COMMISSIONER LOESCHER: Thank you very much.

CHAIRPERSON JAMES: Moving along, we are fortunate -- we were fortunate at our last meeting to hear from the original sponsors of the legislation which created this Commission. Let me emphasize yet again that they were invited because they were the sponsors of the legislation and it was important to hear from them. Today, we are joined by a member of Congress who has had many constituents with firsthand knowledge of the social and economic impact of legalized gambling. Senator Richard Bryan, a native of Southern Nevada, was re-elected to a second term in the United States Senate on November 8, 1994. He has also served as Governor of that state. For more than a decade, he has been an ardent advocate for the consumer. He has championed increased consumer protection, efforts to curb illegal immigration, and limit federal spending and has participated in numerous bills related to gambling. I know that this is, in fact, an important day in your state, Senator, with the surprise visit of Secretary Pena to discuss
what has been an important issue for you. And as a result of that, I appreciate the sacrifice that you've made to be here today. Senator Bryan, you are more than welcome at this point to address the Commission. Thank you for being here.

SENATOR BRYAN: Thank you very much, Chairman James and members of the Commission. I want to express my appreciation for the opportunity to join you today and share some comments.

I appear before you this morning not only as a member of the United States Senate representing the State of Nevada, but also as a life-long resident of Nevada, former attorney general and governor of my state. As such, I have witnessed first hand and played a role in the experiences that Nevada has had with the gaming industry. I strongly support the legal, regulated gaming industry we have today in Nevada. When properly regulated and in the right environment, casino gaming can be a positive force in a community. That is our experience in Nevada.

I am not, however, here as a cheerleader for the gaming industry or to advocate that gaming is
good for every community or for every person. Nor am I here to tell you that there are no problems associated with the gaming industry. Gaming works for us in Nevada, but that does not mean that gaming can work everywhere. Gaming is not the right fit for every community and should be permitted or not permitted based upon the views of local residents. In addition, unregulated or poorly regulated gaming of any sort is a problem. No community should allow gaming without first having a solid regulatory structure in place.

Before I get into the specifics, I would like to make some observations, if I may, about the first meeting of the Commission. My request to speak at that time was denied. You, the media, and the public heard from a former senator and a congressmen who both are avowed opponents of the gaming industry and would seem to prefer that gambling be legislated out of existence. I respect their right to that opinion. However, I do not believe it was in the best interest of this Commission to hear only one viewpoint and let anti-gaming rhetoric then set the tone for the
kick-off of this Commission's work.

As some of you know, I opposed the legislation creating this Commission. At the same time, I freely recognize that there are legitimate reasons to study aspects of gambling, since the nature of gaming and the technology involved has changed dramatically. This Commission can provide a service by objectively examining some of the areas of public policy.

But none of us here in this room this morning are naive. The drive for this Commission did not come out of a desire for legitimate study of the business of gaming. It came from a desire to portray gambling as evil in all of its many forms and in such a disreputable light that the gaming industry would either find itself banned outright or loaded with such restrictions and cost that it would have no ability to operate.

Consider the first and indeed the only hearing held in the House of Representatives on creating a Commission to study legal gambling. The House Judiciary Committee brought in a convicted mob
member to talk about the evils of illegal gambling and how he and others had conducted illegal gambling. The entire focus was on illegal gambling. The ironic thing was that the mob member himself said legal, regulated gambling was the force that drove out illegal gambling and all of its unsavory undertones. But that wasn't the story. The story was that gambling was horrible and run by the mob. Lost was the fact that the entire hearing focused on illegal gaming, which I know we all oppose. No effort was made to differentiate between illegal gaming, with all of its unsavory connotations, and legal, regulated gaming.

The Commission has a difficult job ahead, and I commend each of you for your willingness to serve and to give the tremendous amount of time that this task will take from each of you. I urge you to avoid the temptation to philosophize on the morality of gaming, as some have urged you to do, or to issue challenges to other organizations to enter into a morality crusade. That is not the proper focus of a taxpayer-funded study commission.
Those who oppose gaming on moral grounds are entitled to advocate that view. Unfortunately, too often these opponents of gaming have chosen to pursue their moral agenda through undocumented, anecdotal, sensationalized rhetoric as opposed to facts. Congress has called on this Commission to produce a fair and factual study which will help public officials and those involved in gaming deal with some of the legitimate policy questions they may face in the coming years.

Your mandate is to look at all forms of gaming. This includes state regulated casino gaming, gambling on Indian reservations, Internet gambling, church-sponsored and charitable gambling, and state-run lotteries. I find it ironic that some of those who oppose casino gambling turn their backs when it is church-sponsored or conducted by state governments and state lotteries.

I hope this morning to give you a more accurate portrait of Nevada and the gaming industry in my state. The gaming industry in Nevada today is far different from the business that was introduced in the
Nevada dessert more than 6 decades ago. If you want that industry and that Nevada, you will have to go to the movies.

The Nevada casino industry today is a multi-faceted entertainment industry with its gaming component regulated closely by the state. More than 25 percent of Nevada's residents work in the gaming, hotel, and recreation industry. Nevada's average wage in the hotel, gaming, and recreation industry in 1995 was $23,134.00, 35 percent higher than the industry's national average. In 1996, the casino industry in Nevada paid $566 million in taxes and gaming fees to the State of Nevada. The gaming industry accounts for 40 percent of the total general revenue for the operation of the state. The industry also pays federal and corporate taxes, just as all other businesses do.

As an aside, largely because of gaming fees and taxes, we in Nevada do not have any state, individual, or corporate income tax, which is a plus for our work force and for Nevada families.

Unemployment in Nevada was 4.5 percent in June of this
year --

CHAIRPERSON JAMES: Senator, may I interrupt?

SENATOR BRYAN: You certainly may.

