CHAIRPERSON JAMES: At this point I'd like to open it up for questions, dialogue, and discussion. Any Commissioners?

Commissioner McCarthy.

MR. MCCARTHY: I want to thank all three of you for your testimony. Thank you all very much. Mr. Faiss I want to make sure I'm pronouncing your name correctly.

MR. FAISS: Yes. It's Faiss, Commissioner, but it's all right.

MR. MCCARTHY: I like to pronounce it correctly.

MR. FAISS: I'll answer to anything.

MR. MCCARTHY: Mr. Faiss, you said that ten percent of $7½ billion is extended in credit. Is that correct?

MR. FAISS: That's correct, sir.

MR. MCCARTHY: Were you talking about house credit?

MR. FAISS: Yes, sir.

MR. MCCARTHY: All right, so the $7½ billion, well pardon me, it's $750 million approximately in credit, does not include any credit extended through the machines on the floor that the house may contract with separately but does not run? That's through Wells Fargo or Bank of American or whatever company controls those machines? Do I have the correct impression that because casinos not only in Las Vegas but around the country, at least the larger casinos, do have agreements with central credit checking companies that they could ascertain the number of dollars in credit that is extended off the machines on their premises through those central credit checking companies?

MR. FAISS: I do not have that information, Governor.

I do not think that is accurate. Central credit can give you the
information that's been given to them by casinos of their own
credit extensions, but that does not extend to the machines.

MR. MCCARTHY: Well I had the impression that they
can check on a variety of issues that go to credit worthiness of
course to advise the casino management as to whether they should
start to worry about this customer or not but I assume that in
that information they would also keep a running tab on the amount
of credit sought through use of credit cards. You don't have
that information.

MR. FAISS: Governor, that is not my information. I
do not believe that is the case, but I cannot tell you it is not
and I'll be pleased to --

MR. MCCARTHY: All right, thank you.

MR. FAISS: -- follow up with that information if we
can obtain it.

MR. MCCARTHY: Thank you very much. A second
question. You indicated that 2.2 percent of the bad debt is, 2.2
percent of the gross casino revenue is bad debt, do I, did I get
that correctly?

MR. FAISS: Yes, sir.

MR. MCCARTHY: Would you translate that to dollars?

MR. FAISS: Well, into dollars we, the casinos earn
$7.5 billion --

MR. MCCARTHY: So it's just, that's a gross revenue
number?

MR. FAISS: That's the gross revenue --

MR. MCCARTHY: So --

MR. FAISS: On which taxes were paid.
MR. MCCARTHY: So it's 2.2 percent of that. Thank you. On house credit.

MR. FAISS: Yes, sir.

MR. MCCARTHY: Is there, you indicated that there was no interest charge on the credit. Is there any kind of service charge or fee?

MR. FAISS: No there is not.

MR. MCCARTHY: Okay. On the use of credit card machines on the floors, what is the customary practice in the industry in Nevada, at least? Is there a sharing of the use of the credit card machines between the house and the credit card company whoever else is involved?

MR. FAISS: Customarily the casino will receive a percentage or a share of the Commission charged the patron, yes.

MR. MCCARTHY: What is the usual and customary charge?

MR. FAISS: I do not know that, Governor, you'd have to look at see, I don't know if it's uniform throughout the state. The ones I've looked at, $1.50 or $2.00 in that area. But again --

MR. MCCARTHY: You said --

MR. FAISS: I do not know that, that evidence is available from the industry as a whole. Much of what the Commission is looking at and asked me to look at, there are no readily available figures.

MR. MCCARTHY: Yeah.

MR. FAISS: Within the few days we have we did our best to get something together so we would not --
MR. MCCARTHY: No, I would --

MR. FAISS: -- come empty handed to --

MR. MCCARTHY: And I understand exactly what you're saying. And incidently we're not only interested in the numbers for Nevada, we're interested in the numbers nationally, so we'd have to go through this laboriously through other states, at least the major gambling states, to try to get any idea.

