

1                   **QUESTION AND ANSWER: STATE AND LOCAL OFFICIALS**

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3                   CHAIRMAN JAMES: I want to thank each of our panelists  
4 and apologize to you for not letting you know our system here  
5 with the timer, but I think you figured it out. I will from time  
6 to time ask speakers -- and this is for the benefit of our  
7 audience -- to limit their comments and to submit the rest of  
8 them in writing. That's for several reasons. One is to reserve  
9 time for the rest of our speakers and to make sure that we have  
10 enough time for interaction and discussion. We are interested in  
11 everything you have to say and really appreciate your making the  
12 effort to be here this morning.

13                  With that, I'd like to open it up to questions and  
14 discussion among our Commissioners, and also if you have  
15 questions for each other. It's a very informal time together. I  
16 will start with Commissioner Leo McCarthy.

17                  COMMISSIONER McCARTHY: I want to thank all of you  
18 for coming this morning and giving us the benefit of your  
19 experience. I have just one question I wanted to address to all  
20 of you. Let me start with Mayor Daniels.

21                  One of your comments was that, if I understood you  
22 correctly, that not very many of your own 4,000 residents visit  
23 the gambling casinos in your jurisdiction. Did I hear that  
24 correctly?

25                  MS. DANIELS: Yes.

26                  COMMISSIONER McCARTHY: So for every 100 patrons that  
27 do go to gambling facilities in your city, how many would you say  
28 come from, live in, work in, spend their time raising their  
29 families in your city?

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1 MS. DANIELS: Maybe two out of 100.

2 COMMISSIONER McCARTHY: Two percent?

3 MS. DANIELS: Maybe two people out of 100.

4 COMMISSIONER McCARTHY: All right. Could I get the  
5 experience from the other cities as well? Where do your patrons  
6 come from? How many of them are local residents who are raising  
7 their families in your cities?

8 MAYOR SANDIDGE: That's difficult to say but I would  
9 guesstimate about 25 percent would be from our community.

10 COMMISSIONER McCARTHY: 25 percent of the people who  
11 live in your city gamble at these casinos?

12 MAYOR SANDIDGE: Yes.

13 COMMISSIONER McCARTHY: What is the experience?

14 MAYOR KELLY: I don't have access to the casino's  
15 customer base numbers. Generally speaking they're coming from  
16 the suburban Chicago area, perhaps up into lower Wisconsin. One  
17 thing that I would say is, when I go into the community in public  
18 places, I'm often recognized and the casino is one of the few  
19 places I can go where I'm not recognized.

20 COMMISSIONER McCARTHY: So you would say what?  
21 Relatively two percent, five percent?

22 MAYOR KELLY: I would say a very low percentage of  
23 Elgin residents are regular patrons of the casino. That's a  
24 guesstimate, sir.

25 COMMISSIONER McCARTHY: Thank you.

26 MAYOR HUTCHINSON: Mine also would be a guess. The  
27 boat tells us that approximately 50 percent of the people on the  
28 boat come from within a 50 mile radius of the boat, which would  
29 take us out to about Sterling, Illinois and the Iowa City area,

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1 if you looked at that as a radius. Probably my guess would be  
2 somewhere less than ten percent. Again, in my experience in  
3 going to events on the boat, I rarely see anyone in the community  
4 that I know on the boat.

5 COMMISSIONER McCARTHY: Thank you.

6 MAYOR KING: In Gary we know, the last I heard, 60  
7 percent of the patrons are from Illinois. It would be an  
8 estimate on my part that 15 percent of the total come from the  
9 city of Gary. That would just be an estimate, not 15 percent of  
10 Gary's population. That's 15 percent of the patrons from the  
11 city of Gary.

12 COMMISSIONER McCARTHY: So the 15 percent of the  
13 patrons from your city and the 25 percent of the patrons from  
14 your city, mayors, you see no problems?

15 MAYOR KING: No.

16 COMMISSIONER McCARTHY: No family splits, no  
17 bankruptcies, no problems?

18 MAYOR KING: We do have divorces and we do have  
19 bankruptcies in the city of Gary; however --

20 COMMISSIONER McCARTHY: I mean that are approximately  
21 caused by a gambling obsession.

22 MAYOR KING: I'm not aware of any relationship of the  
23 advent of gaming to any kind of spike one way or the other in  
24 those trends, in either of those arenas since the advent of  
25 gaming.

