CHAIR JAMES: Commissioners, I would refer you back to our agenda for today, and we are ahead of schedule. Now, we have several options here. We could, if Dr. Gerstein is amenable to that, go back to our community analysis, and do that this afternoon, and that would keep tomorrow from being quite as crowded.

What I would like to do if we decide to do that, is to take a short break and give them the opportunity to set up, and then we will come back and do that.

So with that we will take about a five or ten minute break, and then we will come back together and complete that.

CHAIR JAMES: I do want to thank you all for your flexibility, and being willing to come back this afternoon and talk to us about our community analysis.

And, Dean, I understand you may have a few words you want to say, as well, on some of the other subjects that have been discussed today. I’m going to turn it over to you and we are just going to have an informal time together.

DR. GERSTEIN: Thanks very much. I would just like to preface the subject matter that I will return to that is the part of this morning’s analysis, by responding to the questions marks that Charlie Clotfelter raised with regard to the lottery data.

And just two remarks. One is that the questionnaire that regards lottery expenditures is probably the most complex sequence of questions in the questionnaire, largely as a result of, that it was built in a series of conversations between myself and Philip Cooke, who is Charlie’s partner.
And if Phil stands beneath no Commissioner when it comes to wanting to have more, and more, and more information come out of a limited range of instrumentation.

So it is very complex set of questions from which to extract data, and while it is certainly conceivable that there may be problems of coverage, there may be problems of insufficiency in the extent to which it covers the dollars, it is also possible that it just plain needs to be programmed more accurately on the analysis side than it has been in the very short time that Professor Clotfelter and his graduate staff have been working on the data.

But I will, in the time we have to take a look at that, make certain that we have analyzed that module, which we haven’t done prior to now. We did look at it to make sure that it looked fundamentally okay before turning that data set over to the team at Duke.

But we will run those analysis ourselves and make certain that the data are thoroughly analyzed so that if there is a problem, we will be able to look at it and try and reach some determination.

I don’t believe that there is a problem in the direction of weighting and coverage, I think the most likely problem is actually on the analytic side, but it is also possible that people’s responses, for reasons that we can try and assess, fall short in the particular kinds of questions that he was referring to.

COMMISSIONER BIBLE: Procedurally, when we get all the cross tabs, and the final data, and your final report, will you
be back with us so that you can respond to questions that that
information may generate with us?

DR. GERSTEIN: Sure.

Let me resume the discussion of this morning, in which
we were going through the sections of the overview, and had
gotten to the point of the community data base.

And this is a discussion, there are two elements of the
analysis of the community data base. One element is a
statistical analysis which we undertook, and the second was a
series of case studies. We could think of these as a
quantitative and a qualitative look at the same issue, with, not
so much overlapping, I guess, as complimentary kinds of data.

The first piece, which we refer to here as the impact
of casino proximity, we analyzed the social and economic changes
that occurred in 100 randomly selected counties between 1980 and
1987.

The purpose of this analysis is to assess the effect of
a casino opening within a 15 mile radius of the county, or within
the county.

And in selecting these places, literally it is a random
sample of places in the U.S., and the places are within counties,
and the county is the basic statistical unit in most of the
federal data bases.

We found that five of the sampled communities were near
casinos, again, as measured by a 50 mile radius, and casino here
meaning one with at least 500 gaming devices in 1980. This
number had risen to 45 as of 1997, with most of them opening
somewhere in the late ’80s or the early ’90s.
And in many respects this kind of a sample in which there are communities which had not changed in terms of their status relative to access or proximity, others which had changed. And so we can look over time at change in both kinds of communities, they are randomly sampled. It really is, in many ways, an ideal kind of observational set of data to look at.

In analyzing these, for each of these communities on an annual basis were available, and in some cases data were not available every year, but at intervals, such as every two years, every three years, and in some instances, only every five years.

