QUESTION AND ANSWER: RIVERBOAT CASINOS I

CHAIRMAN JAMES: At this point I'd like to open it up to all the Commissioners and for discussion and dialogue of our panelists as well. Commissioner Wilhelm.

COMMISSIONER WILHELM: I have three comments and I don't know if any of them would elicit any comments from any of the panelists.

First, I wanted to say with respect to Monsignor Egan, while I don't agree with your characterization of Las Vegas which I do a lot of work in, I certainly agree with you that if the people of Chicago don't want to have casino gambling, they shouldn't have it. I want to acknowledge for the record, as a leader of the Hotel and Restaurant Employees Union that there is no greater champion, not only in Chicagoland, but I think anywhere in America for the rights of working people than Monsignor Jack Egan. I appreciate your being here.

I wanted to note in passing, Representative Witt, that in your recitation of the actions of the people of Iowa and their representatives on gambling, I think you said there are 14,000 slot machines in the state. If I'm not mistaken, several thousand of them are owned by Polk County, Iowa which I think probably has the largest governmentally owned slot machine operation in the U.S., probably in the world which I think is an interesting little footnote to what you all have chosen to do in Iowa.

REP. WITT: They're trying to divest themselves of that if they can.
COMMISSIONER WILHELM: They do all right in the meantime. But primarily I wanted to address myself, or follow up on Senator Rogers' presentation. First, I want to thank you for being here. I think the power of your presentation, as you pointed, certainly should be a tribute to what a hard working person -- I'm speaking in reference to your father -- can do to have a good job and educate his family and produce a leader like yourself. It's a tremendous tribute to the importance of good jobs, that you were talking about.

I believe very strongly that for a community that was as down on its heels as Gary, Indiana, ought to have the opportunity to use gaming as an economic development tool, if that's what the people in Gary choose to do. I commented at our last meeting in Boston that the people of Bridgeport, Connecticut, which is a similarly severely depressed city, in fact, the third poorest city in America, even though they voted overwhelmingly to have casino gaming, were denied that opportunity by the wealthy communities that surround them. So I think that your description of the beginning of progress that Gary is making after so many years of decline is strong testimony to the fact that a community that everybody else has abandoned ought to have that option if that's what that community wants.

I would finally point out that just as the jobs that used to be so plentiful in the U.S. Steel Corporation, union jobs that had decent wages and good benefits, so are the jobs on those boats in Gary, Indiana. They're union jobs, they have good health benefits and they have pensions and they have regular wage increases. And I think one of the things that we need to talk
about is the quality of jobs, in addition to the fact merely that
there are jobs.

So I would like to call the Commission's attention to
the connection between the testimony that Senator Rogers gave
about what the people of Gary chose to do to try to lift
themselves up by the economic boot straps and what the people of
Bridgeport were denied, and no one is ever given an alternative.
All the people that voted against gambling in the wealthy
communities surrounding Bridgeport never came back and invested
one dine in the city of Bridgeport. So thank you very much for
your testimony.

CHAIRMAN JAMES: Commissioner Dobson.

COMMISSIONER DOBSON: Chairman, as we draw to a close
the first morning of this two day meeting, I'd just like to
comment on the testimony of the state officials and the city
officials who have testified. There have been eight this
morning. Seven of the eight, as I heard it and understood it,
have been positive about the impact of gambling, all the way from
just position to downright glowing about the impact of gambling.
I don't suppose it should be surprising that city and state
officials who would feel that way because the revenues that come
in allow for various projects and objectives and so on, increase
state revenues, city revenues. So it's probably reasonable that
people in those positions of responsibility would feel that way.

But there's somebody missing from that discussion.
Those are the people who perceive themselves to be victimized by
gambling, because for every winner, for every dollar that goes
into those coffers, somebody coughed it up, somebody had to
sacrifice it and they did it voluntarily, but there are people
and family members, especially, who feel victimized by that. For every winner there are many, many, many losers.