CHAIRPERSON JAMES: It is very important to hear what you have to say and I don't like the distractions. Could we just take a minute and let him find the problem with the microphone so that we can hear you?

SENATOR BRYAN: I am pleased to do so, Madam Chairman?

CHAIRPERSON JAMES: Did you find it?

SENATOR BRYAN: Is there any significance that Governor McCarthy's microphone has been disconnected?

CHAIRPERSON JAMES: This is the first time there has ever been a problem with microphones in the Watergate. What can I say, Senator?

SENATOR BRYAN: And hopefully the last.

If I may continue?

CHAIRPERSON JAMES: I apologize for the interruption. Please continue.
SENATOR BRYAN: We understand that. As I was observing, unemployment in Nevada was 4.5 percent in June of this year, a full half point lower than the national average of 5 percent. More than 4,000 people move into Las Vegas and Clark County each month. And for the last decade, Nevada has led the nation in population growth. In addition, Las Vegas hosts 30 million tourists annually. Thousands of America's most prominent businesses, non-profit groups, and trade associations head to Las Vegas for their conventions -- The National League of Cities, the recently held National Governors' Association, the Disabled American Veterans, Ford Motor Company, Mobile Oil, the Jewish War Veterans, Habitat for Humanity, the YMCA of the USA, the National 4-H Council, the International Union of Police Associations, and the Southern Baptist Convention. Obviously, a lot of people think Nevada and Las Vegas are pretty good places to live, to work, or do business.

Let me also make an observation on the allegations that you have heard that crime and casino gaming go hand in hand. We need to be realistic about
this. The tourist promotion folks would not like me
to say this, but the fact is that high tourist areas
generally have a higher crime rate regardless of the
presence of casino gaming. It is an unfortunate
aspect of the many positive aspects of tourism. Using
the FBI crime index figures for metropolitan areas,
Las Vegas has a lower crime rate than Fort Lauderdale,
Florida, Myrtle Beach, South Carolina, Honolulu,
Hawaii, and almost half the rate of Miami, Florida.
Each of those communities are high volume tourist
areas. None of them have casino gaming. In fact, Las
Vegas's crime rate is only slightly higher than
Orlando, Florida, the home of Disney World. It would
be just as simplistic and inaccurate to say that if
those localities added casino gaming, maybe their
crime rate would go down to the Las Vegas level.

The casino gaming industry work force is
a significant and very positive part of Nevada's
economy. Nationwide, the gaming industry creates more
than 1 million jobs, direct and indirect, with casino
gaming providing more than 700,000 of those jobs and
wages of more than $21 billion. This Commission
should look at data which will offer a factual basis
to judge the economic impact of the gaming industry.

For us in Nevada, gaming has been a great
success story. Overall, you are going to find that
the casino segment of the gaming industry,
particularly that portion involved in large scale
resort operations and tourist destinations, is a good
employer, a high job potential employer, an employer
who pays good wages and offers better than average
benefits and a good neighbor in the community. This
is the case in Nevada. The casino industry in Nevada
provides good jobs and good benefits for Nevada's
families. Two casino gaming companies were among
companies honored recently at the White House for
outstanding achievements in getting people off Welfare
and into the work force. Most of Nevada's major
casino companies run Welfare to Work Fare programs.

One program cited by the White House had
12 percent of their work force from the Welfare rolls,
and 19 percent had been collecting unemployment prior
to getting a job in the gaming industry. I share this
with you because these facts aren't included in the
portrait that has been painted of the casino industry by those who are on an anti-gambling crusade.

The gaming industry in Nevada today is dominated by large, well-respected hotel/casino corporations which are publicly traded on major stock exchanges and regulated by the Securities and Exchange Commission. All Nevada casinos are required to file numerous reports with the U.S. Treasury Department as do all banks and other financial institutions. There is no more crucial state responsibility than to have good, honest, thorough regulation. Gaming is a cash business. Any business based on cash, whether it is a bank or other financial services industry or the gaming industry should be well-regulated.

We didn't start that way in Nevada. We made mistakes along the way. But today, Nevada has an exemplary system of regulation. I was Attorney General when we closed the Aladdin and governor when we removed the entire ownership and management of the Stardust, two major strip hotel operations in our state. I have seen the industry at its worst and at its best.
The gaming industry started slowly in Nevada, but reached a period of rapid growth in the 1940's. By the mid 1950's, there was a recognition that if this industry were to be allowed to continue, the state had to play a stronger regulatory role. Over the next 20 years, the regulatory structure was completely revamped. Today, Nevada has a two-tier system, with a gaming commission as a quasi-judicial 5-member commission granting and denying applications for gaming licenses and imposing disciplinary measures, and the gaming control board with 3 full-time members to handle all administrative and regulatory functions as well as making licensing and disciplinary recommendations to the full commission. Bill Bible on your Commission is the chairman of the control board and is a respected and tough regulator. He will be your best source as an effective regulatory issues.

Included in the 1971 law revising the regulatory structure was this statement, "The continued growth and success of gaming is dependent upon public confidence and trust that gaming licensing
is conducted honestly and competitively. That the
rights of creditors and licensees are protected and
that gaming is free from criminal and corruptive
elements. Public confidence and trust can only be
maintained by strict regulation of all persons,
locations, practices, associations, and activities
related to the operation of licensed gaming
establishment and the manufacture and distribution of
gambling devices and equipment."

Every aspect of the casino operation in
Nevada is closely regulated. Every operator and/or
owner, key employee, and those seeking to buy into a
gaming establishment must be licensed. All gaming
employees must continually maintain an approved work
permit. The average license investigation for a major
size casino takes more than 9 months and costs between
$400,000.00 to $700,000.00, all paid by the applicant.
The application process includes extensive background
checks and all those even marginally affiliated with
a new facility.

