

1 **QUESTION AND ANSWER: RIVERBOAT CASINOS I**

2

3 CHAIRMAN JAMES: At this point I'd like to open it up
4 to all the Commissioners and for discussion and dialogue of our
5 panelists as well. Commissioner Wilhelm.

6 COMMISSIONER WILHELM: I have three comments and I
7 don't know if any of them would elicit any comments from any of
8 the panelists.

9 First, I wanted to say with respect to Monsignor
10 Egan, while I don't agree with your characterization of Las Vegas
11 which I do a lot of work in, I certainly agree with you that if
12 the people of Chicago don't want to have casino gambling, they
13 shouldn't have it. I want to acknowledge for the record, as a
14 leader of the Hotel and Restaurant Employees Union that there is
15 no greater champion, not only in Chicagoland, but I think
16 anywhere in America for the rights of working people than
17 Monsignor Jack Egan. I appreciate your being here.

18 I wanted to note in passing, Representative Witt,
19 that in your recitation of the actions of the people of Iowa and
20 their representatives on gambling, I think you said there are
21 14,000 slot machines in the state. If I'm not mistaken, several
22 thousand of them are owned by Polk County, Iowa which I think
23 probably has the largest governmentally owned slot machine
24 operation in the U.S., probably in the world which I think is an
25 interesting little footnote to what you all have chosen to do in
26 Iowa.

27 REP. WITT: They're trying to divest themselves of
28 that if they can.

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1 COMMISSIONER WILHELM: They do all right in the
2 meantime. But primarily I wanted to address myself, or follow up
3 on Senator Rogers' presentation. First, I want to thank you for
4 being here. I think the power of your presentation, as you
5 pointed, certainly should be a tribute to what a hard working
6 person -- I'm speaking in reference to your father -- can do to
7 have a good job and educate his family and produce a leader like
8 yourself. It's a tremendous tribute to the importance of good
9 jobs, that you were talking about.

10 I believe very strongly that for a community that was
11 as down on its heels as Gary, Indiana, ought to have the
12 opportunity to use gaming as an economic development tool, if
13 that's what the people in Gary choose to do. I commented at our
14 last meeting in Boston that the people of Bridgeport,
15 Connecticut, which is a similarly severely depressed city, in
16 fact, the third poorest city in America, even though they voted
17 overwhelmingly to have casino gaming, were denied that
18 opportunity by the wealthy communities that surround them. So I
19 think that your description of the beginning of progress that
20 Gary is making after so many years of decline is strong testimony
21 to the fact that a community that everybody else has abandoned
22 ought to have that option if that's what that community wants.

23 I would finally point out that just as the jobs that
24 used to be so plentiful in the U.S. Steel Corporation, union jobs
25 that had decent wages and good benefits, so are the jobs on those
26 boats in Gary, Indiana. They're union jobs, they have good
27 health benefits and they have pensions and they have regular wage
28 increases. And I think one of the things that we need to talk

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1 about is the quality of jobs, in addition to the fact merely that
2 there are jobs.

3 So I would like to call the Commission's attention to
4 the connection between the testimony that Senator Rogers gave
5 about what the people of Gary chose to do to try to lift
6 themselves up by the economic boot straps and what the people of
7 Bridgeport were denied, and no one is ever given an alternative.
8 All the people that voted against gambling in the wealthy
9 communities surrounding Bridgeport never came back and invested
10 one dime in the city of Bridgeport. So thank you very much for
11 your testimony.

12 CHAIRMAN JAMES: Commissioner Dobson.

13 COMMISSIONER DOBSON: Chairman, as we draw to a close
14 the first morning of this two day meeting, I'd just like to
15 comment on the testimony of the state officials and the city
16 officials who have testified. There have been eight this
17 morning. Seven of the eight, as I heard it and understood it,
18 have been positive about the impact of gambling, all the way from
19 just position to downright glowing about the impact of gambling.
20 I don't suppose it should be surprising that city and state
21 officials who would feel that way because the revenues that come
22 in allow for various projects and objectives and so on, increase
23 state revenues, city revenues. So it's probably reasonable that
24 people in those positions of responsibility would feel that way.

