

THE HONORABLE EARLINE S. ROGERS
THE SENATE OF THE STATE OF INDIANA
REMARKS PREPARED FOR THE
NATIONAL GAMING IMPACT STUDY COMMISSION

On behalf of the State of Indiana and my legislative colleagues, on behalf of the citizens of Northwest Indiana and on behalf of the citizens of Gary, I appreciate this visit by the Commission and your kind invitation.

I have served in the Indiana General Assembly for almost 16 years. I was elected to the Indiana House of Representatives five times and I am serving in my third term in the Indiana Senate. In those many years, I have served on many study commissions, visited many sites, listened to many speeches.

I speak with true empathy that commission experience demands a patience of the mind and a stamina of the body. Thank you each for your commitment and industriousness.

Gary, and much of Northwest Indiana, was created to serve an economic purpose.. As much as we would like to think of our city as a frontier outpost serving as refuge for African slaves and European immigrants, Gary was created by United States Steel. Mid-way between the coal fields of Pennsylvania and the ore mines of Minnesota, United States Steel selected this Lake Michigan site, not to create a city, but to create steel. The City of Gary is named for the chairman of United States Steel.

In fourteen years, Gary grew from no population to 60,000.

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And, for decades, as United State Steel flourished, so did Gary. We called ourselves the Magical City and prided ourselves as one of the best-lit cities in the world. Our neighborhoods flourished and our workers were able to send their children off to college and an even brighter economic future.

But, when the United States steel industry died, so did Gary. In the late 1970s, this region lost 70,000 jobs. United States Steel alone cut its work force from 25,000 to 7,500. Our population, which once grew to 190,000 fell to 135,000.

For more than 15 years, Northwest Indiana suffered. The federal government cut back programs intended to help local communities rebuild. Instead of offering the help necessary to meet this disaster, the State of Indiana investigated our local public assistance offices.

Our attempts to recruit major businesses to locate in Northwest Indiana were not successful. The State of Indiana spent millions of dollars luring major manufacturing operations to Indiana, often spending hundreds of thousands of dollars per job. Not one was located in Northwest Indiana.

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

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In 1988, the voters of the state of Indiana overwhelmingly repealed the state constitutional ban on lotteries. Opponents of gaming warned voters that repealing the ban on lotteries would allow pari-mutuel and casino gaming, along with a state-run lottery. Despite those warnings that a yes vote would allow casino gambling, Hoosiers repealed the gambling ban.

In January of 1989, we introduced the first bills that would allow for casino gaming in Gary. In November of 1989, Gary conducted its own referendum on land-based casinos and 60 percent of the voters approved land based casinos.

Communities with pockets of poverty along the Ohio River in Southern Indiana joined forces with Northwest Indiana. Finally, in 1993, the Indiana General Assembly -- with one house controlled by Democrats and another controlled by Republicans -- over rode the governor's veto and approved Indiana's riverboat casino law.

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

Our legislation was designed to achieve many goals.

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Most importantly, the legislature saw the legislation as economic development. We demanded that the new Indiana Gaming Commission grant gaming licenses to those with the best plans to create the most jobs with the widest economic impact.

Secondly, our legislation designated a percentage of the gaming taxes directly to the host city and to the host county. We believe this is one of the mistakes of Atlantic City, where all the gaming revenue initially went to the state of New Jersey. We wanted our local communities to immediately receive some benefit and without the intervention of state government.

Thirdly, we recognized that a small percentage of people already suffering from addictive problems would not be able to cope well with a new source of casino gaming. Indiana became the first, and we remain the only, state to designate a part of the riverboat admissions tax for the treatment of all addictions. While at least 25 percent of the admissions tax revenue received by the Department of Mental Health must be spent on gaming addictions. The remaining 75 percent is used to treat those with other addictions.

We saw an opportunity to use the new casino industry to assist our rural areas. We required the casinos to pay a 65 cent admission tax on every admission to help develop our state's horse racing and breeding industry. Agri-business is an important part of Indiana's economy and this program has been very successful.

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We had many uses for our new gaming revenues. And, so, we were not shy about setting the highest effective tax rate on gaming operations. If you were going to come and develop in Indiana, you were going to pay a hefty tax. Our taxes, at that time, were higher than the other Midwestern states with casinos -- Illinois, Iowa and Missouri.