One of the things that has bothered me about our commission to this point is that we have not in official testimony, apart from the commentary period, heard from those people. If you will excuse a personal reference, I served on the Attorney General's Commission on Pornography in 1985 and '86 and we heard at every one of our commission meetings from people who perceive themselves to be victimized by obscenity, that which is illegal and not protected by the 1st Amendment.

There are many people who are writing to me and that I'm sure Reverend Grey and others are hearing from who are counterpart to these positive statements about marinas and jobs and all these things that come from gambling in a given community and who are wounded by it. In the absence of such people, I have a letter here that I'm not going to read in its entirety, but there's a paragraph from it that I would like to put into the record. This is a typical letter that my organization receives from the people whose voices are not heard here, when seven out of eight representatives tell us of the great things gambling does.

"My husband's disease has grown progressively worse over the past seven years, but took a dramatic turn for the worse when the parlor opened up three years ago. He went from stealing small amounts of cash from our children in need to taking whole paychecks. Last week he wrote his boss and me letters indicating that he was going to take his life so that I would be able to pay back the $25,000 he had embezzled."
In his twisted thinking he thought I and our six children would be better off without him. My heart aches for him. I can't help him in his illness because he chooses not to seek help."

Senator Rogers, you made reference to the fact that very few people have sought help. This is typical. Research shows they don't seek help, unfortunately, that families are destroyed and they go off into the night.

"I can only pray for him and try to take care of my children and myself. If the state of Indiana had not legalized gambling it would have been so much more difficult for my husband to feed this ever-growing habit. Perhaps it's not the job of our government to prevent members of society from self-destruction, but I sure wish they had tried."

I get hundreds if not thousands of letters like that. Madam Chairman, I would like to request in our future meetings that we allow people who perceive themselves to be victims of this industry, to let their voice be heard, at least to counter-balance what we've heard this morning.

(Applause.)

SEN. ROGERS: I'd like to respond.

CHAIRMAN JAMES: Certainly, Miss Rogers.

SEN. ROGERS: That letter is from Indiana. One of the things that I would like for you to take away from this, Commissioner Dobson, is the fact that Indiana and its government, it's not that we don't care about these people. Some of the things I've heard here today it's like government doesn't care; government is not concerned. We are certainly concerned. But
any public policy decision that one makes, it's a benefit burden
analysis that you do.

When that decision was made in Indiana, specifically
in Gary, where people have no hope, where they need a job and
with some of the decisions that are made by the federal
government, say, for example, the welfare to work initiative, in
Gary at the end of this year there were 2,200 people that would
lose welfare benefits. Looking forward, those people need a job.
They need some place to go. So when we do our benefit burden
analysis in Gary, in Northwest Indiana and in these communities
where these votes adopt, we overwhelmingly come down on the side
of jobs and a revenue stream for our communities.

But that is not to say that we are not touched by
letters such as yours and from those persons who have addictions.
And we have tried to address that. And we would hope that your
commission, in some of its meetings -- and I would like for these
people to come forward, too, so that we can find ways in which we
can address those problems that are there, that were there prior
to the casinos and will be there if the casinos decide to leave.

COMMISSIONER DOBSON: Senator, I will respond and
then allow other people to talk. My great concern is with those
people who have no hope, because gambling preys upon hopeless
people. When we went to Matipan, not as an official
representation of this commission, but at lunchtime several of us
went to a lower income area near Boston called Matipan and I was
so moved by the stories I heard there, welfare checks and Social
Security checks coming the 1st of the month and people lined up
on the street to spend it on lotteries, desperate people looking

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their desperation. If there is an area of passion for me in this commission it is on behalf of those people.

SEN. ROGERS: It's not desperation for me. We need to do it one on one, because we could go on forever with this. When people say that to me, I'm reminded of in our State House on the lower level of the basement the blind guy that operates our concession stand there. And he says to me, I'm going up to Gary this weekend, going up to gamble on the riverboat. He says, about the only thing I can do, one of the few things that I can do and I don't have to have my sight. My wife and I, we do it once a month, and we have fun and it's a source of recreation and entertainment for us.