25 But there's somebody missing from that discussion.
26 Those are the people who perceive themselves to be victimized by
27 gambling, because for every winner, for every dollar that goes
28 into those coffers, somebody coughed it up, somebody had to
29 sacrifice it and they did it voluntarily, but there are people

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1 and family members, especially, who feel victimized by that. For
2 every winner there are many, many, many losers.

3 One of the things that has bothered me about our
4 commission to this point is that we have not in official
5 testimony, apart from the commentary period, heard from those
6 people. If you will excuse a personal reference, I served on the
7 Attorney General's Commission on Pornography in 1985 and '86 and
8 we heard at every one of our commission meetings from people who
9 perceive themselves to be victimized by obscenity, that which is
10 illegal and not protected by the 1st Amendment.

11 There are many people who are writing to me and that
12 I'm sure Reverend Grey and others are hearing from who are
13 counterpart to these positive statements about marinas and jobs
14 and all these things that come from gambling in a given community
15 and who are wounded by it. In the absence of such people, I have
16 a letter here that I'm not going to read in its entirety, but
17 there's a paragraph from it that I would like to put into the
18 record. This is a typical letter that my organization receives
19 from the people whose voices are not heard here, when seven out
20 of eight representatives tell us of the great things gambling
21 does.

22 "My husband's disease has grown progressively worse
23 over the past seven years, but took a dramatic turn for the worse
24 when the parlor opened up three years ago. He went from stealing
25 small amounts of cash from our children in need to taking whole
26 paychecks. Last week he wrote his boss and me letters indicating
27 that he was going to take his life so that I would be able to pay
28 back the \$25,000 he had embezzled.

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1 any public policy decision that one makes, it's a benefit burden
2 analysis that you do.

3 When that decision was made in Indiana, specifically
4 in Gary, where people have no hope, where they need a job and
5 with some of the decisions that are made by the federal
6 government, say, for example, the welfare to work initiative, in
7 Gary at the end of this year there were 2,200 people that would
8 lose welfare benefits. Looking forward, those people need a job.
9 They need some place to go. So when we do our benefit burden
10 analysis in Gary, in Northwest Indiana and in these communities
11 where these votes adopt, we overwhelmingly come down on the side
12 of jobs and a revenue stream for our communities.

13 But that is not to say that we are not touched by
14 letters such as yours and from those persons who have addictions.
15 And we have tried to address that. And we would hope that your
16 commission, in some of its meetings -- and I would like for these
17 people to come forward, too, so that we can find ways in which we
18 can address those problems that are there, that were there prior
19 to the casinos and will be there if the casinos decide to leave.

20 COMMISSIONER DOBSON: Senator, I will respond and
21 then allow other people to talk. My great concern is with those
22 people who have no hope, because gambling preys upon hopeless
23 people. When we went to Matipan, not as an official
24 representation of this commission, but at lunchtime several of us
25 went to a lower income area near Boston called Matipan and I was
26 so moved by the stories I heard there, welfare checks and Social
27 Security checks coming the 1st of the month and people lined up
28 on the street to spend it on lotteries, desperate people looking
29 to, in that case, the lottery as the only hope and it preys upon

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1 their desperation. If there is an area of passion for me in this
2 commission it is on behalf of those people.

3 SEN. ROGERS: It's not desperation for me. We need
4 to do it one on one, because we could go on forever with this.
5 When people say that to me, I'm reminded of in our State House on
6 the lower level of the basement the blind guy that operates our
7 concession stand there. And he says to me, I'm going up to Gary
8 this weekend, going up to gamble on the riverboat. He says,
9 about the only thing I can do, one of the few things that I can
10 do and I don't have to have my sight. My wife and I, we do it
11 once a month, and we have fun and it's a source of recreation and
12 entertainment for us.

13 So you've got those kind of people, too. And it may
14 look like -- if you focus in on those people who are losing as a
15 result of it, fine. If you look at just those people who look at
16 it as a source of entertainment, some fun, some recreation, then
17 I think they far outweigh those persons that you say are being
18 taken advantage of, but the hope that they have, you know -- I
19 can talk to you about hope. I was born in Gary and I grew up in
20 public housing. So I understand hope and I understand need and I
21 understand all of that. Even of the light of that, the decision
22 that we made in our community was that we could give people more
23 hope by providing jobs and providing an economic revenue stream
24 for the city.