An important element of the Nevada license
process is that the burden of proof is on the
applicant. The state does not have to prove that the applicant is not acceptable. Instead, the applicant has to prove that he or she is worthy of a license from the state.

The gaming control board has a budget of $20.7 million for 1997, and employs more than 400. Their gaming agents have the powers of law enforcement officers. Post-license investigations are constant to detect any such problem as hidden ownership interest or organized crime involvement. The enforcement division of the control board works on a 24-hour, 7-day week inspecting facilities and equipment, conducting undercover operations and monitoring work permits of employees.

The control board tests and must approve all electronic and mechanical gaming devices. Violation of Nevada gaming laws can result in fines, temporary revocation of a license, or a permanent ban from any participation or work in the gaming industry.

Today, Nevada's system of regulation is a model which this Commission should very carefully consider.

There are growing concerns in Congress
about the lack of regulation of tribal-run gaming and
the failure by some tribes to abide by laws governing
Indian gaming. I want to make it clear at the outset
that I do not oppose Indian gaming. To the extent
that a state, as a matter of its public policy,
permits any form of gaming within that state, tribal
members within that state are entitled to the same
opportunities.

Indian gaming is not a competitive threat
to Nevada's industry. Nevada's gaming industry is
threatened, however, by unregulated gaming anywhere.
In Nevada, compacts have been signed with five Indian
tribes. All five compacts provide that the Nevada
gaming control board will regulate tribal-run gaming
with the regulatory costs paid by the tribes.

A far different situation exists, however,
with Indian gaming as a whole throughout this country.
The National Indian Gaming Commission, an agency of
the federal government, is responsible for regulating
Indian gaming. The NIGC is responsible for monitoring
186 tribes in 28 states with 279 gaming operations on
a budget this year of just $4.4 million and with 33
employees -- only 6 field investigators. They freely admit that they do not have the staff to even look at the annual audit reports filed by the gaming operations. This is the regulation of the Indian gaming industry that in 1996, according to the NIGC, generated $6 billion. The law creating the National Indian Gaming Commission caps at $1.5 million the fees which can be collected from Indian gaming operations for regulation, thus making effective regulation impossible. Senators Nighthorse, Campbell, and Inouye have pending legislation to increase the cap to $15 million, which is just one quarter of one percent of Indian gaming collections. Now bear in mind that Indian casinos also pay no corporate taxes on gaming revenue and are generally not subject to the federal and state laws governing similar businesses.

Illegal Indian gaming is being conducted in Florida, California, and other states where there are no signed compacts with the state as required by federal law. The U.S. Justice Department has done little or nothing to stop it. In one California case, a U.S. attorney, in clear violation of the law, told
the tribe if they would not bring in any more illegal
machines, they could keep operating the illegal
machines they already had. Florida residents have
repeatedly voted not to allow casino gaming in their
state, yet tribes operate illegal casinos and state
officials are powerless to do anything about it.

I urge you to read the recent GAO report
on Indian gaming. Some of the Indian tribes are
running excellent operations which greatly benefit
tribal members. However, there must be effective
regulation on all aspects of the industry.

Let me address an issue which the Chair
raised this morning, the subject of Internet gambling.
I hope Congress will pass legislation this year to ban
Internet gambling. It is clear that we are on the
verge of a tremendous surge in this new type of
gaming. It is equally clear there is no effective way
of regulating Internet gaming. Most Internet casinos
are located offshore, beyond the reach of U.S.
regulatory or law enforcement officials. There is no
way to insure that the games are fair, to do
background checks on the operators, or to control who
is playing. Gaming over the Internet provides unprecedented and irresponsible access to gambling by children, something I think that we can all agree is a very bad idea. I am co-sponsoring legislation introduced by Senator Kyl to impose a ban on Internet gaming. If we hope to eliminate the threat of Internet gaming, Congress needs to do it now.

Let me again stress the importance of proper regulation on all aspects of the gaming industry. First, it is good public policy. Second, scandal in any aspect of the gaming industry will affect Nevada's casino gaming industry and could possibly have ramifications for Nevada's tourist-based economy.

In conclusion, my suggestions to the Commission for how you can best help policy makers and the public make decisions on gaming related issues are as follows. Present a fair, accurate analysis of each form of gaming -- state regulated casino gaming, gambling on Indian reservations, Internet gambling, church-sponsored and charitable gambling, and state-run lotteries. I urge you to factor into this the
uniqueness of the casino hotel entertainment industry
as it has developed in Nevada. Thoroughly analyze the
problems of Internet gaming. I believe your analysis
will show that only a national ban can prevent this
from becoming a major problem. Study all aspects of
Indian gaming, including the lack of regulation and
other measures needed to make Indian gaming comparably
regulated as non-Indian gaming. Provide states with
the information they need to adopt proper regulatory
structures. This structure needs to be comprehensive
from the first day of licensing continuing through
each day of operation and covering all owners and
employees and anyone doing business with the
operation. The regulatory system must be adequately
funded and staffed with costs borne primarily by the
industry. In addition, licensee applicants should be
required to prove affirmatively their suitability for
a state license. Do not place the burden on the
state. State governments, not some unwieldy and
remote federal bureaucracy are the best primary
regulators. Provide policy makers with independent
factual information to judge the pros and the cons of
the expansion of gaming. Give the industry constructive suggestions on how to best identify and help the compulsive gambler. Even though they are a very small percentage of those who participate in gaming, problem gamblers need professional care from those who deal with the problems of compulsive behavior.

Madam Chair, I would like to thank you again for the opportunity of affording me this presentation this morning, and I wish you and each member of the Commission good work in your deliberations in the years ahead. Thank you.