So you've got those kind of people, too. And it may look like -- if you focus in on those people who are losing as a result of it, fine. If you look at just those people who look at it as a source of entertainment, some fun, some recreation, then I think they far outweigh those persons that you say are being taken advantage of, but the hope that they have, you know -- I can talk to you about hope. I was born in Gary and I grew up in public housing. So I understand hope and I understand need and I understand all of that. Even of the light of that, the decision that we made in our community was that we could give people more hope by providing jobs and providing an economic revenue stream for the city.

REV. GREY: Senator Rogers, I think this is the nub of this argument, that you've used three words, economic development, painless revenue stream and entertainment.

CHAIRMAN JAMES: Let me just ask that you identify yourself. I had a difficult time, I didn't know if that was a
commissioner or someone else. The Chair certainly has no problem
with recognizing Reverend Grey, but I would ask for the benefit
of the Commission, if you just raise your hand, the Chair will
decide who gets recognized and in what order.

REV. GREY: I apologize.

CHAIRMAN JAMES: That's okay.

REV. GREY: The three words you used were economic
development, painless revenue stream and entertainment. That's
precisely the difficulty with government is would we put a
riverboat in every town like a chicken in every pot. Your theory
and yours of Gary needed jobs, Bridgeport needs jobs, where does
the line get drawn? Can this be a wide open thing? If this is
such a great product and if it has no downside then it ought to
be every place. The proof is that it's being rejected for the
very reasons that it's not a painless revenue stream. It is not
economic development, and it is not strictly entertainment. It's
really the case of snake oil. You as government have got it.
It's a product liability case and like tobacco, mark my words,
when tobacco is done, the trial lawyers are going to step up to
the plate on the product that you have in Gary, Indiana that is
taking and victimizing citizens.

CHAIRMAN JAMES: Thank you. I will recognize
Commissioner Bible.

COMMISSIONER BIBLE: I actually have a question.

(Laughter.)

COMMISSIONER BIBLE: Reverend Grey, in the chart that
you passed out, Midwest States Holding the Heartland, you don't
identify tribal gaming or any casinos that are run by tribal
interests. There's been a lot of growth in this particular region.

REV. GREY: Not off the reservation. The Pohagan's fronting, being used by Harrah's, has been all over Michigan and all over Indiana trying to get off reservation. Native American gambling is legal on the reservation if states have equal gambling. We've stopped the expansion. As soon as the roll back starts to come, which will come here in the Midwest, then Native American gambling will be impacted such as what's happened in California now with the tribes having to shut illegal machines down.

COMMISSIONER BIBLE: Does your organization actively oppose tribal gaming?

REV. GREY: We oppose the expansion of gambling when they try to come off reservation. We fought them tooth and nail.

COMMISSIONER BIBLE: But you do favor on reservation?

REV. GREY: Not favor. That's really a leap of faith by you to conger that I would favor expansion. What we say is that Native Americans can do exactly what the state does. If the state has a problem with Native American casinos it's going to have to shut down its lottery to shut those Native American casinos down.

COMMISSIONER BIBLE: Have you actively opposed any of the expansion on reservations?

REV. GREY: By actively oppose, on their own reservation?

COMMISSIONER BIBLE: Correct.

REV. GREY: No.

COMMISSIONER BIBLE: I'm just curious.
REV. GREY: We oppose the expansion of gambling. But the Native Americans, if they have the reservation, they can do what the state does.

CHAIRMAN JAMES: Mr. Witt.

REP. WITT: Thank you, Madam Chairman. Some time ago Commissioner Wilhelm fired a little shot across my bow and I'd like first to return the salute and then deal with a couple of the other things I heard here.