25 REV. GREY: Senator Rogers, I think this is the nub
26 of this argument, that you've used three words, economic
27 development, painless revenue stream and entertainment.

28 CHAIRMAN JAMES: Let me just ask that you identify
29 yourself. I had a difficult time, I didn't know if that was a

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1 commissioner or someone else. The Chair certainly has no problem
2 with recognizing Reverend Grey, but I would ask for the benefit
3 of the Commission, if you just raise your hand, the Chair will
4 decide who gets recognized and in what order.

5 REV. GREY: I apologize.

6 CHAIRMAN JAMES: That's okay.

7 REV. GREY: The three words you used were economic
8 development, painless revenue stream and entertainment. That's
9 precisely the difficulty with government is would we put a
10 riverboat in every town like a chicken in every pot. Your theory
11 and yours of Gary needed jobs, Bridgeport needs jobs, where does
12 the line get drawn? Can this be a wide open thing? If this is
13 such a great product and if it has no downside then it ought to
14 be every place. The proof is that it's being rejected for the
15 very reasons that it's not a painless revenue stream. It is not
16 economic development, and it is not strictly entertainment. It's
17 really the case of snake oil. You as government have got it.
18 It's a product liability case and like tobacco, mark my words,
19 when tobacco is done, the trial lawyers are going to step up to
20 the plate on the product that you have in Gary, Indiana that is
21 taking and victimizing citizens.

22 CHAIRMAN JAMES: Thank you. I will recognize
23 Commissioner Bible.

24 COMMISSIONER BIBLE: I actually have a question.

25 (Laughter.)

26 COMMISSIONER BIBLE: Reverend Grey, in the chart that
27 you passed out, Midwest States Holding the Heartland, you don't
28 identify tribal gaming or any casinos that are run by tribal

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1 interests. There's been a lot of growth in this particular
2 region.

3 REV. GREY: Not off the reservation. The Pohagan's
4 fronting, being used by Harrah's, has been all over Michigan and
5 all over Indiana trying to get off reservation. Native American
6 gambling is legal on the reservation if states have equal
7 gambling. We've stopped the expansion. As soon as the roll back
8 starts to come, which will come here in the Midwest, then Native
9 American gambling will be impacted such as what's happened in
10 California now with the tribes having to shut illegal machines
11 down.

12 COMMISSIONER BIBLE: Does your organization actively
13 oppose tribal gaming?

14 REV. GREY: We oppose the expansion of gambling when
15 they try to come off reservation. We fought them tooth and nail.

16 COMMISSIONER BIBLE: But you do favor on reservation?

17 REV. GREY: Not favor. That's really a leap of faith
18 by you to conger that I would favor expansion. What we say is
19 that Native Americans can do exactly what the state does. If the
20 state has a problem with Native American casinos it's going to
21 have to shut down its lottery to shut those Native American
22 casinos down.

23 COMMISSIONER BIBLE: Have you actively opposed any of
24 the expansion on reservations?

25 REV. GREY: By actively oppose, on their own
26 reservation?

27 COMMISSIONER BIBLE: Correct.

28 REV. GREY: No.

29 COMMISSIONER BIBLE: I'm just curious.

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1 REV. GREY : We oppose the expansion of gambling.
2 But the Native Americans, if they have the reservation, they can
3 do what the state does.

4 CHAIRMAN JAMES: Mr. Witt.

5 REP. WITT: Thank you, Madam Chairman. Some time ago
6 Commissioner Wilhelm fired a little shot across my bow and I'd
7 like first to return the salute and then deal with a couple of
8 the other things I heard here.

9 He spoke about the Prairie Meadows Casino in Des
10 Moines, Iowa which is actually in the neighboring town of
11 Altoona. If we want to talk about jobs and competition for jobs,
12 we have to be looking at what's happening now in Iowa where
13 Iowa's imagination did not fail. Frankly, I think that turning
14 to gambling as your recourse, as your escape from a bad economy
15 is really a failure of imagination and it's a failure of
16 determination and will. If you gut it out and do it right, you
17 can rebuild your economy far more soundly than you can with
18 gambling.

