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## House of Representatives

STATE OF IOWA  
Seventy-Seventh General Assembly  
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### COMMITTEES

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STATE REPRESENTATIVE WILLIAM WITT, CEDAR FALLS, IOWA:

### REMARKS TO THE NATIONAL GAMBLING IMPACTS STUDY COMMISSION

CHICAGO, MAY 20, 1998

Personal indifference introd

Iowa's "new wave" of gambling began like a scene from Gilbert and Sullivan. It happened in the rugged, wooded hills of northeast Iowa, on the grounds of a little Catholic church, in the remote village of North Buena Vista, just north of the Clayton-Dubuque County line. The curtain went up on Labor Day weekend, 1970.

Nothing much of note ever happened in "Buena" --except on Labor Day Weekends. Then the town's population of 200 or so might balloon into the thousands, as members of the local parish hosted their annual charity bingo and barbecue event.

Iowa's Attorney General in those days was Richard Turner. Like P. T. Barnum, Turner loved the flamboyant, the grandiose, the sweeping gesture, the Big Show. On Labor Day Sunday 1970 he swooped from the skies above North Buena Vista in a State Patrol helicopter. As he circled low over the village, he radioed commands to a battalion of state troopers and Department of Criminal Investigation agents who closed in from all directions.

When Turner tallied the catch from his Great North Buena Vista Bingo Bust, he had made quite a haul. In his nets were scores of Catholic clergy from all over northeast Iowa (headed by a Bishop), numerous local elected officials, even a sheriff or two and a handful of deputies. Several hundred citizens were cited as well--and thousands of dollars of illegal receipts plus slot machines, roulette

wheels, and other illegal gaming equipment were confiscated. "An occasional little game of chance for charity is something the law can probably tolerate," Turner intoned, "but not when things get this out of hand."

Although much collusion between Diocesan officials, the Dubuque and Clayton County sheriffs departments, and other local officials was strongly suspected, no major indictments came down. North Buena Vista slept year-round. And the Legislature made sure Iowa's anti-gambling laws would never be flouted like that again: it legalized charitable bingo.

In the mid- and late 1970s, each legislative session saw passage of a "bingo bill." Civic groups and service clubs could operate bingo parlors, provided the profits went to charity. Gambling was still to be identified with "family entertainment" and "benevolent" purposes.

In 1983 legislators expanded the official definition of "benevolence." Hard times had hit the Iowa economy, and in factory towns like Dubuque and Waterloo, tens of thousands were out of work. Race tracks and parimutuel betting would pick up some of the slack as they became tourist magnets; there would jobs at the tracks, jobs in restaurants, jobs in hotels. "Hospitality" work might not pay like a split on the assembly line, but any whiff of smelling salts had to help swooning local economies, so "benevolence" grew to include "economic development."

From then on, Iowans' legal gambling opportunities grew steadily, as Appendix B indicates. Following two Governor's vetoes, a lottery was approved in 1985. The last major "enhancement" came in 1989, when "excursion boat gaming" was approved.

It's important to note that none of the changes the legislature made came easily: almost all were approved with bare constitutional majorities of 51 votes in the House, 26 in the Senate. Legislators were wary of potential side effects of widespread gambling, and many were skeptical of the clamorous hype that came with each new proposal. But always, gambling's hucksters bet on three trusty cards:

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Gambling was economic development. Gambling benefitted local charities and community institutions. Gambling was family-friendly entertainment. (They also relied on massive lobbying power, but more on that later.)

The last time lobbyists drew their trio of trumps was when the excursion boats were proposed in 1989. "Family entertainment" and "family values" got a lot of play during that session. Concerns that slot machines and table games would take too much, too soon, out of family pockets were soothed by stipulations of \$5 wager caps and \$200 daily loss limits. Once again, the legislature swallowed hard and voted yes.

1993 marked the tenth anniversary of Iowa's experiment with legalized commercial gambling. The idyllic land of the Grant Wood vistas, the Field of Dreams, and Marian the Librarian now permitted more forms of gambling than any other state. The gambling companies had played shrewdly, and they were about to up the ante.