We looked at indicators from the Bureau of Labor Statistics, from the National Center for Health Statistics, from the Federal Bureau of Investigation, which keeps the uniform crime reports, and the National Bankruptcy data, which we obtained directly from the United States Courts.

There is another source, you told us, they had monopoly on these data, but when we called up the U.S. Courts it turned out it is because they are the only people that ever ask for it.

These data, in addition to the information about gambling expenditures, which are estimated by Christiensen Cummings Associates as part of their work, but which we really used to make certain we were fixing clearly on the dates at which activities related to casino operations were active in the vicinity of these places.

To analyze these data we built some very straightforward statistical models that have the specific application of looking at different groups, and their extent of change over time.
Modeling exercise, which is what statisticians do with data like this means that you build a series of equations that you think define the relationships, but they have within them the possibility that relationships may be positive, negative, or zero, and then you apply the data to the model and you find out how well they fit.

And that is the exercise that we undertook here in order to see what we could learn from this community database.

The results of this analysis, which are laid out in a series of tables in the report are fairly straightforward, I think, and that is why I’ve tried to put these in fairly short terms.

What we found in looking at these data sets are that the overall rates of bankruptcy, of health indicators, and of crime rates, and I say rates per capita, emphasized, that we are looking at rates over population, we are looking at events over population, because the populations of these communities change, you can’t just look at the amount of something without controlling it.

We found that bankruptcy, health and crime rates were basically unchanged as an effect of the proximity of casinos. And, again, this is controlling for all the other kinds of changes that one can look at over time, because we have places that are and are not in a situation of change of casino proximity.

We found that unemployment rates, welfare type outlays by the local government and outlays in the form of unemployment receipts and compensation all fell as a result of casinos opening, by — the range of these variables was 12 to 17 percent.
Now, what this means is that the unemployment rate was, say, 6 percent, it went down by 16 percent of 6 percent, which is to say, in general unemployment rates fell by a point.

When we looked at specific kinds of earnings, so within the kinds of jobs, the kinds of sectors, found that construction, hospitality, which is hotel and lodging, transportation, the recreation and amusement sector, that earnings in all of these rose, and they rose by substantial amounts.

Although in most of these communities some of these sectors were not very large to begin with, so when they rose, relatively, by a substantial amount, that isn’t necessarily an absolute amount joining up very much.

We did note that bar and restaurant, that is distinct from bars and restaurants that might be a part of hospitality, but that is independent bar and restaurant earnings fell. General merchandise earnings fell, and in all other sectors there were no changes.

So there appeared to be a kind of a movement of the kinds of jobs people had. We found, overall, the capital income in communities stayed the same. And I should note that all of these dollar figures were controlled, adjusted for inflation, for CPI, so that we are looking at what the economists call constant dollars, rather than nominal dollars.

The conclusion, I think, based on looking at these data, is that as a result of casinos opening in proximity to these areas, there were more jobs. There was a different mix of jobs, as we saw some transit into the hospitality, into construction, including housing construction. Only the construction associated directly with building a casino, but with
the increase in the numbers of people and influx of -- into the labor pool, moving there.

So there is a difference of jobs. But in terms of per capita income the jobs didn’t appear to be better, they appeared to be similar to the ones that were there in terms of per capita earnings.

COMMISSIONER WILHELM: Dean, can I ask you a question about that?

DR. GERSTEIN: Yes.

COMMISSIONER WILHELM: The -- I understand the point that per capita income and constant dollars stayed the same. But on the other hand several kinds of transfer of payments from unemployment and welfare, and stuff like that were reduced.

DR. GERSTEIN: That’s right.

COMMISSIONER WILHELM: In the per capita income for the base period, compared to which the later period was the same, were the transfer of payments a part of per capita income in the base period?

In other words, was there a change, even though per capita income didn’t change, was there a change from government benefit payments to wages?

DR. GERSTEIN: Yes, you are absolutely right. So there is, in essence, people -- this additional set of jobs increased people’s incomes, and this compensated to some extent for the reduction in transfer.

