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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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House Bill 2308

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House Judiciary Committee

Reed Union Building
Penn State Erie - The Behrend College
Station Road
Erie, Pennsylvania

Thursday, September 12, 1996 - 9:45 a.m.

--oOo--

BEFORE:

Honorable Thomas Gannon, Majority Chairman
Honorable Frank Dermody

ALSO PRESENT:

Honorable Frank LaGrotta
Brian Preski, Esquire
Chief Counsel for Committee

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1 CHAIRMAN GANNON: We're here to hear
2 testimony on House Bill 2308 which provides for
3 the expansion of gaming in Pennsylvania, more
4 specifically for riverboat gambling in the
5 cities of Erie, Pittsburgh, and Philadelphia as
6 well as Harrisburg and Delaware and Bucks
7 County.

8 This is the fourth in a series of
9 hearings, as I have said before; and we invited
10 representatives of the community and interested
11 individuals who are on both sides of this issue.
12 And we want to get their testimony on the record
13 as to specifically why they would be supporting
14 the expansion of gambling in Pennsylvania as
15 well as those opposed.

16 Our first witness is the Honorable Frank
17 LaGrotta, Member of the House of Representatives
18 in the 10th Legislative District. Welcome,
19 Representative LaGrotta.

20 REPRESENTATIVE LAGROTTA: Thank you,
21 Mr. Chairman. Mr. Chairman, Members of the
22 Committee, interested citizens, good morning and
23 thank you for allowing me to testify before you
24 this morning on House Bill 2308 and the
25 riverboat gambling issue in general.

1 I believe and have always believed that
2 riverboat gambling will offer Pennsylvania the
3 prospect of creating jobs and expanding economic
4 growth, particularly in regions of the
5 Commonwealth that have witnessed high
6 unemployment and economic stagnation as a result
7 of the decline of the heavy manufacturing
8 industry.

9 Cities like Erie, Pittsburgh,
10 Harrisburg, Philadelphia have a
11 once-in-a-lifetime chance to see thousands of
12 new jobs and billions of dollars in new revenue
13 created without any expense to the taxpayer.

14 This is indeed an exciting and
15 innovative proposal and one that I heartily
16 support, especially in light of the fact that it
17 calls for a statewide referendum that will give
18 every registered voter in Pennsylvania the
19 chance to weigh the following facts:

20 New jobs. Numerous studies performed
21 independently have estimated that Representative
22 Kenney's legislation, if enacted, would create
23 approximately 27,300 new jobs directly related
24 to the gaming industry.

25 At an average salary of \$23,000, these

1 new jobs would infuse over \$625 million in
2 salaries and wages into the state's economy.
3 Indirectly, gaming is expected to result in
4 26,300 related jobs generating another \$714
5 million in annual wages and salary.

6 Ladies and gentlemen, at a time when the
7 president of the United States and the governor
8 of this Commonwealth both have signed major
9 legislation overhauling the welfare
10 system -- legislation that demands us to move
11 recipients from welfare to work -- can we afford
12 not to seriously consider a proposal that will
13 create at least 53,600 good-paying jobs and
14 \$1.339 million in new wages every year?

15 Secondly, new revenues for Pennsylvania.
16 Nobody likes taxes. Citizens don't like to pay
17 them; legislators don't like to vote for them.
18 The trouble is everyone likes government
19 services and everyone wants more of them.

20 Of course, it is impossible to be
21 specific because gaming has never been tried in
22 Pennsylvania. However, based on the experiences
23 of the other states, the population of
24 Pennsylvania, and the overwhelming fact that
25 Pennsylvanians like to wager -- yes, we rank

1 sixth nationwide in the amount of annual
2 household visits to casinos. Philadelphia as a
3 city ranks second -- it is possible to provide
4 the following estimates:

5 Gaming license fees, renewable annually,
6 taxes on casino profits, and state income taxes
7 on the wages and the winnings would likely
8 generate 6 and \$700 million annually for the
9 Commonwealth's general fund. That's 600 to \$700
10 million annually.

11 And for all of you Clint Eastwood and
12 Ronald Reagan fans, read my lips, that's no new
13 taxes. But there's more. In addition to this
14 direct revenue, riverboat gaming could expand
15 the tax base in ways that we haven't even
16 thought of.

17 A study conducted by the Illinois State
18 University Bureau of Tourism and Recreation
19 illustrates the impact riverboat gaming has had
20 on the town of Joliet, Illinois.

21 Food tax collections in restaurants have
22 increased 24 percent. Motor fuel tax revenues
23 have climbed 10 percent. Joliet's city manager
24 says the study, quote, Confirmed what we have
25 realized all along. Gaming means new jobs and

1 new revenues for our citizens, unquote.

2 Economists estimate that local
3 governments, including host counties and cities,
4 would receive taxes and fees totaling an
5 additional \$296 million generated by the local
6 taxes on casinos and wage taxes on the new jobs.

7 Ask Tom Murphy, ask Ed Rendell, ask
8 Mayor Joyce Sovocchio here if they could use
9 some of that revenue to deal with the problems
10 that plaque our cities.

11 New development. In an age where our
12 cities are struggling to rebuild and looking for
13 every penny available to do so, riverboat gaming
14 will result in billions of dollars in new
15 construction, riverfront development, and urban
16 renewal without costing state or local taxpayers
17 a penny.

18 Licenses would be required to create
19 land-based development hotels, restaurants,
20 shopping areas, and recreation centers. And
21 they don't ask for tax abatement. They're not
22 looking for state grants. They don't want money
23 from the cities or the counties.

24 Basically, these developers are asking
25 us to stand aside and let them do what we have

1 not been able to do. And now there's another
2 problem that we've all seen in recent headlines
3 which we as policymakers will be asked to deal
4 with very soon.

5 New stadiums for our sports teams, new
6 convention centers for our cities. Without new
7 or drastically refurbished stadiums, the Eagles
8 and the Phillies may leave Philadelphia. The
9 Steelers and the Penguins could and the Pirates
10 almost certainly will leave Pittsburgh.

11 But where will the new revenues come
12 from? Last week Governor Ridge's Sports and
13 Exposition Facilities Task Force issued a report
14 which contained recommendations for financing
15 these new facilities.

16 One of the main proposals advanced by
17 the Governor himself would sell the state's
18 liquor store system for a one-time infusion of
19 600, \$750 million, part of which will be used to
20 finance the state's share of these new stadiums.

21 After the initial sale of the system,
22 however, an annual income of only 10 million
23 would be realized from license renewals. Now
24 what the task force does not deal with are the
25 potential negative effects of privatization.

1 And I have done so in my written testimony.

2 I will not expound upon them at any
3 great length now in order to save time. But I
4 will say that even though we need the revenue,
5 even though maintaining our professional sports
6 teams must be a priority of the legislature, the
7 evidence shows that privatizing the state store
8 system could be financially or socially
9 irresponsible.

10 But guess what; we have an alternative.
11 Riverboat gaming, strictly regulated and
12 monitored, adequately taxed, properly supported
13 and promoted, would, as I discussed, generate
14 new jobs; new urban redevelopment; and most
15 critically, billions of dollars in new revenues
16 that could not only be used to help fund new
17 stadium venues but also to pay for many other
18 state services that our citizens demand but our
19 tax effort simply cannot afford.

20 Clearly, the revenues generated by
21 legalized, regulated riverboat gaming would
22 outweigh the one-time cash infusion that results
23 with the dismantling of our liquor system.
24 Gaming, however, could do even more for our
25 professional sports teams than just build them

1 new stadiums.

2 The new entertainment industry would
3 attract millions of new tourists and citizens,
4 and they could support the teams that play in
5 those stadiums.

6 In Las Vegas and Atlantic City, one of
7 the primary means of drawing tourists is
8 sporting events. Why do you think most major
9 boxing matches are held in one of those two
10 cities?

11 Couldn't Pittsburgh do the same to help
12 bolster sagging attendance figures for the
13 Pirates? Couldn't the Phillies couple their
14 marketing efforts with other tourist
15 opportunities in the area of the new stadium?

16 And not only sporting events, but
17 restaurants, shopping centers, hotels, and even
18 gas stations would benefit, as the Joliet
19 experience points out, would benefit from the
20 influx of tourists to areas where riverboats
21 would dock.

22 And contrary to the fears of many
23 opponents, strictly regulated riverboat gaming
24 would result in a greater visibility of police
25 and private security personnel and as was the

1 case in East St. Louis, Illinois, actually
2 result in a decrease in urban crime statistics.

3 Quote, Crime in our downtown has
4 actually decreased, says East St. Louis police
5 chief Isadore Chambers, because of the high
6 visibility of the industry's private security
7 force in town. Their security cars which patrol
8 the area have a dramatic effect on reducing
9 crime in our area.

10 Ladies and gentlemen, I have asked; I am
11 asking you now. I am asking my colleagues and I
12 am asking Governor Ridge to support
13 Representative Kenney's legislation and simply
14 give every voter in Pennsylvania the chance to
15 look at all the facts, weigh them, and then
16 decide what is really best for Pennsylvania's
17 future.

18 But I warn you we must act now. Ohio
19 and New York soon will place similar questions
20 before their citizenry. If New York's
21 referendum passes again this November as it is
22 expected to do, Buffalo and Niagara Falls could
23 soon be the beneficiaries of the advantages that
24 I've talked about earlier in this testimony.

25 If the same referendum is successful in

1 Ohio, Cleveland and Youngstown will enjoy the
2 same benefits of new jobs, new revenues, and new
3 development that Pennsylvania will only dream
4 about.

5 Where, I ask you, will that leave the
6 City of Erie? With Ohio and West Virginia
7 working feverishly to legalize gaming, what will
8 happen to the City of Pittsburgh?

9 With Atlantic City celebrating its 25th
10 anniversary and Delaware now allowing slot
11 machines and video poker, what, I ask you, will
12 happen to the tourist industry in Philadelphia
13 and southeastern Pennsylvania?

14 These are not just rhetorical questions
15 that are asked for dramatic effect. These are
16 substantive policy issues that we as
17 policymakers are required to address. We in the
18 legislature still have a chance to take
19 advantage of this economic opportunity.

20 We have a chance to put our people back
21 to work. We have a chance to generate the
22 revenues and new developments for our cities,
23 but we are running out of time.

24 Mr. Chairman and the Committee, I thank
25 you for your attention.

1 CHAIRMAN GANNON: Thank you very much,
2 Representative LaGrotta, for that testimony, for
3 sharing your thoughts with us. With me also is
4 Representative Frank Dermody from the City of
5 Pittsburgh. And I would like to invite
6 Representative LaGrotta to join us.

7 REPRESENTATIVE LAGROTTA: I'm going to
8 use the phone, Mr. Chairman, then I'll be right
9 up.

10 CHAIRMAN GANNON: Our next witness is
11 the Honorable Joyce Sovocchio, Mayor of the City
12 of Erie. Welcome, Mayor Sovocchio.

13 MAYOR SOVOCCHIO: Thank you,
14 Mr. Chairman, and I would like to welcome you
15 and Members of the Committee to this part of the
16 state, to the greater Erie area.

17 It's an honor and privilege to have you
18 here today and to be given the opportunity to
19 speak to House Bill 2308. There are several
20 issues and points of view that adhere to the
21 question and legislation on gaming in general
22 and riverboat gaming in particular that I am
23 confident you will be hearing today.

24 I come before you today as Mayor of the
25 City of Erie to express my interest and support

1 of this legislation and its requirement for
2 referendum.

3 There certainly will be those who will
4 speak to the adverse effects of riverboat gaming
5 from a moral or religious perspective, and they
6 should and must be heard.

7 There certainly will be those who will
8 speak from a business or commercial interest
9 perspective, and they should and must be heard.
10 And there certainly are those who will speak
11 from a quality of life perspective; and again,
12 they should and must be heard.

13 That is what this hearing is about and
14 why a referendum is appropriate and why I
15 support such a referendum. With this in mind
16 and knowing our state legislators' discussion
17 and consideration of riverboat gaming, I
18 established a commission to study riverboat
19 gaming in our city.

20 This commission has been studying the
21 feasibility and impact of riverboat gaming over
22 the last 2 1/2 years. Should legislation pass,
23 this commission will issue their findings to
24 assist local voters in their decision making
25 process in voting on a statewide referendum.

1 Ultimately, it will be up to the people
2 to decide. However, I would remiss if I did not
3 comment from my perspective as Mayor on this
4 vital issue.

5 Erie, like most cities in the
6 Commonwealth and indeed the nation, is fighting
7 for survival. We are faced annually with
8 balancing our local budgets, with ever rising
9 costs and flat revenues.

10 We face rising demands for services yet
11 face the inability to raise taxes both because
12 of taxpayer reluctance or inability to pay or
13 because of lack of tax reform which has saddled
14 us with an antiquated state tax system.

15 We are faced with underfunding employee
16 pension systems, unfunded mandates from both
17 federal and state governments, rising employee
18 costs, and the list goes on.

19 We must rebuild our cities literally
20 from the ground and below the ground up from
21 aging infrastructure to blighted or
22 deteriorating neighborhoods. We are expected as
23 a city government to do all this and to do so
24 without the financial resources to accomplish
25 this daunting task.

1 While Washington and Harrisburg are
2 talking of smaller governments and grappling
3 with the new devolution program, even those
4 grants and competitive funding streams that have
5 assisted local governments will see cuts if not
6 elimination.

7 What this will all mean is something
8 that we the mayors and local governments of
9 Pennsylvania and our citizens have yet to see.
10 We at the local level, myself as Mayor included,
11 have formed partnerships of all types both
12 public and private.

13 We have restructured our governments to
14 become more effective and efficient in
15 delivering the basic services to our citizens,
16 and we annually balance budgets with painstaking
17 efforts to hold down taxes and fees.

18 We have joined with the sister
19 municipalities both in the greater Erie area and
20 within Northwestern Pennsylvania to find ways to
21 share services, idea, and programs in an effort
22 to save taxpayer dollars.

23 We have worked in Erie to turn our city
24 around with great success, from bay front
25 development to downtown revitalization and an

1 aggressive economic and job development program,
2 the city of Erie is truly a success story.

3 However, the fact remains and is driven
4 home to me and my administration annually that
5 revenues received by the city remain flat in
6 spite of all the efforts we continue to make at
7 being the best in services, at being the best in
8 rebuilding our city because of forces totally
9 beyond our control.

10 That control remains in the hands of the
11 competitive marketplace and the economy and in
12 the hands of Harrisburg and Washington. If our
13 cities in Pennsylvania are to survive and
14 continue to be centers of our culture and arts,
15 our education, our health care, our history, our
16 government and judicial institutions and our
17 business and financial as well as transportation
18 hubs, we must be able to ensure that the
19 services of our cities survive from the
20 distribution of water and sewer services to the
21 paving of streets and rebuilding of
22 infrastructure to public safety services.

23 It is with this in mind that I support
24 legislation now under consideration to permit
25 riverboat gaming in the State of Pennsylvania

1 and in its Great Lakes city port of Erie. I
2 know there will be those who feel strongly about
3 this legislation; and, therefore, I support the
4 referendum.

5 Once again, I support the referendum.
6 However, while many will oppose this legislation
7 for a variety of reasons, again, I would be
8 remiss not to note that Pennsylvania currently
9 runs a lottery system for the benefits of senior
10 citizens, permits small games of chance to
11 benefit private clubs, societies and
12 organizations, to allow for financial resources
13 to add to their continuance, and permits bingo
14 to benefit religious and nonprofit groups in
15 school and capital projects.

16 We have generally as a community,
17 society, and Commonwealth accepted these forms
18 of gaming because we attach to them benefits
19 derived that have assisted a wide variety of
20 institutions and programs that have benefited
21 our citizens and our communities.

22 We must now afford that same derived
23 benefits to our cities that are in need of
24 revenues to have that same opportunity. I do
25 not want nor envision Erie to become another

1 Atlantic City.

2 I view gaming in Erie to be limited to
3 just another piece of the puzzle or options that
4 will enhance one of our cities and
5 Commonwealth's major industries; namely,
6 tourism, and will provide our city with needed
7 new revenues that would assist in our budget and
8 city service needs.

9 I would expect and, yes, demand that the
10 state tightly regulate and control this industry
11 and its licensing and operations. The
12 legislation must provide for a reasonable and
13 limited number of licenses and locales to ensure
14 that cities in this Commonwealth are not vying
15 with one another to the degree that gaming will
16 not become a main source of revenues for either
17 our cities or our Commonwealth but only a
18 limited option in a wide variety of options that
19 will add to state and local economies, jobs, and
20 service survival.

21 I thank you for the opportunity for
22 myself and others of our community and region to
23 provide testimony today and to begin the public
24 dialogue and input on the issue and legislation
25 regarding riverboat gaming.

1 Ultimately, the people of this
2 Commonwealth will decide whether the option of
3 riverboat gaming will be available to the cities
4 of this Commonwealth.

5 The state must decide whether that
6 option will be brought before our citizens for
7 decision. I am here today to ask that that
8 option be presented to the voters of this state
9 and that it be made available by legislation and
10 referendum in the near future.

11 While this legislation has languished,
12 it has not only prevented or delayed development
13 in various cities in the Commonwealth but has
14 allowed our sister states of Ohio and New York
15 to move forward on their own gaming legislation.

16 For these reasons and others, the time
17 has come for the state to act and for the people
18 to choose. Again, I thank you for being here
19 today and for allowing me this opportunity to
20 give testimony.

21 I will be most pleased in the interest
22 of time and certainly in consideration of your
23 long day to submit any further detailed
24 particular comments on House Bill 2308 to you in
25 writing and to the Committee. Again, thank you

1 very much for the opportunity to testify before
2 you today.

3 CHAIRMAN GANNON: Thank you, Mayor
4 Sovocchio. One brief question --

5 MAYOR SOVOCCHIO: Yes.

6 CHAIRMAN GANNON: You seem to be a
7 strong advocate of referendum. Are you
8 advocating just a local referendum or statewide
9 referendum?

10 MAYOR SOVOCCHIO: Well, I think the way
11 the legislation has changed so many times and I
12 believe that one referendum is enough. The
13 choice of whether to statewide referendum and
14 should your locale pass -- I see no need for a
15 second referendum.

16 If you as legislators or if indeed it
17 takes that type of referendum, the statewide
18 referendum, to gain the governor's signature and
19 the legislative approval, then I'm not opposed
20 to a statewide referendum. But I really do not
21 see a need for a separate referendum.

22 My own belief is if it passes within
23 your county or area, then indeed that should be
24 enough. It would also save money; it would save
25 effort; and it would save time even in this

1 process.

