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**Title: Casino Deals Are Stalled by State, U.S. and Tribal Hurdles**Article Date: 20/01/2004, Source: *The New York Times*

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New York State approved the construction of three Indian casinos for the old resort areas here in the Catskills more than two years ago, and people in the area practically began to count the money they expected to get from gamblers and construction projects and new jobs.

But little has happened since then.

The Catskills casinos are bogged down in the same legal and cultural quagmire that has bedeviled the state's relations with Indian tribes for generations: land ownership, taxes and sovereignty.

"There's been a lot of talk and a lot of hype, but no action," said William Darwak, the Ulster County administrator. "No money, either."

Still, the state and the tribes are continuing to negotiate, and officials concede that even some of the most promising projects now being discussed still face many hurdles. Some of those hurdles are being put up by the state, some by the tribes, and others by the federal government. Part of the delay may be related to the potential richness of the prize. Experts say a major casino in the Atlantic City style about 90 miles from Times Square would probably do about \$1 billion a year in business. Since all the interested tribes must agree to revenue-sharing plans before they can get state approval, casinos that rich would mean hundreds of millions of dollars a year for state and local governments.

With that kind of money at stake, seven tribes, including ones from Canada and Wisconsin, are in the running to build a casino in the Catskills, and five have already bought land, or have options to do so in Sullivan and Ulster Counties, the only two counties in eastern New York authorized to have casinos. Although Indian casinos are unpopular in many places - the horse racing industry in Saratoga is involved in a suit to block casino gambling in the state - the tribes have found a warm welcome from Catskills businesses hoping that casinos would mean a return to the glory days of the Borscht Belt resorts, and then some.

"We'd like to see which tribes are going to be the winners," said Jacqui Leventoff, president of the Sullivan County Chamber of Commerce. "We stand squarely behind them. We have helped every single one that has asked. We don't care who gets here as long as someone breaks the ice and comes in with a casino."

Gov. George E. Pataki has made it clear that he does not want to repeat the mistake he says his predecessor, Gov. Mario M. Cuomo, made in granting a license to the Oneidas for a casino in Verona, without first making the tribes settle their claims to tens of thousands of acres in upstate New York, claims that have already been upheld by the courts.

The Pataki administration maintains that getting the land claims out of the way is critical to getting the Department of the Interior to agree to let the tribes create mini-reservations for gambling purposes far from their ancestral lands.

"These are complex negotiations," said Todd Alhart, a spokesman for the governor, "but the key to any of the three Catskills casinos being approved by the Department of the Interior will be contingent upon them being part of a land claim settlement."

In fact, Mr. Pataki wants more than just an end to land claims, according to the tribes negotiating with his lawyers. He also wants them to give up the price advantage Indian businesses get from not having to collect sales taxes on the gas and cigarettes they sell to non-Indians. The tax issue has become a political headache in upstate New York because Indian businesses are underselling local shops and service stations, forcing them out of business and, town managers say, pushing up local taxes. The Indians are pushing back. The Seneca Nation began an advertising campaign last year to protest the state's plan.

Since states are not allowed to collect taxes on Indian businesses, the governor wants a "price parity" solution to bring their prices in line with those at non-Indian businesses. Doing that would open up issues of sovereignty, a status the tribes jealously guard.

Still, the governor has made it plain that the tax issue is part of the package, said Barbara Lazore, a chief of the St. Regis Mohawk Indians at Hogansburg, N.Y.

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