CHAIRPERSON JAMES: Senator, thank you for being here this morning. We hope that this is the beginning of an ongoing relationship over the next two years. We look forward to working with you as we address these very important issues. Any comments or questions for the Senator before we move on?

COMMISSIONER LOESCHER: Yes, Madam Chairman. Thank you very much, Senator. Thank you very much for your presentation. Just two points I
was wondering about. The term, lack of regulation of tribal-run gaming and then your discussion about the underfunding of it. I wonder if the underfunding is more of your point rather than the lack of regulation. Because I am knowledgeable that there is extensive regulation in place and more work going to monitor and create regulation systems.

SENATOR BRYAN: My point, Mr. Loescher, is based upon my experience in Nevada and the size of our own regulatory system, which I testified to, that I believe that it is impossible to effectively and comprehensively regulate Indian gaming with the limited staff that they have. Six field investigators simply isn't adequate, and I believe that Senators Nighthorse, Campbell, and Inouye have recognized that by introducing legislation that would lift the cap that I address and provide for more funding so that there could be more adequate regulation.

It is my sense, and the experience that we have had, that if you do not regulate gaming, you invite problems and ineffective regulation is an invitation for unsavory elements in our society to try
to penetrate. That is true whether it is Indian
gaming or non-Indian gaming, and the only effective
antidote to that is an effective, well-funded, and
adequately staffed regulatory system.

COMMISSIONER LOESCHER: Madam Chairman,
one more question or comment on your part if I could
secure it is I notice you speak about the Nevada
gaming regulation system and then you talk about
Indian gaming. Do you have any views about the
regulation systems of state governments who are
involved in lotteries and other similar kinds of
things?

SENATOR BRYAN: I do not consider myself
sufficiently expert to venture an opinion on that. I
really do not know. In Nevada, we have no state-
sponsored lottery, so I have had no personal
experience. My comments would be more of an opinion
without really an adequate foundation to guide you.
Thank you, Madam Chairman.

CHAIRPERSON JAMES: Thank you. Any other
comments or questions? Again, Senator, thank you very
much.
SENATOR BRYAN: Thank you very much, and again, my best wishes to you and to the members of this Commission.

CHAIRPERSON JAMES: Our next speaker is someone that I have known for quite a while. Frank Fahrenkopf is President and CEO of the American Gaming Association, a national association created to address regulatory, political, and educational issues affecting the gaming entertainment industry. Many of you will remember Frank either as a leader or as an opponent. I remember him as a leader from his years as national chairman of the Republican Party under President Reagan. He is a native of Nevada and has served as a gaming attorney there and in national and industry organizations. Welcome.

MR. FAHRENKOPF: Thank you, Madam Chair and members of the Commission. Again, I also want to thank you for the opportunity to spend some time with you this morning to discuss the important work that lies ahead of you.

In many ways, I personally firsthand know what lies ahead of you in the next 22 months. I have
just completed my first two years as the President and CEO of the American Gaming Association and during that two years, I have learned a tremendous amount about this industry and its social and economic impacts.

The gambling industry in this country has grown dramatically over the last few decades. There are now state-run lotteries in 37 states and the District of Columbia, some form of pari-mutuel betting in 41 states, commercial casinos in 10 states, Native American Class III casinos in 22 states, and charitable gambling in 42 states. The entire industry, as Senator Bryan indicated, employs directly and indirectly over one million Americans. In 1996, the entire industry had gross income of $47.7 billion.

The AGA represents only the commercial hotel casino entertainment industry, which consists primarily of publicly held companies listed on the New York, American, and NASDAQ exchanges and which are closely regulated not only by state and local government, but again as Senator Bryan indicated, by the Securities and Exchange Commission.

Our segment of the industry employs more
than 700,000 people who earned over $21 billion in 1995. Our casino employees earn an average annual salary of $26,000.00 with full benefits. Our gaming companies paid 12.9 billion in federal, state, and local taxes in 1995 with over 80 percent of that number allocated to state and local taxes. From 1993 through 1995, we spent almost $13 billion on construction and purchases of property, furniture, equipment, including improvements and refurbishments. All told, the casino gaming industry contributed $22 billion to $25 billion in total revenues to the economy in 1995. And certainly when we get the final numbers for 1996, it will far exceed that. So I think as you can see, this industry has a significant impact across the entire economic spectrum of our nation.

During my two years, I have also had the opportunity, as you will, to hear the critics of the gaming industry firsthand. Their view of gaming bears no resemblance to the industry that I and a million men and women who work in the industry know it to be. The drumbeat of distortions, half-truths, and full lies as I call them became a part of my daily life
over the last two years, and I think it will now
become a part of yours.

Gaming critics count on the raw emotions
that tragic anecdotal stories evoke to cover for the
weakness of their factual case. My appeal to this
Commission is very simple. The livelihood of more
than a million hardworking men and women and their
families can be affected not only by your final report
but by how these hearings are conducted. We ask only
for a fair and balanced procedure where facts are
prized and hyperbole is discouraged.

Anti-gaming advocates will appear before
this Commission and will make three fundamental
arguments. First, that gaming is immoral. Second,
that it is a predator industry in an economic sense.
And third, that the social costs of gaming exceed any
economic benefit.

As for the morality argument, we live in
a wonderful country where divergence of opinion is not
only tolerated but is encouraged. There are some who
find gaming immoral. So be it. Nothing I or we can
say or do will change their minds. And while we
respect their right to maintain their opinion as to morality, the fact is that their views are just not shared by the vast majority of Americans. According to a recent study, 176 million visits to casinos occurred in 1996. That figure, of course, does not include those millions wagering with state lotteries or with the pari-mutuel industry. It does not count the thousands of office and workplace betting pools, private wagers, those who regularly gamble on the stock market, and we have had an interesting three or four days in that arena, or those who bet on the first tee of golf courses across the country every Saturday morning.