He spoke about the Prairie Meadows Casino in Des Moines, Iowa which is actually in the neighboring town of Altoona. If we want to talk about jobs and competition for jobs, we have to be looking at what's happening now in Iowa where Iowa's imagination did not fail. Frankly, I think that turning to gambling as your recourse, as your escape from a bad economy is really a failure of imagination and it's a failure of determination and will. If you gut it out and do it right, you can rebuild your economy far more soundly than you can with gambling.

But at Altoona, Iowa where we have the Prairie Meadows Casino, we also have a large nursing home, a care facility and as it happens, sir, I do a lot of work on long term care issues in my legislative job and so I wasn't exactly surprised when the director of the Altoona nursing home came to the capitol to complain to me personally about what had happened. She had 100 nurses aides, 104 nurses aides who worked in this facility and one week Prairie Meadows decided that they needed more help and they went out and recruited 70 of her 104 nurses aides and said you be here at the casino next week. She had 70
people walk out because the casino decided to compete and pull those people in. What did that do for the quality of care?

If you want to talk about quality of jobs, sir, what did that do for the quality of care at that nursing home when 70 nurses aides walked off the job on Friday and said we're not coming back? There are a lot of issues here. I think this is one that cannot be overlooked. Frankly, I'd be delighted if members of your union or other unions come in and work on unionizing some of these folks in care facilities. That's another issue. Maybe we can talk about that one on one.

But the point is, the first point is, when you have an economy that is sound or returning to soundness, then when you saturate the gambling market, you're making that competition into cannibalism for jobs and wages. We don't have any more workers in Iowa to draw on, so when the casino wanted them, they went to the nursing home and stole them. We've got to do better than that. That's a lousy way to operate and that's happening.

I would just draw everyone's attention to the letter I also submitted. The basic point of that letter is one that Dr. Dobson also made. In a dispassionate tone we tend to talk about gambling producing winners and losers. But if we really start to get into it and are honest, we have to admit that gambling produces winners, losers and victims. And there are a lot of victims out there. Many of them, as well as the losers, have tried to stave off the inevitable fact of having to confront their problems, and they do it by shifting credit card debt, taking out multiple cards, by multiple mortgages on their property. No, there are no statistics as yet but there's plenty of anecdotal evidence appearing in the newspapers in Iowa about
people turning to various forms of white collar crime, including public officials, stealing from public coffers to cover their gambling debts.

I'll close with one last example that just happened in my quiet prosperous little home town, a college town, Cedar Falls, Iowa. One evening a few weeks ago, there was a fight that erupted in one of the bars on College Hill near the university. The police came in, cleared the people out and while they were standing outside. There were 50 or 60 students standing outside on the sidewalk. One young man at the fringe, who by the way has a reputation of being kind of a high roller, was knee-capped. Very quickly, very efficiently a shooter came up, popped a bullet through each one of his knees and disappeared. The police have been investigating. The state criminal investigators have come in. Nobody could identify that shooter. He's gone. That young man is crippled. I don't know what that may do to his reputed gambling habit. But you can find victims in all kinds of ways.

Again, I would redirect your attention to what's happening with the consumer credit counseling agencies. They're the front line. They're the skirmishers, the first to encounter people who can't hide from their problem anymore. They'll tell you and I urge you to invite them to come and speak to you.

CHAIRMAN JAMES: Ms. Rogers and Mr. Witt, I wonder if you would both respond to this for me. One would assume that in a depressed locality that local officials, even if they did a burden benefit analysis, would no more think of the local municipality taking on the drug trade because it's very profitable and could turn their communities around, that would be
out of the question that anyone would even entertain that
tought, even though it could be very, very, very profitable.

One of the difficult things that we as a Commission
have to do is that very analysis that you're talking about, that
benefit burden analysis. And so if it isn't purely what are the
benefits, because there are many, many things that a locality
could consider would be very beneficial economically, but there
are other issues that come into play in the decision making
process that would make you turn that down, that would make you
say, no, that's not acceptable, that we as a municipality would
not consider that as a revenue source. What is it that, as you
go through your analysis, have lead you to the conclusion that
this is either a good thing or not? What other things? What
would be your compelling decision making process?