May I ask Mr. Bible, is this information submitted to the state, the Nevada State Regulatory Commissions --

MR. FAISS: Commissioner, on credit charges?

MR. MCCARTHY: -- charges --

MR. BIBLE: No. No. What this would be is it would be a per transaction charge the issuing machine in the casino and the casinos get a share some portion of that issue, of the transaction.

MR. MCCARTHY: Thank you very much.

MR. FAISS: Madame Chairman, if I may --

CHAIRPERSON JAMES: Certainly.

MR. FAISS: Governor McCarthy, I misspoke, you asked 2.2 percent, you asked the question correctly. I did not answer correctly. The credit is 15 percent of the $7.5 billion. So 2.2 percent is of that 15 percent not of the total figure.

MR. MCCARTHY: Thank you.

CHAIRPERSON JAMES: Commissioner Dobson.

DR. DOBSON: Mr. Faiss, since you referred back to the question I asked this morning, I'd really like to ask you to clarify because I really do want to understand where you and Mr. Bible and the others are coming from in terms of the indices of
social difficulty in Nevada. I think it's an important point and
if I'm not understanding it I would really like to give you an
opportunity to enlighten me.

If I understood both of your responses this morning,
it was that the numbers are skewed by the visitors who attend,
who come here for one reason or another usually for gambling.
And therefore, the number related to suicide and other factors
are distorted by that. Was that, is that the basic answer?

MR. FAISS: That is partially true and in addition to
that is our growing population. And this we saw the relatively
small population base and you have 6,000 people a month coming in
you're going to find that the population, that your population
base on which various studies are used is outdated quickly. So
you have two things; you have number of additional people in town
through visiting and you have the number of additional people in
town who have become residents who are not listed on your
population figures because they're often a year or two behind.

DR. DOBSON: There are several of those indices that
are obviously related to residencies. You have live here in
order for example to have the number one high school drop out
rate in the country even compared to Mississippi and Alabama and
even much maligned Louisiana. That's not related to visitors,
that's obviously related to permanent residents.

MR. FAISS: That's correct. I'm sorry, excuse me.

MR. DOBSON: The others that I was thinking about,
Nevada is number one in the right of voter participation, number
one, or at the bottom of the list compared to other 50 states, 49
states with regard to voter participation. It is number one in
convictions for tax evasion which would be related to residency I would think if somebody is accused of tax evasion they would go back to California where that would be dealt with or wherever else they came from. So there are a number of these where we do get a pretty valid indication of the population here apart from the visitor roles. Is that correct?

MR. FAISS: Doctor, the answer is if the statistics are based on permanent population they are going to skewed because our population that is used in any study is outdated. Our population actually is going to be far in advance of that and if there are statistics that related just to people in the community, we're at any given time going to have hundreds of thousands of people who more than double our population. So you're base figure is inaccurate. So therefore you're result is going to be.

DR. DOBSON: Obviously this is not the only place that's growing. My city of Colorado Springs is exploding and we're not anywhere near those figures that we were talking about. But anyway I want to make sure that I understand that.

MR. BIBLE: Well, let me briefly respond also because we did talk about the issue. I think it depends upon the figure you're looking at. If you're looking at something like high school drop out rates I think that's going to comparable figure between Nevada and other states. If you'd say marriage rates for instance because Nevada is kind of the marriage capital of the world, we could take a look at Nevada's per capita marriage rate and you're going to see it's very, very high. Now do you draw
the conclusion that we have the highest family values? I don't know.

DR. DOBSON: That's in the area --

(Applause.)

DR. DOBSON: That's in the area we're talking about this morning. But if you --

MR. BIBLE: You have to be careful which statistic you pick and how you use it to demonstrate your point.

DR. DOBSON: Well the statistics paint a picture that is of concern to me. Let me ask, Mr. Coates, a question about Iowa very quickly. A couple of years ago there was an article in Iowa that said nine out of ten of the busiest ATM's in that state were operating in casinos. I believe you had quoted that statement someplace. Would you comment on it?