2 CHAIRMAN GANNON: Thank you very much
3 for joining us today and giving us your
4 testimony.

5 MAYOR SOVOCCHIO: Thank you very much.

6 CHAIRMAN GANNON: Our next witness is
7 Joy M. Greco, Vice-Chair of Erie County Council.
8 Welcome.

9 MS. GRECO: Chairman, distinguished
10 Members today, my name is Joy Greco. I am a
11 member of the legislative branch of Erie County
12 government currently serving as Vice-Chairman of
13 Erie County Council.

14 And we too on behalf of the County of
15 Erie would like to thank you for bringing this
16 session to Northwestern Pennsylvania so that
17 Northwestern Pennsylvanians have the opportunity
18 to address you on this issue.

19 Government should not be in the business
20 of making people lose money or creating
21 dysfunctional families. In my opinion, the
22 Committee and the Legislature ought to outright
23 reject House Bill 2308 and get on with important
24 business to make this Commonwealth function
25 better.

1 We need to bring new, solid businesses
2 to Pennsylvania. More gambling outlets are
3 not the type of business of to which I am
4 referring. Pennsylvania does allow licensing
5 for small games of chance, the lottery, and
6 bingo.

7 All seemingly harmless forms of
8 gambling in the big scheme of things, but
9 dangerous enough to trap low-income gamblers
10 into losing their last few dollars.

11 To add major gambling ventures such as
12 riverboat gaming, I believe, will further erode
13 families and moral values. Surely such
14 operators promise big returns. And why
15 shouldn't they? They take in millions, even
16 billions.

17 They can well afford to dangle a fist
18 full of dollars in front of government officials
19 to use for some fancy extras that our community
20 would not otherwise have.

21 According to I. Nelson Rose, a gambling
22 law professor and paid industry consultant,
23 states frequently overestimate the financial
24 impact of revenues derived from gambling and the
25 industry is never large enough to solve the

1 social problems it creates.

2 Quoting Professor Rose, Casinos act like
3 a black hole sucking money out of the local
4 population, end quote. Remember, gentlemen,
5 there is no free lunch even at the gaming table.
6 Such revenues are unstable, and government
7 leaders must not be duped by the slick talk.

8 Just as they, in my opinion, try to
9 con government officials, gaming operators of
10 this type are conning the unsuspecting or the
11 already addicted gambler with promises of big
12 payoffs which seldom, if ever, materialize.

13 Nearly all of today's societal problems,
14 including gambling, are connected to social
15 welfare programs originated by government
16 agencies. Now the state government may compound
17 the problem by adding the riverboat gaming
18 industry.

19 A gambling addict is helpless to stop
20 him or herself, just like any other addiction.
21 Just one more try will be the big win or the
22 last try; but it never works that way.

23 Eventually, the family, the job, the
24 person's self-esteem are all gone and he or she
25 is so mired in the desperate attempt to win the

1 big one that nothing else matters.

2 This sort of life breeds abuse,
3 violence, theft, lying, cheating, and the state
4 and the county will end up paying and paying and
5 paying; and I don't want that for my county.

6 If Pennsylvania permits this bill to
7 pass, what will be next? If counties are given
8 the option to have gambling and Erie and
9 adjacent counties all approve of it, we could
10 have riverboats on every little tributary from
11 here to the West Virginia line.

12 Where are you going to get your
13 customers then? Regardless, once the first
14 flash is gone, tourists who just want to see
15 what the boats look like will stop coming and
16 you'll be left with the chronically-addicted
17 customers who will sell their souls to come to
18 the poker table, the roulette wheel, or the
19 slots.

20 The odds always favor the house, and
21 anybody who thinks otherwise must be
22 hallucinating. The local economy loses too
23 because every dollar that goes to gaming boats
24 is a dollar less spent in local businesses.

25 Let's suppose for a moment that New York

1 and Ohio do get into the riverboat business too.
2 Now your tourist base is further eroded, and you
3 certainly are not going to get the year-round
4 residents of Dunkirk and Ashtabula coming here
5 if they have riverboats in their own harbors.

6 We had Commodor Downs, a horse racing
7 track in Fairview Township, Erie County, right
8 along Interstate 90; and it folded after a few
9 years. This should be a prime example of what
10 can happen when riverboat operators are lured
11 elsewhere.

12 Let's talk for a moment about the social
13 ills. Gambling is an addition. It breeds other
14 problems. Are we going to make these other
15 ills, like prostitution, drug use, and violent
16 behavior legal too? Where does it stop?

17 Our human services budget in Erie County
18 is already over \$60 million annually. Much of
19 that coming, usually late I might add, from the
20 Commonwealth. Can you, the Legislature, afford
21 to pay us more money to control our social ills?

22 I suggest the Legislature ought to
23 encourage local government to update their
24 accounting procedures and get into some concepts
25 such as activity-based costing.

1 This accounting procedure measures the
2 total of all direct and indirect costs of
3 performing a service. It's a proven method for
4 managers to utilize, to control costs and
5 increase productivity, and it helps governments
6 become more accountable.

7 Indianapolis is a role model for other
8 cities in using this method. With it, counties
9 can make more accurate public/private cost
10 comparisons. And studies show ABC, or
11 activity-based costing, can lead to cost savings
12 in the range of 20 to 50 percent.

13 If cities and counties would get on this
14 bandwagon instead of tying their hopes to a
15 riverboat of questionable vintage or direction,
16 we all could improve our lot. There is no pot
17 of gold at the end of the rainbow.

18 I have attached an article that just
19 refers to the local Republican Committee which
20 in 1994 passed a resolution at its May 10, '94,
21 meeting opposing riverboat gaming just for your
22 information.

23 And in closing, I would say from my
24 perspective, state and local governments should
25 not soil their hands of the get-rich scheme of

1 the gambling interests.

2 We'll end up addicted to the hope for
3 big profits just as the gambler is addicted to
4 the big win that he is sure is coming. Thank
5 you very much for coming to Erie, and thank you
6 for your time.

7 CHAIRMAN GANNON: Thank you very much,
8 Counsel Greco, for being here today and sharing
9 your testimony with us. Our next witness is
10 John F. Lynch, the Erie County Federation of
11 Fraternal and Social Organizations. Mr. Lynch
12 is here in replacing Mr. Lee Coleman, President
13 of Erie City Citizens Against Gaming Expansion.

14 Thank you, Mr. Lynch, for being here
15 today.

16 MR. LYNCH: Thank you, Mr. Chairman.
17 And thank you also to the Honorable Members of
18 the Pennsylvania House of Representatives
19 Judiciary Committee.

20 Regarding your bill to legalize
21 riverboat casino gambling in Pennsylvania,
22 Honorable Committee, by way of introduction, I
23 am John Francis Lynch, residing at 338 East 38th
24 Street, Erie, PA, 16504, a lifetime resident of
25 Erie.

1 I am lodge secretary of Erie Elks Lodge
2 Number 67 of the Benevolent Protective Order of
3 the Elks. I also am trustee of the Erie County
4 Federation of Fraternal and Social
5 Organizations, which I'm representing today.

6 I wish to thank Mr. Lee Coleman,
7 president of the Citizens Against Gambling
8 Expansion, for relinquishing his appointment to
9 address you and permitting the Erie County
10 Federation of Fraternal and Social Organizations
11 to address you in his time slot.

12 I also wish to thank your Committee for
13 having this hearing, making it possible for all
14 views to be expressed. Fraternally, John F.
15 Lynch, Lodge Secretary, Benevolent Protective
16 Order of Elks, No. 67, Erie, PA, and trustee of
17 the Erie County Federation of Fraternal and
18 Social Organizations.

19 This letter was sent October 20th, 1995,
20 to our Governor, Thomas J. Ridge. It covers and
21 expresses what our organization believes. This
22 correspondence is on behalf of the member clubs
23 of Erie County Federation of Fraternal and
24 Social Organizations.

25 Its purpose is to apprise you of your

1 members' position regarding the controversial
2 issue of riverboat and excursion boat gambling
3 legislation.

4 As you may be aware, the Erie County
5 Federation of Fraternal and Social Organizations
6 is the oldest county-wide federation of clubs in
7 our Commonwealth, having organized in 1933.

8 It is the charter member of the
9 Pennsylvania Federation of Fraternal and Social
10 Organizations, the state-wide organization of
11 county-unit Federations, which was formed in
12 1939.

13 The Erie County Federation consists of
14 44 member clubs which together employs hundreds
15 of Erie County citizens and boasts thousands of
16 members.

17 As an organization formed for the
18 benefit of its members, the Erie County
19 Federation has remained perpetually active at
20 both local and state levels with respect to
21 issues and legislation of concern to its member
22 clubs and community.

23 Riverboat gambling is such an issue and
24 is of great concern to the overwhelming majority
25 of our members. Not long ago prior to the

1 enactment of small games of chance legislation
2 in 1988, many clubs in Erie County were
3 struggling for their very existence.

4 Increasing overhead and declining
5 membership threatened the future of clubs in
6 this area and statewide. The Small Games of
7 Chance Act, which legalized the operation of
8 small games in eligible clubs, turned the future
9 around for these community-based organizations.

10 The additional revenues enabled many
11 clubs to survive, rejuvenate, and once again
12 thrive as important, contributing organizations
13 in the community offering fraternity, chart, and
14 cohesiveness to an increasingly fractioned and
15 impersonal society.

16 People have rediscovered their clubs,
17 finding recreation and support in first-class
18 facilities in their own community. The money
19 spent by members in the clubs is reinvested to
20 better provide facilities and services for the
21 members' enjoyment.

22 In this manner, the members' investment
23 in their club remains in this community and
24 benefits the members themselves. Clubs truly
25 are organizations formed for the benefit and

1 enjoyment of their members, without which they
2 would no longer serve any purpose and could not
3 survive.

4 The Erie County Federation of Fraternal
5 and Social Organizations is deeply concerned by
6 the prospect of riverboat excursion boat
7 gambling. Erie County with its natural resource
8 of Lake Erie and the bay is one of the few sites
9 in the Commonwealth for such gaming.

10 The Federation fears that the
11 competition from riverboat gambling would draw
12 substantial member business away from the clubs
13 resulting in significant and unrecoupable lost
14 revenues from small games of chances, food and
15 beverages.

16 Not a dime of the increased revenues
17 lauded by proponents of riverboat gambling will
18 be spent inside clubs as the tourists and
19 nonmember residents who will patronize riverboat
20 gaming establishments are not members of the
21 Erie County clubs.

22 However, many local club members will
23 take their business to the riverboat gaming
24 establishments resulting in a very significant
25 loss of club revenue in small games of chance,

1 liquor, beer, food, and dining sales which can
2 not be recouped.

3 Valued employees will also be lost to
4 riverboat gaming establishments thus affecting
5 the quality of services provided to club
6 members.

7 Consequently, it is the Federation's
8 belief that riverboat gaming would seriously
9 threaten the long-awaited and welcomed progress
10 which area clubs have made since the Small Games
11 of Chance Act became law.

12 The Federation does not wish to see the
13 loss of this progress which has been absolutely
14 vital to the very survival of many clubs and
15 most especially not as a result of legislation
16 proposing such a controversial and highly
17 speculative source of additional government
18 revenues.

19 Riverboat gaming is by no means a
20 sure-fire panacea for governmental revenue ills.
21 In fact, as reported, it had had many
22 undesirable consequences in communities that
23 have legalized it.

24 The Federation's members do not wish for
25 such to be the case in Erie County, particularly

1 with respect to their financial ability to
2 continue to provide quality facilities and
3 services for their members.

4 For all the foregoing reasons, please be
5 advised that the Erie County Federation of
6 Fraternal and Social Organizations is adamantly
7 opposed to riverboat/excursion boat gaming
8 legislation. Your kind attention to our
9 concerns as expressed above is sincerely
10 appreciated.

11 Wishing you the best, we remain very
12 truly yours, Nichols, Krill, and Taggart.
13 Thomas V. Myers, Esquire, Solicitor, Erie County
14 Federation of Fraternal and Social
15 Organizations. Thank you, gentlemen.

16 CHAIRMAN GANNON: Thank you very much,
17 Mr. Lynch, for joining us today and sharing your
18 testimony. Our next witness is Mr. -- excuse
19 me -- is Dr. Evan Stoddard, Vice President of No
20 Dice. Dr. Stoddard -- we'll call him later. He
21 doesn't seem to be present.

22 We'll then call our next witness, which
23 is Russell O. Siler, Director of the Lutheran
24 Advocacy Ministry in Pennsylvania. And with him
25 is Pastor --

1 MR. SILER: Pastor Albert Gesler.

2 CHAIRMAN GANNON: Oh, I'm sorry.

3 MR. SILER: He's the real thing, not the
4 substitute who was supposed to be here.

5 CHAIRMAN GANNON: Welcome.

6 MR. SILER: Good morning. Thank you
7 very much. My name is Russell Siler. I am the
8 director of the Lutheran Advocacy Ministry in
9 Pennsylvania.

10 We are a partnership agency of -- we've
11 got a long list here of the division for church
12 in society of the Evangelical Lutheran Church in
13 America and the seven geographic synods within
14 Pennsylvania and what are located within the
15 Commonwealth of Pennsylvania.

16 Our specific task in our office and our
17 agency is to offer a voice of the church on
18 behalf of those who have little or no voice in
19 the decisionmaking processes of our and within
20 our Commonwealth.

21 And I need to tell you that as I go
22 through cities and towns from community and
23 county all over the state, people in the more
24 than 1350 congregations of our church ask about
25 this question of riverboat gambling.

1 And they ask and I get into discussion
2 with them simply because they are well aware
3 already of the effects the introduction to our
4 communities of casinos to our communities will
5 have on such people.

6 Now, for anyone who knows Lutherans very
7 well, we know it is very difficult to get a room
8 full of Lutherans to agree on any subject it has
9 that has any controversy to it.

10 And I need to tell you that all seven of
11 these geographic synods, every one of them, some
12 of them on several occasions, in their annual
13 assemblies have taken strong, virtually
14 unanimous stands against the introduction of
15 riverboats to our Commonwealth against the
16 expansion of state-sponsored or state-sanctioned
17 gambling activities at all.

18 So I want to be clear about the basis
19 for that church's position, for our stand
20 against the expansion of state sponsored or
21 state sanctioned gambling.

22 Our strong and continuing opposition is
23 not based on a moral aversion to gambling per
24 se. We have members with a variety of thoughts
25 and beliefs on that subject. And, again, I'll

1 refer to the fact it's very difficult to the get
2 us to agree on anything. And that's one thing
3 we have a whole host of positions on.

4 But we do, however, take the very strong
5 position that the effects of any public policy
6 or moral implications have for our society. And
7 when we're talking about riverboat casinos or
8 land-based casinos, we believe that the morality
9 or immorality of the decisions made by this
10 Commonwealth and its agencies rests squarely on
11 the overall effects of the people of our state
12 and the quality of their lives.

13 As we look at those overall effects, not
14 just in isolation in a particular region or a
15 particular few people. We find there are three
16 basic reasons for our opposition:

17 One, gambling is a business venture.
18 And I need to put in a little aside here. I'm
19 kind of amused -- and I would be amused more so
20 if it weren't such a serious matter -- that
21 proponents of gambling have now changed the word
22 to gaming. We're talking about gaming
23 enterprises.

24 Gentlemen, it's not fooling anyone. It
25 is gambling, and it is big business. That's

1 exactly what we're talking about. So we need to
2 look at it on that basis and not allow ourselves
3 to be fooled by talk of family entertainment or
4 anything of that like.

5 Gambling is a business venture which
6 depends on large numbers of individuals losing
7 large sums of money so that a very -- and I
8 underline and emphasize -- very few people can
9 profit. A disproportionately large segment of
10 those who lose will be among the poor of our
11 communities, those who can least afford to lose.

12 Now, we can protest all day long -- and
13 I've had people do it to me constantly -- that
14 this should not be so, that these people should
15 not be betting. But studies indicate that
16 regardless of whether it should be so or not so
17 in your opinion or in my opinion, studies
18 indicate clearly that it is the case.

19 I've often heard the argument that the
20 question of whether or not to place a bet of any
21 kind is a personal decision, and I agree totally
22 and wholeheartedly with that. I will not
23 attempt to impose my morality or my belief and
24 position on that on someone else.

25 However, when we know the facts of who

1 is likely to make that personal decision when we
2 open a casino in his or her backyard, the moral
3 burden then shifts. It shifts from that
4 decision maker back to you and to me.

5 It is our position that it would be a
6 poor decision indeed if we were to take
7 advantage of a poor man's propensity to bet
8 scarce dollars on the slimmest of hopes of a big
9 payoff simply because he felt he had no other
10 hope to get out of quagmire in which he felt
11 himself mired. Our public policies choices
12 require much firmer ground than that.

13 Second, the experience of gambling
14 enterprises in other states and localities lead
15 us to the conclusion that almost all of the
16 promises of great economic benefits for the
17 people are illusory at best.

18 They have been willing to receive
19 enticing amounts of hard cash into their coffers
20 in exchange for huge human and social costs.
21 Large rises in the rate and incidences of
22 bankruptcies, white collar crime, family
23 violence, closing of small businesses in the
24 vicinity of casinos, and compulsive gambling are
25 just some of the consequences.

1 Communities have learned to their
2 distress that the authorization of casinos has
3 been only the first step. Because once a
4 dependence on those revenues is established, the
5 climate becomes one in which most if not all
6 economic decisions are made with an eye to
7 protecting and enhancing that revenues stream.

8 If we ever get this boulder rolling
9 downhill, it's going to be virtually impossible
10 to stop or even to deter. Tax systems, zoning
11 laws, budget matters, and human service
12 direction can come to be driven by that one
13 single factor of protecting economic revenue.

14 It first entices us and then it compels
15 us away from the question of what is in the best
16 interest of all Pennsylvanians.

17 Third, of all the people who will be
18 affected by the Commonwealth moving into this
19 new gambling arena, none are of greater concern
20 than the children and adolescents of our
21 families and communities.

22 When we look at compulsive gamblers, we
23 find that the fastest growing age group of this
24 huge problem are teens. When we look at those
25 who lose the money they cannot afford to lose,

1 even while professing that it's their choice, we
2 must still see their children who have no say in
3 that choice but who will suffer just the same.

4 The intrusion of casino gambling into a
5 community can create a climate that sends a
6 clear message to our young people. While we
7 talk a lot about the virtue of hard working
8 leading to success and rewards, young people, we
9 want to show you a terrific shortcut.

10 The Council for Compulsive Gambling of
11 New Jersey reports that in 1994 nearly 143,000
12 young people were caught as they tried to sneak
13 into casinos. Another 10,815 were caught
14 inside. How many escaped detection is anybody's
15 guess; and how many were allowed to gamble is,
16 again, a matter only of speculation.

17 I conducted a seminar at a gathering of
18 Susquehanna University this summer. And among
19 the participants were a number of teenagers.
20 And they happened to be, of all places, from New
21 Jersey. When I asked the questions about the
22 costs and the consequences, the adults in the
23 room had no clue. They literally did not.