And although transfer payments on the whole are a relatively small part of the overall earnings base in these communities, because they don’t have, relative to -- I mean, they are not by and large very high unemployment areas, although they
are not in the most part -- for the most part dynamic, that is
true. There was some shift into people getting money from jobs
rather than getting money from transfer payments.

COMMISSIONER WILHELM: So if you were to make the same
measurement, and I’m not arguing with the measurement you made,
but just so I understand it, if you were to make the same
measurement, not with regard to per capita income, but with
regard to wages, wage income, there would have been an increase?

DR. GERSTEIN: It could be, could be. I think if the
earnings, if these earnings are strictly -- I would have to look
at the table, in fact.

COMMISSIONER WILHELM: I thought that was out of the
table, but I couldn’t be sure.

DR. GERSTEIN: It looks like net earnings. What I
don’t see is, in general, is that there is any significant change
in either net earnings or in total income. So the implication of
that is that the changes in transfer, unemployment, etcetera,
just don’t affect overall income very much, because they are
relatively small, in looking at the numbers in this table on page
54.

COMMISSIONER WILHELM: I understand your point about
their being small in proportion to the total community, in and of
themselves --

DR. GERSTEIN: But for the people who have gone off a
transfer payment scheme, and have a job instead, that certainly
is a change.

COMMISSIONER WILHELM: Okay, that is helpful, thank
you.
COMMISSIONER BIBLE: But this is on a per capita basis, not per individual?

DR. GERSTEIN: This is per capita. As I said, there are clearly more jobs.

COMMISSIONER BIBLE: There are more jobs.

DR. GERSTEIN: More people working.

COMMISSIONER BIBLE: And what you are saying is that the base wage may not have changed, or if it has changed it has changed like a one percent increase, or something of that nature?

DR. GERSTEIN: That is what the data seem to conclude.

COMMISSIONER LEONE: What is the base year for the income per capita calculation? I mean, it is constant dollars, but off what year, is it ’87?

DR. GERSTEIN: I don’t recall.

COMMISSIONER LEONE: I wonder why the 16 is below the current per capita income in the country, by a significant amount. Which is give or take around 20. And I just wonder if these 100 counties are poorer counties, which would be plausible, given where a lot of casinos are located, than -- or if there is some other reason that you are working off a base here where it is 16,000.

It has also been, well, it has been -- well, most workers have been -- had their income static or declining, per capita income has gone up during this period because the top workers have done a lot better.

So I wonder how these 100 counties, compared to the country as a whole?

DR. GERSTEIN: I will have to ask the statistician who did this which year was --
COMMISSIONER LEONE: The country wouldn’t look like this, is what I’m saying, over this period, whatever the base year was.

DR. GERSTEIN: I think --

COMMISSIONER LANNI: Is it possible, Dean, that part of the answer to that is that many of the positions in casino companies are tipped positions, and you may only be using the base pay?

COMMISSIONER LEONE: It says total income.

COMMISSIONER LANNI: I know, but I just don’t know if that is including the tips or not. That would be a factor, I just don’t know what the answer is. You had all the benefits, but --

DR. GERSTEIN: Yes, I don’t know the answer to that, either. I think that is something we are going to have to look, we can certainly look at the data and see whether tipping comes included.

I would be inclined to think that it was, insofar as, ordinarily when BLS collects income data they ask people to include tip income, just as the IRS does. We can certainly look at that data series to be sure, and I will determine, and simply get back to you to indicate what the reference year is for the constant dollars.

COMMISSIONER WILHELM: There is also, in terms of Richard’s comparison to the 20,000 figure, there is the question of whether you held the dollars constant forwards or backwards, that is in the base year or in the --

COMMISSIONER LEONE: Well, that is what I’m -- there still should have been some growth, and particularly given the
other things that the survey says, why would these counties have
not had an increase in per capita income if all these other
things were no worse, and in some cases better.

