,250 (68%)	\$3,616,050
Totals	\$2,624,319 (34%)	\$5,026,365 (66%)	\$7,650,684

Source: Publicly available Federal Election Commission records (www.fec.gov) analyzed by Common Cause (www.commoncause.org) and Public Citizen. Includes all soft money contributions from the non-Indian casino industry.

Table 3 show, 40 percent of the 1995-98 Republican Party soft money — \$1.68 million — went directly to the NRSC for which Lott is a top fundraiser and which aims to swell the number of Republicans under his leadership. The NRSC's take of Republican Party soft money contributions from the casino industry has risen from a paltry \$7,800 (1 percent) in the 1993-94 election cycle (before Senator Lott was part of the leadership) to \$411,000 (23 percent) in 1995-96 and \$1.26 million (52 percent) in 1997-98.



On November 22, 1997, Senator Lott and NRSC Chairman Mitch McConnell (R-Ky.) flew to Las Vegas aboard Mirage Resort Chairman Steve Wynn's corporate jet for a series of AGA-sponsored fundraising and other events. According to GOP sources who spoke to the *National Journal*, this excursion alone reaped \$951,000 by June 1998, including three quarters of a million dollars from six casino companies.¹⁶

Given his status as one of the top elected Republican leaders in Washington, Senator Lott has also been active in other party fundraising committees that raise soft money from the casino gambling industry. Republican

Table 3
Casino Industry Soft Money By Republican Party Committee (1994-1998 Cycles)

	1994 Cycle	1996 Cycle	1998 Cycle
National Republican Senatorial Committee	\$7,800 (1%)	\$411,000 (23%)	\$1,264,500 (52%)
Other Republican Party Committees	\$786,000 (99%)	\$1,366,315 (77%)	\$1,190,750 (48%)
Totals	\$793,800	\$1,777,315	\$2,455,250

Source: Publicly available Federal Election Commission records (www.fec.gov) analyzed by Common Cause (www.commoncause.org) and Public Citizen. Includes all soft money contributions from the non-Indian casino industry.

National Committee (RNC) large donor programs, such as Team 100 and the Republican Eagles, feature special meetings with Lott and other party leaders. Lott and the NRSC also participate in joint fundraising with the National Republican Congressional Committee (NRCC).¹⁷

Senator Lott and fellow Senate Republicans benefit significantly from soft money donations to the RNC and NRCC. In 1996, RNC direct and coordinated contributions accounted for 12 percent of large donations to Senate Republican incumbents. All three campaign committees furnish a wide range of indirect aid to Senate candidates as well, from televised generic party “issue ads” and discounted polling to voter registration and mobilization.¹⁸

In comparison, Senator Lott receives much smaller amounts of federally limited “hard money” from casinos for his campaigns and “Leadership PAC,” which primarily contributes to other campaigns. Since 1993-94, when he last ran for election, Senator Lott’s campaign and PAC have received only \$39,500 from casino interests.¹⁹ This modest amount underlines the relative importance of soft money in the industry’s relationship with the Republican Party and Senator Lott.

Senator Lott and the Defanging of the Gambling Commission

“I don’t like national commissions. I didn’t like this idea, to be perfectly frank, and I would have blocked it being brought up if it had continued to be in the same form that it was in when it passed the House.”

Senate Majority Leader Trent Lott²⁰

In March 1996, over strong objections by the AGA, the House voted to create a National Gambling Impact Study Commission to study the impact of gambling in the United States and recommend appropriate government actions.²¹ As the bill reached the Senate, the AGA strategy shifted from outright opposition to an attempt to modify the legislation. “We think we can make some changes in the bill in the Senate so that any commission will be fair and unbiased and protect the sovereignty of the states,” Frank Fahrenkopf announced.²²

The casino industry’s paramount objective was “avoiding a witch hunt.”²³ Hence it targeted for removal the subpoena power contained in the House bill. A key Republican congressional aide observed, “They didn’t want the head of MGM Grand hauled in.”²⁴ “The last thing we wanted,” Fahrenkopf recalled, “was to have someone embarrass our people.”²⁵ The AGA also opposed allowing the commission to subpoena casino documents since this could allow it to “delve into the private lives of law-abiding Americans.”²⁶ According to a Democratic committee aide, “The industry was privately nervous about releasing information about its marketing analyses, its targeting of problem gamblers. They know who’s vulnerable.”²⁷

In early April 1996, Senator Ted Stevens (R-Alaska), then Chairman of the Governmental Affairs Committee, prepared a bill, with strong input from the casinos, that eliminated the subpoena power and prohibited “investigative hearings.” This provoked a diverse political outcry from Senators Paul Simon (D-Ill.) and John Warner (R-Va.), Rep. Frank Wolf (R-Va.), the author of the House bill, and Ralph Reed, head of the Christian Coalition.²⁸ Stevens retreated, consulted more widely, and came back the following month with a compromise proposal. This retained but hemmed in the subpoena power. It banned the subpoenaing of persons and permitted that of documents only after failure to meet a voluntary request and with the approval of the majority of the commission.²⁹

Senator Lott, then Assistant Majority Leader but gaining power as Majority Leader Bob Dole became preoccupied with his run for the presidency, lent strength to the AGA’s efforts to weaken the bill. According to Earl Comstock, chief counsel for Sen. Stevens and one of the architects of the compromise, the major political forces on the casino side were “the Nevada senators,” Democrats Richard Bryan (the recipient of \$248,515 in PAC and individual contributions from the gambling industry during 1993-98) and Harry Reid (who took in \$314,867 over the same period)³⁰ and “some pressure from the [Republican] leadership, including Lott, who had been getting a lot of hits by players in the gambling industry.”³¹

Shortly after succeeding Dole as Majority Leader in June, Senator Lott observed that the Senate bill toned down “one of the areas where I had my greatest concern and that was the very expansive subpoena powers” in the House bill. But he still sounded dubious: “My biggest problem with it is the national commission, now do we really need that? Aren’t the states doing a pretty good job? Don’t they have the ability to do a good job?”³²