24 But virtually every one of the questions
25 asked including who are the fastest growing

1 compulsive addicts by age in the country in
2 teens, the teenagers readily raised their hands.

3 They knew the answers because they live
4 in a state where the answers were acted out each
5 day. They see them and they grow up in that
6 climate.

7 Allowing riverboat casinos into
8 Pennsylvania is an enticing proposition. The
9 allure of big dollars flowing into the accounts
10 of city, county, and state is unmistakable; but
11 we can never allow ourselves to be seduced into
12 ignoring or overlooking the real costs to
13 families, compulsive gamblers, or to our
14 children.

15 Before I give my thanks and end and turn
16 it over to my colleague, I'd just like to
17 comment on two of the previous speakers have
18 mentioned the need for a referendum.

19 And I'm not one of the people -- even
20 though an awful lot of colleagues in
21 organizations that I belong to are proponents of
22 a referendum, I see all the pitfalls that go
23 along with referendum including the fact that it
24 could be nonbinding. And in a close election, a
25 lot of things can change after the referendum

1 results are put on the table.

2 But in addition, we know, of course,
3 that House Bill 2308 has no statewide
4 referendum in it. And with regard to that, I
5 would like to point out one that I believe is a
6 very salient fact. And that is that it is not
7 just localities who will reap the benefits and
8 bear the consequences of the gambling activities
9 in a locality.

10 I wonder if people in localities would
11 be as quick to agree to a referendum if the
12 secondary question put on that ballot would be
13 are you willing to bear the cost in terms of
14 increased services, in terms of human costs that
15 take place because of the gambling activities in
16 your locality?

17 This is not simply a question that
18 affects only the people in the immediate
19 vicinity of a casino, but it affects all the
20 people of the Commonwealth. And I urge that to
21 be the basis on which you decide. Thank you.

22 CHAIRMAN GANNON: Thank, very much,
23 Mr. Siler.

24 MR. GESLER: Thank you for allowing me
25 to speak before the Committee today. I've been

1 asked to speak before the Committee as the
2 chairperson of the Economic Justice Committee of
3 the Northwestern Pennsylvania synod of the
4 Evangelical Lutheran Church in America.

5 There are 24 congregations of our synod
6 within Erie County. And while we do not speak
7 for each individual, our denomination is the
8 second largest in the area.

9 As a church, we have been on record as
10 being opposed to the further extension of
11 gambling within the Commonwealth of
12 Pennsylvania. Aside from any question of morals
13 with which the state does not necessarily agree,
14 as citizens we are concerned with the care of
15 our citizens.

16 It seems that gambling, especially when
17 it has the approval of the state, gives the
18 wrong impression to many of the most
19 impressionable and vulnerable individuals within
20 our society.

21 Much as we are hearing about the
22 advertising for the sale of cigarettes, the
23 target of government promotion of gambling is
24 aimed toward the most vulnerable -- both the
25 young and the addictive, and especially toward

1 those who are least able to afford the constant
2 loss of dollars that gambling would bring to
3 people.

4 As the communities of our nation have
5 shown, the social consequences that follow the
6 introduction of gambling into a community far
7 outweigh the benefits that might be received.

8 These include the cost of regulation,
9 increased crime from those who seek to cover
10 their losses, increased need for police
11 protection, the influence that the great amount
12 of money available from the gambling interests
13 have upon our political system, and the future
14 infiltration of organized crime into the
15 community.

16 Gambling addiction causes most of the
17 same problems within the family and community
18 that are caused by alcohol, drugs, and
19 cigarettes. The major difference is the great
20 cost that that habit can bring to families that
21 cannot afford the great losses that compulsive
22 gambling causes.

23 When we realize that gambling will never
24 be stopped by legislation, it is unfortunate
25 when government support is given through

1 legislative approval.

2 We would ask that you allow any
3 legislation dealing with legalized gambling and,
4 at the moment, riverboat gambling be allowed to
5 die in the Committee. I thank you for allowing
6 me to speak before the Committee.

7 CHAIRMAN GANNON: Thank you, Pastor.
8 And thank you, Mr. Siler, for joining us today
9 to share information and testimony.

10 MR. SILER: Thank you, Mr. Chairman.

11 CHAIRMAN GANNON: Our next witness is
12 Robert W. Hoffman, President and General
13 Manager, 35 WSEE television. And he has joined
14 by Robert Ploehn of the Economic Development
15 Corporation of Erie.

16 MR. HOFFMAN: Good morning, gentlemen.

17 CHAIRMAN GANNON: Welcome, Mr. Hoffman.

18 MR. HOFFMAN: I am here not in the
19 role of a businessman but my appointment as
20 chairman to Erie's Commission on Riverboat
21 Gambling. The role is to do a feasibility study
22 for riverboat gambling in Erie.

23 Besides our investigation, studying, and
24 our objective report, we've included in our
25 research interviews with casino operators,

1 potential site owners, civic leaders, political
2 leaders; and much research has focused on newly
3 established riverboat gambling communities along
4 the Mississippi River that approximate our size.

5 We gain knowledge regarding the
6 economic, traffic, business, taxes relating to
7 the impact of riverboat gambling. We've also
8 asked the Justice Department for a history on
9 crime statistics in those communities before and
10 after riverboat gambling became established to
11 do a study that would be all inclusive.

12 The commission broke down the review in
13 the following categories: (1), community
14 consensus. Two years ago we conducted two
15 public hearings. To generalize the results, the
16 proponents advocated the economic
17 benefits -- taxes, jobs, and tourism -- while
18 the opponents argued the moral issues;

19 (2), selecting a site. The commission
20 intended to established a criteria that would
21 recommend sites that most suits the integration
22 of existing business, available space for new
23 business, traffic, and parking needs but quickly
24 realized that government, either state or local,
25 has little control over the property owner's

1 freedom to solicit developers. Although zoning
2 control is available on a local level, the cost
3 of litigation could thwart that control;

4 (3), Economic impact. Based on the
5 number of licenses awarded to the Erie area, the
6 commission can estimate gambling revenue, tax
7 income, number of jobs at the site, and the
8 number of jobs created in this spin effect when
9 a new industry requires local services.

10 Further, we'll be able to estimate the
11 amount of taxes and spending power created by
12 the additional casino jobs and how it will
13 affect retail, housing, automobile sales, and
14 government;

15 (4), Bay front redevelopment. If our
16 bay front constitutes a legal waterway for
17 riverboat gambling, the commission will study
18 and report the integration of a riverboat casino
19 into the ongoing and future development of
20 Erie's bay front;

21 (5), Selecting a development. What the
22 proposed legislation and all the subsequent
23 revisions fail to include are any provisions for
24 the local municipality to judge or select a
25 developer before or during the license

1 application process at the state level.

2 The commission finds that omission
3 extraordinary. Although this industry may be
4 controlled and regulated at the state level,
5 it's inconceivable that the state ignores the
6 reality of the operator who will conduct
7 business in the local community yet the
8 community has no say in who that operator could
9 be.

10 The commission will recommend a
11 selection process that creates a criteria the
12 developer must meet before they're allowed to
13 apply for a license from the state to operate in
14 our community. The intent of the criteria would
15 be to satisfy the certain needs of the
16 community.

17 To cite just a few: Hire and train
18 local citizens for employment; ensure a higher
19 percentage of minorities are included;
20 underwrite Gambler Anonymous programs; be an
21 active contributor to the United Way and other
22 religious support organizations; but most
23 importantly, restrict the developer from
24 establishing support-related businesses that
25 could harm existing similar businesses such as

1 restaurants;

2 (6), The impact of tourism. Erie enjoys
3 being a tourist destination because of Presque
4 Park, Pennsylvania's largest state park. The
5 commission will study and report how riverboat
6 gambling can expand tourist trade by drawing
7 Presque visitors to the downtown area.

8 Included in this section of the report
9 would be traffic patterns, parking needs, and
10 potential demand on hotel and food services. It
11 further will attempt to forecast the related
12 spending and cash receipts that would come given
13 the expanded tourist trade is marketed and
14 developed properly;

15 (7), Marketing. Another demand a local
16 municipality should have on a casino developer
17 is to market and advertise his campaign that
18 includes the assets of the community. The
19 concept of a guided marketing plan helps promote
20 the established assets of our community.

21 For example, the co-promotion and
22 marketing of our civic center, downtown ball
23 park, Warner Theater, Erie Museum, the Erie Play
24 House, the zoo, Presque Park, and the Mill Creek
25 Mall. All can benefit from the added exposure

1 to tourists and regional business.

2 But in fairness to the developer, this
3 co-marketing also enhances his operation by
4 integrating his industry with the Erie business,
5 culture, and entertainment industries;

6 (8), Social impact. The commission will
7 be able to confine it's report on this subject
8 based on facts that exist in communities our
9 size that exist that have experienced the
10 development of riverboat gambling.

11 The commission will not respond to a
12 report or personal opinion, assumptions,
13 innuendo, supposition, and editorial comment.
14 The commission will take into account existing
15 forms of legalized gambling such as off-track
16 betting, state lottery, as well as the accepted
17 forms of gambling into the community such as
18 casino nights and bingo;

19 (9), Environment concerns. This becomes
20 only a serious issue if the law allows for
21 excursion-type gambling. Floating casinos that
22 hold as many as 1500 to 2,000 passengers that
23 will excursion within the bay could disrupt
24 existing waterway traffic through the confines
25 of the channel within the bay.

1 This, of course, assumes that the casino
2 operator will not want to take the passengers
3 into the rough waters of the lake. These are
4 all the issues the Commission has taken under
5 close study. Yet we're still unable to reach
6 conclusions and provide a meaningful study for
7 both government and citizens to use effectively.

8 Over the past three years, the
9 commission has witnessed the introduction of
10 riverboat gambling legislation by democrat
11 legislature and subsequent effects of a
12 republican legislature.

13 To adequately understand what a
14 community can expect and therefore form a
15 judgment, the following issues need to be
16 defined: Can a local municipality screen
17 potential developers that would operate in their
18 community; (2), how many licenses would be
19 issued in the Erie area and will the borders to
20 that license area be defined; and (3), can
21 riverboats operate at a fixed dock site or must
22 they excursion?

23 Each of these unanswered questions has a
24 direct impact on estimated gambling income,
25 resulting taxes, traffic patterns, parking

1 needs, employment, and a host of economic
2 residuals that will affect the community.
3 Virtually every study we've conducted requires
4 this information.

5 Finally, a comment regarding the
6 applications of riverboat gambling. It would be
7 in the better interest of citizens if the
8 Legislature creates and defines the law first.
9 Then the citizens can vote in referendum for the
10 merits of the law while it is decided it should
11 become law.

12 A clearly defined law will most
13 certainly enhance the battle for opinion. A
14 more informed public will make a more informed
15 decision. On behalf of the commission and the
16 city we serve, thank you for this time.

17 CHAIRMAN GANNON: Thank you,
18 Mr. Hoffman, for that testimony. Mr. Ploehn.

19 MR. PLOEHN: Good morning,
20 Mr. Chairman and Members of the Judiciary
21 Committee. Let me add my welcome to Erie,
22 Pennsylvania. I'm sure you've been welcomed
23 many times this morning.

24 I am Robert H. Ploehn. I am the
25 Executive Director of the Economic Development

1 Corporation of Erie County. I have held this
2 post for fifteen years here in Erie County.
3 Last year I was honored as the Economic
4 Developer of the Year by the State Pennsylvania
5 Economic Development Association, the second
6 person so named.

7 We have developed in the last fifteen
8 years six industrial parks and, in fact, are
9 working right now, gentlemen, on developing a
10 knowledge park here at Penn State Erie. We have
11 developed two incubators.

12 We have the leading county in the entire
13 state for Pennsylvania Economic Development
14 Finance Authority loans and are always one of
15 the leading counties for Pennsylvania Industrial
16 Development Authority loans. I think it's
17 appropriate we are here today on a college
18 campus to discuss gaming.

19 I'm not here to lecture you pro or con
20 one way or another on this entire issue.
21 Instead, I have made available to Committee
22 Members and to the public a compendium of
23 current articles on the whole subject of gaming
24 and economic development, both pro and con.

25 There is no axe to grind in these

1 articles. There's no editorializing in these
2 articles except for, well, maybe a couple Bill
3 McKinney from The Morning News. But what I'm
4 here to do is ask you in true academic style to
5 study the current literature on the subject.

6 I received copyright permission from the
7 American Economic Development Council to include
8 this compendium, all the technical articles that
9 they published last fall on the entire subject
10 of gaming and economic development.

11 There obviously is not unanimity of
12 opinion on this subject. There is significant
13 controversy whether or not gaming contributes to
14 economic development in any given area. There
15 are also articles in here with The Associated
16 Press and The Washington Post.

17 The reason I present this to you is
18 because in our research trying to get our arms
19 around this entire issue for Erie County, there
20 is no definitive textbook on this subject.
21 Perhaps the -- as I said, perhaps the best
22 source of information are current writings on
23 the subject.

24 I would just ask that the General
25 Assembly and the Judiciary Committee in

1 particular study the subject, read the current
2 readings, form your own opinions as to the
3 economic development potential or harm that
4 could come as a result of waterboat gaming in
5 the State of Pennsylvania.

6 I'd be happy to answer any questions if
7 there are any.

8 CHAIRMAN GANNON: Thank you, Mr. Ploehn.
9 And thank you for providing us with this
10 compendium of articles for this issue. This
11 will be really valuable to the Committee as well
12 as testimony from Mr. Hoffman was very helpful.
13 We're going to take a 5-minute recess to give
14 our court reporter a little bit of a rest.

15 (At which time, a brief break was taken.)

16 CHAIRMAN GANNON: Our next witness is
17 Lorna Slater, Gambling Specialist, The League of
18 Women Voters of Pennsylvania.

19 MS. SLATER: Mr. Chairman, Members of
20 the Judiciary Committee, thank you for holding
21 public hearings on this very important proposal,
22 House Bill 2308, to establish a commission for
23 licensing and regulating riverboat gambling
24 casinos in Pennsylvania.

25 The League is very much in favor of

1 bringing more business and jobs to Pennsylvania,
2 but we do not think expanding legalized gambling
3 will ultimately have a positive effect on the
4 local or state economy.

5 Recent research on economic effects of
6 riverboat gambling indicate that the benefits to
7 casino communities are very disappointing
8 despite the millions of dollars in profits taken
9 from those communities by casino operators.

10 The report entitled Casinos in Florida:
11 An Analysis of the Economic and Social Impacts
12 released by the Florida governor's office in
13 1994 concluded that for each new dollar in tax
14 revenue generated by casino gambling, the cost
15 to taxpayers could be from 8 to \$12 million.

16 Several economists have noted that
17 casinos generate significant new revenues only
18 if they can export their problems. That is when
19 most gamblers return to their home communities
20 and take their problems with them.

21 The Florida study notes that this system
22 works for Las Vegas and Atlantic City which
23 draws patrons from New York, Philadelphia, and
24 Washington.

25 The study concluded that Florida's

1 recurring sales tax revenues would experience a
2 net decrease of at least \$84.7 million as
3 residents divert taxable spending money to
4 casinos and that crime and social costs
5 attributable to casinos would total at least
6 \$2.16 billion annually.

7 Florida voters turned down the option to
8 establish several casinos in a November, 1994,
9 referendum. Illinois Governor Jim Edgar has
10 said that legalized gambling hasn't increased
11 tourism or generated new income in his state but
12 instead has just moved money around in the local
13 economy.

14 The Chicago Tribune, Wednesday, May
15 15th, 1996, in an article by Michael Kilian, the
16 University of Illinois economist Earl Grinols,
17 and J.D. Omerov studied what type of
18 expenditures casinos affect, how far from the
19 casinos these effects can be identified, and the
20 extent to which the effects are similar in
21 different casino locations -- Elgin, Galena,
22 Metropolis, Peoria, East St. Louis, Joliet,
23 Aurora, and Rock Island, Illinois.

24 General merchandise and miscellaneous
25 retail wholesale trade declined by an average of

1 \$367 per \$1,000 of casino revenue within 10
2 miles of each casino.

3 Of the eight areas examined to find out
4 the effects of casinos on employment, six showed
5 no relationship; one a 15 percent increase; and
6 another a 40 percent increase. Thus while an
7 overall increase in employment is possible, it
8 should not be presumed.

9 Grinols and Omerov concluded that there
10 was little or no economic development with the
11 possible exception of the immediate vicinity of
12 the casinos.

13 The state of Maryland's Joint
14 Executive-Legislative Task Force to study
15 commercial gambling activities in Maryland
16 reported in October, 1995, that the impact of
17 legalizing gambling casinos in Maryland would be
18 a substantial increase in crime in the state.

19 There would be more violent crime, more
20 juvenile crime, more drug and alcohol-related
21 crime, more domestic violence, and more child
22 abuse and more organized crime.

23 The task force concluded that there
24 would be incalculable costs to crime victims in
25 the loss of economic health and emotional

1 well-being as well as too often, loss of life.
2 Casinos are not a solution to anything.

3 Instead, they will exacerbate existing
4 problems and create new ones, declares the
5 Executive Summary of the Task Force. According
6 to the Minneapolis Star-Tribune, the twin cities
7 are feeling the sad effects of gambling
8 euphoria, despite the undoubtedly much needed
9 millions in net profit for the eleven Indian
10 tribes who operate seventeen casinos.

11 Reporter Chris Ison who wrote the
12 December, 1995, series entitled Dead Broke: the
13 Impact of Gambling in Minnesota, says the
14 state's problem gamblers conservatively
15 estimated that \$38,000 cost the state an
16 estimated \$300 million a year.

17 His analysis of 105 personal
18 bankruptcies disclosed an average gambling loss
19 of \$22,000 and a total loss of \$40,000 per
20 person. Research by the University of Minnesota
21 at Deluth discovered that from 4.1 percent to
22 6.3 percent of the state's teenagers have
23 experienced problems related to gambling.

24 Finally, regarding the prospects for
25 this community, Erie, Pennsylvania, William

1 Thompson, Ph.D., a professor of public
2 administration at the University of Nevada and a
3 well-respected analyst of the gambling industry
4 said that Erie only stands a chance of making
5 money from riverboats if it can draw the
6 majority of gamblers from outside the community
7 and the state confines its share of the tax
8 revenues from gambling to the 1 or 2 percent it
9 will cost the state to regulate it.

10 He did not attempt to estimate the
11 social costs or damage incurred everywhere which
12 must be subtracted from the community's revenue.
13 The League of Women Voters of Pennsylvania and
14 of Erie County hopes Members of the General
15 Assembly will find alternative means to
16 stimulate growth in Pennsylvania.