COMMISSIONER WILHELM: Conceptually you could imagine a
lot of things. I mean, for example more people is certainly one,
because people tend to move to these places where there are jobs
available.

COMMISSIONER LEONE: But unemployment is not up, so
they move into jobs.

COMMISSIONER WILHELM: Well, that is typically true. I
mean, in Las Vegas people come and unemployment is down. People
come in droves to Las Vegas, but the unemployment rate has held
reasonably steady.

The other variable, depending on, again, where these
things are, a significant number of communities that have
initiated casinos have been places that used to have significant
sources of employment that are gone. For example in Illinois,
and some of the cities that initiated riverboats, they used to
have significant numbers of high paying manufacturing jobs, which
in the precise interval you studied, left.

COMMISSIONER LEONE: I mean, it is possible that there
is a coincidence that the average per capita income at the
beginning of this period is the same, at the end of this period,
in spite of all the changes that went on here, and in the country
at large. I mean, obviously that is what makes this statistic so
interesting.

COMMISSIONER WILHELM: But you are right that it is
unusual.
COMMISSIONER LEONE: It is just interesting, I just wonder about it.

DR. GERSTEIN: Okay, I will try and answer the question that I can’t now. I don’t recall that actual base year being in the tables when I looked at them. So I will find out.

There is some suggestion in the case studies, which are the next item, that seem to go along with, and perhaps provide, some suggestion about why in the 100 communities statistical analysis we saw what we saw.

But, of course, this is really an attempt to look at two different things that perhaps bear on each other, and give us a little better insight.

In this instance we selected at random ten places, a place being a term that the Bureau of the Census uses to define a population center.

And, again, using the same criterion that the places are each ones in which a major casino opened, that is within a 50 mile radius.

In each of these we selected and used mostly Internet resources, and then a little sort of snowball sampling within the community, seven or eight individuals.

In general we were looking, within each community, for someone in each of these categories, planning or business development, Chamber of Commerce, an attorney, ordinarily meaning either an attorney involved in the criminal bar, or in development and planning. A news editor, a clinician. In fact, there are usually a couple of clinicians, either in the mental health services, or social services, and a member of the local police, or sheriff, depending upon what was organized.
We had a questionnaire which I would be happy to share with you. It will certainly be copied in our final report, in which there are a series of what we thought of as core items, that were asked of everyone, and then some role-specific items designed to enquire into the specific area that the person’s role suggested they would have some special ability to discuss with us on the telephone.

In every case these were directed at trying to answer the question, in essence what they could say about, based upon their general experience, as well as their ability to look at data that might be in their domain of expertise, about the impact on their community of the proximity of the casino that had opened in the recent past.

One thing we did nearly universally achieve was to talk to people who had been in the community for a substantial enough period of time that they could speak to this on the basis of before and after, and not simply on the basis of having arrived there a year or two ago. And we document, to some degree here. And in the report pick out a couple of communities, more to demonstrate sort of the end points of the range of kinds of response between communities.

And I should add that we have made every effort here to avoid identifying information about the communities, including the fact that all these names that we have applied are the names of places in Canada, none of them are in the U.S.

And, again, I’ve tried to summarize these results in a couple of overheads. And what we have tried to do here is to summarize what we were told, since most of the folks we talked to were fairly articulate.
Firstly, just in terms of the effect on other gaming facilities, literally the majority of the places, someone or multiple people reported that one or more racetracks had either moved or gone bankrupt when the casino opened. Competition for gaming dollars.

We see, sort of in micro here, what we’ve seen to some extent in macro, as we’ve had a succession of facilities and industries within the general community of gaming.

People said, very explicitly, casinos in nearly every case, they either create new jobs in themselves, but the fact of having a casino does not sort of cure unemployment in the area. I’m not sure anyone might expect that, although some people expect miracles whenever new industry opens.