26 COMMISSIONER McCARTHY: Have there been any studies,  
27 any serious polling, interviews of people who use the facilities  
28 in your cities that would reveal that kind of information? Is  
29 there any kind of research going on that would tell you whether

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1 there are any problems that might otherwise escape your  
2 attention?

3 MAYOR KING: Ours began in August of '96. To date  
4 I'm not aware that any university or from any source, any study  
5 has been undertaken. I would suspect it might be early in the  
6 process to do so. But I'm not aware of a study.

7 CHAIRMAN JAMES: The Chair recognizes Commissioner  
8 Wilhelm.

9 COMMISSIONER WILHELM: Thank you. I, too, would like  
10 to thank all of you very much for your testimony. This isn't  
11 really a question; it's a comment.

12 I think it's very important, to the extent that we  
13 try to answer the kinds of questions that COMMISSIONER McCARTHY  
14 was raising, that we remember, for example, in a city like Gary,  
15 where Mayor King talked about economic condition of the city  
16 prior to gaming and the impact that gaming has had on that. It's  
17 very important for us to remember, when we think about the  
18 potential impacts of gambling on the residents of Gary that we  
19 not lose sight of the actual impacts of unemployment and things  
20 like that on all of those same issues, broken families and  
21 bankruptcies and so forth.

22 The other comment I would just like to make is that  
23 we're in a political culture now where it's fashionable to  
24 dismiss whatever politicians say. I don't think there's a  
25 tougher job in America than being the mayor of cities, big and  
26 small or the city administrator of a big or small city. I think  
27 we need to listen very carefully to what the people that have  
28 been elected through the democratic process by the citizens of  
29 these communities have to say. I'm very grateful for you coming.

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1                   CHAIRMAN JAMES: Let me ask a question of our guests  
2 and again thank you for being here. In listening to you, I  
3 almost believe it would be prudent for every mayor in every city  
4 in America to consider having a riverboat casino based on the  
5 testimony I've heard this morning.

6                   Let me ask it this way. I know that you have told us  
7 about the very positive impacts. If you had a very close and  
8 very dear friend who had just been elected mayor in a city and  
9 they called you at home and it was a very private conversation  
10 and said, we're considering this. What advice or counsel could  
11 you give me? I think we've heard the positive, but if you have  
12 any concerns, any warnings, anything that you would do  
13 differently if you were first just starting out. In other words,  
14 is there anything that you would like to say to your very dear  
15 friend who has just been elected mayor who has this issue hit  
16 their desk?

17                  I'll start here and see if we can go down the panel.

18                  MAYOR KING: Well, if you're a dear friend of mine,  
19 newly elected, if you were in danger of competing with our city,  
20 I'd lie to you and say don't even consider it.

21                  I would say to you, if it's going to be anywhere in  
22 your proximity, have it in your city so you reap the maximum  
23 benefit. The other thing I would have liked to have seen  
24 differently is finding a vehicle whereby there is more of an  
25 opportunity for local and truly local people to enjoy, however  
26 small, an equity position in the overall operation and  
27 development. I think that that presents an opportunity for a  
28 greater marriage between it as an industry with the local  
29 community. If I could wave a wand, I'd redo that.

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1                   MAYOR HUTCHINSON: My advice to them would be to talk  
2 to a number of mayors who have had gaming operations in their  
3 town to try to get a variety of experience. Our experience the  
4 second time around, as I said, was much greater because we took  
5 the time and we took our experience and we sat down and said this  
6 is what we want from this boat and we created a set of criteria.  
7 When we went in to negotiate our deal with the boat, we said this  
8 is our bottom line; this is what we want, and if you want to be  
9 in our community, this is what you're going to have to pay. And  
10 that negotiation worked out extremely well for us. I think it's  
11 been very positive for the city.

12                  MAYOR KELLY: Echoing Mayor King's remarks in terms  
13 of the competitive nature, the city of Elgin is hoping that the  
14 state of Illinois will not allow additional casino gaming  
15 licenses. We are experiencing a tremendous benefit.

16                  I would encourage the mayor to pursue casino gaming.  
17 If they're successful, I think the advice I would give to them is  
18 to have the corporate culture, if you will, of their government  
19 and community not think that just because you have a huge  
20 windfall of revenue you didn't have before that you can just  
21 spend, spend, spend, spend to no end. I think a lot of the  
22 people in the community and the groups that need more funds to  
23 accomplish their objectives feel that you've got all this casino  
24 revenue, so where's ours. You have limited resources. The 18,  
25 \$19 million you're bringing in each year, our laundry list is a  
26 lot longer than that. So before you get the revenue, people need  
27 to understand that there are limitations.