17 Thank you, Mr. Chairman, and Members of
18 the Committee.

19 CHAIRMAN GANNON: Thank you very much
20 for joining us today and providing this
21 testimony. Our next witness is Tony Milillo,
22 President of the Council on Compulsive Gambling
23 of Pennsylvania. Welcome, Mr. Milillo.

24 MR. MILILLO: Good morning, Chairman
25 Gannon and Members of the Committee. My name is

1 Tony Milillo, and I'm the president on
2 Compulsive Gambling of Pennsylvania.

3 We are a statewide 501-C3 nonprofit
4 organization, and we were incorporated in our
5 Commonwealth in 1983. I would like to go off
6 just for a few seconds.

7 I've heard a lot this morning about
8 compulsive gambling and the problems of people
9 gambling. We were involved in that for the past
10 thirteen years and we have compulsive gambling
11 without riverboat gambling. That is not the
12 problem. It's addressing compulsive gambling
13 that is.

14 I guess one of the questions would be
15 would riverboats bring more compulsive gamblers
16 or develop more? And yes, that's a possibility.
17 But if we can address the issue and incorporate
18 some programs for prevention and education, then
19 that figure would be a lot less.

20 The mission of our council is to provide
21 information to facilitate research, conduct
22 professional training concerning compulsive
23 gambling, and to have available a 24-hour,
24 statewide hot line, which we do now.

25 We study treatment techniques and

1 support public education. We also provide
2 prevention services. These efforts are
3 primarily directed at those individuals
4 considered to be at the highest risk, especially
5 adolescents and seniors.

6 We are developing specific knowledge and
7 advanced training leading toward certification
8 for professionals in the prevention, treatment,
9 and rehabilitation of compulsive gamblers.

10 We produce a newsletter filled with
11 informative articles concerning this issue. We
12 present education in the schools, colleges,
13 business and in the work place and health field.
14 We provide speakers and literature on request.
15 There is never a charge for any of our services.

16 We are involved with the program
17 Lawyers Concerned for Lawyers and the
18 Pennsylvania Bar Association due to the problems
19 they're having with problem gambling. I have
20 been involved with compulsive gamblers for over
21 twenty years, and I am a recovering gambler
22 myself.

23 My family, friends, and my profession were
24 all destroyed due to my gambling. There was no
25 help line and no information when I needed it

1 most. So I had -- I and those close to me may
2 have suffered a little bit longer than they
3 needed to.

4 We provide all of these services
5 throughout our state and help many who may not
6 have to go through what I went through. Many in
7 this room did not even know that Pennsylvania
8 Council existed. We do need to be more visible
9 and to develop more programs and to be available
10 to our entire state.

11 We are not against gambling. Many can
12 gamble for fun and entertainment. But for those
13 who become addicted, it's a nightmare. Some in
14 this room have known someone who has destroyed
15 their life gambling. Nothing is more
16 financially destructive as compulsive gambling.

17 Last week while at a gambling behavior
18 conference in Chicago, a letter was received
19 from President Clinton congratulating our
20 national council for its work and added that
21 someone in his family was a compulsive gambler.

22 Most gamblers are normally protected by
23 their families until they are drained of
24 everything they have. Gambling is a hidden
25 addiction. You can't see it. You can't taste

1 it. You can't smell it. We need to educate our
2 citizens and then maybe some won't have to get
3 to the point of no return.

4 Compulsive gambling is at our doorsteps,
5 in our homes, schools, and in the work place.
6 Our youngsters are the most vulnerable.

7 Gambling is so accepted that a
8 grandmother would not consider buying a 12-year
9 old a bottle of scotch for his or her birthday
10 but wouldn't hesitate buying them lottery
11 tickets.

12 Many high schools on prom night to keep
13 their kids away from alcohol and drugs will now
14 hold casino night. Some of these kids will
15 develop into compulsive gamblers. Putting up
16 little signs, you must be 18 to play, does not
17 help. We need to do more.

18 Even some of our industries do not
19 understand what must be done. They are as just
20 frustrated and concerned about the problem.
21 Ladbrokes Racing's John Long, the president,
22 learned about our organization and contacted us
23 to join together to work toward a future goal of
24 developing programs for employees and management
25 in order to help them understand the problem.

1 Harrahs has also stepped forward in the
2 past. We at one point may have had to shut down
3 our statewide help line. But thanks to the help
4 of these two in the gaming industry, we are
5 still helping compulsive gamblers.

6 Chuck Kline of the Lottery in his
7 address to this Committee stated that 2 percent
8 to 7 percent of our citizens are compulsive
9 gamblers. This has nothing to do with
10 riverboats. It's real. This confirms many
11 surveys taken over the years including one by
12 the National School Board Association.

13 With over 12 million population in our
14 state and we take a modest figure of 3 percent,
15 we come up with 360,000 compulsive are citizens
16 at risk. Each compulsive gambler then affects
17 six to eight people; parents, families,
18 work place, friends.

19 Some will commit crimes to support their
20 gambling addiction. Marital and child abuse
21 rise amongst gamblers. Broken homes and closed
22 businesses, false insurance claims and tax
23 evasion are some of the serious results of
24 compulsive gambling.

25 Mr. Kline also stated that his lottery

1 is different than other types of gambling. It's
2 slower. This statement might be true; except
3 for the compulsive gambler, it is just as
4 devastating and fast as any form of gambling.

5 We have also noticed that since the
6 lottery has installed lottery terminals,
7 machines, in most outlets throughout our state,
8 phone calls pertaining to the lottery has risen.
9 These machines are unmanned, unsupervised, and
10 very visible to our children.

11 Many are playing the lottery machines
12 after school. Some do not even eat lunch due to
13 their dream of hitting the lottery. Some do not
14 understand how someone could give up food for an
15 addiction; but have no doubt, it happens.

16 I agree that the work place -- I agree
17 that most of these children will not really
18 develop signs of compulsive gambling until they
19 grow into the work place and then graduate into
20 sports, racing, and casino gambling.

21 We tend to be very concerned about Camel
22 Joe and how these ads may sway our children to
23 smoke. Have you ever seen the ads for the
24 lottery, the race tracks, or the casinos? We
25 have found that more children are gambling than

1 drinking, smoking, or are taking drugs. They
2 are starting at an earlier age.

3 It might be easy to blame parents. They
4 should watch their children. They should take
5 responsibility for their children. What
6 responsibility are we going to take? It would
7 be cost effective and good business to address
8 this issue now.

9 Mayor Rendell in his statement at a
10 hearing in Philadelphia said, There is nothing
11 we can do to stop compulsive gamblers when they
12 want to gamble. He also said, I would be
13 supportive of funding programs that would
14 address this problem.

15 He said exactly what we are saying. The
16 problem is here and has been for a long time.
17 Now, let's try to do something about it to help.
18 Prevention through education and awareness,
19 having a referral base and trained professionals
20 who can recognize and treat those in need.

21 This is the only addictive activity that
22 our state promotes and is advertising. Many
23 good programs are supported through the
24 financial gain of gambling. We understand how
25 important these services are. We need to look

1 at what services are needed and can be provided
2 for compulsive gamblers and their families.

3 According to our phone records, in 1993,
4 3,609 called for help; in 1994, 3,514; and
5 interestingly enough, in 1995, 6,342 citizens of
6 Pennsylvania called for help on our help line.
7 In 1996, that number will grow.

8 Phil Satre of Harrahs at the hearing in
9 Harrisburg mentioned sponsoring a 30-second
10 public service announcement to be aired on
11 television for our council. It's a dynamite
12 spot, but we are limited to the markets we can
13 release it to.

14 We simply cannot afford to financially
15 support the calls that will be developed through
16 this spot. Mailing of information packets is
17 another expense we must look at. We need to
18 expand this public service announcement to the
19 entire state and be able to mail as much
20 literature out as needed.

21 We speak at a limited amount of middle
22 schools and high schools as well as colleges
23 throughout the state. One of the questions
24 asked during our presentations to this
25 population is how many of you gamble? And

1 normally, over 65 percent admit to gambling.

2 They're not trying to hide it. A
3 percentage of these kids will become addicted.
4 If anyone on this Committee would like to choose
5 a school in your district and set up a gambling
6 education program and have me speak while you
7 observe, I have no doubt that over 65 percent
8 will continue to admit to gambling.

9 I would like to take a minute to advise
10 you of some of the results of compulsive
11 gambling has had on some of our fellow citizens.
12 A liquor control officer sent me a letter he
13 confiscated from a raid on a local tavern.

14 It said, Here is some money that I owe
15 you. I am quitting school and will work to pay
16 you the balance. This was from a 17-year old to
17 his bookie. A mother who found her 27-year old
18 son in their garage with a hose hooked up to the
19 tail pipe, he was dead due to gambling.

20 The lawyer who went to prison due to her
21 gambling addiction and ex-owner of the Eagles
22 who lost about 20 million and his home to his
23 gambling addiction. A 15-year old who ran away
24 from home after stealing repeatedly from his
25 parents and friends because he saw no way out,

1 no help.

2 Another 15-year old who shot another
3 teenager because of his gambling losses and his
4 anger. I could go on and on, but time is not a
5 luxury.

6 Many states such as Connecticut,
7 Delaware, Florida, Ohio, Louisiana,
8 Massachusetts, Minnesota, Mississippi, Nebraska,
9 Nevada, New Jersey, New York, Texas, and
10 Washington State are supporting programs
11 addressing the issue of compulsive gambling. We
12 would some day like to see Pennsylvania
13 financially support this growing problem.

14 We realize that the state cannot fix
15 everyone's problems and maybe should not get
16 involved in many of the issues facing society
17 today; but if the state is promoting and
18 profiting from an addictive activity, then it
19 might make sense to address this issue.

20 Cost effectively, addiction counselors
21 can be trained to add gambling to their already
22 existent programs. We must have literature and
23 services available for those in our state that
24 need assistance. Consider how many wind up on
25 the welfare roles when gambling has taken

1 everything.

2 Representative Kenney, the author of
3 this bill, has also sat with us and is
4 supportive of the services that are needed. It
5 is time to take action. We really haven't even
6 touched other forms of gambling or other issues
7 such as sports betting, internet gambling,
8 bingo; but it's time for me to end.

9 And I hope you'll take into
10 consideration those things I said. We thank you
11 for your time and your attention. Have a great
12 day.

13 CHAIRMAN GANNON: Thank you very much,
14 Mr. Milillo, for being here today and sharing
15 your testimony with us. Our next witness -- we
16 will be going back on the schedule. Is Dr. Evan
17 Stoddard, Vice-President of No Dice --

18 MR. STODDARD:. I apologize for being
19 late today, but traffic and rain conspired
20 against us.

21 CHAIRMAN GANNON: That's quite all
22 right. We're glad to have you here today.

23 MR. STODDARD: Thank you very much. My
24 name is Evan Stoddard. I live at 192 South 17th
25 Street in Pittsburgh. I am currently employed

1 at Duquesne University as Associate Dean of
2 College and Liberal Arts, and I direct a small
3 graduate program there called the Graduate
4 Program for Social and Public Policy.

5 I'm speaking today, however, in my
6 capacity as vice-president of No Dice and also
7 as a board member of a group called
8 Pennsylvanians Against Gambling Expansion.

9 Both of these organizations are
10 nonpartisan, nonprofit, nonsectarian citizens
11 groups formed to oppose the legalization of
12 riverboat casino gambling and other additional
13 forms of gambling in Pennsylvania.

14 The Committee has invited testimony on
15 the potential effects of an expansion of
16 gambling in the form of riverboats or other
17 casinos in Pennsylvania. I thank you for the
18 opportunity to testify on this very important
19 subject.

20 After careful study, I am convinced that
21 riverboat and other forms of casino gambling
22 hurt people and communities. I'm convinced that
23 casino gambling is not a harmless form of
24 entertainment.

25 The issue of its introduction to our

1 state is not primarily a moral issue but a
2 practical issue because it would have
3 wide-spread, disastrous economic and social
4 consequences for all of us.

5 When casinos were first proposed
6 seriously in Pennsylvania two or three years
7 ago, the consequences looked bad at that time.
8 The passage of time since then has made, in my
9 opinion, the prospects look even worse.

10 Recently, Pennsylvanians Against
11 Gambling Expansion and No Dice commissioned a
12 review of findings from across the country which
13 we plan to publish as a report in the near
14 future. Much of what I will say will come from
15 that review we recently made.

16 I'm sure the Committee already knows
17 that the federal government first approved
18 casino gambling on Indian reservations only
19 eight years ago and since that time Indian
20 casinos have opened in half of the United
21 States, roughly.

22 Commercial casino gambling outside of
23 Nevada, Atlantic City, and Indian reservations
24 is only five years old. The first riverboats
25 casinos opened in Iowa in 1991; and several

1 states have followed afterwards including
2 Illinois, Mississippi, and Louisiana.

3 I'd like to speak for a moment about the
4 economics of gambling. And I speak from my
5 experience of serving as seven years as director
6 of the Economic Development Department for the
7 City of Pittsburgh.

8 The economics of gambling are very
9 simple. Economically, gambling only works if
10 you can import the gamblers. If you're gambling
11 your own money, you lose. This is why Nevada,
12 where 80 percent to 90 percent of gambling
13 revenue comes from out of state, is an economic
14 success. It works there. Gambling works there.

15 But few Pennsylvania casinos would be in
16 a position to import most of their gamblers,
17 least of all those in our metropolitan areas
18 such as Pittsburgh, Erie, or Philadelphia.

19 Casinos in metropolitan Pittsburgh would
20 pull mainly from the metropolitan area itself.
21 Estimates of the primary market area for
22 Pittsburgh casinos have ranged from within a
23 50-mile radius of downtown from an independent
24 economic consultant to a 100- to 125-mile radius
25 from one gambling executive.

1 Casinos in Philadelphia, again, would
2 mainly draw from the metropolitan area itself.
3 Now, it's argued that casinos in Philadelphia
4 would deter Philadelphians from taking their
5 money across the state line to Atlantic City.
6 That's true.

7 However, hometown casinos would also
8 encourage more Philadelphians to gamble and lose
9 more often and thus increase the economic drain
10 on the metropolitan area.

11 The experience of Illinois with casinos
12 is particularly instructive to us here in
13 Pennsylvania because it is a culturally similar
14 northern state with a population about the same
15 size as ours, 12 million.

16 With fourteen casinos in nine locations
17 also with a competing state, Ohio, across the
18 river, Illinois has five years of experience
19 with riverboat gambling.

20 There, multiple recent independent
21 studies confirm what news stories and
22 street-level observations have shown for years,
23 and that is, the boats take in money, they
24 return tax revenues; but they don't create
25 economic development.

1 Net wealth flow is negative to the
2 communities and their metropolitan areas and to
3 the state as a whole with hundreds of millions
4 of dollars taken out of local economies. Why?
5 Because most of the gamblers are local and the
6 money they lose is local money, not money from
7 outside.

8 For example, the Illinois Economic and
9 Fiscal Commission, a bipartisan commission of
10 the legislature, studied local impact of the
11 state's casinos in 1994. We recently spoke with
12 their executive director, William Hall, who said
13 our study is consistent with the notion that
14 economic development cannot be demonstrated.

15 A study performed by Policy and
16 Management Associates, Incorporated, of Boston
17 for my former employer, the Urban Redevelopment
18 Authority of Pittsburgh, dated March, 1995,
19 included case studies from Illinois; Peoria;
20 Davenport; Iowa; and New Orleans, Louisiana.

21 The consultants compared money put into
22 the metropolitan area by casino gambling in the
23 form of new wages, local purchases, and local
24 taxes. They compared that input to money taken
25 out as the casino's winnings from local pockets.

1 In Peoria, Illinois, from 1991 to '94,
2 the Par-A-Dice Riverboat Casino produced a net
3 loss of \$28.5 million out of local circulation.

4 In Davenport, Iowa, where the President
5 Riverboat drew heavily from Illinois before the
6 Illinois boats came on line, the local economy
7 showed a total net gain initially of \$2.1
8 million between '91 and '94; but by '94, the
9 results were heading in the other direction.

10 The 1994 net local impact was a loss of
11 \$12.8 million to the local economy. The
12 researchers estimated that 70 percent of the
13 casino's customers were now coming from the
14 local region whereas before they had come
15 from -- a larger portion had come from out of
16 state.

17 In New Orleans, four riverboats
18 operating in or near the city for various
19 periods put about 133.7 million in the local
20 economy and took out 250 million for a net loss
21 of over \$116 million shifted from other spending
22 that would have occurred in the metropolitan
23 area.

24 Based on these calculations, existing
25 businesses and households are net losers, the

1 report says. In all three cases, riverboat
2 gambling was draining more money from the
3 economies of these regions than it contributed
4 leading, I would add, to losses of taxes and
5 lost employment.

6 Similarly, Earl Grinols of the
7 University of Illinois, a former economist for
8 President Reagan's Council of Economic Advisors,
9 found in his study of seven casino areas in
10 Illinois that general merchandise and
11 miscellaneous retail wholesale sales dropped a
12 combined \$367 for every \$1,000 in casino
13 revenue.

14 He too concluded that casinos were
15 taking sales away from other businesses. In
16 addition to its drain on local economies,
17 riverboat gambling drives up public costs.
18 Among those costs are the immediate costs of
19 regulating the industry.

20 Peter Fisher of the University of Iowa
21 studied Iowa legislative Fiscal Bureau data for
22 fiscal '93, found that the state spends about a
23 quarter of the taxes that it takes in to
24 regulate the gambling industry.

25 By way of comparison, for broad-based

1 taxes such as income or sales taxes,
2 administrative costs are typically low, below 5
3 percent. But even more significant in the long
4 run are the costs resulting from rising crime
5 rates and the costs associated with compulsive
6 gambling.

7 In a word, riverboat gambling will mean
8 more crime in Pennsylvania and will wreck lives
9 here because it creates addicts. And the last
10 thing we need is more addicts. We've just been
11 told about addicts, and riverboat casinos create
12 more.

13 When casinos are legalized, more people
14 gamble more often and more get in trouble. The
15 state of Iowa has seen its problem in
16 pathological gambling rates triple in six years
17 from 1.67 percent to 5.4 percent of adults
18 statewide.

19 In casino areas like Davenport, what was
20 once a fairly low-level social concern has grown
21 into a problem rivaling drug and alcohol abuse.
22 Worse, the growth of legalized gambling
23 corresponds with an unprecedented rise in
24 problem gambling among youth, as the preceding
25 gentleman has just mentioned.

1 A recent paper in Journal of Gambling
2 Studies found 10 to 14 percent of U.S. and
3 Canadian teenagers at risk of developing serious
4 gambling problems. Nor are the problem gamblers
5 the only people affected. All who rely on
6 gamblers may be harmed; spouses, children,
7 employers, creditors.