Still, Senator Lott scheduled the bill for action in July 1996. But at the last minute, Senator John Breaux (D-LA) put a “hold” on the bill in an effort to further weaken the subpoena power. He wanted to add a provision preventing the commission from obtaining any document that contained a customer name — despite the strong disclosure restrictions in the bill. The Breaux proposal would have prevented the commission from obtaining key marketing databases that could shed light on the industry’s role in manipulating problem gamblers.³³

Senator Lott declined to uphold the Committee compromise, thereby aiding Senator Breaux’s effort. “The leadership was not committed at all,” said a concerned Republican aide.³⁴ Some of the bill’s proponents, such as Senator Lugar (R-Ind.), wavered, fearing that a failure to move toward Breaux would jeopardize the legislation. However, anti-gambling groups mobilized in Senator Breaux’s home state and Senator Dan Coats (R-Ind.) threatened to force a vote on an amendment to restore full subpoena power as well as the House bill’s provision for an assessment of the influence of political contributions on gambling policy! After a few days, Breaux yielded, Coats withdrew his threat, the compromise bill designed by Senator Stevens passed the Senate and House, and both the AGA and the National Coalition Against Legalized Gambling claimed victory.³⁵

Maintaining a relatively low profile (his role is revealed here for the first time) and keeping his eye on the politically possible, Lott leaned strongly in the direction of the casino industry without overly antagonizing his party’s important Christian right constituency in a critical presidential election year. Moreover, the last minute legislative maneuvering had resulted in him promising Coats one of his two appointments to the commission. Coats selected Dr. James Dobson, head of Focus on the Family, and one of the leading opponents of legalized gambling. (Lott’s own appointee, Dr. Paul Moore, was his Mississippi neighbor and an apparent “neutral.”)³⁶ Looking back at Lott’s entire performance, a Republican aide marveled: “It was classic Lott, steering his way through.”³⁷

But the Majority Leader did contribute to a certain defanging of the commission. Whatever else it achieves, the commission never forced the casino tycoons to appear in public before it and justify the way they did business, including their marketing practices. And when it finally got around to requesting information and met with resistance, particularly from Indian casinos, there was little time left to follow up with subpoenas. “I think this is something a future commission with some teeth in it will need to take up,” commented commission Chairperson Kay James.³⁸

During 1995-96, while he worked alongside the AGA to limit the power of the commission, Senator Lott helped raise, and benefitted from, \$1.78 million in Republican Party soft money from casino gambling interests (\$1.19 million from AGA members and \$583,850 from non-AGA

members) — a dramatic increase from the 1993-94 total of \$793,800. Moreover, 23 percent of the 1995-96 bonanza (\$411,000) went to the NRSC, which had gotten only a paltry \$7,800 during the previous election cycle (see Table 3 above).

While there may be no direct connection between the Senate committee action on May 14, 1996, and a \$100,000 Republican Party contribution from Tracinda/MGM Grand on May 28, or between final Senate action on July 17 and the \$250,000 Trump Hotels and Casinos contributed on July 16 and the \$100,000 International Game Technology gave on July 26 (see “Chronology” above), these contributions serve at least as a timely reminder of the continuing importance of casino support for the Republican Party.³⁹

Senator Lott Deals a Good Hand on Tax Legislation

“We are proud that not a single piece of anti-gaming legislation was enacted into law in 1998.”

**Frank J. Fahrenkopf, Jr., President and CEO,
American Gaming Association⁴⁰**

Since the birth of the AGA, the casino industry has lived in fear of eventual increased federal taxation. So it quaked in March 1998 when Senator Dan Coats (R-Ind.) submitted an amendment to enhance an existing tax benefit for charitable contributions to education — and pay for it by eliminating the federal tax deduction for gambling losses.⁴¹

Supporters of cutting the deduction, such as Senator Jack Reed (D-R.I.), argued that by allowing gamblers to subtract losses up to the amount of their winnings, the U.S. government was subsidizing gambling. Why, they asked, should people who lost money at this form of “entertainment” receive preference over, say, moviegoers? While businesses were allowed to deduct losses from gains, gamblers weren’t businesses and didn’t create jobs. Furthermore, most of the nearly \$3 billion in deductions in 1994 was accounted for by individuals with more than \$75,000 in adjusted gross income.⁴²

On the other side, the AGA emphasized, “It was a long-established principle at the heart of our federal income tax system that a taxpayer may deduct costs and losses directly involved in generating income.” The burden of the increase would fall mostly on “patrons of ordinary means.” The amendment was really an indirect “punitive federal levy” on legal gambling, which employed millions of people and generated billions in taxes.⁴³

The AGA organized “a coalition of other gambling interests” and conducted “an extensive education effort” in the Senate.⁴⁴ Nevada Senators Bryan and Reid prepared to offer amendments “to gut the one by Coats.” And both Senator Lott and Senate Minority Leader Tom Daschle (D-S.D.) — a leading Democratic Party soft money fundraiser and the recipient of \$49,250 in gambling industry PAC and individual contributions from 1993-98⁴⁵ — were also ready to oppose Coats.⁴⁶ According to a key Republican aide, Coats realized that his amendment “probably wouldn’t succeed.”⁴⁷ But what the gambling industry most wanted was to not have the issue debated on the Senate floor at all. “We didn’t want to call attention to it,” an AGA official explained.⁴⁸

Here is where Senators Lott and McConnell, the NRSC Chairman, came in. As detailed in *Congressional Quarterly*, Lott worked quietly behind the scenes to find alternate funding for Coats’s educational initiative and McConnell warned Coats he would fight to stop the proposal. Sen. Coats withdrew his amendment in April and the AGA was spared having to defend “gaming versus underprivileged children.”⁴⁹

The chief lobbyist for the Nevada Resorts Association, Wayne Mehl, said this “was probably the most effective lobbying effort [the AGA] has ever launched. We were able not only to get through to Senator Lott but to Senator McConnell and others.”⁵⁰

Certainly Senator Lott's negotiations on the Coats amendment were the kind of activity a Senate Majority Leader often engages in to expedite consideration of a bill. But Senator Lott also appeared to share the concerns of the AGA: "Lott did not want us to get down there on the floor and debate it, because it was very difficult to defend," said a Republican aide who was involved.⁵¹

Two months later, Senator Lott was instrumental in preventing debate on and passing a potentially more controversial tax benefit targeted at the casino resort industry.