I'd like to start with Ms. Rogers and then Mr. Witt.

SEN. ROGERS: I think I understand what you've asked.
Let me just say, when we looked at this industry and looked at
those negatives that were associated with it, we were able to
take each of the negatives that we saw and either dismiss it as a
myth or to look at a problem and try to do what we could to kind
of solve it. That's why, you know, once you get into gambling,
churches with their bingo and state governments with their
lotteries, then gambling is no longer the evil that it has been
purported to be for years. We're past that point of the moral
negatives associated with gambling, at least we passed that point
in Gary.

Then when we looked at what we had tried to do as a
city -- and I disagree with my colleague here in terms of us not
being imaginative or being creative. Prior to my going to the
legislature, I served on the City Council and we worked -- I can remember, it was called a negotiated investment strategy where the city and the state and the federal government came together and sat in meetings and looked at the city of Gary and tried to strategize an economic development plan for that city. But before we could get the plan to work, there was a change in Washington. And once we had the change in Washington, that just left us to fend for ourselves.

We had tried, and I talked earlier about us working with the state of Indiana. We are very different from the rest of Indiana. My colleague here, Representative Witt, just let the cat out of the bag in terms of where my affiliations are as it relates to the NBA. I'm a Bulls fan, not a Pacers fan. And I've got to go back to Indiana and now they all know that over there.

CHAIRMAN JAMES: We're in Chicago. We're all Bulls fans.

SEN. ROGERS: So we were an area or region that clearly we were having problems. I don't think that for Gary, Indiana you can discount the racism. As the mayor said earlier this morning, Lake County is the most segregated county in the whole of the United States. Gary, Indiana has been designated the area, the city where the most stressful conditions are, in the whole of the United States. We are the murder capital of the world. So you tell me, looking at all these negatives and all of these burdens that we as a city had, you tell me what else do we do? Here was an industry that we felt we can control, that through working with our regulators at the state level, that we could be assured that this industry would come in and we wouldn't have to worry about organized crime. We've been dealing with the
unorganized crime for all these years. So organized crime may have been a little welcome. I'm saying that facetiously.

Even in an economy where you're looking at a federal government and a state government where people don't want to pay taxes, you're right. People don't want to pay taxes. We saw what happened to George Bush. You've seen, I'm sure, legislators in Iowa, where before you can get elected you say, I promise not to raise taxes. I have never done that and I never will do that. But people do that in order to get elected. So you've got no tax money; you've got people who are hungry; you've got kids that are looking for at least the hope of a job. And I firmly think that our focus was on the family. We believe in people working, and bread winners and a job to go to. Even a minimum wage job is better than no job at all.

I can go on with the burdens, on and on with the burdens, that you would like for us to consider. But when I look at the benefits that we get from casino gaming and when I walk and I see a park that's being rejuvenated that was a place where you couldn't walk through it because you might get trouble, when I see this park being rejuvenated, a slide for children to go and play and a jogging path for those of us who have weight problems to walk, then I say, hey -- and what I've said to the casino industry that you ought to have a sign, at every place you ought to say your casino dollars at work because let me tell you, the casino dollars at work in Gary, Indiana are going to change that city in the way no other source of revenue could make that change.

CHAIRMAN JAMES: Mr. Witt, burden benefit.
REP. WITT: Thank you, ma'am. I'd say first that we're looking at a couple of different models here, as we examine these situations. One is what you might call a dispersion model, and Gary I would guess is benefiting from that. Gary is in the same pattern that Las Vegas and Atlantic City were in. That is, they had a lot of people to draw on. Gary may not have some of the other tourist attractions. It doesn't have an ocean and all that good stuff. But you know, Gary and its casinos has more people within a 35 mile radius, thanks to Chicago, than there are in all of Iowa. I don't know how many slot machines are in Gary. Off hand do you know?