19 But at Altoona, Iowa where we have the Prairie
20 Meadows Casino, we also have a large nursing home, a care
21 facility and as it happens, sir, I do a lot of work on long term
22 care issues in my legislative job and so I wasn't exactly
23 surprised when the director of the Altoona nursing home came to
24 the capitol to complain to me personally about what had happened.
25 She had 100 nurses aides, 104 nurses aides who worked in this
26 facility and one week Prairie Meadows decided that they needed
27 more help and they went out and recruited 70 of her 104 nurses
28 aides and said you be here at the casino next week. She had 70

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1 people walk out because the casino decided to compete and pull
2 those people in. What did that do for the quality of care?

3 If you want to talk about quality of jobs, sir, what
4 did that do for the quality of care at that nursing home when 70
5 nurses aides walked off the job on Friday and said we're not
6 coming back? There are a lot of issues here. I think this is
7 one that cannot be overlooked. Frankly, I'd be delighted if
8 members of your union or other unions come in and work on
9 unionizing some of these folks in care facilities. That's
10 another issue. Maybe we can talk about that one on one.

11 But the point is, the first point is, when you have
12 an economy that is sound or returning to soundness, then when you
13 saturate the gambling market, you're making that competition into
14 cannibalism for jobs and wages. We don't have any more workers
15 in Iowa to draw on, so when the casino wanted them, they went to
16 the nursing home and stole them. We've got to do better than
17 that. That's a lousy way to operate and that's happening.

18 I would just draw everyone's attention to the letter
19 I also submitted. The basic point of that letter is one that Dr.
20 Dobson also made. In a dispassionate tone we tend to talk about
21 gambling producing winners and losers. But if we really start to
22 get into it and are honest, we have to admit that gambling
23 produces winners, losers and victims. And there are a lot of
24 victims out there. Many of them, as well as the losers, have
25 tried to stave off the inevitable fact of having to confront
26 their problems, and they do it by shifting credit card debt,
27 taking out multiple cards, by multiple mortgages on their
28 property. No, there are no statistics as yet but there's plenty
29 of anecdotal evidence appearing in the newspapers in Iowa about

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1 people turning to various forms of white collar crime, including
2 public officials, stealing from public coffers to cover their
3 gambling debts.

4 I'll close with one last example that just happened
5 in my quiet prosperous little home town, a college town, Cedar
6 Falls, Iowa. One evening a few weeks ago, there was a fight that
7 erupted in one of the bars on College Hill near the university.
8 The police came in, cleared the people out and while they were
9 standing outside. There were 50 or 60 students standing outside
10 on the sidewalk. One young man at the fringe, who by the way has
11 a reputation of being kind of a high roller, was knee-capped.
12 Very quickly, very efficiently a shooter came up, popped a bullet
13 through each one of his knees and disappeared. The police have
14 been investigating. The state criminal investigators have come
15 in. Nobody could identify that shooter. He's gone. That young
16 man is crippled. I don't know what that may do to his reputed
17 gambling habit. But you can find victims in all kinds of ways.

18 Again, I would redirect your attention to what's happening
19 with the consumer credit counseling agencies. They're the front
20 line. They're the skirmishers, the first to encounter people who
21 can't hide from their problem anymore. They'll tell you and I
22 urge you to invite them to come and speak to you.

23 CHAIRMAN JAMES: Ms. Rogers and Mr. Witt, I wonder if
24 you would both respond to this for me. One would assume that in
25 a depressed locality that local officials, even if they did a
26 burden benefit analysis, would no more think of the local
27 municipality taking on the drug trade because it's very
28 profitable and could turn their communities around, that would be

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1 out of the question that anyone would even entertain that
2 thought, even though it could be very, very, very profitable.

3 One of the difficult things that we as a Commission
4 have to do is that very analysis that you're talking about, that
5 benefit burden analysis. And so if it isn't purely what are the
6 benefits, because there are many, many things that a locality
7 could consider would be very beneficial economically, but there
8 are other issues that come into play in the decision making
9 process that would make you turn that down, that would make you
10 say, no, that's not acceptable, that we as a municipality would
11 not consider that as a revenue source. What is it that, as you
12 go through your analysis, have lead you to the conclusion that
13 this is either a good thing or not? What other things? What
14 would be your compelling decision making process?