I have also learned over the last two years that there are numerous myths and stereotypes about the industry in the public domain. Many of these myths and stereotypes are perpetuated by those who are opposed to gambling and whose ultimate goal is to outlaw all forms of gambling anywhere in this country. In many cases, opponents have attempted to manufacture facts to support their views. Now while I clearly respect the right of every American to
express their moral views, I think Senator Pat Moynihan of New York said it best, and I quote him, "Everyone is entitled to their own opinion, but not to their own set of facts."

So to prepare a complete and accurate report, as this statute requires you to to the President, Congress, and the nations Governors, it is critical, I believe, that you weigh all of the evidence presented to you over the next two years and weigh it carefully. You must attempt to distinguish between myth and fact.

As I said, some critics will claim that gaming is a predatory industry and that the social costs of gaming far exceed the economic benefits it produces. They will allege such things as gaming increases street crime, that it is responsible for an increase in U.S. bankruptcies, and that gaming causes an increase in government payments for Welfare programs. Most of these allegations, as you will find if you probe, are based on so-called economic models that just, in my view, cannot withstand critical analysis. We believe the vast majority of the alleged
economic and social cost deficiencies of the industry are, in fact, not supported by the facts.

These economic models or theories can now be evaluated through the prism of experience. Because of the experience of the last four or five years in a number of states who are new venues, the social and economic impacts of gaming on state and local communities can now be examined not by theory but by the actual results reflected in independently derived statistical data of state and local governments across the country.

For example, with regard to the predatory allegations, opponents ascribe to something called the substitution theory. What they claim is that we feed off other goods and services. A dollar that is spent in a casino is a dollar that is not spent in the shoe store or is not spent in a restaurant. According to this theory or argument, gaming simply takes from other established businesses without creating itself any true growth in the economy.

Two recent studies conducted for the AGA by Arthur Anderson on the economic impact of gaming in
the United States concluded that the substitution theory is just invalid. The Anderson macroeconomic study -- and by the way, Madam Chairman, I am making copies of all of this available through your staff to members of the Commission. The macrostudy establishes that this argument works only if an economy is static and real personal incomes do not grow over time. In fact, the size of the U.S. economy has not been fixed. Rather, it has expanded over time as new jobs have been created. Per capita disposable income has also increased leading to substantial increases in personal consumption expenditures.

Look at the charts in the report very carefully, because they show that spending on recreational activities increased from 5 percent in 1970 to 9 percent in 1993, and of this 80 percent increase in recreational spending, a very small proportion, less than 5 percent, is due to incremental spending on casino gaming. Therefore, since other recreational industries are growing as well, gaming is not just replacing other industries. And if the substitution theory economic model were correct, we
would not see increases in retail sales and business
growth. Because according to the argument, it is the
same dollar that is now being spent at the casino that
is being taken away from other businesses.

Now Arthur Anderson's microstudy, which
examined in detail three new gaming jurisdictions --
Biloxi/Gulfport, Mississippi, Shreveport/Bossier City,
Louisiana, and Joliet, Illinois -- found that there
had been significant positive economic impacts as a
direct result of gaming. The introductions of casinos
has led to growth in employment, retail sales,
commercial and new housing construction and
restaurants, and a decline in public assistance
programs and unemployment rates.

As I discuss these important economic
indicators, I will show you a series of charts to
demonstrate the positive economic impact that gambling
has had on these three communities which were examined
in the microstudies. For example, prior to the
arrival of gaming in Biloxi/Gulfport, Mississippi, the
average annual increase in retail sales stood at 3
percent. After gaming arrived in 1992, that growth
jumped to 12 percent. The $2.2 billion in retail sales during 1996 was an all-time high for the area. Similarly, in 1994, the year casinos opened in Shreveport and Bossier City, Louisiana, they experienced the highest retail sales growth in 11 years. In fact, the percentage of retail sales growth was higher in both cities during 1994 and 1995 than the percentage growth of retail sales on the national level. In 1996, retail sales growth of 5 percent continued the upward trend. And according to the Bossier City parish sales and use tax division, taxable restaurant sales increased 5 percent in 1994 and another 7 percent in 1995 -- increases, by the way, that do not include sales at casino restaurants. 11 new restaurants opened in Bossier City in 1995. In Joliet, retail sales were $3.2 billion in 1995, up from $2.4 billion in 1992, the year casinos opened. A separate study of gaming in Tunica, Mississippi, which you will find in your packets, found that since casinos opened in 1992, retail sales have increased by 600 percent. In all three areas studied by Arthur Anderson, similar growth was seen in
commercial and residential construction, auto sales, hotel and motel revenues, including revenues from non-casino hotel rooms.

A recent report that just came out conducted by two professors at the University of New Orleans further debunks the predator theory. Their research of how local restaurants fared in five different gaming jurisdictions in the United States found, and I quote, "When casinos are developed, all aspects of the local food and beverage business increased. The number of establishments increases, the number of people employed increases, and payroll increases at even a greater rate than the first two. This growth occurs in both rural and urban communities alike."

The facts just tell the story, I think, ladies and gentlemen. The predator theory just doesn't have validity when faced with facts.