SEN. ROGERS: I don't visit them.

REP. WITT: They've got a situation where they in essence have that nearby tourism phenomenon. So they are actually a disperse site with a nice fat market to draw upon, and they can pull a lot of benefits to their community, and any losses that show up in the populous of Chicago don't register on Gary's meters.

On the other hand you've got Iowa which is in a saturation situation. We've got nine riverboat casinos and a 10th one on the way. We've got three race tracks with slot machines, and we've got three Indian casinos with slot machines. We've got a saturated market. And we also have a very effective industry out there, very effective in terms of identifying players and drawing them in and keeping them there.

By the way, I don't mean to sound cynical, but I think based on experience that I've had talking to individuals and also talking to folks that workers in some casinos, gambling companies are very efficient at identifying the sophisticated and
the unsophisticated players and also the players who can bear the economic burden and those who can't and they find those unsuitable players very easily, they bankrupt them. When those folks are broke, that's when the casinos turn to the hot lines and say help this person, that's when they contact the consumer credit counseling agency and say help this person; we can't deal with them; we don't want them. But what we're seeing in Iowa is they'll take them and they'll keep luring them through the doors until they don't have anything more to play with.

Then, as Reverend Grey pointed out, when we're starting to face some potential litigation issues, okay, deal with this person, counsel them, help them. So Gary and a few other places have the opportunity to cash in on the dispersion model. Iowa is stuck with saturation and we're paying for it at an accelerating rate.

The other thing that you get with those two models is the continual temptation versus the occasional temptation model, just like we had the bingo picnic in the little village. It was once a year and people could go and they could gamble and they could lose and they could have a good time and they knew they wouldn't face that again for another year. They could afford those losses, whatever they were.

Now, if you want to start measuring some of the negative effects, again I would say look to the consumer credit counseling agencies. They're the ones who hear from the losers first. Work with the social services agencies. They're the ones who hear first from the victims. We're getting again informal but some pretty good inside information that in places like Dubuque County Iowa, Blackhawk County Iowa, Polk County Iowa,
Marshall County Iowa where they are very close to these major
gambling centers, child abuse and spousal abuse go up, as
frustrated fearful gamblers lash out.

Look at sales tax receipts, again in the hospitality
businesses in particular, the restaurants, again there's initial
data that's coming up from the University of Northern Iowa School
of Business and Economics. They are beginning to analyze the
sales tax receipts in these communities that have heavy
penetration and saturation of gambling. And they're seeing sales
taxes decline and they're seeing increasing closures and simple
sell outs and closures of restaurants, for example.

Look at the bankruptcy rates. One of the
recommendations I make here is if you want to act at the federal
level, require that individual bankruptcy petitioners disclose
the reasons for their problems. We don't do that now. A lot of
people are masking their gambling problems with other forms of
debt. Get in there, dig in and find out what those real sources
are. Finally, look at foreclosures on mortgages, especially home
mortgages. Again, in every one of the counties that I indicated,
where they have heavy penetration and saturation of gambling and
they're identifying credit problems, they're also seeing their
foreclosure rates go up.

So those are some of the areas that I would tell you
to look at if you want to get a better handle on the quantifiable
effects of gambling.

CHAIRMAN JAMES: Ms. Rogers, Mr. Witt, Mr. Belletire,
Reverend Grey, I would like to thank each and every one of you.
This has been a fascinating discussion. It could on for very
much longer. I think we're at the heart of one of the most
complex and difficult issues that's before this Commission and that is looking at the economic benefit and some of the social consequences of gambling and how does one balance those. You as local officials and community activists had to struggle with the very issue as you looked at the burden and benefit issues in your communities. Again, thank you all and a special thank you to Mr. Belletire for his hospitality and help with the logistics of putting together this Commission meeting.

The Commission is going to stand in recess for an hour and a half for lunch break. So that will put us back here at approximately 2:30. Thank you.

(Whereupon, a lunch recess was taken.)