15 I'd like to start with Ms. Rogers and then Mr. Witt.

16 SEN. ROGERS: I think I understand what you've asked.
17 Let me just say, when we looked at this industry and looked at
18 those negatives that were associated with it, we were able to
19 take each of the negatives that we saw and either dismiss it as a
20 myth or to look at a problem and try to do what we could to kind
21 of solve it. That's why, you know, once you get into gambling,
22 churches with their bingo and state governments with their
23 lotteries, then gambling is no longer the evil that it has been
24 purported to be for years. We're past that point of the moral
25 negatives associated with gambling, at least we passed that point
26 in Gary.

27 Then when we looked at what we had tried to do as a
28 city -- and I disagree with my colleague here in terms of us not
29 being imaginative or being creative. Prior to my going to the

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1 legislature, I served on the City Council and we worked -- I can
2 remember, it was called a negotiated investment strategy where
3 the city and the state and the federal government came together
4 and sat in meetings and looked at the city of Gary and tried to
5 strategize an economic development plan for that city. But
6 before we could get the plan to work, there was a change in
7 Washington. And once we had the change in Washington, that just
8 left us to fend for ourselves.

9 We had tried, and I talked earlier about us working
10 with the state of Indiana. We are very different from the rest
11 of Indiana. My colleague here, Representative Witt, just let the
12 cat out of the bag in terms of where my affiliations are as it
13 relates to the NBA. I'm a Bulls fan, not a Pacers fan. And I've
14 got to go back to Indiana and now they all know that over there.

15 CHAIRMAN JAMES: We're in Chicago. We're all Bulls
16 fans.

17 SEN. ROGERS: So we were an area or region that
18 clearly we were having problems. I don't think that for Gary,
19 Indiana you can discount the racism. As the mayor said earlier
20 this morning, Lake County is the most segregated county in the
21 whole of the United States. Gary, Indiana has been designated
22 the area, the city where the most stressful conditions are, in
23 the whole of the United States. We are the murder capitol of the
24 world. So you tell me, looking at all these negatives and all of
25 these burdens that we as a city had, you tell me what else do we
26 do? Here was an industry that we felt we can control, that
27 through working with our regulators at the state level, that we
28 could be assured that this industry would come in and we wouldn't
29 have to worry about organized crime. We've been dealing with the

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1 unorganized crime for all these years. So organized crime may
2 have been a little welcome. I'm saying that facetiously.

3 Even in an economy where you're looking at a federal
4 government and a state government where people don't want to pay
5 taxes, you're right. People don't want to pay taxes. We saw
6 what happened to George Bush. You've seen, I'm sure, legislators
7 in Iowa, where before you can get elected you say, I promise not
8 to raise taxes. I have never done that and I never will do that.
9 But people do that in order to get elected. So you've got no tax
10 money; you've got people who are hungry; you've got kids that are
11 looking for at least the hope of a job. And I firmly think that
12 our focus was on the family. We believe in people working, and
13 bread winners and a job to go to. Even a minimum wage job is
14 better than no job at all.

15 I can go on with the burdens, on and on with the
16 burdens, that you would like for us to consider. But when I look
17 at the benefits that we get from casino gaming and when I walk
18 and I see a park that's being rejuvenated that was a place where
19 you couldn't walk through it because you might get trouble, when
20 I see this park being rejuvenated, a slide for children to go and
21 play and a jogging path for those of us who have weight problems
22 to walk, then I say, hey -- and what I've said to the casino
23 industry that you ought to have a sign, at every place you ought
24 to say your casino dollars at work because let me tell you, the
25 casino dollars at work in Gary, Indiana are going to change that
26 city in the way no other source of revenue could make that
27 change.

28 CHAIRMAN JAMES: Mr. Witt, burden benefit.

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1 REP. WITT: Thank you, ma'am. I'd say first that
2 we're looking at a couple of different models here, as we examine
3 these situations. One is what you might call a dispersion model,
4 and Gary I would guess is benefiting from that. Gary is in the
5 same pattern that Las Vegas and Atlantic City were in. That is,
6 they had a lot of people to draw on. Gary may not have some of
7 the other tourist attractions. It doesn't have an ocean and all
8 that good stuff. But you know, Gary and its casinos has more
9 people within a 35 mile radius, thanks to Chicago, than there are
10 in all of Iowa. I don't know how many slot machines are in Gary.
11 Off hand do you know?