A 1997 U.S. Tax Court ruling held that the casino industry could no longer avoid paying Social Security and Unemployment Insurance taxes on free meals for employees if those workers did not have to eat on the premises to "properly perform" their duties. The employees too would have to pay taxes on their meals including income tax. Moreover, the casinos could no longer deduct the full cost of meals provided to workers, only the usual 50 percent for business meals.⁵² The industry appealed the decision, but rather than pay additional taxes while the matter was being resolved, it decided to seek special legislative protection.

"The AGA," Frank Fahrenkopf later recounted, "worked closely with congressional allies from gaming states to add a provision to the tax reform package...that is designed to make it much easier for gaming companies and employees to qualify for favorable tax treatment of employer-provided meals."⁵³ Since the Tax Court decision had indicated that close to 50 percent of casino employees had jobs that might qualify them for the special tax treatment that casinos could take advantage of,⁵⁴ the new provision, sponsored by Rep. John Ensign (R-Nev.), stated that when 50 percent qualified all would be deemed qualified!⁵⁵ Rep. Ensign received \$240,000 for his 1998 Senate campaign from individuals and PACs associated with the gambling industry.⁵⁶

The AGA was supported by the Hotel Employees and Restaurant Employees International Union, which had a large Las Vegas contingent and gave \$286,000 in soft money to the two parties and \$371,600 in PAC contributions to Republican and Democratic candidates in 1997-98,⁵⁷ and less intensely by the American Hotel and Motel Association.⁵⁸

This wasn't supposed to be a slam dunk. In April 1998, Senator Reid warned that such legislation "was unlikely to pass unless the issue was cast as a national problem."⁵⁹ In May, Senator Bryan was reported to have said that a legislative fix would be extremely difficult: "This could involve hundreds of millions of dollars in terms of revenue to the Treasury, and that would require an enormous legislative change."⁶⁰ Why, after all, should other industries have to pay taxes on free meals they were providing their employees, just because they fell below the 50 percent level created specifically for the casino industry?⁶¹

Yet in June the Ensign amendment was quietly inserted into a House-Senate Conference Report on Internal Revenue Service Reform without any hearings, floor debate, or vote. Ensign said Lott told him the provision would be included. "This really started to get momentum about the same time [House Speaker] Gingrich came to Las Vegas [in May] and held a news conference to support us," Ensign recalled. "Then we got Lott on board."⁶² The new provision would hemorrhage \$316 million in federal tax revenues from 1998-2007, according to Congress's Joint Committee on Taxation.⁶³

In the aftermath of his casino successes, the *Biloxi* [Mississippi] *Sun-Herald* ran a story entitled, "Casino Industry Courts Lott." Characteristically, Senator Lott "declined at least four *Sun-Herald* requests to be interviewed about casino gambling, refusing even to respond to written questions." According to the story, "Lott is cautious about aligning himself with what is perceived as a sin industry."⁶⁴

Senator Lott's quiet but effective attention to the casino industry's tax concerns occurred in the midst of the 1997-98 election cycle. During that cycle, AGA and non-AGA casino interests contributed \$2.46 million in soft money to Republican Party committees, of which \$1.26 million (52 percent) went to the NRSC. This was triple the amount the NRSC received in 1995-96 (see Table 3 above). Whatever the precise intention was behind Mirage Resorts' donation of \$250,000 and Marnell Corrao Associates' donation of \$100,000 to the NRSC during the period when the tax legislation was under intense Senate consideration (see "Chronology" above), these contributions underlined the expanding relationship between the casino industry and the Senate Republican leadership.

In May 1999, the casino industry won its case in Federal Circuit Court.⁶⁵ Should that judgment stand, the industry will no longer need the Ensign amendment to take the meals deduction. But it will continue to use the political power it demonstrated in that episode, power that appears to flow, in significant measure, from its campaign contributions.

Senator Lott at War with the Army

“What’s wrong with trying to protect the environment?”

Michael Wylie, U.S. Environmental Protection Agency official who believes he was investigated, along with a senior U.S. Army policy maker, at Trent Lott’s suggestion.⁶⁶

Legal dockside gambling came to Mississippi in August 1992 and spread rapidly. By the end of 1997 there were 29 casinos, 11 along the Gulf Coast. From Bay St. Louis to Biloxi the coastal casinos powered an economic boom. By 1997 they had produced more than \$750 million in annual revenues, 14,000 jobs, 4,000 new hotel rooms, more than \$90 million in state, county and city tax receipts, and increases in everything from air traffic to building permits.⁶⁷ A May 1998 poll indicated that 61 percent of coastal residents viewed “the overall effect of casino and other large scale development as positive.” On the other hand, two thirds expressed “concern” over “the effects of development on the environment” and their future “quality of life.”⁶⁸

Sharing those concerns were three federal agencies involved in the Army Corps of Engineers-led process for approving casino permits. The Environmental Protection Agency, Department of Interior Fish and Wildlife Service and Department of Commerce National Marine Fisheries Service were increasingly convinced that the pattern of casino development in Mississippi’s wetland areas was having important negative effects on water quality and fish and wildlife habitats. They were also worried about the “secondary” environmental impacts of related residential and commercial development.

By late 1997 these concerns had crystallized into strong agency opposition and threatened citizen court challenges to three pending permits on the relatively pristine St. Louis and Biloxi Back Bays.⁶⁹ As both a fallback and wise policy, the EPA and Interior Department pressed the Corps to join in a Programmatic Environmental Impact Statement (PEIS) that would assess the direct, secondary (e.g. residential and commercial) and cumulative effects of coastal casino development. This would provide a reliable database for future decisions, enabling “the gaming industry to proceed with projects in a more timely manner while avoiding sensitive areas.”⁷⁰

On March 4, 1998, Deputy Assistant Secretary of the Army for Civil Works Michael Davis announced that the Army agreed that “substantial policy issues remain and concerns regarding cumulative impacts have not been adequately addressed.” Therefore, the Corps, EPA and the Interior Department would complete within two years a PEIS for Harrison and Hancock Counties, which include St. Louis and Biloxi Back Bays. In the meantime, pending and future permits for “relatively pristine, undeveloped or residential areas of bay systems, their tributaries and certain Gulf Islands” would be “held in abeyance.”⁷¹ The new policy implied possible future restrictions on the Corps’ non-casino wetland permit decisions and the Army shortly expanded the order to cover “all large coastal developments.”⁷²

The Army's decision was particularly distressing to two groups: coastal business development interests and casino companies moving into the relatively pristine bays or planning very ambitious expansion projects on the sound. Many communicated their concern to key Mississippi congressmen, especially Senator Lott.

