

States Outsource Casino Policing to Private Firms

Written by Administrator
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When Springfield, Mass. needed to choose who would build its first casino, the city hired an outside adviser to help with the process.

The consulting firm Shesky & Froelich recommended that the deal go to MGM Resorts International. At the same time, the consulting firm was also working as a registered lobbyist in Illinois for MGM Resorts.

The arrangement highlights an often-overlooked trend as more cities and states embrace legalized gambling around the country: Private companies are being hired to write regulations and vet casinos, even as the same firms work the other side of the fence, helping casinos enter new markets and sometimes lobbying for their interests.

States hoping to make money quickly from legalizing gambling have few options as speedy as outside contractors, which allow them to get casinos up and running without having to hire and train a cadre of staff regulators.

But letting consulting companies with deep ties to the gambling industry decide how casinos are run — and who runs them — is a significant departure from how more established gambling states, including Nevada and New Jersey, do things.

Regulators in states that maintain control over their own rules say the move toward privatization is unnerving.

"How do you vet your consultants? If a lot of these consultants at one time or another have worked for the people that you're in charge of regulating, at some point, you're going to have issues with the purity of the investigation," said Illinois Gaming Board spokesman Gene O'Shea.

At least 16 states now rely on private companies for major portions of casino oversight, according to interviews with regulators around the country.

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The companies advise states about whether to legalize casino gambling, and then draft gambling rules, set up oversight commissions and implement regulations, deciding which casinos and executives are suitable for licensing. The companies sometimes hire lobbyists to get to know lawmakers before gambling is even legalized.

One of the largest of this new breed of consulting companies is Spectrum Gaming, which started in a New Jersey basement in 1996, and has twice been named among the fastest-growing private companies in the U.S. by Inc. magazine.

Spectrum got the call in summer 2007 when West Virginia was writing regulations for table games and in 2010 when the New Hampshire Legislature was considering legalizing gambling. It recently completed a study for Florida, which is considering expanding legalized gambling, and continues to vet casino workers for Ohio and Massachusetts.

At the same time, Spectrum has worked with casino companies including Caesars Entertainment, Las Vegas Sands, Wynn Resorts and Pinnacle Entertainment, and many Indian-run gambling operations.

Managing director Michael Pollock says his company would never work for competing interests simultaneously.

"You cannot be in this business if you're willing to entertain conflicts of interest or even an appearance of a conflict," he said.

State officials tend to rely on consultants to self-police, and ethics codes address only simultaneous conflicts. So while Massachusetts wouldn't want Spectrum working for Wynn while also vetting the company for a license, the state doesn't mind that Spectrum worked for Wynn in 2011.

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