This was said repeatedly, that the jobs are often relatively low paying, or part time, and without benefits. And without, really, specific reference to the casino industry, in many of these communities, people indicated that having large numbers of people who are working poor, who had jobs but weren’t making a lot of money was viewed as a community problem, in contrast to lots of people not having jobs at all.

That is, people who do need community services, have trouble making ends meet, have financial problems. And let me again say this is not -- this is a problem because of, or even in relation to casinos, it is a fundamental community problem. People whose earnings, when they work, are not very high.

They did reiterate something we had seen in the statistical data, that the hospitality industry, housing and hotels, that housing construction, specially, and other jobs were clearly created as a consequence of the casino arriving in the
community, generating other kinds of industries, it generates employment.

There was consistent mention that indebtedness seemed to increase. There was, in different areas, different sort of views about this, one of which was that people who already were having trouble making ends meet, as a result of seeing new jobs, would move into the community from elsewhere.

And thinking that they were going to do well now that they had a job, would run up credit, and again not necessarily gambling credit, they would just spend more money than they had, and exacerbate their existing problems.

Despite the statistical evidence in which at least looking at, I should specify in the statistical data we were looking at major crimes, and we were unable to detect any changes in major crime rates.

And I should note that what are called part II offenses in the FBI data, we’ve had a difficult time getting from the FBI, and then being able to analyze. And those part II offenses are the ones that go more into white collar, and misdemeanor, and less the sort of personal property crime.

We heard substantial, in every community literally, a widespread perception that there had been increases in crime by youth, and forgery and credit card theft, and domestic violence, in child neglect, in gambling problems per se, and in alcohol and drug offenses.

And in some ways this is a conundrum that we can’t resolve, that we don’t see this in the statistical data, but we did hear this from people who live in the communities. So whether there are, and one possibility clearly is that instances
drive people’s perception, whether the instances are, in fact, statistically widespread, or significant, or not.

That is one possibility that what we see is people responding to things that they see that occur, even though in the larger scheme of the whole trend of things in the community they don’t add up to a lot.

That draws to a conclusion about what we’ve been able to pull together from looking at these case studies, which were part of our responsibility, and part of our contract that we will deliver. I’m not sure we can get it all delivered by the 15th.

COMMISSIONER WILHELM: Dean, I, as you will recall from the Research Subcommittee, I expressed, along the way, a good deal of concern about whether or not NORC was approaching the community data base study with sufficient concentration and attention.

And I, particularly, in view of having made those comments on more than one occasion, I want to say that with respect to the community data base study, it is my opinion that -- and I want to make both this comment and the next comment quite apart from any specific result.

I think with respect to the community data base study that you did an excellent job of delivering exactly what was asked for, and I appreciate that, because that was the subject of considerable interest to me.

At the same time I’m disappointed in the case study. In hindsight it may be that we asked you to do something that was inherently impossible to do with any particular depth. And if so that was our fault and not yours.
But there are several things that, to me, are sort of missing from the case study part. Just as an example, it seems to me that amongst the type of people that you consulted it would have been, and it is hindsight now, but it would have been a good idea to consult either an employment specialist with the state or local government, or a union leader, or somebody who knows something about employment.

And, likewise, given the employment patterns in the casino industry, I think it would have been a good idea, unless some of these folks were included within the other categories you listed, to consult leaders in the minority community, since that is where a lot of the jobs, particularly in new casinos tend to come from.

I also think that the case studies present yet another example of a point that is often missed, and not only in what you’ve done in this particular thing, but is often missed in a lot of the discussion and presentation before our Commission, which is the differences with respect to employment and I believe with respect to some of the problem gambling, and youth gambling issues as well.

The differences among and between the kinds of facilities that are lumped under the heading casino. Certainly with respect to jobs.

Destination resorts tend to produce more full time jobs, more jobs with benefits, more jobs that are secure and stable, as compared to other smaller facilities that people often call casino.
That is a distinction that we have discussed many times in the Research Subcommittee, but I fear we haven’t really fleshed out.