28                  CHAIRMAN JAMES: Reg flags, concerns, what would you  
29 tell your friend?

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1                   MAYOR SANDIDGE: I echo what the other mayors have  
2 said. In our area we have reached the saturation point. St.  
3 Charles, Missouri has casinos, St. Louis, East St. Louis and  
4 Alton, we're all right in the same region. If they were going to  
5 have it outside that area, we'd encourage them, but as I've said,  
6 you need to develop a plan and decide what you're going to do  
7 with that plan. Don't do knee jerk spending. Follow your plan  
8 and make sure that you improve your community with the funds that  
9 you receive.

10                  MS. DANIELS: And I'd say do your homework well  
11 before the boat comes. As you're determining a casino operator,  
12 that you'd want to look carefully at their background, but you'd  
13 also set your parameters for what you would allow within the  
14 community and that you would train your people in advance, that  
15 you would have strategic planning done, so those folks when they  
16 came, both those folks who operate the facility as well as those  
17 who use it are aware of the fact that there are certain things in  
18 your community that you will not tolerate, that you're looking at  
19 those up front.

20                  The other thing I would say is don't bank on it for  
21 life. It isn't something that you can spend the money before you  
22 have it. Many of the cities in Missouri are doing that, even our  
23 major cities are already committing those funds for long term  
24 sewer projects and improvements and road projects. I think  
25 that's a gamble when it comes to that and I would certainly say  
26 look carefully at what it is that you're spending your money on,  
27 looking at is from the city's perspective and that of the  
28 resident and taxpayer.

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1 CHAIRMAN JAMES: Did someone else have a question?

2 If not, I do.

3 I just wondered, quickly, if your friend had been  
4 elected mayor next to a city or county or community that had a  
5 riverboat and they did not, what would the impact be on their  
6 community?

7 MAYOR KING: Whatever downside existed in the venue,  
8 they would share in that, but not share, other than the  
9 employment opportunities created. And that is why my advice  
10 would be, if it's going to be anywhere in proximity, you want to  
11 try to have it be part of yours.

12 I just want to echo the city manager's comments.  
13 It's critical for local communities to not, to avoid like the  
14 plague, putting these revenues in operation. It's very dangerous  
15 business. That would certainly be another piece of advice. You  
16 want to avoid that, and I think she's right. You want to avoid  
17 that longer term commitment which could jeopardize your citizens  
18 and your taxpayers. You have to be very cautious with using  
19 these monies. Put it in infrastructure, buy and build with these  
20 dollars.

21 CHAIRMAN JAMES: Commissioner Leone.

22 COMMISSIONER LEONE: Most people think that when  
23 someone is elected to office that's almost debited to bad  
24 character. I tend to think just the opposite. That's why I'm  
25 going to ask this question.

26 In spite of the uniformity of your comments, you're  
27 also American citizens. You're not just mayors of your  
28 communities. Implicit in a lot that you've said, indeed explicit  
29 in it, is that the competitive advantage that your community

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1 enjoys by having this revenue producing, job producing activity  
2 within your jurisdiction is something that might go away if other  
3 people had such facilities. Indeed the emphasis on spending the  
4 money on capital rather than operation suggests that you don't  
5 want to build into your budget that notion that this will always  
6 be there.

7 But our charge is to look at the nation and to  
8 consider what is best for the country. If we were to take  
9 literally the comments you've said about how good this is for  
10 your community, and none of you have really talked about any  
11 downsides whatsoever, and the next obvious national question  
12 would be, well, why don't we simply remove all restrictions on  
13 gambling, and then communities uniformly around the country could  
14 enjoy some reasonable share of these benefits, and again taking  
15 your comments at face value, not have much downside.

16 I'd like to ask anyone who would care to comment  
17 about it. How would you feel about an America that had no  
18 restrictions on gambling? Do you think that would be a good  
19 thing? Do you think everybody would be as positive about it as  
20 you have been? Do you think there would be no consequences? Or  
21 do you think that what makes it work for you would dissipate in  
22 an environment like that?

23 MAYOR KING: I'm assuming by removing all  
24 restrictions, you're not suggesting that any Tom, Dick or Harry  
25 could open up some sort of gaming venue, because that would  
26 obviously not have any potential for positive impact in a local,  
27 county or state setting, because there has to be sufficient  
28 restrictions, to require a contribution back into the  
29 communities.