Key coastal business leaders shared casino industry leaders' vision of a broad economic advance associated with the coast's coming emergence as a regional gambling and entertainment center.⁷³ A major step would be the anticipated opening of Mirage Resort's 1,780 room Beau Rivage casino resort. "If the project is good enough, people will consider Biloxi and the Gulf Coast a vacation destination area," promised Mirage Resorts Chairman Steve Wynn: "There will be competition between here and Orlando." Existing casinos were already pursuing expansion plans, and major Las Vegas companies such as Circus Circus, Hollywood Park and Hilton were entering or about to enter the market. "We're like Nordstrom. We're that anchor tenant," bragged Beau Rivage Chairman Barry Schier.⁷⁴

For many, this vision depended upon continued availability of new sites on the bays and easy expansion of old sites on the sound for both casino and non-casino development.

But the Corps' new policy, warned Mike Olivier, executive director of the Harrison County Development Commission, "would effectively stop development on the Mississippi Gulf Coast as we know it.It's a travesty of justice. I hope that Senator Lott pays attention to this, and that Congressman [Gene] Taylor [who represents the area] pays attention to this."⁷⁵

In his private role as a consultant to the high-powered Mississippi Gulf Coast Economic Development Council, Olivier quickly shot off the Council's "letters to Congress" opposing the PEIS and limited moratorium.⁷⁶ Council members listed on the letterhead included a wide range of economic actors from banks, power companies and manufacturers to media groups and car dealers, as well as two major casinos (Grand, which had contributed \$23,000 in soft money to the Republicans in 1995-96,⁷⁷ and Isle of Capri) and two leading law firms with casino clients.⁷⁸ Members of the Council would have had an opportunity to express their views to Senator Lott on April 15-16 when he hosted the Council's "Gulf Coast Day" in Biloxi, including a private dinner for visiting prospective corporate investors.⁷⁹ Governor Kirk Fordice, who credited casinos with 25-30 percent of Mississippi's economic growth since 1992, was also "concerned" and "had a conversation with Senator Lott," Olivier noted.⁸⁰

As far as it is known, direct individual casino lobbying of Congress was confined to certain firms that were entering relatively pristine areas on the bays and one company that had conceived an extraordinary expansion project on the sound.

Senator Lott was lobbied by Hal Walters, executive director of the Hancock County Port and Water Authority, which had a project (Europa Cruise's "Casino World") coming out of the pipeline just as the moratorium was declared.⁸¹

During the same period, Mayor Rusty Quave of the Back Bay town of D'Iberville, which had a casino permit application with the Carlo Corporation pending, charged in letters to congressmen

and officials, that the Army's Davis had been "improperly influenced by a special interest group of [sic] (including his brother-in-law Mike Wylie of EPA) to frustrate and delay the construction of a much needed casino in D'Iberville." Wiley was accused of fining the developer's engineering firm for disturbing "bottomlands" and kicking up "prop wash" at a potential casino site while EPA ignored "other violations of the sort alleged here..." And Davis was said to be guilty of leaving a Mobile Corps Branch Chief "sitting in a car" while he "and his friends enjoyed dinner in the home of one of the environmentalist [sic]." ⁸² Members of the D'Iberville City Council came to Washington to see Senator Lott. ⁸³

On March 28th, at an Appropriations Subcommittee hearing with the Army Assistant Secretary for the Corps, Senator Thad Cochran (R-Miss.) said he had heard about the Army's new policy from "one counsel" to an older resort that was contemplating a particularly ambitious expansion. He asked the Corps to take "another look" at Davis's "outrageous" decision because it singled out only casino development and "put in jeopardy the economy and the prerogatives that are vested now in state and local governments." From Cochran's description, the company in question was clearly the President Casino on the sound. It is very likely that the company also approached Senator Lott. A Mississippi homeowner reports that in a personal discussion of the Army's announcement shortly after it occurred, Senator Lott noted he had just come from a meeting with President Casino officials and praised their expansion project. ⁸⁴

Also, according to senior vice-president and general counsel David Belding, Circus Circus, which had just received its permit on Bay St. Louis, was "still concerned" that under the PEIS "the rules could change" and the Corps could "withdraw our permit. However, Belding stated that Circus Circus, a major Republican soft money contributor in 1997-98 (\$300,000, all to the NRSC), was not "politically active" on this issue. ⁸⁵ However, a U.S. Army official maintains that he was aware of their concern at the time. ⁸⁶ Whether or not Senator Lott also became aware of this concern is unknown.

On April 15, 1998, Rep. Taylor, a conservative Democrat, wrote back to the president of the Gulf Coast Development Council, "The decision to conduct a PEIS appears to be within the legislative and regulatory authority of the Corps of Engineers. Personally, I also believe that it is reasonable to assess the cumulative impact of the development that has occurred..." ⁸⁷ Senator Cochran is not known to have taken any action following his late March Committee statement. But Senator Lott's response to the council's and related entreaties was positive, extremely strong and apparently very effective.