8 The related costs of bankruptcies, bad
9 loans, criminal justice expense, and social
10 service needs are borne by all. Conservative
11 estimates of increased problem gambling costs in
12 two casino states, Minnesota and Wisconsin, are
13 each in the \$200-million per year range.

14 And those states are not anywhere near
15 the size of Pennsylvania, half our size in each
16 case. As to crime, nationwide, crime rates in
17 casino counties are nearly twice as high as in
18 the rest of the United States.

19 In 1994, crime rates from casino areas
20 increased 5.8 percent while crime was dropping
21 in the rest of the United States by 2 percent.
22 In the 31 places where casinos had opened the
23 year before, crime increased by 7.7 percent
24 while in noncasino areas with similar
25 populations, crime increased by only 1 percent.

1 The types of crimes that correlate with
2 problem gambling like fraud and domestic
3 violence are especially likely to grow. I'd
4 also note that organized crime and corruption of
5 public officials have a long history of
6 association with organized gambling and they
7 remain serious concerns today.

8 In light of all I have said -- and I've
9 only been able to touch the surface of many of
10 the findings that we have made and the review
11 that our organizations have made -- one wonders
12 why a distinguished public body such as this one
13 should be led to consider the misguided policy
14 of permitting an activity that would so surely
15 rob Pennsylvanians of so much.

16 Of course, the answer is that casino
17 companies stand to take millions out of
18 Pennsylvanians' pockets if we permit them to
19 operate in our state.

20 They would return a small portion to us
21 in taxes; but those taxes would come at a high
22 price to our local and state economies, to our
23 social fabric, and to our domestic peace and
24 tranquility.

25 On behalf of all those present and

1 future Pennsylvanians whom casinos would harm, I
2 ask you to do all in your power to keep casino
3 and riverboat gambling from having any home in
4 Pennsylvania. And I thank you very much on
5 behalf of our organization for the opportunity
6 to testify today. Thank you, gentlemen.

7 CHAIRMAN GANNON: Thank you very much,
8 Dr. Stoddard, for joining us today and sharing
9 your testimony with this Committee. Our next
10 witnesses are Felix Dialoiso, Thomas DiMartini,
11 and Nick Papale, Las Vegas Dealers and Gambling
12 School of Pittsburgh. Welcome, gentlemen.

13 MR. DEMARTINI: Thank you, Mr. Chairman,
14 Committee Members. My name is Tom DiMartini,
15 and I am the spokesperson for the Las Vegas
16 Dealers and Gambling School of Pittsburgh.

17 Today and in past hearings your
18 Committee has heard the testimony on the pros
19 and cons of riverboat gaming. I represent a
20 group who supports riverboat gaming, but our
21 reason for being here today is to encourage this
22 Committee to amend the present gaming bill.

23 If riverboat gaming is to become a
24 reality, local residents must have top priority
25 in the employment competition. Our main concern

1 is training nondegreed individuals looking for a
2 career change as a casino dealer.

3 The best way to do this is for the state
4 to mandate independent training for perspective
5 casino dealers. The Las Vegas Dealers and
6 Gambling School of Pittsburgh is presently one
7 of the two state certified gaming dealer schools
8 in Pennsylvania.

9 The purpose of our school is to train
10 competent gaming dealers who will find solid
11 career employment in perspective gaming casinos
12 of Pennsylvania. Our schools will provide
13 dealers with thorough knowledge of casino games,
14 with skills in managing games, and the
15 development of communication skills.

16 Our school was granted a contingent
17 license with the Department of Education as of
18 October 13th, 1994. This license is contingent
19 on the state authorizing expansion of casino
20 gaming. Our school cannot open until a gaming
21 law is passed.

22 If and when permitted to begin
23 operation, our school will be able to commence
24 with state-of-the-art technical school. We
25 believe that, like any other school preparing

1 students for career employment, our school
2 should be based on the concept that individuals
3 must be skilled in their field of study.

4 Our main goal would be to have qualified
5 dealers prepared to do an excellent job for any
6 casino in which they are employed. Each student
7 will be given a free enrollment exam that will
8 test for basic skills, primarily math.

9 This exam will help in developing an
10 individualized academics needs analysis that
11 will be used to aid the student achieving
12 success as a dealer.

13 The school's use of professional
14 educators and curriculum development and
15 supervision will provide students with the
16 competent and student-oriented programs.

17 Remedial assistance will be available as
18 dictated by the student's progress in the
19 program. Not only will the student be competent
20 in dealings but will be thoroughly knowledgeable
21 about managing his work station and
22 communicating with the patrons.

23 Each student will also be given
24 education on interviewing skills and writing
25 resumes. Even though the Department of

1 Education is somewhat apprehensive about issuing
2 a license to operate a dealer school because of
3 the current law, our thorough knowledge of the
4 educational curriculum and emphasis on preparing
5 students for jobs and not just to have casinos
6 to have dealers ready for day one, persuaded the
7 Board of Education to grant us a license.

8 There are two main reasons why there's a
9 need for independent technical schools. The
10 first is to emphasize the need to
11 professionalize the career choice of a gaming
12 employee. A qualified professional dealer can
13 take pride that he or she is the best.

14 Casinos with independently trained
15 dealers have shown historically to run a better
16 operation. The dealer's also more capable of
17 moving from one casino to another when training
18 is standardized.

19 The second reason, to ensure that some
20 of the better paying jobs go to residents of
21 Pennsylvania. If casinos are left with the
22 responsibility of training dealers, most dealers
23 will come from their other establishments.

24 In states that let casinos do the
25 training, few local residents are in the

1 better-paying positions. New Jersey originally
2 opted to independent schools, and many local
3 residents became dealers. In time, this rule
4 was forgotten; and today, fewer and fewer local
5 residents are employed as dealers in the
6 casinos.

7 You will find a large number of recent
8 U.S. residents or recent out-of-state residents
9 as dealers. Mandated independent dealer schools
10 will allow local residents a greater opportunity
11 to gain employment.

12 We would also like the Legislature to
13 consider authorizing the Department of Education
14 to allow for schools to begin training dealers
15 prior to an enactment of casino gaming.

16 Many Pennsylvania residents would
17 benefit by opting for a career in casino dealing
18 but cannot afford to move out of state to get
19 this training or to investigate that this is a
20 career they wish to pursue.

21 With local dealer schools, local
22 students will have one more option to pursue in
23 finding employment. Presently, Pennsylvania
24 State University's trained students for casino
25 management in their hotel management programs,

1 but no one presently aids the nondegreed
2 individual looking for a casino career.

3 We wish to make this possible, but
4 current laws prohibit the purchase and use of
5 gaming devices in Pennsylvania even if used for
6 educational purposes. This law needs to be
7 revised for training persons for job placement.
8 We would like to thank this Committee for an
9 opportunity to testify today.

10 CHAIRMAN GANNON: Thank you,
11 Mr. DiMartini.

12 REPRESENTATIVE DERMODY: Thank you,
13 Mr. Chairman. I would just like to greet these
14 fine and distinguished gentleman from my
15 district. And they've done a great job putting
16 together the program for the school and then
17 submitted it to the Department of Education.
18 I've already granted a conditional license. I
19 did have just a couple of questions.

20 CHAIRMAN GANNON: Sure.

21 REPRESENTATIVE DERMODY: Right now what
22 you're saying is an amendment to the current law
23 that would allow you to have gambling equipment
24 that would allow to you open --

25 MR. DEMARTINI: Right. Presently, use,

1 the transport, the purchase of gambling
2 equipment in the State of Pennsylvania is
3 illegal even for charitable purposes.

4 REPRESENTATIVE DERMODY: Now,
5 Erie -- possible to allow gambling equipment to
6 be purchased or used here. Can you explain
7 that?

8 MR. DEMARTINI: It was a bill primarily
9 to be able to repair ships that housed gaming
10 equipment. And that was even because of the
11 transport of gaming equipment that would have
12 been illegal, so they needed a special bill to
13 be able to work on those ships.

14 And the same thing here is the fact that
15 you could not train dealers to work even in
16 other states in Pennsylvania because having
17 gaming equipment is illegal.

18 REPRESENTATIVE DERMODY: So schools like
19 Penn State and the Casino Management Program
20 also aren't able to have --

21 MR. DEMARTINI: They can't use the
22 equipment. They have to use visual aids.

23 REPRESENTATIVE DERMODY: And just for
24 the record, what do your studies show the
25 salaries to be working casino --

1 MR. DEMARTINI: Those that are the best
2 dealers, those that are working in the better
3 casinos make anywhere from around 20 to \$25,000.
4 But -- because tips are important in that
5 profession, the better that you are, the more
6 you can realize as a financial gain.

7 REPRESENTATIVE DERMODY: Jobs are
8 better and benefits --

9 MR. DEMARTINI: Yes. The better the
10 casinos always have benefits.

11 CHAIRMAN GANNON: I thank you,
12 Representative Dermody. What's the estimated
13 gross for dealers including tips?

14 MR. DEMARTINI: It all depends on which
15 state you're at. If you're looking at Las
16 Vegas --

17 CHAIRMAN GANNON: Yeah, Las Vegas.

18 MR. DEMARTINI: All right. You can make
19 anywhere from 30 to \$35,000. That's \$20,000 to
20 \$25,000 for base salary and benefits included.
21 But you can make \$10,000 a year in tips.

22 CHAIRMAN GANNON: Is that at the entry
23 level or is that --

24 MR. DEMARTINI: No. That would be those
25 who have gained some experience. Okay. Entry

1 level, each state does it different. Those
2 states that have pretrained schools make a
3 little bit more because the training is provided
4 also.

5 Those training on their own is somewhere
6 about minimum wage when they first start because
7 you're probably not working full time until
8 you're an experienced dealer.

9 CHAIRMAN GANNON: Thank you very much,
10 Mr. DiMartini.

11 MR. DEMARTINI: Thank you.

12 CHAIRMAN GANNON: Our next witness is
13 Robert Hetrick with Common Cause of
14 Pennsylvania --

15 MR. HETRICK: Thank you, Mr. Chairman.

16 CHAIRMAN GANNON: Welcome, Mr. Hetrick.

17 MR. HETRICK: -- for allowing me to
18 relate the concerns of Common Cause members and
19 many of the residents of northwestern
20 Pennsylvania.

21 Erie already has three forms of
22 gambling, as you well know -- off track betting,
23 Pennsylvania lottery, and bingo -- which
24 contribute monies to the government programs as
25 well as corporate charts and fire departments.

1 These have satisfied many citizens'
2 urges to have the thrill of wagering.
3 Introducing casino gambling would usurp a much
4 more substantial part of more citizens
5 discretionary income because it is more
6 addictive.

7 Money wagered on any additional gambling
8 would subtract from savings accounts; charitable
9 giving; purchases of clothes, autos, and homes.
10 Northern western Pennsylvania's small population
11 of gamblers would not generate the profits
12 desired by the national corporations because New
13 York Staters go to Canada or Salamanca Indian
14 Reservation for casino gambling.

15 Gamblers -- most gamblers below
16 Interstate 80 would go to the Pittsburgh
17 Riverboat. Gamblers from Warren, McKean,
18 Potter, Elk, and Cameron Counties would go to
19 the Salamanca Reservation.

20 The residents of Ohio generally stay in
21 Ohio to gamble as was shown by the bankruptcy of
22 the thoroughbred track 10 miles west of Erie and
23 20 miles from Ohio.

24 Slick salesmen from national gambling
25 corporations have already sold a group of

1 gullible investors on the possibility of large
2 profits for themselves and the city, county, and
3 state.

4 Money that will come from the
5 discretionary income of people who lack the
6 self-discipline to stay away from addictive
7 pursuits and/or lack the intelligence to
8 understand that the odds are against them.

9 Attendance at riverboat casino will
10 recede when the initial fad wears off and/or
11 when some people begin to realize they are
12 wasting too much time and money. Then expected
13 profits will not be realized by the corporations
14 and will try to get reduction in fees and taxes
15 from the various government entities.

16 When this fails to improve profits
17 significantly, they will pull up anchors and
18 sail away to Cleveland or Detroit, leaving Erie
19 much worse off because of their sojourn here.

20 In conclusion then, the three methods of
21 gambling which are legal in Pennsylvania are
22 addictive to a small percentage of the
23 residents; but riverboat casino gambling has a
24 much higher level of addiction.

25 It is like comparing cigarette addiction

1 to cocaine addiction. Pennsylvania should never
2 allow another source of addiction to add to its
3 problems. Taxes, when wisely structured and
4 spent, are a much better way off of financing
5 the government. I thank you for hearing me,
6 Mr. Chairman.

7 CHAIRMAN GANNON: Thank you,
8 Mr. Hetrick, for being here today and sharing
9 your testimony. We are now going to recess
10 until 1 p.m. for lunch. Our first witness at
11 that time will be Mr. Ralph E. Walter.

12 (A lunch recess was taken from 12:00
13 p.m. to 1:00 p.m.)

14 CHAIRMAN GANNON: We will now reconvene
15 the hearing on House Bill 2308. Our first
16 witness for this afternoon session will be Mr.
17 Ralph E. Walter. Welcome, Mr. Walter.

18 MR. WALTER: Mr. Chairman and Members of
19 the Judiciary Committee, for several years, you
20 and your colleagues in the House have acted with
21 the will of the people of the Commonwealth of
22 Pennsylvania and rejected all the proposed
23 legislation for introducing riverboat gambling.

24 Please allow House Bill 2308 to die in
25 this Committee and thus follow the continuing

1 will of that majority. With this action,
2 Pennsylvania will avoid severe economic costs,
3 employment losses, and deterioration of its
4 social structure.

5 If you release this bill, we request
6 that this Committee, the General Assembly, and
7 the Governor collectively provide an objective
8 study which will comply with section 103 of this
9 bill. That study would detail the economic,
10 employment, and social impact on Pennsylvania
11 with casinos.

12 Please release this study -- public
13 release of this study is required so we can
14 evaluate the impact of expanded gambling.
15 Further, we are requesting other changes and
16 additions in House Bill 2308. These requests
17 would empower and protect the people of
18 Pennsylvania when casinos are introduced.

19 Further to the proposed study, the
20 gambling companies are promising Pennsylvania \$1
21 billion in tax revenue with the 19 casinos
22 authorized in House Bill 2308.

23 Then, projecting from my study of
24 riverboat gambling in Erie County, Pennsylvania,
25 the Commonwealth can expect various tax

1 increases totaling \$1.9 billion to pay for the
2 problems of compulsive gamblers from these
3 casinos.

4 These costs include incarceration for
5 those convicted of crimes, increased costs in
6 the judicial system, increased costs in the
7 police system, and the costs for treatment of
8 these problem gamblers.

9 Further costs which I have not estimated
10 include the expansion of the infrastructure near
11 the riverboats. Also not included are the sales
12 tax revenue and the state lottery revenue which
13 will be lost to the casinos.

14 We request that you itemize and include
15 these and other losses in your study. We have
16 also been promised 50,000 new jobs in the 19
17 casinos. My projection shows 48,000 other
18 Pennsylvanians will lose or quit their jobs
19 because of their compulsive gambling in these
20 casinos.

21 Pennsylvania suppliers to these casinos
22 could add employees. Please estimate these
23 numbers and the employees who will be displaced
24 from restaurants and other businesses when these
25 casinos come in.

1 The gambling companies have also
2 promised that they will address the problems of
3 the compulsive gambler. Details for one of
4 their installations which has successfully
5 resolved this problem have not be located.

6 Using 4 percent of the population of
7 Erie County who are 21 and older, I project that
8 Pennsylvania with 19 casinos will have 142,500
9 problem gamblers. In estimating their social
10 impact, we can expect 108,000 of these
11 compulsive gamblers to resort to criminal
12 activities.

13 Among these, 62,000 will steal at work
14 and 25,000 will be arrested for their criminal
15 activity. In addition, 94,000 of these
16 troubled gamblers will contemplate suicide and
17 22 thousand will attempt it. An estimate for
18 the successful suicides is needed.

19 Also, 30,000 gamblers will file for
20 bankruptcy and 37,000 separations or divorces
21 can be expected. Some problem gamblers will
22 abuse their children. Family stress will
23 increase domestic violence, and some teenagers
24 will find ways to gamble at the casinos.

25 We request your estimates. These

1 statistics become real when we see parents
2 buying lottery tickets when they should be
3 feeding their children. When a tax preparer
4 diverts his clients IRS payments and loses them
5 on horse races, we see more than statistics.

6 When Manuel Moreno's scam robs
7 northwestern Pennsylvanians of their savings to
8 support his \$5,000 weekly wagers in the
9 Pennsylvania Lottery, we foresee the problems
10 with the casinos.

11 U.S. News and World Report, Time,
12 Readers Digest, and The Luck Business by Robert
13 Goodman have been used to develop a projection
14 for Pennsylvania with casinos. Attached to your
15 copy of this presentation is a copy of that
16 April 3rd, 1996, projection. References are
17 made to the above sources in that paper.

18 You will develop different data when you
19 study each of the 19 communities where these
20 casinos will be located. The demographics of
21 these communities will differ from Erie County,
22 but I believe your result will be similar to
23 that which I have projected.

24 Now, the first change we request is to
25 replace the word gaming with the word gambling

1 in House Bill 2308. The proposed change would
2 be much more descriptive of the purpose of this
3 bill.

4 In Section 901 of this bill, we request
5 a change in the local referendum area from the
6 county to an area within 100 miles of the
7 casino. Reportedly, the gambling companies want
8 to locate casinos within 200 miles of each
9 person in the United States and thus in
10 Pennsylvania.

11 This proposed 100-mile area would allow
12 one-fourth of that marketing area to control the
13 casino within it. In your study, please use the
14 19, 100-mile areas rather than the county area
15 which I have used for my projections.

16 Also, when the casino is rejected in the
17 local referendum, we request that Section 901 be
18 changed from a two-year to a five-year
19 moratorium before another referendum.
20 Otherwise, the local community will be
21 continually plagued with a campaign for the
22 casino.

23 When the local referendum establishes
24 the casino, further provisions are required in
25 Section 901 to provide for petition and

1 referendum privileges for each local community
2 to remove that casino after five years.

3 A community which is given the privilege
4 of approving the casino wants the same privilege
5 to remove that casino when it is found
6 undesirable.

7 If provisions for statewide referendum
8 are added to House Bill 2308, we request that
9 you include all the moratorium, petition, and
10 referendum provisions as requested above for the
11 local referendum.

12 Again, we request the power to reverse
13 our choice. Further, we request that Section
14 1301 of this bill have the tax revenue rate of
15 15 percent raised to 20 percent. This higher
16 value is proposed by the gambling companies to
17 the voters of Ohio in their upcoming referendum,
18 and we request the same rate for Pennsylvania
19 casinos.