Now you will also hear arguments from opponents that social costs wrought by gaming exceed the benefits. Their argument is fundamentally that people go into casinos, lose their money, lose their
jobs, end up on Welfare or commit crimes, and the
government has to pay the price. That reasoning is also
unsound and is not supported by the facts. One of the
ways we have always judged growth and progress in this
country is by examining the numbers of those who must
resort to public assistance. The lower these numbers,
the better a community and its residents are faring.
Arthur Anderson's microstudy also examined the public
assistance framework in areas where gaming has been
introduced in the last several years, enabling a solid
rebuttal to the anti-gaming argument. The study found
that in Shreveport/Bossier City, AFDC benefit payments
decreased 14 percent in 1995, a year after the
introduction of gaming, and fell another 15 percent in
1996. In 1994, the average number of food stamp
recipients was 56,000. By 1995, that number had
fallen by 15 percent.
In the Biloxi/Gulfport area, the average
number of AFDC recipients has dropped steadily every
year since casinos opened in 1992, as have the benefit
payments. And the number of people using food stamps
has declined from 25,000 averaging $22,000.00 in
benefits during 1992 to 21,000, using an average of $19,000.00 in benefits in 1996.

In Joliet, Illinois, after a steady increase every year for the first five years of the decade, the number of AFDC recipients has dropped by more than 14 percent since 1994, and the entire county of Will County has seen the same reduction with regard to food stamps.

In a separate study of Tunica County in Mississippi, results showed that since casinos opened in 1992, AFDC payments have dropped by 55 percent. Food stamp distribution has declined by almost 80 percent. And child support payments have doubled because people now have jobs and husbands are making child support payments.

According to a recent University of Maryland report, social costs on the Gulf Coast area of Mississippi as well as in St. Louis, Missouri have seen little change due to the advent of gaming. Interviews with social service agencies indicated modest increases in their demand for services. In fact, the principle agency providing mental health
services on the Gulf Coast reported that no more than 1 percent of its caseload involved gambling problems. Nor did the officials believe many cases had even an indirect relationship to gaming activities. In St. Louis, Missouri, the local family services agencies did not experience an increase in caseloads as they expected and expressed their surprise at how little indication they had of any effect from casinos. And as the Senator noted, this is a very good place to note that we in the gaming industry offer greater opportunities than do most other businesses in this country. As this chart reflects, a very high percentage of jobs in gaming are held by minorities and women. In Bossier City, minorities constitute 56 percent of the work force at the casinos and women comprise more than half the work force. In Biloxi, 35 percent of the casino employees are minorities and 60 percent are women, which is considerably higher than the average for the area. In Joliet, minorities constitute 21 percent of the casino work force and 58 percent are women. In fact, as Senator Bryan indicated, our industry was
recognized at the White House by the President when he kicked off his new bipartisan Welfare to Work initiative, and the President also singled out the industry's achievements at last month's annual and national Governor's Association meeting in Las Vegas.

Now opponents recently have pointed to increased bankruptcies in the United States and incorrectly blamed them on the gaming industry. We sort of take the heat for anything that is going wrong in society. There is no proven correlation between bankruptcies and casinos, although this claim has been widely propagated by anti-gaming advocates and some of the media. A recent USA Today series that offered a detailed analysis of the increase in bankruptcies in the United States listed the two most common reasons for bankruptcies -- credit card liabilities, which account for 63 percent of bankruptcies, and job loss pay cuts which account for 50 percent. Only 2 percent of bankruptcy filers cited gambling debts as a major reason for their bankruptcy. Most experts across the board agree that soaring bankruptcy rates are caused by the ease in receiving consumer credit today and by
relaxed bankruptcy laws. From 1994 to 1996, U.S. bankruptcy filing rates increased by 41 percent. The 8 states having the highest percentage of increases were Hawaii, Arkansas, Maine, Vermont, North Carolina, West Virginia, Pennsylvania, and New Mexico. Out of these states, one of them, Hawaii, has no legalized gaming whatsoever, and four of the remaining seven have no casino gaming in the state.

On the issue of crime, although gaming opponents try to tell you differently, there is nothing -- nothing inherent in the nature of casino gaming or in the collective character and behavior of millions of Americans who enjoy this form of recreation that causes crime. When crime does go up in new gaming jurisdictions, as the Senator noted, the explanation is more often than not that any city that hosts thousands of new tourists daily is likely to experience in petty and street crime. Just look at Orlando, Florida after the opening of Disney World for a graphic example. In the majority, however, of new gaming jurisdictions, crime has decreased over time and dropped well below the rate it was prior to
gaming's arrival. One has to look no further than East
St. Louis, where the crime rate dropped an incredible
49.6 percent after gaming was introduced, or Joliet,
where crime dropped 18.2 percent, or Alton, Illinois,
where crime decreased by 2.6 percent, or Dubuque,
Iowa, where crime went down 2.5 percent with the
advent of gaming. In Mississippi, statistics show
that between 1990 and 1994, crime rates were largely
static in areas where there is gambling, while crime
rates in other parts of the state climbed.

An important issue, the issue of problem
and underage gambling. It is a subject that is
difficult to quantify, but one that gaming opponents
continually point to, however using flawed statistics.
In fact, the most respected researchers in the field
today acknowledge that there is no single reliable
test for determining what percentage of the public has
a gambling problem and that improved methods for
prevention, education, and treatment are badly needed.
Ladies and gentlemen, that is why the Congress and the
President, in their wisdom, statutorily required this
Commission to have the issue of problem and underage
gambling researched and studied by the National Research Council of the National Academy of Sciences, where trained physicians, psychiatrists, counselors, and other experts can, with appropriate peer review, professionally examine this disorder and report back to this Commission. And while the industry believes the number of problem gamblers in the country to be small, we believe that one problem gambler is one too many. And because of this concern, the industry has stepped up its efforts to help address the issues of problem and underage gambling, identify the extent of the problem, and then help find solutions that include not only treatment, but education and prevention.

In 1996, the National Center For Responsible Gaming was formed to fund outside independent research by leading universities and research centers on problem and underage gambling. Housed on the campus of the University of Missouri, Kansas City, it is the first ever nationwide funding source devoted solely to the study of problem and underage gambling. The center will support the finest peer-review basic and applied research on problem
gambling, encourage the application of new research findings to improve prevention, education, and treatment strategies, and enhance public awareness of problem and underage gambling. Funding for the center is provided by casino companies and overall support currently totals $4.485 million over the next 10 years with more than $800,000.00 in funding pledged and available for each of the next three.