So in the case of the case studies, for example, I think it would be interesting to know whether the kinds of facilities that produce the kinds of community reaction that you are talking about were on the destination resort end of the casino spectrum, or whether they were on the other smaller end.

Likewise I think it would be of some relevance to know whether or not they were unionized. I think there is a considerable amount of body of evidence here, in the record of the Commission that says that unionized casinos are more likely to produce "better jobs" than non-union.

And, finally, I was mystified by the selection of communities for the case studies, in one particular respect. And that is that out of ten communities, I’m going by memory here, but at least two and maybe three were approximate to the two Indian casinos in Connecticut, which struck me as kind of an odd, you know, tilt.

And it is the case that those casinos tend to have considerable number of part time jobs, for example.

So using those kinds of issues as examples, I thought -- I was disappointed in the case study part. And, again, it may be that we gave you an assignment that couldn’t be carried out with any kind of particular depth in the time or dollars that we made available.

So that may well not be your fault. But I did particularly want to emphasize, in view of some of the previous
discussions in the subcommittee, I think you did a thorough and
good job on the community data base, and I appreciate that.

DR. GERSTEIN: Thank you. I think trying to cover a
lot of bases with ten sites is difficult. And, again, obviously
with the benefit of hindsight, and a different funding base,
doing this in a lot more instances might have been able to speak
to some of the differences that with that small a number you
can’t compare.

I will look into both the point of what kinds of
casinos, in particular, I think the dimension of union, and the
dimension to what extent these are resort destination style is
certainly we can add to the points that we make in addressing
that case study results.

COMMISSIONER WILHELM: Thank you.

COMMISSIONER MCCARTHY: Madam Chair, John Wilhelm’s
questions prompt me to make this suggestion.

Among, I hope, what will be a number of well framed
suggestions for future areas of research, I think maybe now that
our contractors have the experience that they have in this area,
it would be also very useful if they would give the Research
Subcommittee, and the full Commission, their specific thoughts
on, not only -- first on how we might have better designed some
of what we did, such as the ten case studies.

You know, it may just be numbers for a greater
selection. It may be, obviously, with 30 case studies you could
do a lot better. But whatever suggestions there might be.

And, in addition, specifically, what next steps should
be taken as far as research are concerned. We should ask those
questions, I think, of our main contractors.
Thank you.

COMMISSIONER LOESCHER: Madam Chair, I’ve listened to this all day, and maybe I’m missing something. But I noticed in the front section of the first part of the presentation this morning that the work doesn’t really draw any conclusions, not any organized or in-depth conclusions.

There were some along the way that we heard from your group. At what point do we get some conclusions out of this group with regard to the work that they have done? Do you have any --

COMMISSIONER MCCARTHY: You are looking at me, so I will answer. I think that is maybe more our job, probably, than this particular contractor’s. I think maybe what we would want to do is look at the body of information they have given us, and then start to develop findings and recommendations.

Well, the findings will be pretty much what they have given us, and then try to fashion recommendations based on those findings that would be included in the final report.

I think that is what the Chair is asking the subcommittees to do. Now, the Research Subcommittee has not done that, and is certainly not prepared to do that at this meeting, because the reports just came in, and they are not even complete yet.

So, hopefully, by the time we meet again in March we will have a number of specific things to say.

CHAIR JAMES: And in fairness to our --

COMMISSIONER MCCARTHY: To recommend for your consideration.
CHAIR JAMES: In fairness to our contractors, as well, they are here today to give us their preliminary -- I hate to even use the word findings at this point in the process, recognizing that the data is not yet completely analyzed.

And so I think in a sense we are a little premature with perhaps even trying to draw any conclusions or findings at this particular point, or recommendations based on this. So it is with anticipation that we wait those final conclusions.

Additional discussion on the community analysis?

(No response.)

CHAIR JAMES: Again, I want to thank you for being here today, and for your flexibility in splitting your presentation from this morning to this afternoon.