20 In light of the expenses incurred for
21 the problems of the compulsive gamblers, we
22 request that all of the revenue distributed in
23 Section 1307 of this bill be directed to those
24 problems. Using this revenue for property tax
25 and wage tax relief is not realistic when these

1 gambling problems are not funded.

2 If property tax and wage tax relief are
3 required, we request House Bill 2308 be
4 abandoned and the Pennsylvania earned income tax
5 increased to raise the required funds. On the
6 basis of the 1989 tax returns, an increase of .7
7 percent in the tax rate would yield the 1.00
8 billion dollars revenue promised from the 19
9 casinos.

10 With the income tax, the cost burden is
11 much more equitable. In summary, abandoning
12 House Bill 2308 would avoid the problems which
13 will come with placing 19 casinos in
14 Pennsylvania. We recommend this action to your
15 Committee and to the General Assembly.

16 If you go forward with this bill, an
17 objective study is required to inform everyone
18 in Pennsylvania. The referendum additions and
19 other changes listed are also required. We
20 request your action.

21 Thank you, gentlemen of this House
22 Judiciary Committee, for this opportunity to
23 present our views to you in this hearing.

24 CHAIRMAN GANNON: Thank you, Mr. Walter,
25 for joining us today and sharing your testimony.

1 Our next witness is Mr. Walter Chisholm with
2 High Roller Express, Inc.

3 Mr. Chisholm is not here right now; so
4 we'll go to our next witness, who is Mr. J.
5 Terrence Brunner, Better Government Association.
6 Welcome, Mr. Brunner.

7 MR. BRUNNER: I don't have written
8 testimony. Thank you, Mr. Chairman. My name is
9 J. Terrence Brunner, I'm the Executive Director
10 of the Better Government Association which is a
11 Chicago citizen watchdog group, nonpartisan,
12 nonprofit, republicans, democrats, independents.

13 We're an old group, 1923. Ivan
14 Stavenson (phonetic) was our Chairman at one
15 point. Charles Grossy (phonetic) was our
16 Chairman at one point.

17 We do investigative projects with media
18 outlets like 60 Minutes. We've done about ten
19 with them and Prime Time Live and others with
20 which we attempt to investigate, expose waste,
21 inefficiency, and corruption in government.

22 I have a little background in
23 Pittsburgh. I was the chief of the United
24 States Department of Justice's Offices on Crime
25 strike force here in the early 70's and worked

1 with Dick Thornburg who was then the U.S.
2 attorney on a number of political corruption
3 cases, including the convictions of Mr. Grosso
4 and the District Attorney of Allegheny County
5 and others. So I have a long history of
6 gambling.

7 At that time, Mr. Thornburg and I led
8 the largest gambling raid in the history of
9 western Pennsylvania -- 43 locations
10 simultaneously on a Saturday afternoon.
11 However, four years ago, Mayor Dailey proposed
12 that we build twelve city blocks, \$2 billion,
13 five Las Vegas-style casinos in Chicago.

14 Because of that, our organization was
15 asked to take a hard look at the whole question
16 of gambling. In that line, I was appointed by
17 speaker Madigan, the Speaker of the House in
18 Illinois, to a commission.

19 Across-the-board members, we held some
20 fifteen hearings of this type in Springfield and
21 Chicago. I also served on the Senate Commission
22 for Emil Jones, the democratic head of the
23 senate. And we similarly looked at the question
24 of economic development.

25 One of the things that happened in those

1 hearings -- we heard all sorts of people come
2 in. And they would say, This is the greatest
3 thing since canned beer. Other people would
4 say, This is terrible. It's immoral; it's
5 awful; it's crime, and so forth.

6 We began to hear the same testimony
7 over and over and over again. Interestingly,
8 people in New Orleans, if they're in the
9 restaurant business, are all against casino
10 gambling. In Chicago, they're all for it.

11 We asked the head of the restaurant
12 association to tell us. It's going to be great.
13 Well, why is that? It's going to be great. Do
14 you have any doubt? No.

15 Person after person after person,
16 chambers of commerce, small riverboat towns
17 would testify. When Justice Department
18 question, Has there been economic development?
19 They'd say, Well, gee, we really don't know.

20 One, another restaurant closed in town
21 This went on and on and on. Finally, what we
22 decided to do was we went to work with
23 Professors Thomson, Gazelle at the University of
24 Nevada, Las Vegas.

25 There are a couple of foremost experts

1 in America on gambling. They have the only
2 independent look I know done of Indian gaming.
3 Professor Thomson, Could we do it in Illinois?
4 We continue to debate. Nobody knows what's
5 happening.

6 How -- can we determine whether there
7 really is that kind of development? He said,
8 Yeah, you can do it if you've got the people to
9 do the surveys. So we took young lawyers,
10 college interns, and interviewed 785 gamblers in
11 five riverboat towns; Joliet, Elgin, Rock Island,
12 [the I'd], and Alden, Ohio.

13 We asked them, Where you from? How much
14 do you do? How much do you spend? How much
15 will you spend in town? 16 percent were from
16 out of state; however, 85 percent of the players
17 came from within a 50-mile radius.

18 The purpose of Illinois Riverboat
19 Gambling Act was to have economic development
20 and tourism. The findings indicated there was
21 no tourism and no economic development.

22 Of the people who came to the
23 riverboats, of the out-of-staters, that 16
24 percent, of those folks, only 12 percent stayed
25 overnight. Only 2 percent of the players stayed

1 overnight. We only found one person out of 785
2 interviews who was classified as a
3 tourist -- the person who came from over 100
4 miles -- who bought anything from town.

5 He bought a \$2.50 shirt at a used
6 clothing store. Most of these people answered
7 the questions in the same way. They said, How
8 much do you expect to spend at a casino today?
9 Two hundred and fifty dollars.

10 How much would you spend on the boat on
11 something other than gambling? Five dollars.
12 What will you buy? Maybe a beer. Maybe a coke.
13 How much will you spend in town? Why would I
14 ever want to do that? All the people came to
15 the boat and gambled at the boat and went home.

16 The consequence of that is
17 obviously -- and the Governor of Illinois has
18 made a statement based on the statistics -- that
19 obviously there isn't any tourism because even
20 the people who were out of state or just coming
21 across the border from identify Iowa or from
22 Illinois or from St. Louis or Alden, the purpose
23 was to revitalize these aging riverboat towns
24 because they had beat-up downtowns, boarded up
25 stores, that sort of thing.

1 What occurred -- and this is a
2 particularly weird result. Professor Thomson
3 calls it perverse social policy -- in placing
4 the casino in the beat-up downtown of an old
5 manufacturing town, what we did was place the
6 casino in an area where the demographics were
7 poorer.

8 The consequence of that was that we
9 found that the people within the 5-mile ring
10 around a riverboat casino were playing at double
11 the level of other people. They tended to be
12 more unemployed, less educated, younger, single
13 and more black.

14 For instance, the 5-mile ring people
15 were 28 percent black. Outside the 5-mile ring,
16 it dropped to 7 percent. These people were
17 losing twice as much money. We had 15 percent
18 of the players making less than \$20,000. 21
19 percent of the players were retired. The median
20 loss for the people under \$10,000 was \$1800.

21 Now, I know you can say, how can you
22 possibly find \$18,000 if you're making less than
23 \$10,000. The median loss of the older people,
24 the retired folks, was \$1,000.

25 Now, we all know that we shut down the

1 government twice in the last year because we
2 didn't have enough money to pay for Medicaid for
3 poor people and Medicare for older people.

4 So it does seem and at times it is
5 suggested that this is a perverse policy when on
6 the one hand the state is sponsoring as a
7 partner in a riverboat facility which is taking
8 the money away from poor people and their losses
9 and older people at the same time we're trying
10 to find federal funds to take care of these same
11 people.

12 It seems to be in contrast, obviously.
13 What we then did was -- Professor Gazelle is the
14 head of Business and Economic Research
15 Department at the University of Nevada in Las
16 Vegas. We took all of this data from all of
17 these 785 surveys and we put it into an economic
18 model.

19 It's the same economic model used by the
20 casino gaming people. It's called REMI Model,
21 basically, for northern Illinois. And it was
22 done for the casino people by Arthur Anderson.
23 They came up that this project would produce
24 66,000 jobs -- two ships, \$36,000.

25 Professor Ryan (phonetic) said 16.

1 You'll always see these job projections. We put
2 it all in there with the appropriate
3 multipliers; and we found that -- and this does
4 not consider social costs or crime or anything.
5 This is strictly the economics -- that Social
6 security, a net loser for the state of Illinois,
7 if you factor in social costs which Thomson and
8 Gazelle estimate to be in the neighborhood of a
9 half a billion dollars and a very conservative
10 \$10,000 a year, I think, is their number for
11 social costs per addicted gamblers because of
12 the casino, the number they used in Wisconsin,
13 you come up with this half a million dollars for
14 Illinois.

15 Now, it is an even bigger loser for the
16 people in these towns. I know that sounds crazy
17 because you're trying to help these towns, Rock
18 Island or wherever; but what is happening is
19 because we have a 20 percent tax and the profits
20 on the casinos are so high, 20 percent -- and
21 incidentally, in the hearing -- I testified in
22 the senate in Illinois the other day, Senator
23 Fitzgerald pointed out that if these were
24 businesses, these licenses ought to be worth
25 about 250 million to \$300 million.

1 They went to political insiders. They
2 are now making huge campaign contributions back
3 to the Legislature. \$1.2 million last year,
4 which put them No. 1 -- bigger than doctors,
5 teachers, lawyers, manufacturers.

6 They now control the system in Illinois
7 in a fund-raising sense. But what we did
8 because you're taking that 20 percent tax out
9 and because the local people are the ones that
10 are playing and that are losing, there's a huge
11 drain on the economies of the 35-mile ring which
12 surrounds the casinos.

13 That money then goes to the state and
14 subsidizes other people in the state of
15 Illinois. So you have the weird result of
16 taking the money out of a place like Rock Island
17 and helping the schools in a place like Lack
18 Forest, which doesn't seem to make any sense.

19 The economic model shows that for every
20 dollar that people lose at this casino which
21 makes up the win, that community loses 18 cents.
22 So the money is flying out of the community.

23 Now, we put that as suggested here, 5
24 percent of the -- 20 percent, in other words,
25 quarter to 20 percent back in the community now,

1 if you ask these mayors, they will tell you
2 yeah, we got great economic development.

3 What they mean is infrastructure
4 improvement. So they're able to build fire
5 stations. They're able to fix up the town and
6 so forth. But the merchants are furious because
7 the boat has proved not to be a help but a
8 competitor to them.

9 So you if you go to Elgin, Illinois,
10 Hyde Corporation owns the boat. The boat is
11 surrounded by eight blocks, maybe eight square
12 blocks of parking lots. The downtown is over
13 here.

14 I personally interviewed the people on
15 both sides of the closest street to downtown.
16 They said, We have never seen a single person
17 from the boat come into our stores. So they're
18 furious.

19 At the same time, however, Elgin,
20 Illinois, has new curbs and gutters. They've
21 got bricked up streets. They've planted trees.
22 They're expanding the police department. So you
23 have what we are now saying is gold-plated ghost
24 towns because every bar and restaurant in the
25 downtown area has closed with the exception of

1 one.

2 There's still one restaurant and bar
3 open. The movie theater is closed because the
4 boat has movies for \$5, brand new movies. And
5 they have a place for you to leave your kids
6 while you gamble.

7 So you're pulling all the money out of
8 the locality. You're putting it back and fixing
9 up curbs and gutters. But you're not producing
10 any economic jobs and you're producing no
11 economic net job gain because you're taking the
12 cocktail waitress on the boat, giving her that
13 job, and then you're taking it out of the
14 downtown.

15 I would suggest to you -- and I know
16 it's presumptuous because I'm not from
17 Pennsylvania -- but we've been down this road
18 and we've been doing this for four years. I sat
19 in your spot. And I think you've got to take a
20 hard look at the numbers.

21 I would urge you if you're at all
22 serious about this to consider -- we paid
23 Professors Thomson and Gazelle nothing. They
24 did it because they're writing a book. They
25 wanted the data.

1 If you could contract with these kind of
2 people -- I'm not saying you should hire
3 them, but that sort of thing to do an
4 independent look at what these numbers are
5 before you get into it because once you get into
6 it -- and I heard Professor Goodman say this way
7 at the beginning and I didn't understand it in
8 Illinois at one of the first things I ever went
9 to on this subject.

10 He said, you know, you have an 800-pound
11 gorilla in your living room, and the guy wants
12 food, more food. So we now have in Illinois the
13 gaming industry extorting the politicians.

14 We have a race track owner,
15 Mr. Duschossis, who isn't making any money at
16 Arlington Park. And he says, Get me a casino or
17 I'll close my track and you won't get any taxes.

18 . We have riverboat owners who say, We
19 don't want to go out anymore. It's too
20 expensive and we don't want to pay the head tax
21 anymore and we want to have liquor all night
22 long because we need that to keep people in
23 here. In other words, you become their partner.

24 In the hearing I was in the other day,
25 everybody kept saying, you know, is there

1 saturation yet? How much money are we going to
2 have? Is the money going to keep flowing? In
3 the end, this is nothing but a very regressive
4 tax on poor people.

5 And the republican president of the
6 senate in Illinois, Pete Phillip, we spent a lot
7 of time with his chief of staff. And he told
8 Mr. Philip, look, you got two choices. You can
9 have an easy to collection, for sure, fair tax
10 that's solid. It's called an income tax. Or
11 you can have a shaky, hard to collect, unfair
12 tax. It's called gambling. Those are the
13 choices.

14 And I haven't heard anybody say it any
15 better than that all this time since then.
16 We've fought that issue back and forth and back
17 and forth. We're now getting to the point where
18 the Illinois Gaming Board has set up a hearing,
19 a panel discussion on the 28th, which they're
20 going to look at our numbers.

21 I think they've asked Professors Gazelle
22 and Thomson to come. We're going to have other
23 economists from around the country. We've got a
24 fellow by the name of Hewings (phonetic) coming
25 to give you an idea of the reverse side of this

1 coin.

2 Hewings runs an organization called
3 REAL, which is -- well, University of Illinois
4 and the Federal Reserve Bank, they ran the same
5 type of survey and the same sort of economic
6 model on the Monet Exhibit in Chicago after
7 about five months.

8 They found instead of a negative
9 economic impact, a positive impact of \$400
10 million. Now the reason for that is unlike the
11 gamblers who go to the boat and go home, the
12 people who went to the Monet came, stayed for
13 three days, and spent \$1100 in Chicago on
14 restaurants and hotels and shopping.

15 Because of that, we have just done a new
16 study using the same sort of thing at the Art
17 Institute Navy Pier and Batte Tower Place on
18 North Michigan avenue.

19 What we're finding, like the gamblers,
20 is huge numbers of out-of-staters, huge numbers
21 of out-of-country people. 40 to 60 percent are
22 either out of state or out of country who are
23 staying for long periods of time and spending
24 big money in the city.

25 I know it may sound heresy to people who

1 have aging towns and you want to pep them up,
2 but it would seem that the logical conclusion to
3 this is you ought to forget about riverboat
4 gambling and build more museums.

5 We asked people to rank why you came to
6 Chicago. Five. Museums came in first; free
7 music came in second; shopping came in third;
8 amusement parks were way down in fourth; casino
9 gambling was fifth.

10 And many, many, many people say, Why
11 would you ever want casino gambling in Chicago?
12 It's a nice place. So when you look at these
13 numbers, you can still say, hey, we can raise
14 some taxes.

15 And my prediction here will be that you
16 will have high revenues, high taxes, and no
17 economic development because you're going to
18 draw the locals in the same way. People in
19 Pennsylvania love to gamble.

20 I used to listen to the wire taps on
21 sports betting book makers. Two years I did it.
22 People are betting like crazy. Now, you can get
23 them to come into the casino; but it turns out
24 to be an economic net loser for you. So the
25 answer would seem to be to go in another

1 direction and study these other alternatives.

2 That would be my suggestion. I would be
3 happy to answer any questions. And we have
4 copies of this study. I didn't furnish the 30
5 because I didn't have a written testimony; but
6 we'll be happy to send the Committee copies of
7 the study.

8 CHAIRMAN GANNON: Thank you very much,
9 Mr. Chisholm. I don't have any questions. To
10 comment, Philadelphia just finished up a Cezanne
11 Exhibit. I believe they had in excess of a
12 billion visitors, and about 400 million was
13 brought into the city as a result of people
14 coming in.

15 Just what you said, they stayed a couple
16 of days. In fact, the city ran a package where
17 they could buy a package which included a night
18 in a hotel and a ticket to the show. And they
19 figured they would sell somewhere around 5 or
20 6,000. They sold 20,000. The numbers were
21 phenomenal. I wish I knew exactly what they
22 are.

23 MR. BRUNNER: I had a board meeting
24 before I came down on Monday, and our board
25 reflects the top guys in the business community

1 in Chicago. And they were talking about this
2 event because they were looking at our numbers.

3 Interestingly, the people who did the
4 Monet study are also in the present time doing
5 a Wagner (phonetic) opera, the ring opera that
6 was done at the opera house in Chicago; and
7 they're finding even higher numbers.

8 Now, Mayor Dailey said the other
9 day -- and he's been supportive of this -- but
10 he said the other day that the Monet Exhibit was
11 a defining moment for the City of Chicago.

12 And as a result, the city has just
13 recently given a huge chunk of land to the
14 Goodman Theater on Randolph. And one of our
15 directors was at a meeting in which the Mayor's
16 asking the business community to ante up even
17 more money because if you look at these kind of
18 surveys, it's clear that you're getting huge
19 numbers of people who are coming in to see these
20 cultural things and huge number of people are
21 coming in because Chicago happens to have great
22 shopping. I.

23 Mean, you wouldn't think they'd be there
24 because of that. And the job production is
25 fantastic because of these things. And the

1 question -- because we have a republican
2 governor, Governor Edgar, who's basically been
3 opposed to this all along, and one of the
4 reasons for it is that you put at risk what
5 you've accomplished when you bring in casino
6 gambling because there is a possibility of
7 changing that atmosphere, that image, that
8 quality of life that people -- the people who
9 were most against casino gambling in Chicago
10 when the issue was hot on the table were the
11 people who lived in high rises in the loop and
12 around the loop.

13 They went bananas because they said,
14 Look, we don't want the traffic. We don't want
15 the people in here on a bus from Iowa. We don't
16 want the crime. There's too much going on now.
17 So if you spent all the time changing the image
18 of the city of Chicago from Al Capone to Michael
19 Jordan, it seems risky to go back to that sort
20 of thing.

21 And interestingly, these people, these
22 tourists, these folks -- we have a tremendous
23 number of German tourists who said we wouldn't
24 come here for casinos. There are casinos at
25 home. We came here because of Chicago.