MR. COATES: I'd be happy to and thank you for the opportunity. Actually it was eight out of the ten, but that was prior to the opening of the two large river boats over in Council Bluffs and so our assumption was it might well be nine or ten out of ten unless they had increased the number of ATM's.

My point and I don't care much about the marker issue. To me it's the credit card issue that's the thing that's pervasive, that's the thing that grabs a hold of the native population. I received an article recently from Delaware that said they feel like this is a big link between the addition rates, the allowance to borrow against credit cards and the other. The question that I've been asked and I know it is available, that it has not been given to me, through the ATM people, through the COMDATA people, what percent of those
transactions are credit. And I think that is a telling issue. I know it is available and it has been one that's been hard to shake out. So it's very active, it used to be the malls, the places like that were the active places. Now the activity has shifted to the casinos. This is very pervasive from my standpoint. Thank you.

CHAIRPERSON JAMES: Thank you. Any other Commissioners? Commissioner Moore.

MR. MOORE: I'm getting confused on all these percentages on who did what. But if more people get married in Nevada because they come here to married, and if you're counting those and then you say that you cannot justify Nevada having the highest divorce rate, I believe that would be wrong if it does indeed have the highest divorce because most of those people that come here and get married are going to go somewhere else and get divorced.

MR. FAISS: Well they come here for that too.

A VOICE: We hope not.

MR. MOORE: Well they go home. I mean they come here, they get married, I just saw someone coming in the MGM the other day that had just gotten married, you know and, hey, they were going to have a good time and then they're going to Mississippi.

(Laughter.)

A VOICE: You mean they're going to Mississippi to get divorced.

MR. MOORE: Yeah, to get divorced.

CHAIRPERSON JAMES: To have a great life, I'm sure.
MR. MOORE: So if it indeed is high now the actual thing would be higher.

MR. FAISS: Well I think you're absolutely right, Doctor. The thing is we're not bragging about statistics unless we say what they mean. We're answering critics that use statistics that are inaccurate and misleading.

CHAIRPERSON JAMES: Stop that. You know the rules.

You know --

MR. BIBLE: Is that to Mr. Faiss or to the audience?

CHAIRPERSON JAMES: No, that's not to Mr. Faiss, it's to the cheering gallery in the back. But, you know, what it is good to see that you are excited and encouraged by the information that you hear, so --

Let me tell you what my problem is as we talk about these number. The problem is that one would hope that there is something called science. And that there is something called a fact. And, yes, it can be interpreted, it could be misinterpreted, but how in the world is this body going to do it's work if we can't come up with a number that can stand it's own. What is, and come with some, and this something we're going to have to struggle with. When we look at the data and try to make some, draw some conclusions about the social implications or the social impact of gaming in America. Help me with that.

MR. FAISS: Well, that's not my field, Madame Chair.

But, now I understand what you're saying. I have no quarrel with Dr. Dobson, he's using figures and saying provide an explanation. I think that ought to be the question of the Commission. Talk to the experts who are doing the research for you and tell them that
you want something beyond the bare statistics. You want to know if there are any other factors that shake those figure.

As for example, tourism. A tourism center is going to have certain of its characterized distorted because of the fact that they have people coming in who do not live there.

CHAIRPERSON JAMES: All right. Well we will struggle with that.

MR. COATES: Madame, could I, could I just add one thing?

CHAIRPERSON JAMES: Certainly. Mr. Coates.

MR. COATES: If we go back to my state wide study of the prevalency rate and we take a state that goes from virtually no gambling to having abundance of gambling in a few short years and we elevate the problem and pathology numbers 1.7 to 5.4 as we've done in Iowa and then you start to study the problems that pathological gamblers have, the areas of bankruptcy, the high divorce, the areas of embezzlement, and as I indicated the areas of suicide; it is unlikely that that kind of a direct correlation is going to be merely waved off objectively as antidotal.