According to accounts of an early April meeting between Davis and staff for Senators Lott and Cochran and Rep. Taylor, Lott aide Stan Harris took up Mayor Quave's charges and broadened them beyond D'Iberville by accusing the Army's Davis and EPA's Wiley of "putting a moratorium on future casino development in cahoots with local environmentalists." Harris asserted that Davis should have "recused" himself from all coastal casino decisions because of "local perceptions." One congressional participant thought Harris had "crossed the line of good taste." ⁸⁸ Later in the month, Lott told a Mississippi broadcaster, "I do think they [the Corps] exceeded their authority. They're shutting down many economic opportunities along the coast for a two-year period." "They're re-evaluating their position," he added. ⁸⁹

Soon afterward, both the Corps and EPA launched internal investigations of Davis and Wiley for “conflict of interest.”⁹⁰ “I was put through the ringer,” recalls Wiley. Both he and other EPA and Army officials have indicated both men were exonerated after several months. Wylie was promoted to head regional enforcement efforts while Davis remains in his previous position but deprived of any responsibility for Mississippi wetlands policy due to “public perceptions.” Wylie says he was interrogated for several hours, and about 150 people in all were questioned, including his colleagues, private businessmen and citizens, and “persons affiliated with the person who several people told me initiated the charges, Trent Lott.”⁹¹

Joby Warrick of the *The Washington Post* reported, “Several people who were interviewed as part of the [Army and EPA] probe were told by investigators that Lott had requested the inquiry.”⁹² Davis and the assistant secretary of the Army for civil works both declined to respond to several phone calls and written communications from Public Citizen requesting interviews. Wylie adds he has formally requested “an investigation of the investigation.”

Most importantly, the Army reversed Davis’s policy that called for a temporary halt to new development pending the environmental review. “We have no firm blessing on it at this time,” Ron Krizen, chief of the regulatory branch of the Corps’ Mobile district, said in mid-April 1999. “We’re trying to get state support for a PEIS. The district head met with the governor last week. We don’t feel he is blessing it, but he understands it.”⁹³ An EPA official commented, “The investigation took some heat off the Army Corps of Engineers and it also wants an okay from the Governor which may never happen.”⁹⁴ According to a knowledgeable Army official, “Lott influenced the decision to change policy. The PEIS may go forward but only if it is based on Mississippi state plans.”⁹⁵

While there is no available evidence that particular casino interests known to have approached Senator Lott contributed soft money to the Republican Party in 1997-98, his strongly favorable response, including his adoption of the D’Iberville group’s allegations against Davis and Wylie, was consistent with his overall political support for the casino industry — an industry that was providing his party, particularly the NRSC, with large and increasing financial support. In this connection, it is significant that Senator Lott’s fellow conservative Mississippi colleagues, Senator Cochran and Rep. Taylor, who also had supportive constituencies and campaign contributors among the local business development interests, did not take the aggressive stance that the Majority Leader did. One of the factors distinguishing Lott from his colleagues was his role in raising casino industry soft money. In acting, Lott also favored other influential local business interests pushing for coastal development. And individuals associated with companies on the Gulf Coast Development Council supplied him with \$28,500 from 1993-98 in “hard money” for his Senate political campaigns and Leadership PAC.⁹⁶

As on other gambling issues Senator Lott demonstrated his ability to maintain a low profile while using a sharp scalpel on a delicate and controversial political issue. As Lott moved behind the scenes, Lott and his senior substantive staff declined virtually all requests for interviews from the press (e.g., from *The Washington Post* and the *Biloxi Sun-Herald*), and relied on the discretion of the federal agencies involved.

The Majority Leader vs. the Majority: Killing Campaign Finance Reform

The casino gambling industry's influence with Senator Lott and both political parties is part and parcel of the more general danger facing our democracy: the distortion of public policy on behalf of special interests caused by huge political contributions.

At the federal level, there is now an important campaign finance reform initiative with a chance to win: the bipartisan Senate McCain-Feingold bill (S. 26) and the companion House Shays-Meehan bill (H.R. 417). The centerpiece of this legislation is a ban on soft money. More than 80 percent of soft money comes from corporations and individuals who can afford large contributions. As we have seen, soft money is viewed as a major political asset by both major political parties and the casino industry. Banning it would appear to threaten the industry's capacity to get its way with Congress.

While toiling on behalf of pro-casino interests and contributors, Senator Lott has simultaneously directed a nearly two-year Senate filibuster against the McCain-Feingold bill. In August 1998, the House decisively approved Shays-Meehan 252-179 (including a quarter of the Republicans) and it is likely to pass it again later this year. In the Senate, McCain-Feingold has a majority of 52: 45 Democrats and 7 Republicans. And President Clinton has endorsed both bills. The only thing holding up the enactment of major reform are the filibusters led by Senators Lott and McConnell, the principal Senate Republican soft money fundraisers.

Characteristically, Senator Lott has spoken relatively little in public about the substance of the issue, leaving much of that responsibility to Senator McConnell. When he has taken the Senate floor, he has emphasized the need for the Senate to reach "consensus" around "very basic principles" of reform.⁹⁷ Among these principles are: (1) "respect the constitutional rights of every American to engage in the political process as those rights were enunciated by the Supreme Court in *Buckley v. Valeo* [which upheld the federal law limiting political contributions], and (2) "encourage greater participation by citizens in the political process."

Yet it is soft money, raised outside the federal election law restrictions, that has rendered the contribution limits in *Buckley* almost meaningless. And without a ban on soft money, how can the average person as opposed to a casino resort achieve "greater participation" in the political process? Furthermore, how does filibustering a bill three times over two years to prevent majority rule encourage "greater participation by citizens in the political process?"

Senator Lott has cautioned that the McCain-Feingold bill would make it more difficult for "candidates to be able to raise the money to get their message out.... I was able to get out and get my message across in spite of the opposition of the establishment, the courthouse gangs, and the news media with their prejudices." Yet, as we have seen on casino gambling issues, Senator Lott's characteristic style has been to suppress communication. He has spurned public debate and votes. And he has almost certainly not been above using intimidation — the investigative power of the government "establishment" — to overturn environmental decisions that negatively impact on the gambling industry's fortunes.

Senator Lott's sustained and energetic activity in behalf of the casino gambling industry's political objectives is clearly related to his official party role in collecting industry soft money. The financial incentives for his actions are clear, and they do not inspire public confidence in our democracy. If Senator Lott again succeeds in killing meaningful campaign finance reform legislation as embodied in the McCain-Feingold bill, the destructive soft money system that appears to have ensured that the casino gambling industry gets its way in Congress will continue to expand and to erode our political institutions.