1 And these are the sorts of people who
2 aren't interested in it. And if you've already
3 changed your city to such a degree -- and I
4 understand Philadelphia's going over a huge
5 renaissance.

6 And I was so impressed all day yesterday
7 in Pittsburgh. I mean, I lived there 25 years
8 ago; and I haven't been back. That's a
9 fantastic accomplishment for the city. It looks
10 brilliant. If you bring in casino gambling, you
11 put the thing at risk.

12 But there are things that you could do.
13 Let me make one suggestion. If you look at our
14 numbers, you don't put the casino or riverboat
15 in the poor, beat-up area. Put it where there
16 are different demographics.

17 So that the ideal spot in Pittsburgh
18 would be the basement of the airport because
19 then you would be taking more money from
20 out-of-staters and tourists.

21 The only thing that produces jobs -- you
22 have local players, old tourists that they're
23 already coming there. They don't produce any
24 jobs. They're already bringing their money.
25 They're in the system. You must get new

1 tourists to have that job gain.

2 Now, where are you going to get those
3 new tourists? You're going to get those new
4 tourists at the airport going through, that sort
5 of thing. But if you stick it in Keysport or
6 some place like that or Ditka's own hometown,
7 then you're going to take the money right out of
8 the pockets of those poor people who live there.

9 And your demographics in these sorts of
10 surveys would be way more regressive than they
11 would be. Some years ago when Jay Vern was
12 mayor, Don Hyder (phonetic) was the treasurer of
13 the city, teaches at Kelloggs School at
14 Northwestern now, and he said at the time, We
15 ought to put slots in the basement of O'Hare.

16 Well, everybody laughed. Oh, what a
17 joke that is. If you believe these numbers and
18 you were going to do it in Chicago, that's where
19 it ought to be. Because you would maximize your
20 out of staters; you would maximize your
21 tourists; and you would have more economic gain.

22 CHAIRMAN GANNON: Thank you very much.

23 MR. BRUNNER: Thank for letting me
24 speak.

25 CHAIRMAN GANNON: I appreciate your

1 being here today and sharing your testimony.
2 Our next witness is Mr. Donald G. Reed, Reed and
3 Reed Associates. Good afternoon, And welcome,
4 Mr. Reed.

5 MR. REED: How are you, sir? My name is
6 Donald G. Reed. I'm age 65. My wife's name is
7 Donna. I'm married with two sons. I'm also a
8 self-employed business tax accountant located in
9 Hermitage, Pennsylvania.

10 For many years I was involved in
11 gambling, starting with the small games of
12 chance, became possessed with the compulsion for
13 a faster way of making money, and started
14 gambling in Las Vegas and other places to
15 satisfy my compulsion to gambling.

16 In 1974, I became a born-again Christian
17 according to John 3:3 and was in debt to over 30
18 financial institutions, 4 creditors due to
19 gambling. But I did not declare bankruptcy,
20 which I have proof. It took me over 17 years to
21 pay all my creditors.

22 I am very concerned and I can very well
23 relate to the higher forms of gambling in
24 Pennsylvania. I believe the higher forms of
25 gambling will give to the men, women, and

1 children additional opportunities that they
2 cannot control and will result in many broken
3 homes, loss of jobs, and is not good for society
4 in general.

5 I have been able to help many
6 individuals and families from my approach from a
7 Christian point of view. I believe that
8 gamblers anonymous has done a tremendous job;
9 however, you cannot and should not put
10 opportunities in front of people who are weak in
11 areas of their life, just as alcohol has caused
12 many problems in our country.

13 I've appeared on every television
14 program there is -- Christian television, the
15 700 Club twice, PTL -- and have given my
16 testimony in trying to help families. So my
17 testimony is from a personal point of view and
18 what it does and what I have seen in my
19 particular walk in life.

20 I go from a Christian point of view
21 first. First in, first, Timothy 5:8 says that
22 if a man doesn't take care of his family he's
23 worse than an infidel. When we lose money
24 through gambling, alcohol and so forth, that's
25 what happens.

1 The games of chance in Romans 10 says it
2 is not right. In first Thessalonians 5:22 it
3 says to abstain from all appearance of evil. I
4 would like this day, sir, to you and to the
5 State of Pennsylvania to give my opinion and
6 tell you that there is certain situations
7 that I have dealt with, even attorneys who are
8 involved in what they call video poker, which is
9 a form of gambling too which the State of
10 Pennsylvania itself can't control.

11 And all these forms of gambling just
12 cause additional problems, divorces and so
13 forth. I've sat in front of women who have
14 cried and have come with their husband down in
15 New Castle, Pennsylvania, gotten involved with
16 what they call off-track betting; and they come
17 to me when they haven't made their house payment
18 for four months, five months.

19 And then you read in the paper about a
20 man who abuses a wife or vice versa. I've dealt
21 with women who literally have been involved in
22 something called the lottery and haven't made
23 payments for five months too and their husband
24 didn't know about it.

25 So this higher form of gambling, which I

1 believe there is such a thing as a professional
2 gambler, this higher form of gambling is just
3 putting opportunities, more opportunities to
4 destroy what God has given us, this country.

5 And I believe in our country and I
6 believe in our constitution. If there's any
7 questions, I sure know, sir, that you can realize
8 that I am speaking from a Christian point of
9 view; but I'm also speaking from a man's point
10 of view where I almost destroyed my family
11 because of the possession of compulsive
12 gambling.

13 Gambling can and will destroy families,
14 as you know, sir. Also, I can tell you that
15 there is a cure. I know there is Gamblers
16 Anonymous and a lot of other ways of helping
17 people, but employees of this new supposedly
18 gambling venture in Pennsylvania will go to a
19 Gambler's Anonymous hospital, things that I can
20 see down the line that I can see in my spirit.

21 But that isn't the way to handle the
22 problem. The way to handle the problem I
23 believe is to, in my opinion, nip it in the bud
24 before it even starts and try to lay out the
25 facts.

1 The gentleman before me or many others
2 are trying to lay out the facts too, which I
3 have figures in my office representing being a
4 tax accountant; but it does not produce what the
5 figures say as far as revenue in this state that
6 will cause hardship in the end.

7 I do tax returns. Many people have
8 brought in their tax receipts trying to deduct
9 the cost of lottery tickets. And you know what,
10 it is not the rich people. It is mostly the
11 people on welfare, unemployment, and the lower
12 forms of income in this state as well as across
13 this country.

14 And I preach and I teach to you and I
15 say this honestly from my heart that I feel and
16 hurt for those that got possessed like I did.
17 And by the grace of God, I sit here this morning
18 telling you that I will speak out against it as
19 long as God gives me the breath here this
20 morning. And I thank you, sir.

21 CHAIRMAN GANNON: Thank you very much
22 Mr. Reed.

23 MR. REED: Is there any questions that
24 you need to know?

25 CHAIRMAN GANNON: Not at this time.

1 Thank you very much for being here today and
2 sharing your testimony. Our next witness is
3 Mr. Stephen B. McGarvey, president of Signature
4 Management Group. Mr. McGarvey isn't here.
5 Okay. Then we'll go on to Mrs. Ruth Argeny. I
6 hope I pronounced your name correctly.

7 MRS. ARGENY: You did it well. That's
8 right.

9 CHAIRMAN GANNON: Welcome. And thank
10 you for being here today.

11 MRS. ARGENY: I'm here because it seems
12 odd after taking gambling out of the clubs that
13 now riverboat gambling is all right. We went to
14 a riverboat that has gambling thinking it would
15 be like Las Vegas or Atlantic City. It was not.

16 The slot machines start at 25 cents and
17 go up to \$5. To get the odds, one puts in two
18 or more tokens. When a person gets a roll of
19 quarters, whatever they want, they do not give
20 money in exchange, just tokens.

21 Using non-money tokens makes a person
22 feel different than if they see real money going
23 into the machines. Then there are the blackjack
24 and poker tables. They start at \$10, which we
25 found only one table. Then there are the \$15

1 and \$25 tables.

2 There is not any entertainment at these
3 casinos, just gambling. Of course, to get more
4 money, a person can use one of the numerous
5 credit card machines that are available. We saw
6 one woman playing the machines with her credit
7 card in her hand.

8 There is not any food to be had at a
9 reasonable price or any price. Who's going to
10 take the responsibility when family wages are
11 spent and children will go hungry and unkept?
12 How much will this increase our taxes, state and
13 city?

14 There certainly will be more divorces,
15 suicides, and disruption of family values, more
16 people on welfare because of divorces. We'll
17 need more police for protection as there will be
18 more threat of thefts due to loss of wages due
19 to gambling.

20 Who pays for this? We the citizens.
21 And believe me, we who are on a set income or
22 raising a family cannot afford this. It also
23 would take money away from the state lottery
24 which helps senior citizens.

25 They will have to bring in their own

1 people to work the tables and repair the
2 machines as there are not any people in Erie
3 capable of taking over that type of
4 responsibility.

5 The ramps will have to be policed -- 24
6 hours a day gambling is a 24-hour business -- so
7 people will not get mugged or robbed when they
8 go back to their cars. Riverboat gambling would
9 not be an asset. It would be a deficit to the
10 people and the City of Erie.

11 CHAIRMAN GANNON: Thank you very much,
12 Mrs. Argeny, for being here today to share your
13 testimony. Our next witness is Pastor Patrick
14 Kennedy, First Baptist Church.

15 Is Mr. Chisholm -- is Mr. Chisholm here
16 from the High Roller Express or Mr. McGarvey?
17 We're ahead of schedule, which is unusual for
18 Committee meetings. So I want to go down the
19 list if you're here or we'll just keep on going
20 back.

21 I'm concerned that perhaps some people
22 perhaps because of their time schedules may not
23 be coming in until a little bit later. So we'll
24 do Mr. Guy Sessions. Welcome.

25 MR. SESSIONS: My name is Guy Sessions.

1 I'm a Emeritus Professor of marketing from the
2 community colleges of Spokane Washington. I've
3 lived in northeast Pennsylvania for the past
4 eight years.

5 My background has been one in business,
6 working for large corporations, operating my own
7 business, and teaching at higher education for
8 the past 25 years of my career. I've been
9 retired now ten years.

10 In addition, for the past eight years,
11 I've been associated with a group called
12 S.C.O.R.E., Service Core of Retired Executives.
13 This is a part of the Small Business
14 Administration. And we counsel small to
15 medium-sized businesses on starting a business
16 and operating a business successfully.

17 I am not here as a representative of
18 S.C.O.R.E.; I'm here as a private citizen. And
19 in my research for this activity today, I have
20 found that in order to operate a successful
21 gambling casino in this area in Erie County, you
22 need three things:

23 You need a large population center. And
24 I'd like to read you an excerpt from the Erie
25 Times in the last few days. This is entitled

1 Riverboat Success. Erie resident pays Houston,
2 says Erie when pondering riverboat gambling
3 should note the success of the Foxwood Resort
4 Casino in Connecticut.

5 The casino owned by the Pequot Indian
6 tribe was expected to gross close to 1 billion
7 in 1995 according to a feature story in the
8 June, 1995, issue of Ebony Magazine.

9 The article said Foxwoods is now
10 Connecticut's second largest employer with
11 10,200 people on the payroll and the state's
12 biggest taxpayer, \$133 million in state taxes.
13 On the surface, that looks like a positive
14 report. And no doubt it is for that one year.

15 But we cannot judge based on a one-year
16 history and to a projection of, say, the next
17 two years, three years, five years and so on.
18 As Paul Harvey would say, what happened the rest
19 of the story?

20 The rest of the story from other
21 experiences would be that other businesses have
22 deteriorated as a result of siphoning off
23 revenue from other businesses, funneling that
24 revenue into a central source and as a result of
25 that, a large accumulation of money would accrue

1 to the owners of that casino. And, of course,
2 power follows money. And sometimes it's not
3 used for the good of the people.

4 The second point I found was in order to
5 run a successful casino you must bring in big
6 named shows and stars. We see this in Vegas.
7 As I recall from the movie -- it was either
8 James Cahn or DeNiro -- in the movie where they
9 started the first casino out in the desert in
10 Nevada, well, of course, we had the large
11 population to draw from which would be Los
12 Angeles.

13 And before long, they found just what
14 I'm finding in my research is that you would get
15 some people who would come to gamble but you
16 would have to have other things for other
17 people, such as big shows and big names in the
18 entertainment field.

19 In addition, you have to go out and get
20 convention business and lots of it. And with
21 that convention business, you must advertise
22 cheap food and drink.

23 Well, as a result of all of this
24 research, we find that if we look at Erie
25 specifically, we find that Erie doesn't have any

1 of these. You say, well, maybe they could bring
2 them in. Maybe they could get them.

3 Well, that's a bit a farfetched. So
4 what do they do? If we have a casino in Erie,
5 we then must conclude that it would have to rely
6 on the local population. And it might do that
7 for some time -- for some short time.

8 And what happens to the other businesses
9 in the location -- locality is that their
10 accounts receivable go up, their collections go
11 down, accounts payable go up, and as a result,
12 many of these businesses are marginal to begin
13 with.

14 Marginal businesses still employ people.
15 And employing people, of course, is of great
16 concern to all of us. So my conclusion is that
17 any type of riverboat gambling or casino
18 gambling in this particular area resulted a
19 negative effect and would not be a benefit to
20 the local communities. Thank you very much.

21 CHAIRMAN GANNON: Thank you very much,
22 Mr. Sessions, for being here today and sharing
23 your testimony with us. Our next witness is
24 Thomas L. Funk. Is Mr. Funk here? Pastor
25 Kennedy, First Baptist Church.

1 PASTOR KENNEDY: Thank you. And I thank
2 the Members of the Committee for letting me
3 share some of these thoughts with you today.
4 I've asked for the opportunity to speak today in
5 order to express opposition to House Bill 2308
6 and any other bills in the future that would
7 promote or encourage gambling.

8 I do so for many reasons, but there are
9 several that outweigh the rest. I am in my
10 occupation as Pastor called upon to respond to
11 many challenges that are related to the
12 preservation of individuals and families.

13 And in many instances, I'm pleased to
14 say that my work is a joy and it would appear at
15 least that the vast majority of people that I
16 come in contact with are well-adjusted,
17 hard-working members of society.

18 But more and more I've noticed a quiet,
19 growing undercurrent of troubled people trying
20 to keep their lives and families together
21 despite increasing pressures. While others here
22 today will undoubtedly debate the financial side
23 of the issue, I would rather keep a spotlight on
24 the human costs involved with gambling.

25 Although these are two tied-together

1 issues, I'm convinced that the human cause is
2 far greater and more important. My hope is that
3 we can keep the losses to an absolute minimum.
4 What are the losses I'm referring to?

5 On a personal level, the American
6 Psychiatric Association recognizes pathological
7 gambling as a type of disorder which causes 3
8 and a half to 5 percent of those who try it to
9 become addicted to gambling that they lose
10 control and escalate their wagers
11 until their personal and financial lives are
12 severely disrupted.

13 Dr. Howard Schaffer, Director of Harvard
14 Medical School's Division on Addictions says,
15 These aren't people who are bad or weak or who
16 lack a sense of personal responsibility. For
17 them, gambling is a slippery slope.

18 And unfortunately, the deceptive nature
19 of gambling is such that it generally convinces
20 the player that their solution is not quitting
21 gambling but rather better gambling.

22 Peter Keating writing for Money Magazine
23 told the story of Andy -- not his real
24 name -- age 53 who recalls all too well the
25 wretched days back in 1990 when he realized his

1 gambling addiction was out of control.

2 I was stealing from my mother just to
3 play the lottery. By the time he finally sought
4 help, he had lost his job, his New Jersey home,
5 his marriage, and nearly his life.

6 In the 1970's and early 80's, Andy had
7 been a successful electricians/manufacturing
8 executive and the owner of a disco. At his peak
9 from 1982 to 1984, he earned \$100,000 a year.
10 But his real passion was the lottery, which he
11 played compulsively every day for eight years.

12 He says, I quote, I spent everything I
13 had, \$50 or \$200 a day, he says. I gambled on
14 vacation, even on the day I had an emergency
15 appendectomy. I wanted to win millions. Then I
16 needed to win millions.

17 Andy remembers the first time he bought
18 a lottery ticket in 1982. I knew it was a
19 sucker's bet, he says. But no matter what else
20 I did, there was no other way I could make 1
21 million for a buck. Instead, eight years and
22 \$100,000 would worth of lottery tickets later,
23 Andy's disco business had collapsed and he was 1
24 million dollars in debt.

25 This is just one of many stories that

1 could be told as is further evidenced by the
2 documented explosion in various forms and
3 opportunities for gambling. Americans last year
4 spent more on lottery games -- 34.4
5 billion -- than they did on movie tickets,
6 plays, and all forms of recorded music combined.

7 More Americans, 125 million, visited
8 casinos than attended all major league baseball
9 games and national league football games. This
10 increased interest in getting something for
11 nothing has created an ever-growing population
12 that has received nothing after giving
13 everything.

14 There are now between six and ten
15 million Americans who find gambling an adrenalin
16 rush so seductive they cannot control how much
17 they wager.

18 My certain is that just like any other
19 sickness or disease, the people affected and the
20 problems created grow ever greater until
21 something else is done to slow and eventually
22 stop or even reverse the disease.

23 The Illinois State Police has reported a
24 316 percent increase in aggravated assaults in
25 communities with riverboat casinos with a

1 corresponding increase in other crimes such as
2 robbery.

3 Many other statistics could be
4 cited. And I would like to just finish my
5 remarks -- and other items I have are listed
6 there -- by simply saying in my line of work I
7 have people come into my office with problems.
8 And I sit and I listen to them.

9 And they are -- oftentimes, they are
10 personal oriented and oftentimes family
11 oriented. And in trying to pick up the pieces
12 in broken lives and broken families, I find
13 myself sometimes not really certain where to go.
14 And I find myself also overburdened and needing
15 assistance somehow.

16 I don't have the time and the resources
17 necessary to add more to my work load. And I'm
18 troubled as I think what the future could hold
19 as more and more families would perhaps be
20 getting involved in this.

21 And I know that there is a lot that is
22 being done to promote, you know, gambling in the
23 minds of children. You have a lot of young
24 people that are going into establishments that
25 are under age sometimes not being screened

1 properly.

2 You have a desire now in Las Vegas to
3 create an amusement park so that children would
4 be able to come and participate not in the
5 gambling but to simply be there. And they're
6 being introduced to it as well.

7 And everything that I've ever seen when
8 it comes to gambling and the passions that it
9 arises are such that it just seems to create
10 problems for people such as myself who then have
11 to come along later and pick up the pieces. And
12 I just don't have the resources or the time to
13 add more to my work load.