CHAIRPERSON JAMES: Certainly. Commissioner, did you want to go first, Bill --

MR. BIBLE: Yeah.

CHAIRPERSON JAMES: -- Bible.

MR. BIBLE: Ask Mr. Coates a question. Why don't you explain COMDATA? It sounds to me like that they must allow you to exceed the limitation on either your ATM or your credit card and they bundle it up in a higher amount and then they feed it out into the system over a period of days.
MR. COATES: COMDATA is at least in my state the predominant. I understand they are in every casino but one with their machines. And as the article from International Game and Wagering indicated, from the casinos standpoint they have a problem with the $300.00 cap per day cash advance from the credit cards.

The credit card advance machines like COMDATA have gets around that kind of limitation. I know in David Davenport's case where the article came out it showed 30 some different transactions, they had the receipts there and many of them were $50.00, $100.00 or more that he was able to cash advance in one shot from his credit cards. That's the kind of thing that I think is a problem. And I've advocated for years a cooling off period.

I've suggested that with the immense amount of credit that's out there and this which is an addictive area for many people, if you do not remove that kind of loaded gun temptation from them with the credit cards you're just asking for trouble and that's what we're seeing.

MR. BIBLE: Well how do they do it procedurally? Do they take, they take the $300.00 and put it in, in daily increments or something?

MR. ROSE: It's my understanding that it goes through as a purchase and --

MR. BIBLE: I see.

MR. ROSE: There's no limits on purchases.

MR. BIBLE: I see, they call it a purchase into the system?
MR. ROSE: Right. Now I have literature from the company itself and read it through. Now this was about a year ago. And that was my understanding. You might want to contact COMDATA.

MR. COATES: Technically there is a check that is written back in the cashier window to the casino and then they go back to the cashier's window, it's not actually given to the them at that point, they have to go back to the cashier's window at least in my state to then obtain the cash.

MR. BIBLE: No, I understand how to get the cash, I was more concerned about how they feed it back into the credit system and Mr. Rose answered.

MR. COATES: That's the way. Right. And that also gets around if they are limits not only on the dollar amount but how many times a day you can get cash out of those machines.

MR. BIBLE: Okay.

CHAIRPERSON JAMES: Why is this available in a casino and not Nordstoms?

(Laughter.)

MR. BIBLE: It probably is.

MR. ROSE: Well Nordstom has its own credit cards. I actually brought with me a Las Vegas, an application for a Las Vegas credit card which I got in the mail on Monday which was offering me a $100,000.00 line of credit and you can earn points for cash which you go up to the cashier's cage and then get prizes. This raises a separate issue, which is there and I think Tom brought this up, there's been this tremendous loosing of credit in general. I must get two letters a week telling me that
I get credit cards. And given if you tie that in with the availability of other things, gambling, probably Nordstoms; we're going to have a lot of people getting into the trouble.

CHAIRPERSON JAMES: I would certainly think so.

Commissioner Wilhelm.

MR. WILHELM: I wanted to make comment about the statistical issues that Jim and Mr. Faiss were --

CHAIRPERSON JAMES: Discussing?

MR. WILHELM: -- discussing, thank you. I'm not one for sweeping the kinds of problems that Jim is using statistics about under the rug. I believe that this community needs to take advantage of the tremendous economic boom that, that, that we've heard to so much about to address the kinds of social issues that exist here.

And it seems to me that at least on the statistical level that it ought to be possible to sort out the relationship between the statistics, Jim that you were citing and the caveats that Mr. Faiss was describing because abstractly caveats he's describing are relevant statistically.

But is seems to me we ought to be able to sort that out but there's another piece of what goes on here that on the one hand I think we ought not miss but on the other hand I'm not quite sure what, how you figure it out statistically.

And that is the fact that this is a, sounds odd to say in America 1998, but in many ways this is a frontier town. It's a frontier town for people from other areas, especially but not only people who don't have a lot of formal education who haven't been able to earn living in other areas.
If you go back to some of the individual stories that we were listening to yesterday, not all of the people that moved to this valley are in this category.