Those opposed to casino gaming argue that the states have given away the farm to the casino operators. Here is the record in Indiana -- we have the highest tax rate in the Midwest. We established an admission's tax that was 50 percent higher than in Illinois. Except for federal law or regulations or weather, we require our boats to cruise every day of the year. We have not changed our statute for the benefit of the riverboat operators since we passed it into law five years ago. That is the record.

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

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Indiana may have been the last state in the nation to legalize riverboat gaming but that does not mean we were easy. We have the most stringent controls on ownership and on supervision. We have the highest tax rate and we required the additional development agreements.

And, so, what has been the result.

The casinos speak glowingly about their accomplishment as is their right. In Indiana, the Gaming Commission requires annual reviews conducted by one of our universities to determine if the casino are living up to their promises.

The annual audits of casino operations have consistently returned the same judgment. Each of our operators has not only fulfilled all the requirements of their permit, but each of our operators has exceeded the requirements of its permit.

Our casinos have invested more in their operations than they promised. Our casinos have created more jobs than they promised. Our casinos have paid more taxes than they estimated they would.

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

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Our last state tax increase was in 1987. No other state in the nation has gone so long without a tax increase. We have actually cut one state tax and used our lottery and casino revenue to fund it. Indiana today enjoys a surplus that is one of the largest in the nation.

We have created that surplus with responsible spending and responsible economic growth. But, I do believe it is more than a coincidence that the size of our state surplus is about equal to the revenue generated by our lottery and casinos.

You will not see startling changes to our cities and region -- yet. We had fallen so far behind that even we did not realize how long our road to recovery would take.

We have begun to rebuild our streets.

In Gary casinos bought new police cars. They replaced our old police cars, many of which did not even have radios. And this in a community whose crime problems are nationally, if not internationally, known.

We have started back. We are not starting back on the shoulders of the casino industry. The casinos will not carry us. We do not want that. But, the casinos have given us that hand up we

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needed. Their investment, their jobs, their tax revenues have provided us the shove that will bring long-term corporate investment back to Gary.

As you continue to gather your facts, I ask -- in fact, I implore -- each of you to remember the singularly most important factor that drove our decisions for Northwest Indiana and for the State of Indiana - the economy of Northwest Indiana.

We have done this on our own. The casino development along Lake Michigan has not taken one dime of government subsidy, payment or tax abatement. We have just begun, barely just begun, to direct our new gaming tax revenues into building another future for Northwest Indiana.

The federal government in effect directed us to do this on our own. We say to you to follow your principles, to stay committed to strong local government, to oppose a greater concentration of power in Washington. We are just beginning to crawl again. Do not pull the carpet out from under us.

Northwest Indiana and Southern Indiana have just obtained a tool -- not THE tool, but A tool -- to turn our economic situation around and build a new local economy based on new infrastructure and new industry.

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The casino gaming industry came to us. They saw that our proximity to the Chicago market was as valuable to them as it had been for US Steel. They saw abandoned factories and port facilities that could easily be converted. They saw our airport as a tool on which our area could grow. They saw a qualified work force ready to work.

The casino gaming industry sought no subsidy, tax abatement or giveaways. The industry was willing to invest hundreds of millions of dollars, create thousands of new, good paying jobs, and pay hundreds of millions of dollars in new taxes. All we had to do was say yes.

Allow me to finish my prepared remarks with one final observation.

Cities and states continue to conduct aggressive campaigns to recruit just about any new economic development opportunity. Most of the effort today is directed at the entertainment dollar. My home area aggressively tried to recruit the Chicago Bears to play in Indiana, for example. The City of Indianapolis and the State of Indiana recently agreed to pay the Indianapolis Colts tens of millions of dollars to stay in Indianapolis. A new state tax program is building a new arena for the Indiana Pacers in Indianapolis.

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This competition for economic development based on discretionary entertainment dollars has yet to draw the attention of those groups opposed to gaming.

Economic development is about a viable tax base with good jobs. We will be able to deal with the issues of economic development when we begin to treat the gaming industry as just another segment of the entertainment industry.

As long as we single gambling out as some how different, we will never really ever debate the right issues. And, the right issue is how do we replace those jobs and taxes lost to our economic upheaval.