Endnotes

(Methodological Note: A portion of this report is based on interviews conducted from January 26, through June 1, 1999. In some cases, sources are attributed; in others, the sources have insisted upon anonymity. In all instances, the general nature of the source is indicated.)

- ¹ Indian casinos are not covered in this report (and therefore not included in the use of the term “casino” used throughout the report) for two principal reasons. First, they contribute a much smaller amount of soft money than non-Indian casinos. Second, their political interests tend to be more narrow, and their lobbying is principally directed at the special federal regulatory process for Indian affairs.
- ² Soft money refers to the unlimited contributions by corporations, unions and wealthy individuals to political parties for federal elections.
- ³ Peter H. Stone, “Upping the Ante,” National Journal, June 6, 1998, p. 1289.
- ⁴ National Opinion Research Center at the University of Chicago (NORC) et.al., Gambling Impact and Behavior Study: Report to the National Gambling Impact Study Commission, April 1, 1999, Chapter I, p.3.
- ⁵ Ibid. and American Gaming Association, “AGA” (brochure).
- ⁶ Information Plus, Gambling - Crime or Recreation (Information Plus: Wylie, Texas, 1998), p.30.
- ⁷ NORC, Gambling Impact and Behavior Study, ch.2, p.25.
- ⁸ Data from Center for Responsive Politics, Washington, D.C.
- ⁹ Common Cause, “Top Soft Money Donors to Republican and Democratic National Party Committees, January 1, 1997 through December 31, 1998,” www.commoncause.org/publications/capcash.
- ¹⁰ Information Plus, Gambling - Crime or Recreation, pp. 29-34, 88-89; Testimony of Eugene Christiansen, National Gambling Impact Study Commission Virginia Beach Meeting, February 8, 1999 reporting latest 1997 data on the gambling industry.
- ¹¹ Ibid., p.29.
- ¹² Stone, “Upping the Ante,” pp. 1288, 1291; Blaine Harden, “Don’t Bet on a U.S. Gambling Study: Nevada Senator and Casino Interests Stymie a Bipartisan Effort,” Washington Post, April 18, 1996, p.A1; American Gaming Association, “AGA.”
- ¹³ Jackie Koszczuk, “‘Soft Money’ Speaks Loudly on Capitol Hill This Season,” CQ Weekly, June 27, 1998, pp. 1738, 1740; Alan K. Ota, “Casinos Look to Improve Their Odds on Capitol Hill,” CQ Weekly, January 23, 1999, p.191.
- ¹⁴ Data analyzed by Common Cause and Public Citizen from Federal Election Commission records.
- ¹⁵ Koszczuk, “‘Soft Money’ Speaks Loudly.” p. 1737.
- ¹⁶ Jane Ann Morrison, “U.S. Officials to Get Quick Course in Gaming,” Las Vegas Review- Journal, November 22, 1997; Brett Pulley, “A Gambling Impresario Leaves Little to Chance,” New York Times, December 6, 1998, p.26; “GOP Senators Go for Gambling Money,” The Bulletin’s Frontrunner, November 21, 1997; Stone, “Upping the Ante,” pp. 1288, 1291.
- ¹⁷ U.S. Senate, Committee on Governmental Affairs, Final Report of the Investigation of Illegal and Improper Activities in Connection with 1996 Federal Elections: Minority Views (1999), Chapter 28, pp. 1-9; Jeffrey H. Birnbaum, “Capitol Clout: A Buyer’s Guide,” Fortune, October 26, 1998, pp.178-79; Dave Palermo, “Inside Gambling Notes,” Biloxi Sun Herald, November 27, 1997.
- ¹⁸ Paul Herrnson, Congressional Elections: Campaigning at Home and in Washington (Washington, D.C.: Congressional Quarterly Press, 1998), pp. 154, 73-102; Anthony Corrado, “The Politics of Cohesion,” in John C. Green and Daniel M. Shea, The State of the Parties: The Changing Role of Contemporary American Parties, Second Edition (Lanham, Md.: Rowan and Littlefield Publishers, 1996), pp.63-83.
- ¹⁹ Data analyzed by Center for Responsive Politics and Public Citizen from Federal Election Commission records.
- ²⁰ Quoted in Dennis Camire, “Mississippi Senators Finally Back Gambling Commission Bill,” Gannett News Service, July 18, 1996.
- ²¹ U.S. House of Representatives, Committee on the Judiciary, Hearing on H.R. 497, National Gambling Impact and Policy Commission Act, September 29, 1995, pp. 126-47; Congressional Record, March 5, 1996, pp.H1675ff.
- ²² Jeff German, “Casino Industry Changes Strategy in Gaming Study Battle,” Las Vegas Sun, March 7, 1996.
- ²³ Frank Fahrenkopf, Jr., cited in Bill Lambrecht, “Odd Couple Battles for Gambling Study; Simon, Christian Coalition Charge Sabotage,” St. Louis Post-Dispatch, April 19, 1996, p.14c.