But, there are a significant number of people and we heard from some of them yesterday who moved to this valley who haven't been able to earn a living or at least a decent living or at least a living where you can only work one job at a time; haven't been able to work in many cases to get health benefits and we heard about people from California just yesterday out of 20 some people we heard about from California who came here for that reason.

We heard about people, someone from El Paso, Texas who came here for that reason. We heard about someone from Florida. We heard about someone from New York state. We heard about someone from New Jersey.

And the truth is that particularly if you don't have a lot of formal education this town in a lot of ways in recent years has been the last chance. And so a lot of people come here and are able to grab a hold and either get training by walking eight miles such as the person that Jerry referred to or in some other way catch hold. And there's an enormous number of very inspiring success stories like that. There's also people that haven't been able to catch hold.

So there's a lot of problems in this community. Family problems. Divorce problems. Spousal abuse problems. To some extent they're just like the problems that exist in every city in America. But to some extent they're because people come
here in a lot ways as their last chance because they haven't been
able to catch on where they came from.

So I don't know how we get at that statistically and
I, again, I am not one for sweeping problems under the rug and I
don't think this community is either. This community for
example, the voters in this community unlike in many communities
have authorized literally billions with B, billions of dollars in
taxes on themselves by way of school bonds in the last dozen
years to, you know, we opened 10 and 15 and 20 schools a year
here.

Two Septembers ago, I don't know whether it was last
September, but two Septembers ago we hired 1300 teachers in one
month, new teachers. So I think this community wants to address
these problems. But I also think we have to be aware that this
is the frontier and in the same, you know, Colorado Springs was a
frontier town at one time.

And frontier towns have these kinds of problems
because, except for people who are retiring, most people who move
to a frontier town like this don't leave where they were because
they were in great shape where they were. They come here because
they couldn't catch on where they were, lots of them not all of
them. And they catch on here in large numbers, but not everybody
catches on.

And I think that's one of the things that affects of
the social issues in this community. And I don't quite know
statistically how we get at that. I think we can statistically
get at the other piece.
CHAIRPERSON JAMES: Thank you. And the last comment to Commissioner Dobson.

DR. DOBSON: Appreciate it, Madame Chairman. I just would like to take just a second to explain where I'm coming from on this because I'm not in the habit of trying to embarrass people or attack people about their local communities and so on.

In fact I came in here a day early. I spent an entire day with Commissioner Wilhelm. He took me to the culinary union, to the training program they have. I met the people. I was touched yesterday, emotionally, and John knows this is true, by the people who came in here and testified yesterday about what it meant to have a job, to be able to buy a house, buy a car, to have benefits when they hadn't had them before. That is the upside and I have said that now on two or three radio/television stations in the last day or two. I have been impressed by that.

But we also have to be able to look at the facts and it seems to me that where we have gone on these site visits there's nearly always some profession of a miracle that doesn't look a lot like a miracle in some other ways. And there's always some explanation for why the figures are not really valid.

And of course the best example of that is Atlantic City where the unemployment rate is three times the national average. If it's that way let's admit it. Let's don't dance around it and a lot of those answers to me with no disrespect to anyone, feel like dancing to me. It feels to me like that there are a number of aspects, social aspects of the state of Nevada that don't compare favorably with the rest of the nation. And it's really hard to sweep it aside. And I don't think we should
as a Commission. I think we ought to look at the upside and the
down side and be honest about it. Not that anybody is being
dishonest but we sure have different perceptives.

MR. WILHELM: Real quick, Madame Chair. I agree with
that and I would like to publicly, Jim, thank you for your
extraordinary efforts to really understand this community and I
appreciate it very much. Thanks.

CHAIRPERSON JAMES: With that I want to thank this
panel and again thank you for your effort to be here today, for
your contribution to this process and ask you to please stay in
touch with this Commission as we begin our deliberative phase.

We're going to take a short 15 minute break and
convene for our final panel.