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HOME

ARCHIVES

NEWS

- Local News
- State News
- National News
- World News
- Iraq
- Obituaries
- Births
- License to Wed
- Dissolutions of Marriage
- School Info.
- Oddly Enough
- Mobile Edition

POLITICS

OPINION

OBITUARIES

WEATHER

SPORTS

LIFE

THE ARTS

BUSINESS

COLUMNISTS

GALLERIES

VALLEY MALL

CLASSIFIED

SITE HELP

Local Stories

- Two USS Cole survivors have taken different paths
- Geragos: Peterson evidence 'feeble'
- Time on Modesto soldier's side
- Earthquake rocks Central

Slots tax plan has ace up its sleeve

By STEVE WIEGAND
THE SACRAMENTO BEE
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A proposed initiative to strip California Indian tribes of their slot machine monopoly if they won't share revenues with the state could give slots to some racetracks and card rooms -- even if the tribes agree to all the initiative's terms.

"I think it's pretty clear this was designed mainly to expand slot machines to tracks and card clubs, no matter what happens to the tribes," said Nelson Rose, a Whittier Law School professor and expert on gambling law. "It appears to do a lot of things, but that's the main one."

The proposed constitutional amendment, which would go before voters in November if proponents gather 598,105 signatures of registered voters, was unveiled by proponents as a way to force casino tribes to contribute their "fair share" to state and local governments.

Under it, all casino tribes would be required to agree to new compacts with the state within 90 days of the measure's enactment.

The new compacts would require them to surrender 25 percent of their slot machine revenues to the state and meet a list of other requirements. If any of the tribes refused, five racetracks and 11 card rooms -- all them in Southern California or the Bay Area -- would be allowed to operate a total of up to 30,000 slots in California.

Even card rooms without the slot machines would benefit - in a roundabout way. They would get four slot machine licenses for every card table in their establishment, and they could sell the licenses to establishments authorized to run them.

That sounds pretty good to Mike Whitely, owner of Mike's Card Room in Oakdale.

"I was dreaming hopefully this would allow slots for everybody," he said, "but anything is better than what we have."



At Mike's Card Room in Oakdale, the game's afoot: Initiative could be jackpot even for no-slots spots.
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Whitely, with four tables, speculated that he could lease his 16 slot licenses for 25 percent of their profit. If they each made \$100,000 a year, he'd get \$400,000.

"That would be a lot more than I'm making now, and I wouldn't have to do anything for it."

Initiative has many skeptics

Al Hester, who runs Al's Card Room in Turlock, said it sounds fine to him, too, but he doesn't think it's going to happen soon.

"The Indians are not going to let us have that money," he said. "They'll give up whatever they have to give up to keep us from getting slot machines."

Ron Patel, general manger for the Black Oak Casino in Tuolumne County, declined to comment on the initiative. He said he hadn't learned enough about it to say anything yet.

Some analysts, though, say the slot machines could go to the racetracks and card rooms even if the tribes capitulated unanimously.

If Gov. Schwarzenegger, who has said he is opposed to the initiative, refused to seek the new compacts with the tribes, or the Legislature refused to ratify them, the tracks and card rooms still would get slots.

And even if the tribes, governor and legislators all signed off, the tracks and card rooms would still get slots if the compacts were rejected by the U.S. Department of Interior or ruled invalid by a federal court.

Barry Fadem, the Bay Area attorney who drafted the initiative on behalf of a consortium of track and card room owners, said the provisions were included to ensure that public agencies would get new revenues from either the tribes or the tracks and card rooms.

Under the initiative, 33 percent of the track and card room slot revenue would go to finance educational programs for abused and foster children, and local police and fire services.

"The idea is that money from some source will flow to the state and those programs," said Fadem, who also drafted the 1984 initiative that created the state lottery.

An initiative opponent, however, said the explanation "doesn't pass the smell test."

"This is a cynical effort by those two industries to hide the real purpose," said Howard Dickstein, a Sacramento attorney who represents all the major casino tribes in the Sacramento area. "The only real purpose is to expand gambling, a purpose that apparently didn't poll well with the focus groups."

Sources said the initiative was drafted after two giant racing companies, Churchill Downs Inc. and Magna Entertainment Inc., agreed to shelve their fierce rivalry and instead focus on a way to crack the tribes' monopoly on slots, which can easily produce annual revenues of more than \$100,000 per machine.

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The two companies own four of the five tracks that stand to gain slots under the initiative: the Magna-owned Bay Meadows, Golden Gate Fields, Santa Anita Park and Churchill Downs' Hollywood Park.

The fifth is Los Alamitos, in Orange County.

Fadem and Sacramento political consultants Bob White and David Townsend were retained, focus groups were conducted, and Sheriffs Lou Blanas of Sacramento County and Lee Baca of Los Angeles County were coaxed into serving as official sponsors.

Despite the endorsement of Blanas and Baca, both the California Police Chiefs Association and the California State Sheriffs' Association have decided to oppose the initiative, reasoning that the new gambling sources wouldn't be worth the revenue.

Backers confident

Rick Baedeker, president of Hollywood Park and spokesman for the initiative, said opposition by the two groups was not a serious blow.

"We're a year away" from the election, he said. "We haven't even begun to recruit our support, and we really think that in light of the budget crunch in the state, this will be an important source of funding for these agencies, whether or not it comes from the Indians or from the additional machines."

But additional opposition may come from the state's tracks that aren't part of the deal.

Stephen Chambers, executive director of the Western Fairs Association, said the group will meet next month to consider its position on the initiative.

The association includes nine fairs with racing and 23 with off-track betting facilities.





None of them would be allowed to have slots, although they would split up 1.5 percent of the slot revenues from the tracks with slots.

"It's my assessment that this thing is fatally flawed," Chambers said. "If you are going to do this through the card rooms and the racetracks, you are crazy to exclude the fairs, because they represent such a huge part of the existing (gambling) market."

Some card room owners have also expressed anger at being left out.

The 11 card rooms that would be allowed to have slots under the initiative are in Orange, Los Angeles, San Mateo and Contra Costa counties, and are the state's largest.

Bee staff writer Ron DeLacy contributed to this report.

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