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VIDEO-POKER MONEY POURS INTO N.C. POLITICS; 200% INCREASE SINCE 1996 ELECTION

On the eve of a renewed debate about North Carolina's need for a lottery, a new report shows that state legislators and Governor Mike Easley received a record amount of campaign money from donors tied to the video poker industry in the last election.

"If you want to see how gambling interests can move in and rapidly increase their impact in state politics, just look at the political money thrown around by the video poker industry in North Carolina," said Bob Hall of Democracy South, a campaign-finance watchdog group. "The money buys top-rated lobbyists, but it also includes illegal campaign contributions and donations from video poker operators who are expanding into other unsavory businesses, such as predatory lending."

Video poker distributors, operators, and their 9 lobbyists contributed a total of \$418,000 in the 2000 election cycle, according to Democracy South's analysis of reports filed with the State Board of Elections. In addition, The Cherokee tribe in Western N.C. used profits from its new casino to make its first national donations, sending \$195,000 to out-of-state parties and candidates in 1999-2000. The \$613,000 total is eight times the \$74,000 the industry donated in the 1995-96 when it had one lobbyist.

The top recipients of these campaign donations are key players in this year's lottery debate:

- The top recipient, lottery champion **Governor Mike Easley**, got \$124,000 from video-poker related donors for his 2000 campaign. In 1997, then Attorney General Easley issued a ruling that helped the industry expand in the state; a month later, the industry's trade group sent an appeal to its members, urging them to send money to Easley's gubernatorial campaign. After the election, Easley's campaign manager, Jay Reiff, became a registered lobbyist for the N.C. Lottery for Education Coalition, a pro-lottery advocacy group, and for months he continued serving on the Governor's staff.
- **House Speaker Jim Black**, who has said he would soon hold a public hearing on the lottery this week, received \$55,000 from video-poker donors, making him the second highest recipient of their political money. In the 1998 campaign, Black took in only \$750 from the industry and its lobbyists.
- A bill to ban video poker machines passed the state Senate in 2000, but the House watered it down by adding exemptions for existing machines, for the Cherokee's casino in western N.C., and for the manufacture of machines shipped out of state. In the 2000 election, state **House candidates** got \$123,545 from video-related donors, more than four times the \$27,085 taken in by **Senate candidates**.
- **House Minority Leader Leo Daughtry** is the attorney for the N.C. Amusement Machine Association, the trade group for video-poker operators. He got \$43,150 in the 2000 cycle, mostly for his failed gubernatorial campaign. Daughtry says he personally opposes the lottery, but the House Republican Caucus he leads has not made opposition to the lottery a priority.
- **Roy Cooper**, the newly elected Attorney General, received \$29,100 in 2000 from industry donors, compared to nothing in 1998 when he was re-elected to the state Senate. As Easley showed when he held the office, the state Attorney General has considerable influence over the interpretation and enforcement of North Carolina's conflicting laws regarding games of chance and video poker.

Hall noted that video poker has been described as the “crack cocaine” of gambling because of its addictive nature and appeal to low-income gamblers. North Carolina law permits the machines to be distributed and played, but limits the payout to \$10 worth of merchandise and no cash – a restriction that is frequently abused, leading to scores of machines seizures and arrests each year.

Last year, the *North Carolina Sheriffs’ Association*, the *N.C. Family Policy Council*, and others tried to ban video poker machines altogether, but a compromise allowed existing machines to stay if their operators registered them with local sheriffs and reported their income to the N.C. Department of Revenue. The new data show that 9,000 machines are bringing in over \$100 million annually.

Law enforcement officials say the problem of illegally operated machines has not subsided. As a result, state *Sen. Charlie Albertson* and others want an outright ban, but his bill is stalled.

Regulating video poker is complicated by the special legal status – and clout – of *the Eastern Band of Cherokee Indians*, said Hall. Under federal law and a compact agreement with North Carolina, the Cherokees can sponsor gambling, with a cash payoff, on electronic video games that are legal in the state. The tribe built a mega-casino in 1997 and leased it to Harrah’s Entertainment to manage. It now has 2,700 video poker, blackjack and other games and yields \$125 million a year in profits for the tribe. But if the state outlaws video poker, the Cherokees could lose their machines, too.

“The threat to the industry on and off the reservation has spurred a upswing in political spending on high-powered lobbyists and campaign donations,” said Hall. According to Democracy South, the Cherokees made their first political donations to state candidates in 2000, a few months after the debate in the General Assembly to ban video gaming machines.

As early as March 1998, the State Board of Elections had notified *Zeb Alley*, the veteran lobbyist who represents the Cherokees, that political contributions from the tribal corporation would be illegal. But in October 2000, the Eastern Band made six donations of \$4,000 each to six legislative candidates, including one to *Rep. Phil Haire* of Sylva.

A few weeks later, the Elections Board wrote Haire’s law partner *Ben Bridgers*, alerting him that tribal contributions were illegal. Bridgers is now a registered lobbyist for the Cherokees. After another notice from the Board, Haire finally returned the \$4,000 contribution in September 2001.

The Cherokee’s also gave \$2,500 to the N.C. Democratic Party’s Building Fund, which can accept corporate checks, so that donation is legal. The same month it gave the Democratic National Committee a check for \$100,000. “The capacity of gambling interests to flood state politics with soft money and legal or illegal donations is mind-boggling,” said Hall. “It’s just starting.”

Other donors on Democracy South’s list illustrate how video poker operators are hiring more well-known lobbyists, giving more money themselves, and using their profits to expand into other fields:

- Southland Amusement owner *Robert E. Huckabee III* of Wilmington retained former legislator *Linwood Mercer* as a lobbyist this year. Huckabee and his family gave \$24,875 – more than any other video poker distributor. Huckabee also started Advance Cash Express in 2000, one of a growing number of payday lending businesses that critics say engage in predatory lending.
- Operators Distributors’ owner *Steve Henderson* of Archdale has retained former Secretary of State and Attorney General *Rufus Edmisten* as a lobbyist for his video poker machine business. Henderson and his wife gave \$9,250 in the 2000 election, up from only \$2,000 for 1993 through 1996.
- *Don and Mark Beason* represented the *N.C. Amusement Machine Association*, the video-poker dealers trade group, during the 2000 session of the General Assembly, and Mark is again listed as their lobbyist this session. NCAMA began a PAC in 2000, but it only made one donation – \$4,000 to Mike Easley’s campaign. NCAMA itself gave \$750 to a reception for House Speaker Jim Black.