The original handful of excursion boats had drawn Illinois into the game, as well as some tough competitors on home soil: the Indian casinos. All put pressure on the dog and horse tracks, which offered slower action and no slots. Slots were where the profits lay. The failing tracks craved slots. The boats had them, but floor managers hated telling patrons they had to stop playing when their \$200 in tokens were gone. The boat managers in turn complained that their competitors on the east bank of the Mississippi were stealing their business, because players in Illinois casinos weren't hindered by those silly wager and loss limits. In 1993, the gambling lobby changed its tune from the romantic waltz of "Family Entertainment" to the raw hip-hop, "Iowa Can't Compete."

But the 1993 legislature balked, and for the first time in ten years, it refused to dance: the gambling expansion bill of 1993 fell one vote short and lost,

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50-49.

That session was my first, and I had come into it with few prejudices either way about gambling. In fact, I had been naive enough to assume that gambling wasn't going to be a serious issue. When lobbied to vote for removing the wagering and daily loss limits and to add slots at the tracks, my response was, "We know that gambling creates social costs. Show me that those costs are being identified and that you'll be paying enough in taxes to cover what the state and local governments will have to provide to pick up the pieces." No gambling lobbyist provided that information (and none ever has). I voted no.

That No vote became "THE vote that sank the bill;" it was tuition for an intensive course in organized backlash. On the more genteel side, state and local labor leaders scolded me for costing Iowa more good union jobs. Rank-and-file members called me a prude and a busybody (and other things) for threatening to take away their weekend betting fun. Every employee of the local dog track wrote to tell me they were going to see me beaten at the next election. Retirees interrupted my meals in restaurants to tell me to "vote right or get out." These were among the more civil reactions against my vote...

But there were other voices amid the din, people who mustered the courage to identify themselves and come forward in the daylight hours to tell me what kinds of problems they were having because of gambling. I've included a letter from one of them, a young mother of three whose hopes for a happy, secure life for her family were destroyed by her husband's gambling habit. She left Iowa a few months after she wrote it and hasn't returned, and her parents have likewise retired and moved to another state, so I feel fairly easy about her anonymity being preserved. But perhaps more to the point, she pleaded with me to help protect other families from suffering from predatory gambling as hers had. And finally, she moved beyond her

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own sense of pain and loss to unselfishly offer me some comfort and encouragement against all the attacks I was undergoing.

It has been five years since I cast that first, dispassionate No vote. I'm no longer indifferent to Iowa's legal, corporate gambling operations. The young mother's letter clarified one point: Gambling produces winners and losers--and victims.

Second, for nearly every loser, there are multiple victims. And there are lots of losers and victims. In 1997, the Iowa Treasury raked in \$125 million in taxes on our three state-licensed race track and nine riverboat casinos, based on nearly \$1 billion in wagers. (Of the \$125 million, only a little over \$1 million was taxes on parimutuel betting, the rest was from slot machine revenues.) Not counted are the betting losses at our three Indian casinos, which pay no state taxes. In addition, Iowans bought \$166 million of lottery tickets in 1997, of which \$34.5 million went into the state's general fund.

Iowa now has over 14,000 slot machines blinking and flashing and beeping and whirling around the clock. That works out to one "bandit" for every two hundred residents. What's more, those "ultimate Skinner boxes" are highly efficient conditioners of problem gamblers. A 1989 Iowa State University study found that Iowa's lottery, bingo, and racetrack operations had produced about 40,000 problem gamblers. Iowa State researchers in 1998 concluded we now have between 140,000 and 150,000 problem and pathological gamblers to contend with, and their numbers are growing.

Other estimates of gambling's economic impacts on Iowa are now coming from certified consumer credit counseling agencies. The northeast Iowa organization covers 26 counties, which encompass the "feeder market" areas of two race track casinos, one Indian casino, and three river boats. The agency director, Karen

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Atwood, reported that in 1997 her staff fielded 2,857 inquiries. Agency policy stipulates that potential clients must be willing to disclose and confront gambling problems in order to receive further assistance. 1,315 initial applicants dropped out. Of the 1,572 clients who were served, 970 reported "gambling or gambling-related excessive use of credit" problems.