12 SEN. ROGERS: I don't visit them.

13 REP. WITT: They've got a situation where they in
14 essence have that nearby tourism phenomenon. So they are
15 actually a disperse site with a nice fat market to draw upon, and
16 they can pull a lot of benefits to their community, and any
17 losses that show up in the populous of Chicago don't register on
18 Gary's meters.

19 On the other hand you've got Iowa which is in a
20 saturation situation. We've got nine riverboat casinos and a
21 10th one on the way. We've got three race tracks with slot
22 machines, and we've got three Indian casinos with slot machines.
23 We've got a saturated market. And we also have a very effective
24 industry out there, very effective in terms of identifying
25 players and drawing them in and keeping them there.

26 By the way, I don't mean to sound cynical, but I
27 think based on experience that I've had talking to individuals
28 and also talking to folks that workers in some casinos, gambling
29 companies are very efficient at identifying the sophisticated and

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1 the unsophisticated players and also the players who can bear the
2 economic burden and those who can't and they find those
3 unsuitable players very easily, they bankrupt them. When those
4 folks are broke, that's when the casinos turn to the hot lines
5 and say help this person, that's when they contact the consumer
6 credit counseling agency and say help this person; we can't deal
7 with them; we don't want them. But what we're seeing in Iowa is
8 they'll take them and they'll keep luring them through the doors
9 until they don't have anything more to play with.

10 Then, as Reverend Grey pointed out, when we're
11 starting to face some potential litigation issues, okay, deal
12 with this person, counsel them, help them. So Gary and a few
13 other places have the opportunity to cash in on the dispersion
14 model. Iowa is stuck with saturation and we're paying for it at
15 an accelerating rate.

16 The other thing that you get with those two models is
17 the continual temptation versus the occasional temptation model,
18 just like we had the bingo picnic in the little village. It was
19 once a year and people could go and they could gamble and they
20 could lose and they could have a good time and they knew they
21 wouldn't face that again for another year. They could afford
22 those losses, whatever they were.

23 Now, if you want to start measuring some of the
24 negative effects, again I would say look to the consumer credit
25 counseling agencies. They're the ones who hear from the losers
26 first. Work with the social services agencies. They're the ones
27 who hear first from the victims. We're getting again informal
28 but some pretty good inside information that in places like
29 Dubuque County Iowa, Blackhawk County Iowa, Polk County Iowa,

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1 Marshall County Iowa where they are very close to these major
2 gambling centers, child abuse and spousal abuse go up, as
3 frustrated fearful gamblers lash out.

4 Look at sales tax receipts, again in the hospitality
5 businesses in particular, the restaurants, again there's initial
6 data that's coming up from the University of Northern Iowa School
7 of Business and Economics. They are beginning to analyze the
8 sales tax receipts in these communities that have heavy
9 penetration and saturation of gambling. And they're seeing sales
10 taxes decline and they're seeing increasing closures and simple
11 sell outs and closures of restaurants, for example.

12 Look at the bankruptcy rates. One of the
13 recommendations I make here is if you want to act at the federal
14 level, require that individual bankruptcy petitioners disclose
15 the reasons for their problems. We don't do that now. A lot of
16 people are masking their gambling problems with other forms of
17 debt. Get in there, dig in and find out what those real sources
18 are. Finally, look at foreclosures on mortgages, especially home
19 mortgages. Again, in every one of the counties that I indicated,
20 where they have heavy penetration and saturation of gambling and
21 they're identifying credit problems, they're also seeing their
22 foreclosure rates go up.

23 So those are some of the areas that I would tell you
24 to look at if you want to get a better handle on the quantifiable
25 effects of gambling.

26 CHAIRMAN JAMES: Ms. Rogers, Mr. Witt, Mr. Belletire,
27 Reverend Grey, I would like to thank each and every one of you.
28 This has been a fascinating discussion. It could on for very
29 much longer. I think we're at the heart of one of the most

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