Madam Chair, in conclusion, the challenge that lays before you is to find these things out for yourself. Do not rely on anecdotal evidence, which I am sure will be presented to you by gaming opponents starting tomorrow afternoon, as heart-rendering and as tragic as some of it may be. You must go to the towns where gambling exists and talk to the people who work and live in casino communities, particularly casino employees, local law enforcement officials and the mayors. You should also get the perspective of some -- and let's not forget them -- the millions of typical responsible adults across the country who enjoy casino gaming as a form of entertainment and recreation and whose occasional playing of slot
machines or blackjack brings no ill-effect on
themselves or others.

Gaming just may not be right for every
community. I agree with that. It is not a magic
economic silver bullet. However, if it is made part
of a carefully crafted economic development plan,
gaming can provide jobs, can provide economic
opportunity and infrastructure development, and help
revitalize communities and allow them to prosper.

As I wrote to you in a letter, Madam
Chair, during the Cold War, our old boss Ronald Reagan
often said with reference to dealings with the Soviet
Union, trust but verify. That is exactly what I think
this Commission must do. Don't take my word for it or
our word for it and don't take gaming opponents' word
for it. Verify the facts for yourself so that you can
objectively report to the American people what they so
rightly deserve to know. Thank you very much. It has
been a pleasure having an opportunity to discuss this
with you.

CHAIRPERSON JAMES: Thank you, Frank. Are
there any questions or comments, Commissioners?
Frank, again, thank you for being here this morning. We look forward to the next two years and our continued working together as we tackle and resolve these most difficult issues.

MR. FAHRENKOPF: Thank you, Madam Chair.

We are available to assist in any way.

CHAIRPERSON JAMES: Thank you. The Commission will now hear from Rick Hill, who is the chairman of the National Indian Gaming Association. This Association, representing more than 150 Indian tribes, has been involved in the gambling legislation since it was initially discussed in Congress. We certainly appreciate your interest and welcome you here today, Mr. Hill, and look forward to your comments.

MR. HILL: Thank you, Madam Chair. I want to thank the Commission and the Chair for inviting NIGA here this morning. There are always a lot of comments about Indian gaming, some true and some untrue. Hopefully, with the help of NIGA and the 557 federally-recognized tribes, we are here to share our knowledge and our information about the truth about
Indian gaming. We stand available to provide
information to the Committee.

We have a testimony prepared for you and
I have a few short pages here to summarize that
particular testimony for the Commission this morning.
As mentioned, my name is Rick Hill, and I am the
chairman of the National Indian Gaming Association.
NIGA is a non-profit organization established by
gaming tribes in 1985. Membership is composed of 158
sovereign Indian nations and 94 non-voting associate
corporate members. NIGA was formed by tribes to
protect their sovereign governmental rights to support
their gaming economic interests in Congress and
elsewhere.

Indian nations are sovereign. We hope
this Commission will respect tribal leadership and
hear from elected tribal leaders who are
representative of the federally recognized Indian
nations. An estimated 450,000 direct and indirect
jobs are provided by Indian gaming, and these were
jobs that were not available 10 years ago.

We are here today to comment in regard to
Indian nation issues. Indian nations have never opposed this Commission. Indian nations feel a great deal of ownership over the establishment of this Commission. Eight of our recommendations were incorporated into the final version of the legislation. A couple of those are that we invited the Commission to examine tribal regulatory systems. We hear a lot about how tribes are not regulated. So we encourage that through the legislative process that that would be included. The economic impact on the tribe and the surrounding communities, and also that there would be a Native American that would serve on this particular Commission to help people understand and help protect our interests as this Commission moves forward. So we have been an active participant in the development of this legislation, and we are thankful for that.

The initial and primary concern of the Indian nations is the study to be conducted fairly, equitably, and unbiased with the appropriate emphasis on all areas. Certain individuals will attempt to sway this Commission toward only Indian and Internet
gaming. The Commission areas of the study are enumerated in the legislation. They go beyond just Indian and Internet gaming. Indian gaming was not what led Congress to pass this legislation.

As the Commission develops its plan of action, we hope they will keep certain things in mind. First, Indian governmental gaming is unique and different from any other form of gaming. Indian nations exercise rights of sovereignty which predate the creation of the United States and are acknowledged in the U.S. Constitution and are recognized in the United States Supreme Court cases including Cabazon and Seminole. Any study of Indian nation matters without considering this jurisdictional framework would be -- would not be accurate.

Second, Indian gaming is a governmental option. Most Indian nations do not offer gaming. Approximately two-thirds do not. There are 557 federally recognized tribes and through their legislative processes 190 have decided to do gaming in 28 states.

Third, Indian nations gaming is to
increase governmental revenue. Indian nations are located in remote areas with little or no other means to raise governmental revenue.

In regard to the Commission's plan of action, there are three primary areas which specifically relate to Indian governmental gaming. The first involves a review of existing tribal government policies and practices and ordinances. It is our hope that the Commission takes time to assess tribal laws, regulations, and tribal gaming commissions.

The second involves the impact of gambling on depressed economic areas. Unemployment in Indian country is 50 percent, more appropriate to Third World countries, and it seems to us that it is unconscionable that this occurs in the United States. It is our hope that the Commission will examine how tribal economies have benefitted from Indian gaming.

I would like to say that because of the revenues, there are new schools on our reservations. There are hospitals and there are daycares and there are roads and sewers, there are new established police
departments. On the whole, things that didn't exist before these revenues came to our governments for governmental uses and purposes as are outlined in IGRA.