- ²⁴ Interview (name withheld), Washington, D.C., May 14, 1999.
- ²⁵ David Ferrell and Matea Gold, "Going for Broke: Part 2," Los Angeles Times, December 14, 1998, Part A, pp.1ff.
- ²⁶ Blaine Harden, "Gambling Study Clears Senate Hurdle," Washington Post, May 11, 1996, pp.A1ff.
- ²⁷ Telephone interview (name withheld), April 5, 1999.
- ²⁸ Blaine Harden, "Don't Bet on a U.S. Gambling Study; Nevada Senator and Casino Interests Stymie a Bipartisan Effort," Washington Post, April 18, 1996, pp.A1ff; Lambrecht, "Odd Couple Battles..."
- ²⁹ Harden, "Gambling Study Clears Senate Hurdle;" Jon Ralston, "Don't Count Your Chips Yet, Boys," Casino Journal, September 1996; Congressional Record, July 17, 1996, pp.S7971ff.
- ³⁰ Data from Center for Responsive Politics.
- ³¹ Telephone interview, Earl Comstock, April 30, 1999.
- ³² "Gaming Decision Due Soon," Las Vegas Sun, June 19, 1996.
- ³³ Telephone interviews with Bernie Horn (National Coalition Against Legalized Gambling), April 30, 1999; two Republican Senate aides (names withheld), May 4, 1999; Democratic Senate aide (name withheld), April 5, 1999. The positions of the key actors are indicated, somewhat obliquely, in Senators' statements on the bill in Congressional Record, July 17, 1996, pp.S7971ff. For a different perspective from the industry's side, see Jeff German, "Gaming Wins Big Time in D.C.," Las Vegas Sun, July 21, 1996.
- ³⁴ Telephone interview (name withheld), May 4, 1999.
- ³⁵ Information from interviews cited in n.33 supra.
- ³⁶ Telephone interviews, Republican Senate aide (name withheld), May 4, 1999 and Democratic Senate aide (name withheld), April 5, 1999.
- ³⁷ Interview, Republican congressional aide (name withheld), Washington, D.C., May 14, 1999.
- ³⁸ Tony Batt, "Gaming Critic Gains Support," Las Vegas Review-Journal, April 9, 1999.
- ³⁹ Data analyzed by Public Citizen from Federal Election Commission records.
- ⁴⁰ "Remarks to the American Gaming, Lodging and Leisure Summit '99, Bellagio, Las Vegas, Nevada, January 12, 1999, "The Federal Perspective - 1999-2000."
- ⁴¹ Congressional Record, March 19, 1998, p.S2309.
- ⁴² Ibid., June 26, 1997, p.S6507.
- ⁴³ AGA, "Analysis of the Revenue Offset in the Coats Amendment to the Coverdell-Torricelli Bill."
- ⁴⁴ Fahrenkopf, "Remarks..."
- ⁴⁵ Data from Center for Responsive Politics.
- ⁴⁶ Tony Batt, "Gambling Write-offs Debated," Las Vegas Review-Journal, April 6, 1998, p.1D.
- ⁴⁷ Telephone interview (name withheld), Senate Republican aide, May 4, 1999.
- ⁴⁸ Ibid., Interview with AGA official (name withheld), Washington, D.C., February 22, 1999.
- ⁴⁹ Koszczuk, "'Soft Money' Speaks Loudly..." p. 1736. See also Tony Batt, "Gambling Deduction Spared," Las Vegas Review-Journal, April 22, 1998.
- ⁵⁰ James Rutherford, "The Federal Scorecard," Casino Journal, June 1998, p.54.
- ⁵¹ Koszczuk, "'Soft Money' Speaks Loudly," p.1736.
- ⁵² "Internal Revenue Service Training Materials for Employee Meals in the Hospitality Industry;" Telephone Interviews, IRS official, March 10 and April 30, 1999.
- ⁵³ Fahrenkopf, "Remarks..."
- ⁵⁴ Boyd Gaming Corporation, F.K.A. The Boyd Group and Subsidiaries v. Commissioner of Internal Revenue, Dkt No. 3433-95, United States Tax Court, September 30, 1997.
- ⁵⁵ Congressional Record, June 24, 1998, p.H5186.
- ⁵⁶ Data from Center for Responsive Politics.
- ⁵⁷ Data from Common Cause and Center for Responsive Politics.
- ⁵⁸ Telephone interview, John P. Connors, Senior Vice President for Governmental Affairs, American Hotel and Motel Association, May 5, 1999.
- ⁵⁹ John Wilen, "Meal Tax Politics: Casinos Downplay Their Role, Highlight Workers," Las Vegas Sun, April 15, 1998.
- ⁶⁰ Associated Press, "Nevada Senators Seek to Stop IRS Lunch Tax," Las Vegas Sun, May 2, 1998.
- ⁶¹ See for example, John Wilen, "IRS May Not Budge on Casino Meal Tax," Las Vegas Sun, January 22, 1999.
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- ⁶⁵ Boyd Gaming v. CIR, U.S. 9th Circuit Court of Appeals, May 12, 1999.
- ⁶⁶ Telephone interview, Michael Wiley, April 5, 1999.
- ⁶⁷ William L. Huth, Division of Business Administration, University of Southern Mississippi, "Mississippi Gulf Coast Quarterly Economic Indicators" (b.huth@usm.edu); Harrison County Development Commission, "Gaming: The Coast's Ace in the Hole" (www.gulfcoast.org/hcdc); Associated Press, "Dockside gambling brought changes to Coast," Las Vegas Sun, August 23, 1997.
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- ⁶⁹ This section is based on the Administrative Record of U.S. District Court for the District of Columbia, Civil Action Nos. 98:0801,98:1699,98:2439 (consolidated), Friends of the Earth and Gulf Islands Conservancy, Inc. v. United States Army Corps of Engineers.
- ⁷⁰ Ibid., Letter from Robert Perciasepe, Assistant Administrator, EPA to John Zirschky, Acting Assistant Secretary of Civil Works, Department of the Army, December 2, 1997; Telephone interview with EPA official (name withheld), March 30, 1999.
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- ⁷² John H. Zirschky, Acting Assistant Secretary of the Army (Civil Works)," Memorandum for the Director of Civil Works, Subject: Mississippi Coastal Area Programmatic Environmental Impact Statement," April 6, 1998.
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- ⁷⁶ Telephone Interview, Mike Olivier, April 23, 1999; a congressional source shared information confirming the letter's expression of opposition to the Army Corps policy.
- ⁷⁷ Public Citizen analysis of Federal Election Commission records.
- ⁷⁸ Letterhead of Council provided by Mike Olivier at author's request. Reference to the law firms' casino clients comes from U.S. District Court for the District of Columbia, Civil Action Nos. 98:801, 98:1699 and 98:2439 (consolidated) and telephone interview, Reilly Morse, Attorney for Plaintiffs, April 8, 1999.
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- ⁸³ Gillette, "Corps of Engineers..." p. 15.
- ⁸⁴ U.S. Senate, Committee on Appropriations, Senate Hearings: Energy and Water Development Appropriations, H.R. 4060/S. 2138, 105th Congress, 2nd Session, pp. 150-51. Telephone interview (name withheld), April 9, 1999.