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1                   COMMISSIONER LEONE: These are all consumption taxes.  
2 They can be configured in any variety of ways, but you have a  
3 sales tax on the gambling which you either collect through a  
4 variety of mechanisms around the country. As you know, I don't  
5 happen to share this view, but many people think that you would  
6 be better off with more consumption taxes and less income taxes.  
7 This is consumption of the purest kind, gambling, whatever  
8 psychological impact people get from gambling.

9                   So assume you could still tax it? I'm not taking  
10 away the power to tax from any jurisdiction in the United States  
11 in this hypothetical. I'm simply saying if it's such a good  
12 thing, why don't we let it go on everywhere?

13                  MS. DANIELS: Can I say that I think it's been going  
14 on everywhere for years and years and years and years? This is  
15 extremely difficult for me in this position because I am the  
16 daughter of a Southern Baptist minister. My mother thinks that  
17 I've gone over the deep end.

18                  But none of the riverboat gambling pays my salary. I  
19 can hold my head up saying that. I don't encourage anyone to  
20 gamble. We don't put up billboards and signs and posters and say  
21 please go support the Argosy on a daily basis or regular basis.  
22 I think gambling has been a part of our community and a part of  
23 our life across the country, whether it's done in the back alleys  
24 with kids pitching pennies or at the big stakes tables.

25                  I would not like to see it not be regulated. I'm not  
26 talking about tax dollars. I'm speaking of regulation. I  
27 believe that Missouri has done a fine job of regulating the  
28 industry, the casinos themselves and requiring them to pay for  
29 that regulation, not the taxpayers, but the casino to pay for

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1 that as well. If it were to be open that way and the regulation  
2 would still be in place, as I said before, I don't believe that  
3 we can legislate morality and that becomes a decision for each of  
4 us as an individual as to how we'll use our spendable income.

5 MAYOR HUTCHINSON: I would echo the comments. I also  
6 think that gambling is nationwide. With the number of lotteries  
7 that are in this country today, I think there is nationwide  
8 gambling.

9 We see this in Bettendorf and I think the other  
10 mayors would probably echo this, this is very much a portion of  
11 our tourism efforts. I think riverboat gambling is driven by  
12 tourism. I agree with Ann's comments regarding the regulations.  
13 I think that's very critical. I would also say that I think the  
14 industry somewhat regulates itself by virtue of its market.

15 There's a saturation point in this and I think that  
16 these industries are here to make money and these companies are  
17 here to make money and obviously they are to some extent going to  
18 regulate themselves, because if you over-saturate this market  
19 they will cease to make money and they will cease to exist.

20 CHAIRMAN JAMES; Commissioner Lanni.

21 COMMISSIONER LANNI: Just a couple of questions. I  
22 would assume there's four states represented here on this panel.  
23 Approximately, what, 25 cities maybe in those four states have  
24 gaming? Would that be a rough estimate?

25 CHAIRMAN JAMES: Probably. Nobody is going to argue  
26 with you.

27 COMMISSIONER LANNI: I don't know. I'm not sure. I  
28 think there are ten in Illinois. Somewhere around that number  
29 we'll assume. Are there other mayors of that group, say there

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1 are 20, 25 cities, are there any mayors who would come forth  
2 today or who were here would take positions different than you  
3 would as far as negative effects in their communities? Are there  
4 people opposed to it, mayors in any of these cities?

5                   MAYOR HUTCHINSON: I know of no mayors in the state  
6 of Iowa.

7                   MAYOR KING: I know none in Indiana.

8                   MS. DANIELS: I know none in Missouri.

9                   MAYOR SANDIDGE: I know none in Illinois.

10                  MAYOR KELLY: I would know none in Illinois that have  
11 licenses.

12                  CHAIRMAN JAMES: If you're out there, Mayor, please  
13 contact the National Gambling Impact Study Commission. We want  
14 to hear from you.

15                  I want to thank our panel this morning. It is a  
16 difficult job that we have. By our line of questioning you can  
17 see that a part of our mandate is to look at the positive and the  
18 negative. We have to balance those and it's very important for  
19 us to ask probing questions and try to find out actually what are  
20 the positives as well as the negatives, and it's very important  
21 for us to be able to get that kind of information. There are  
22 mayors around the United States of America right now that have  
23 difficult decisions to make about their local communities and  
24 they want the best data that they can get their hands on to make  
25 wise decisions for their communities.

26                  To that end, I thank you for being here this morning  
27 and thank you for your participation in the panel. Thank you  
28 very much.

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