The third, to the extent which gaming provides revenues to tribal governments, it includes possible alternative revenue sources. One grossly untrue impression is that tribes are earning a large amount of revenue. A vast majority of tribes only realize a small amount. It is our hope that the Commission will examine tribal governmental revenue increases and tribal revenue uses and some of the things that I mentioned. There is a myth out there because Indians now do gaming that all Indians are rich. That is really far from the truth. There are really some pretty desperate situations out there. I would like the Commission to look at that.

In regard to visiting Indian nations and their gaming facilities, the Commission should visit as many as possible. We hear that the Commission will only visit the Mashentucket Pequot Foxwood facility. While the Commission has much to learn there, that
casino is not representative of all Indian gaming. I just might add that I think the Commission would be remiss if they didn't visit the full range of our tribal communities and their casinos. There are some very small operations in Pine Ridge, South Dakota, where if they create a few jobs and a few dollars -- I mean, a million dollars in net would be a large amount of money for those folks in the Dakotas and our medium size casinos in the Midwest somewhere and the infrastructures providing for tribal governments. And certainly the Pequot has done an exemplary job in their facility. But I think for the Commission to get a full feel of what Indian gaming is about, you really need to venture into Indian communities and hold hearings on those areas.

I would also add that I think it would be important - the Indian Gaming Regulatory Act was passed in 1988, and there are several jurisdictions where tribal governments haven't been able to realize compacts. I think that would be important to really be comprehensive in terms of your looking at Indian gaming to include those areas where they haven't been
able to achieve these compacts and the economic
benefits thereof.

NIGA elected tribal leaders and attorneys
with Indian gaming expertise, tribal gaming employees,
and tribal gaming regulators put together a document
to assist the Commission and it is submitted for the
Commission's consideration. We urge you to seriously
examine these recommendations, and I think you will --
I hope you will find them useful and give some
guidance to the Commission.

Finally, we wish to express our sincere
disappointment concerning comments made before this
Commission that Indian nation governmental gaming is
unregulated. This was at the first meeting. First,
this is supposed to be an unbiased study. We have
serious concerns that this Commission can conduct a
fair study before any information is even reached or
collected. Uninformed and discriminatory claims are
being made. Second, Indian gaming is the most
regulated gaming in the U.S. Indian gaming is subject
to laws and regulations of federal, tribal, and state.
Involved in regulation and enforcement of Indian
gaming are the Federal Government, the Department of the Interior, the Bureau of Indian Affairs, the National Indian Gaming Commission, the Department of Justice, attorneys and the FBI, the Department of the Treasury, the IRS, and FINCEN. All tribal levels, all segments of tribal government, tribal councils, tribal gaming commissions, and tribal law enforcement are involved in regulation. Through tribal/state compacts, states are heavily involved in regulation. Recent information suggests that $250 million annually is spent on regulation of Indian gaming.

Most tribal gaming commissions have only one or two facilities to oversee and regulate as opposed to state commissions which oversee and regulate hundreds of facilities. To suggest Indian gaming is unregulated is untrue and an attempt to unfairly sway the Commission from its fair and unprejudicial task.

I just need to comment before I close on statements that the Senator made this morning regarding the illegal activities. A lot of these things -- I mean, all of these things are in court.
So I think it is a rush to judgment and a prejudgment to not let the disposition of the courts to run through its course to decide whether these are illegal or not illegal. These are all matters that are subject in the court and that would be the appropriate forum to decide whether these are illegal or not -- or are legal or illegal. So I think attempts with such drama about the illegal legalities of Indian gaming and Indian nations are running rampant and are irresponsible is really far from the truth. I think these tribes since 1988 have been working very hard and spending an inordinate amount of resources trying to achieve these compacts under the law and have been stonewalled by certain governors in the United States. So we want to encourage the Commission to look at these things and hopefully you will reach the same understanding that we have through this long ordeal to achieve lawful compact under IGRA. So I stand ready to respond to any comments or questions or anything you would like to offer up, Madam Chair.

COMMISSIONER LOESCHER: Madam Chairman?

CHAIRPERSON JAMES: Yes.
COMMISSIONER LOESCHER: Thank you very much, Rick. I appreciate your presentation this morning. What I would like to request is two things. One, I have received the comments on the workplan and I will forward them to the Commission members today in our work here.

MR. HILL: Thank you.

COMMISSIONER LOESCHER: And also, I would like to request, if you could, to provide the Commission with 15 copies of your statement, so that we could have it during this session.

MR. HILL: Okay. The detail statement is available, and I think we gave it to some staff here to be provided to the Commission.

COMMISSIONER LOESCHER: Thank you, Madam Chairman.

MR. HILL: Thank you, Mr. Loescher.

CHAIRPERSON JAMES: Thank you. Any other questions or comments?

COMMISSIONER WILHELM: I agree with you, Mr. Hill, with regard to the importance to the Commission of visiting not only Connecticut but also
other Indian gaming jurisdictions, and I would appreciate either from you or from Commissioner Loescher specific suggestions in that regard.

MR. HILL: We will be as helpful as we can in providing the Commission with information as to areas we think that would lend to the specific study areas that you are looking at, and I am thankful that you are in agreement with that to see the full range of the gaming facilities out in Indian country. Thank you.

CHAIRPERSON JAMES: I would like to remind the Commissioners that the workplan is, in fact, a draft. We hope that by the time we finish tomorrow, we will have the opportunity to incorporate your suggestions and ideas, first cut. And as a result of that, if you would give that information and suggestions and make sure that the Commission has it as we have those discussions tomorrow, I am sure we would be happy to entertain them.

COMMISSIONER LANNI: Madam Chair, I have a question of Mr. Hill. Mr. Hill, I think you indicated that there is a 50 percent unemployment