- ⁸⁵ Telephone interview, June 1, 1999. Figure on Circus Circus contributions from Common Cause and Public Citizen analysis of Federal Election Commission records.
- ⁸⁶ Telephone interview (name withheld), June 1, 1999.
- ⁸⁷ Letter from Rep. Gene Taylor, April 15, 1998.
- ⁸⁸ Interview with Congressional staff participant (name withheld), March 19, 1999; Joby Warrick, "Lott Backs Casinos Planned for Undeveloped Coastal Bays," Washington Post, October 18, 1998, p.A8.
- ⁸⁹ Donna Lienwand, "Lott Fears Corps Study Could Stunt Growth," Biloxi Sun Herald, May 1, 1998, p.A1; Warrick, "Lott Backs Casinos..."
- ⁹⁰ Warrick, "Lott Backs Casinos..."
- ⁹¹ Telephone interview, Michael Wylie and another EPA official (name withheld), April 5, 1999; Telephone interview, June 1, 1999, with informed Department of Army source (name withheld).
- ⁹² Warrick, "Lott Backs Casinos..."; See also, Donna Leinwand, "Federal Inspectors Probe Conspiracy Accusations," Biloxi Sun Herald, July 28, 1998, p.A1.
- ⁹³ Telephone interview, Ron Krizen, April 19, 1999.
- ⁹⁴ Telephone interview, EPA official (name withheld), March 30, 1999.
- ⁹⁵ Telephone interview (name withheld), June 1, 1999.
- ⁹⁶ Data analyzed by Center for Responsive Politics and Public Citizen from Federal Election Commission records.
- ⁹⁷ This and succeeding quotations are from Congressional Record, February 23, 1998, pp.S817- 18.

APPENDIX

Total Soft Money Contributions from American Gaming Association Members (1995-1998)			
Donor	Republican Party	Democratic Party	Total
Alliance Gaming Corporation	\$20,000	\$12,000	\$32,000
American Gaming Association	\$56,440	\$65,550	\$121,990
Argosy Gaming Corporation	\$0	\$0	\$0
Aztar Corporation	\$19,500	\$18,500	\$38,000
Boyd Gaming Corp	\$102,500	\$95,000	\$197,500
Caesars World, Inc.	\$0	\$0	\$0
Circus Circus Enterprises, Inc.	\$465,000	\$95,000	\$560,000
Eldorado Hotel Casino	\$0	\$0	\$0
GTECH	\$203,405	\$20,000	\$223,405
Harrah's Entertainment, Inc.	\$183,545	\$85,000	\$268,545
Harvey's Casino Resorts	\$11,500	\$0	\$11,500
Hollywood Casino Corporation	\$0	\$0	\$0
Hollywood Park/ Boomtown, Inc.	\$126,500	\$55,000	\$181,500
Horseshoe Gaming, Inc.	\$0	\$10,000	\$10,000
Isle of Capri Casinos, Inc.	\$0	\$0	\$0
International Game Technology	\$431,600	\$119,000	\$550,600
Lady Luck Gaming Corporation	\$12,500	\$0	\$12,500
Mikohn Gaming Corporation	\$0	\$5,500	\$5,500
Mirage Resorts, Inc.	\$552,500	\$275,000	\$827,500
Monarch Casino & Resort, Inc.	\$250	\$0	\$250
Park Place Entertainment, Inc.	\$362,475	\$270,000	\$632,475
Primadonna Resorts, Inc.	\$10,000	\$27,500	\$37,500
Sahara Hotel & Casino	\$0	\$0	\$0
Seven Circle Resorts, Inc.	\$0	\$0	\$0
Station Casinos, Inc.	\$80,000	\$45,500	\$125,500
Sun International Hotels, Ltd.	\$0	\$0	\$0
Tracinda Corp./ MGM Grand	\$245,000	\$130,000	\$375,000
Totals	\$2,882,715 (68%)	\$1,328,550 (32%)	\$4,211,265

Source: Publicly available Federal Election Commission records (www.fec.gov) analyzed by Common Cause (www.commoncause.org) and Public Citizen.

**Total Soft Money Contributions from Casino Interests
That Are Not American Gaming Association Members
(1995-1998)**

Donor	Republican Party	Democratic Party	Total
American Nevada Corp.	\$0	\$111,000	\$111,000
American Vantage Companies	\$0	\$200,000	\$200,000
Anchor Gaming	\$90,000	\$0	\$90,000
Barden Communications	\$0	\$154,400	\$154,400
Casino Data Systems	\$5,000	\$14,500	\$19,500
Casino Queen	\$0	\$20,000	\$20,000
Dubuque Diamond Casino	\$10,000	\$0	\$10,000
Gold Coast	\$10,000	\$0	\$10,000
Grand Casinos	\$23,000	\$0	\$23,000
Inland Casino Corporation	\$24,850	\$10,000	\$34,850
Interface Group	\$545,000	\$160,000	\$705,000
J Edward Connelly & Assoc.	\$0	\$40,000	\$40,000
Marnell Carrao Associates	\$150,000	\$0	\$150,000
Powerhouse Technologies	\$15,000	\$0	\$15,000
Sodak Gaming, Inc.	\$0	\$10,000	\$10,000
Starwood Lodging	\$190,000	\$102,500	\$292,500
Stratosphere Corporation	\$0	\$17,000	\$17,000
Theros International Gaming	\$0	\$10,000	\$10,000
Trump Hotels & Casinos	\$287,000	\$107,500	\$394,500
Totals	\$1,349,850 (59%)	\$956,900 (41%)	\$2,306,750

Source: Publicly available Federal Election Commission records (www.fec.gov) analyzed by Common Cause (www.commoncause.org) and Public Citizen.

Total Soft Money Contributions from All Casino Interests

Donor	Republican Party	Democratic Party	Total
AGA Members	\$2,882,715	\$1,328,550	\$4,211,265
Non-AGA Members	\$1,349,850	\$956,900	\$2,306,750
Totals	\$4,232,565 (65%)	\$2,285,450 (35%)	\$6,518,015

Source: Publicly available Federal Election Commission records (www.fec.gov) analyzed by Common Cause (www.commoncause.org) and Public Citizen.