Personal bankruptcy filings are up 34% in Iowa overall, despite the state's low unemployment rate. Dubuque County, with two casinos and 1,147 slot machines, reports a doubling of personal bankruptcies in a little over two years. Marshall County began seeing dramatic increases in bankruptcies within a year of the opening of the Meskwaki Casino in neighboring Tama County.

Banks and other consumer lending institutions are "getting very nervous," says Consumer Credit Counseling's Karen Atwood. "Gamblers have been stalling their creditors by taking out second or even third mortgages on their homes, after they've cashed out their other assets. Now they're starting to run out of time; they can't find another Peter to rob to pay Paul."

Gambling persuades by shifting blame, it profits by shifting costs, and it constantly denies responsibility for either. But many Iowans are starting to catch on to gambling's cannibalistic nature, and they're expressing their growing concern and resentment. Ask just about any adult Iowan, and they'll probably be able to name at least one acquaintance who's been hurt by gambling. But it cuts more broadly than that, as in the case of the Altoona, Iowa, nursing home director who watched the Prairie Meadows Casino hire away 70% of her nurse aide staff in just one week.

This year we legislators responded to stories and statistics like these by passing a five-year moratorium on gambling expansion. Unlike previous votes, the count in the House was overwhelming: 98 to 1.

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The gambling corporations never blinked. They hired 24 lobbyists to scrounge the 25 votes they needed in the Senate to defeat the bill on a tie. Those shilling for gambling included a former Speaker of the House, two former House Majority Leaders (one Democrat, one Republican) two former Presidents of the Senate (again a bipartisan split), three retired Senate Majority Leaders (two Democrats, one Republican), and a retired Senate President Pro Tem.

The Senate held its cards--and the bill--until the closing hours of the session, then "yielded" after the House amended the moratorium language to the final budget bill of the year. But the lobbyists and their Senator allies used the rush to adjournment to their advantage. Into the "compromise" moratorium bill they slipped a tiny poison pill, a provision that several questioned but none had time to carefully examine. A week later, when the chairman of the Racing and Gaming Commission looked at it closely, he raised an alarm, arguing that instead of blocking additional licenses and slot machines, one subtly crafted sentence buried deep in the bill could actually allow for additional licenses and slot machines for race tracks. The chairman is now asking Governor Branstad to veto the moratorium bill.

Gambling executives long ago stopped advertising their product as "family entertainment," and as economic and social costs mount, the "economic development" label is peeling off, too. Corporate-run gambling is a sophisticated, shrewd, cynical, ruthless, and relentlessly opportunistic business. Wherever it chooses to set up shop, it has enough money and time to pursue its strategic objectives. Iowa, Illinois, and Missouri are not competing with each other for economic development through river boats. Gambling corporations compete with each other and simply count boats, slots, cards, lobbyists, and legislators among the tools they use to pry dollars out of local and regional economies. The Upper Mississippi corridor market

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is nearly saturated. There is no tourism profit to speak of: Iowa boats siphon profits out of Iowa's economy, Illinois boats pilfer Illinois business coffers, and so on.

For these reasons, I'd like to close with four recommendations for legislation to help address issues of consumer debt management; carefully limited approaches to damage control may be our most practical effort for the near term.

1. Assist problem and pathological gamblers by supporting and coordinating services through certified consumer credit counseling and substance abuse counseling agencies.
2. Amend bankruptcy laws to require individual petitioners to receive debt management counseling before filing and as follow up after the petition is approved.
3. Require individual filers to disclose and document the causes of the bankruptcy and then develop and submit a plan for systematic debt reduction and responsible financial management.
4. Authorize establishment of emergency revolving loan accounts, to be administered by financial institutions and certified consumer credit counseling agencies, to help lower income bankruptcy clients pay for immediate needs such as prescribed medications and to avoid eviction or shut-off of utilities.