

1 **THE HONORABLE EARLINE ROGERS, INDIANA STATE SENATE**

2

3 CHAIRMAN JAMES: The State Senator from Indiana is
4 our first speaker. Good morning, Senator Rogers and please,
5 welcome.

6 SEN. ROGERS: Good morning. On behalf of the State
7 of Indiana and my legislative colleagues, and on behalf of the
8 citizens of Northwest Indiana and on behalf of the citizens of
9 Gary, I appreciate this visit by the Commission and your kind
10 invitation.

11 I have served in the Indiana General Assembly for
12 almost 26 years. I was elected to the Indiana House of
13 Representatives five times and I am now serving in my third term
14 in the Indiana Senate.

15 I had planned to spare you the first four pages of my
16 presentation since I thought the Mayor had done an excellent job,
17 the Mayor of Gary, done an excellent job in terms of painting the
18 economic backdrop for Gary's look at casino gaming. But after
19 hearing Doug Seay's report to you, much of which as it relates to
20 at least the state of Indiana and how we look at gaming and some
21 of the decisions that we have made, I would be in disagreement
22 with. So because of that I'm going to start from the beginning,
23 because I think it's important that you understand how we got
24 into that and that it was just not looking at the revenues
25 outside of our jurisdiction.

26 Gary, which is the city of my birth, and much of
27 Northwest Indiana was created to serve an economic purpose. As
28 much as we would like to think of our city as a frontier outpost
29 serving as a refuge for African slaves and European immigrants,

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1 Gary was created by United States Steel, midway between the coal
2 fields of Pennsylvania and the ore mines of Minnesota. United
3 States Steel selected this Lake Michigan site, not to create a
4 city, but to create steel. The city of Gary is named for the
5 chairman of United States Steel.

6 In 14 years Gary grew from no population to 60,000.
7 And for decades, as United States Steel flourished, so did Gary.
8 We called ourselves the magical city and prided ourselves as one
9 of the best lit cities in the world. Our neighborhoods
10 flourished and our workers were able to send their children off
11 to college and an even brighter economic future. My dad, a steel
12 worker, sent all five of his children to college.

13 But when the United States Steel industry began to
14 decline, so did Gary. In the late 1970's this region lost 70,000
15 jobs. United States Steel alone cut its work force from 25,000
16 to 7,500. Our population which once grew to 190,000, fell to
17 below 135,000.

18 For more than 15 years Northwest Indiana suffered.
19 The federal government cut back programs intended to help local
20 communities. Revenue sharing had become a mainstay in my
21 community. Instead of offering the help necessary to meet this
22 disaster, the state of Indiana investigated our local public
23 assistance officials.

24 Our attempts to recruit major businesses to locate in
25 Northwest Indiana were not successful. The state of Indiana
26 spent millions of dollars luring major manufacturing operations
27 to Indiana, often spending hundreds of thousands of dollars for
28 jobs. Not one was located in Northwest Indiana.

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1 We knew something different had to be done, when we
2 found ourselves championing our economic development successes at
3 a ribbon cutting for a McDonald's restaurant in Gary, Indiana

4 An opportunity was afforded to us in 1988 when the
5 voters of the state of Indiana overwhelmingly repealed the state
6 constitutional ban on lotteries. Opponents of gaming warned
7 voters that repealing the ban on lotteries would allow pari-
8 mutuel and casino gaming, along with the state run lottery.
9 Despite those warnings that a yes vote would allow casino gaming,
10 Hoosiers repealed the gaming ban.

11 In January of 1989 we, the city of Gary and I as the
12 author, introduced the first bill that would allow for casino
13 gaming in Gary, and ours was land based casinos. In November of
14 1989, Gary conducted its own referendum on land based casinos and
15 60 percent of the voters approved land based casinos.

16 Communities with pockets of poverty along the Ohio
17 River in Southern Indiana joined forces with Northwest Indiana
18 and finally in 1993 the Indiana General Assembly, with one House
19 controlled by Democrats and another controlled by Republicans,
20 overrode the Governor's veto of a budget bill and approved
21 Indiana's riverboat casino law.

22 During those years of hard work we studied how other
23 states regulated this industry. We learned from their right
24 decisions and their mistakes. And although we had conducted a
25 statewide referendum that repealed our constitutional gambling
26 ban, we required the community to conduct a local referendum to
27 make sure the citizens had the opportunity to speak.

28 Now, our legislation was designed to achieve many
29 goals. Most importantly the legislature saw the legislation as

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1 economic development. We demanded that the new Indiana Gaming
2 Commission grant gaming licenses to those with the best plans to
3 create the most jobs with the widest economic impact.

4 Secondly, our legislation designated a percentage of
5 the gaming taxes directly to the host city and to the host
6 county. We believed that this was one of the mistakes that
7 Atlantic City made, where all the gaming revenue initially went
8 to the state of New Jersey. We wanted our local communities to
9 immediately receive some benefit and without the intervention of
10 state government. And in 1997 the city of Gary received more
11 than \$17 million from the 25 percent gaming tax and a dollar of
12 the admissions tax for our two boats.

13 Thirdly, we recognized that a small percentage of
14 people already suffering from addictive problems would not be
15 able to cope well with a new source of gaming. Indiana, and I
16 think Commissioner Bible asked about this earlier, became the
17 first and we remain the only state to designate a part of the
18 riverboat admissions tax for the treatment of all addictions.
19 While at least 25 percent of the admissions tax received by the
20 Department of Mental Health must be spent on gaming addictions,
21 the remaining 75 percent is used to treat those with other
22 addictions. During 1997 Indiana riverboats paid almost \$2.5
23 million to the Department.

24 We also saw an opportunity to use the new casino
25 industry to assist our rural areas. We required the casinos to
26 pay a 65 cent admission tax on every admission to help develop
27 our state's horse racing and breeding industry. Agri-business is
28 an important part of Indiana's economy and this program has been
29 very successful, more than \$16 million.

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1 We had many uses for our gaming revenues and so were
2 not shy about setting the highest effective tax rate on gaming
3 operations. If you were going to come and develop in Indiana,
4 you were going to pay a heavy tax. Our taxes at that time were
5 higher than the other Midwestern states with casinos, Illinois,
6 Iowa, Missouri; 20 percent tax on gaming revenue and a three
7 dollar tax for each patron's cruise.

8 Those opposed to casino gaming argued that the states
9 have given away the farm to the casino operators. Here is the
10 record in Indiana. We have highest tax rate in the Midwest. We
11 established an admissions tax that was 50 percent higher than in
12 Illinois. Except for federal law, our regulations on weather, we
13 require our boats to cruise every day of the year. We have not
14 changed our statute for the benefit of the riverboat operators
15 since we passed it into law five years ago. Nor have we looked
16 at what the other states are doing. That is the record.

17 In addition, the Gaming Commission encouraged
18 applicants for local licenses to reach additional agreements with
19 the host cities and counties. These additional agreements
20 require the casino operators to pay millions more for job
21 training programs, housing programs, for public safety and for
22 college scholarships. These payments are in addition to the
23 mandatory taxes the casinos must pay.

24 Indiana may have been the last state in the nation to
25 legalize riverboat gaming but that does not mean we were easy.
26 We had the most stringent controls on ownership and on
27 supervision. We have the highest tax rate and require the
28 additional development agreements. And so, what has been the
29 result?

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1 The casinos speak glowingly about their
2 accomplishments as is their right. In Indiana, the Gaming
3 Commission requires annual reviews conducted by one of our
4 universities to determine if the casinos are living up to their
5 promises. The School of Public and Environmental Affairs at
6 Indiana University and Purdue University at Indianapolis
7 determine the operators' compliance with its license requirements
8 and Indiana statutes. The annual audits of casino operators have
9 consistently returned the same judgment. Each of our operators
10 has not only fulfilled all the requirements of their permit, but
11 each of our operators has exceeded the requirements of its
12 permit.

13 Our casinos have invested more in their operations
14 than they promised. They have created more jobs than they
15 promised. And they have paid more taxes than they estimated they
16 would.

17 The addiction services programs funded from riverboat
18 taxes have a large surplus. So little of the fund has been used
19 that Indiana has decided to use some of the money which was
20 designed to treat the impact of gambling to study the impact of
21 gambling.

22 Our last state tax increase was in 1987. No other
23 state in the nation has gone so long without a tax increase. We
24 have actually cut one state tax and used our lottery and casino
25 revenue to fund it. Indiana today enjoys a surplus that is one
26 of the largest in the nation. We've created that surplus with
27 responsible spending and responsible economic growth.

28 But I do believe that it is more than a coincidence
29 that the size of our state's surplus is about equal to the

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1 revenue generated from our lottery and casinos. You will not see
2 startling changes to our cities and region, yet. We had fallen
3 so far behind that even we did not realize how long our road to
4 recovery would take.

5 We've begun to rebuild our streets. In Gary, casinos
6 bought new police cars. They replaced our old police cars, many
7 of which did not even have radios, and this in a community whose
8 crime problems are nationally, if not internationally, known.
9 We're not starting back on the shoulders of the casino industry.

10 As you continue to gather your facts, I ask, in fact,
11 I implore each of you to remember the singularly most important
12 factor that drove our decisions for Northwest Indiana and for the
13 state of Indiana. It was the economy of Northwest Indiana. And
14 that the federal government in effect directed us to do this on
15 our own. We say to you to follow your principles, to stay
16 committed to strong local government, to oppose a greater
17 concentration of power in Washington. We're just beginning to
18 crawl again. Do not pull the carpet out from under us.

19 I see my time is about up. See, if I would have just
20 left those four pages out. But anyway, as long -- let me just
21 say in closing, and I skipped about three pages, the competition
22 for economic development based on discretionary entertainment
23 dollars has yet to draw the attention of some of those folks that
24 need to look at it.

25 As long as we single gambling out as somehow
26 different, we will never really ever debate the right issues.
27 The right issue is how do we replace those jobs and taxes lost to
28 us due to economic upheavals? Thank you.

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1 CHAIRMAN JAMES: Senator Rogers, thank you. I assure
2 you that the full text of your remarks will be reviewed by the
3 entire Commission. They do have the entire document in front of
4 them.

5 I would remind the other panelists that if you'd like
6 to summarize your remarks, that would be entirely appropriate and
7 you can submit the full text for the review of the Commission.

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