14 So in that sense, I've tried very hard
15 to cooperate with many agencies, governmental
16 and private, in the work that I do. And I would
17 just be glad if the cooperation would be further
18 extended as it has been for many years as the
19 government seeks to work with us.

20 And if we work together, I think we can
21 alleviate a lot of what could be future
22 problems. And my wife would be a lot happier if
23 I don't add anymore to my work load. So thank
24 you very much.

25 CHAIRMAN GANNON: Thank you very much,

1 Pastor Kennedy, for being here and sharing your
2 testimony. Next witness is Stephen B. McGarvey,
3 President, Signature Management Group. Welcome,
4 Mr. McGarvey.

5 MR. MCGARVEY: Thank you very much. My
6 name is, as you know, as you just called me, is
7 Stephen B. McGarvey. I am the president of a
8 company called the Signature Management Group.
9 We are developers. We develop in downtown Erie.

10 We've been developing in downtown Erie
11 for five years, and we're about to start a major
12 new initiative that involves major new dollars
13 being put into what would be considered today
14 borderline areas of our downtown.

15 As part of our mission statement, we are
16 centered or focused by it on quantifying
17 economic cause and effects on markets and
18 consumers of any of our physical developments or
19 redevelopments.

20 We therefore have become very concerned
21 about the direct economic and social impacts of
22 gambling on our current primary trade area.
23 Paul Samuelson, the Nobel prize winner in
24 economics, as well as economists in general have
25 opposed gambling because of how it radically

1 differs from other forms of entertainment.

2 Samuelson said, quote, There is,
3 however, a substantial economic case to be made
4 against gambling. First, it involves simply
5 sterile transfers of money or goods between
6 individuals creating no new money or goods.
7 Although it creates no output, gambling does,
8 nevertheless, absorb time and resource.

9 When pursued beyond the limits of
10 recreation where the main purpose is to kill
11 time, gambling subtracts from the national
12 income.

13 If we look at profiles of who gambles
14 and statistics put out by the gambling industry,
15 we find that a median household income of
16 gamblers is 36,500 per year; median age,
17 approximately 45. By sex, approximately 55
18 percent male and 45 percent female.

19 As we compare these statistics to the
20 population of Erie County demographically, we
21 find an overwhelming majority of the population
22 of the county would fall in the gambler's
23 profile as outlined in industry statistics.

24 In 1994 we were told by two different
25 gambling concerns that they expected revenues

1 from their respective riverboats to potentially
2 exceed \$100 million here in Erie.

3 I was told personally by one that it was
4 anticipated that as much as 60 percent of those
5 revenues would come from within a 30-mile radius
6 of the boats themselves. This would imply huge
7 drains on household incomes within Erie County.

8 And additional social and economic cost
9 that should not be overlooked is that of the
10 number of people in Erie County that will become
11 compulsive gamblers. We know for a fact from
12 history that 1 1/2 to 5 percent of the
13 population will become compulsive gamblers.

14 Quantifications of the cost of a
15 compulsive gambler indicate it would be in the
16 range on the community from 14,000 to \$30,000
17 per year per individual.

18 This translates into a cost for Erie
19 County of anywhere from \$57 million to \$123
20 million annually, or minimally, a cost in an
21 additional tax, if you will, of \$207 for every
22 man, women, and child in Erie County.

23 These costs can be expected to continue
24 as long as gambling would operate here. In the
25 spring of '94 -- in the spring, '94, volume of the

1 Illinois Business Review, a study was conducted
2 on the effects on employment of riverboat
3 gambling.

4 That article starts by illustrating that
5 in general, for an additional dollar of ordinary
6 tax, excess costs on the private sector are
7 incurred between 17 cents and 56 cents for every
8 dollar raised due to market dislocations that
9 necessarily accompany a tax.

10 Raising revenue through gambling
11 translates into \$1.50 or more in excess cost for
12 every tax dollar raised. A study in Connecticut
13 found that raising 362 million in tax revenue on
14 gambling costs the state \$554 million.

15 The employment portion of the study
16 evidences the fact that in all but one case
17 employment one year after opening -- the opening
18 of the casinos had dropped for the area.

19 The one case are overall employment
20 increased, it increased by one half of the
21 number of employees hired to operate the casino
22 itself. This would be indicative of the fact
23 that gambling truly does not create new
24 employment but simply rearranges and, in fact,
25 eliminates existing employment.

1 In closing and bringing comments back to
2 our own community and concerns, I am very
3 concerned that by drawing income out of the
4 neighborhoods that can least afford it, we'll,
5 in fact, be creating higher levels of taxes,
6 lower levels of employments, as well as many
7 more qualitative social problems. Thank you
8 very much.

9 CHAIRMAN GANNON: Thank you very much,
10 Mr. McGarvey, for coming here today and sharing
11 your testimony with us. Our next witness is
12 Mr. Funk. Did he arrive? Is Ms. Laurie LeSeur.
13 Good afternoon and welcome.

14 MS. LESUER: Thank you. I'm interested
15 to hear all of these statistics because I don't
16 have any of those. My husband and I are
17 ten-year residents of a neighborhood in downtown
18 Erie within walking distance of our children's
19 schools, my husband's office, our church, and
20 the proposed sites of the riverboat casinos.

21 I am here today because I am very
22 strongly opposed to legalized gambling. We are
23 committed to this community as are our
24 neighbors. They share our concerns about the
25 effects of legalized gambling.

1 Let me start by commenting on some of
2 the most obvious issues involved. Economics:
3 There's no question that there is a lot of money
4 to be made in legalized gambling and that some
5 of that money could benefit our state and legal
6 governments; however, we would be fools not to
7 recognize that the vast majority of any profits
8 would leave Pennsylvania.

9 Face it, the gaming corporations are in
10 business to make money. They don't care about
11 Erie. They only promise us a piece of the pie
12 in order to pull in big money for themselves.

13 The Jumer Hotel fiasco has vividly
14 already demonstrated the extent to which casino
15 owners are willing to abandon clear commitments
16 to the community at their own whim.

17 From the beginning of time, people have
18 always been attracted to the promise of a quick
19 buck. Legalized gambling and it's so-called
20 benefits to the community are just the latest
21 community get-rich-quick scheme.

22 Social issues: If gambling is legalized
23 Erie, will not be the only place in the region
24 for this form of entertainment. The money
25 required to keep the casinos afloat will have to

1 come from somewhere.

2 If there are casinos in Pittsburgh,
3 Philadelphia, other places in Pennsylvania and
4 potentially Cleveland, Buffalo, and a short
5 ferry ride to Canada, how many tourists will
6 Erie actually attract?

7 If the numbers don't come from outside
8 the Erie area, they must come from within. How
9 far will the gaming establishments need to go to
10 draw local residents?

11 I've seen casino advertisements on
12 billboards near Joliet, Illinois, promoting
13 early-bird drink specials beginning at 6:00 in
14 the morning. This is decidedly not the culture
15 in which I desire to live and raise my children.

16 Crime and property values: If people
17 become addicted to gambling -- and all sides
18 agree there will be a percentage of the
19 population that does -- how will that addiction
20 be manifested?

21 We all know that there are more losers
22 than winners in this game; otherwise, there are
23 no profits. Statistics show that the losers
24 will leave in their wake broken families, unpaid
25 bills, loss of employment, and many will turn to

1 crime to feed their habit.

2 Whether the result is increased begging
3 on the street, petty crimes, or more serious
4 criminal activity, it would negatively impact
5 our quality of life and decrease our property
6 values as residents gain yet another reason to
7 flee the city.

8 Approximately once per year we get
9 someone coming to our door with an elaborate
10 story about why they need cash and need it now.
11 A robbery spree last summer had some neighbors
12 considering a move to the suburbs. What would
13 increased solicitations do?

14 Quality of life: My husband and I are
15 both transplants to Erie from larger cities. As
16 outsiders, we were attracted by the unique
17 values we found displayed at the heart of the
18 Erie community: The willing and substantial
19 volunteer efforts; the strong ethic and
20 religious community celebrations; the feeling
21 that this is not just where we live. This is
22 our neighborhood. The place in which our lives
23 are lived in community with others.

24 I left my career as a research chemist
25 to concentrate on raising our three children,

1 creating a home, and becoming involved in our
2 church and our community. We live in an older
3 home which we are restoring. We see this as
4 evidence of our commitment to our neighborhood
5 in downtown Erie.

6 During the past few years, we have seen
7 many others making similar substantial
8 commitments and taking pride in the
9 neighborhood.

10 The prospect of legalized gambling
11 within a mile of our homes is not compatible
12 with this picture, nor is it likely to attract
13 others to make the downtown area their home. It
14 points to a different Erie than the one we
15 invested in ten years ago and have grown to
16 love.

17 Basic morality of gambling: The quality
18 of life issues I've discussed are very important
19 to me, but they are not the reason I am here
20 today. I'm here today because of an issue
21 nobody wants to address head-on in this
22 politically correct day and age.

23 Regardless of the results of gambling
24 pro or con in the community, is gambling itself
25 a morally legitimate option? Is it really as

1 its promoters would have us believe just a
2 benign amusement that has no moral significance
3 in and of itself?

4 Or is it essentially a practice that is
5 based on greed undermining values that our
6 government should be promoting such as a
7 legitimate work ethic based on productivity?

8 Does it not again offer false illusions
9 that participants can get rich quick when in
10 reality the vast majority will get poor quick?
11 Compounding these moral failings, gambling is a
12 parasite that feeds on the poorest segment of
13 our society, those who are most unable to resist
14 its wiles and in the worst position to rebound
15 from its economic consequences.

16 If ever we were alarmed at the prospect
17 of the rich getting richer while the poor get
18 poorer, we should be both appalled and ashamed
19 of our easy attraction to the false promises of
20 the gambling industry.

21 Never was there a clearer example of a
22 public moral issue where the only responsible
23 and legitimate response is just to say no. How
24 many lives destroyed by gambling addiction are
25 too many? Do we want to be dependent on the

1 money gleaned from the poorest of our
2 population, those least able to afford it?

3 Do we want Erie to be known as a casino
4 town? Is this really the image we want to
5 promote and the basis we want for our economy?
6 What would we be teaching our children by
7 promoting such a vice? Isn't it important to us
8 to feel safe walking in downtown Erie,
9 especially by our new library?

10 There is a preponderance of relativism
11 in our society today. Well, it's not for me;
12 but I can't tell other people what to do. We're
13 afraid to say that the gambling industry is
14 driven by and fostered by greed.

15 The love of money is the root of all
16 evil, and this is the epitome of that evil. We
17 are blinded by the promise of dollars and fail
18 to realize that there are noneconomic
19 considerations.

20 As the candidates for public office
21 strive to be the ones most concerned about
22 family values, how is it that we are considering
23 legislation that would encourage immorality? As
24 humans, we constantly fight against falling into
25 sin. And now our government wants to text us

1 further. It's time for us to draw the line.

2 Erie is a wonderful place to live, to
3 work, and to raise our children. I believe it
4 should be a priority to keep it that way.
5 Should you wish to gamble on something, how
6 about gambling on letting this so-called
7 opportunity to pass?

8 I'm confident that as we watch other
9 communities deal with the effects of increased
10 legalized gambling, we'll consider ourselves the
11 winners. Thank you.

12 CHAIRMAN GANNON: Thank you very much,
13 Ms. LeSuer, for taking time to be here today and
14 sharing your testimony with us. Our next
15 witness is Roger C. Scarlett.

16 The next is John A. Shaffer. Welcome,
17 Mr. Shaffer. And good afternoon.

18 MR. SHAFFER: Not having attended this
19 morning, for the benefit of myself and others
20 here, would you two gentlemen identify
21 yourselves for just for --

22 CHAIRMAN GANNON: Sure, my name is Tom
23 Gannon, Chairman of the House Judiciary
24 Committee. Next to me is Brian Preski. He's my
25 chief counsel.

1 MR. SHAFFER: Thank you very much. I
2 didn't attend this morning, and I appreciate
3 that. I appear here today as a citizen, parent,
4 and independent business person as way of
5 identification.

6 Before making specific comment on the
7 issue of government complicity in the action of
8 gambling, I would like to review the
9 relationship between you and I.

10 The foundational documents which define
11 our relationship recognize certain principles.
12 Among those is the recognition of a man's
13 inalienable right to life, liberty, and the
14 pursuit of happiness -- a right endowed to him
15 by the higher authority of a Creator God.

16 These same documents recognize that
17 governments derive their just powers from the
18 consent of the governed. One of the issues that
19 needs to be resolved is whether the governed
20 through their consent can abrogate their
21 inalienable right. In fact, they cannot.

22 Neither can the state abrogate these
23 rights because the authority to do so rests with
24 a higher power. What then is the individual's
25 and the state's responsibility towards these

1 right?

2 Since the rights cannot be changed and
3 are what is, so to speak, for the sake of this
4 discussion we can consider this condition to be
5 truth, immutable, and unchanging and
6 self-evident, just as our forefathers considered
7 it.

8 Our responsibility then individually and
9 corporately is to confirm (sic) to the law of
10 right. The word for this is virtue. Likewise,
11 we also have a responsibility to abstain from or
12 deny those actions which degrade our pursuit of
13 virtue. The word for these actions is vice.

14 Another principle historically
15 recognized by western civilization and this
16 government has been that virtue and vice are
17 also truths having been revealed to us by our
18 Creator so that we might have the wherewithal
19 to exercise our rights.

20 Just as we did not make ourselves,
21 neither did we determine the conditions under
22 which we would thrive. Though we may have been
23 given dominion over all that we see, we have not
24 been granted the authority or the power to
25 change our natures on our own.

1 Likewise, we have not been granted the
2 authority or the power to change the immutable
3 laws which govern those natures. Government,
4 receiving it's just powers from the governed,
5 has a limited sovereignty.

6 Government also does not act on its own
7 but rather is a reflection of the actions of
8 many individuals. If individuals acting as
9 government assume to exceed the limits of their
10 sovereignty, they then breach their obedience to
11 those sovereign above them.

12 If they choose to violate the laws of
13 those above them, they are law breakers. If
14 they war against the laws themselves, then they
15 commit treason.

16 If there is anything to be learned about
17 sovereignty and rule of law in the 20th century,
18 it could be learned from the Nurenberg Trials.
19 It was there that individuals were held
20 accountable for the actions of a faceless state.

21 I was only following orders was no
22 excuse, and a foundation was laid to define a
23 lawlessness on the part of sovereign states.
24 It has been established that every individual,
25 unless coerced, has a mandate to exercise virtue

1 regardless of the requirements of a sovereign
2 state.

3 Murder is wrong. It is a violation of
4 Creator-given law. Individuals commit murder.
5 There is no exercise of sovereignty on this
6 earth that can absolve an individual of this
7 act. Neither is there any exercise of
8 sovereignty on this earth that can absolve an
9 individual from a like-kind act defined by the
10 same supreme sovereign in the same way is.

11 As murder violates Creator-given law and
12 our constitutional right to life, so too does
13 covetousness violate Creator-given law and our
14 constitutional right to pursuit of happiness.

15 Being one of the seven deadly sins,
16 covetousness is destructive to the human
17 condition and traditionally has been recognized
18 as such. Gambling's foundation rests in
19 covetousness.

20 I imagine, if you would, a job where you
21 repeat the same simple action with a long-term,
22 guaranteed negative paycheck. Only the insane
23 would pursue such a job. Yet, gamblers will
24 stand for hours pulling on a slot machine handle
25 to the same result.

1 Only covetousness can bring them to what
2 would otherwise appear insanity. The
3 expectation of gaining the property of other's
4 for which they have not toiled keeps them going.
5 The foundation of gambling is covetousness. And
6 for this reason we have always recognized it as
7 a vice.

8 There is no disputing the purposes of
9 the vice squad, to primarily restrict
10 prostitution, drugs, and gambling. It is also
11 made clear that gambling is not a vice because
12 it is illegal but rather because it violates a
13 higher law. These things are common knowledge.

14 If constitutional government also
15 recognizes my inalienable rights, then it can do
16 no other than encourage the conditions which
17 encourage virtue and discourage vice. The state
18 is holding hearings to determine whether they
19 will become a minority partner in private
20 enterprise-operated gambling.

21 The state already promotes a totally
22 state-owned gambling operation. The state wants
23 information about effects of the next level of
24 activity. If the state, actually, a select
25 number of individuals, should determine that the

1 effects of the next level of activity would be
2 beneficial, then we can assume that the next
3 level will occur.

4 I do not testify here to the effects of
5 the expansion of gambling, neither do I grant
6 the state the authority to determine what shall
7 now be considered vice and virtue.

8 If the state receives it's just powers
9 from the governed, I hereby place the state on
10 notice that I have no authority to determine
11 what shall be called virtue and what shall be
12 called vice. Neither do I have the authority to
13 pursue vice and call it virtue without making
14 war against a sovereign Creator.

15 I also make known to the individuals who
16 are participating on the part of government in
17 the redefining of the purposes of government.
18 Government does not define vice. It can only
19 discern it by attention to a higher law.

20 Likewise, those who would assume
21 otherwise and who without coercion engage the
22 state in an attempt to define virtue and vice to
23 their own standards are guilty of treason.
24 Barring divine intercession, the penalty for
25 this treason is death.

1 On a temporal level, continued pursuit
2 of this assumed authority is also a crime
3 against humanity. If virtue is continually
4 redefined by the state, the only temporal
5 penalty may be the pangs of your own conscience.

6 True morality is not nor ever will be
7 driven by consensus. It is possible that this
8 path of relative morality chosen by the state
9 may be irreversible.

10 If this is the case, I request that my
11 name be placed upon the list of those who wish
12 to testify when the state holds hearings on
13 government partnerships in prostitution and
14 debilitating drug promotion. I thank you.

15 CHAIRMAN GANNON: Thank you very much,
16 Mr. Shaffer, for being here today and sharing
17 your testimony with us. I'm going to go back
18 over that list of witnesses that we called who
19 were not available.

20 Mr. Walter Chisholm. Thomas Funk,
21 District Superintendent, Erie-Meadville
22 District, The United Methodist Church.

23 MR. FUNK: Thank you for permitting me
24 the opportunity to come and speak before this
25 public hearing to the Members of the Judiciary

1 Committee.

2 My name is Thomas L. Funk. I am a
3 registered voter, a resident of Erie and of
4 Pennsylvania, and a United Methodist Pastor. I
5 hold the responsibility of supervising as
6 district superintendent 93 congregations of the
7 United Methodist Church in Erie and Crawford
8 Counties whose membership is over 19,489
9 members.

10 I also am the Representative of Bishop
11 George W. Bashore, Bishop of the Western
12 Pennsylvania Conference of the United Methodist
13 Church. Bishop Bashore represents over 940
14 congregations in western Pennsylvania with a
15 combined membership totaling 207,407 members.

16 Traditionally, United Methodists have
17 been registered and voting citizens of the
18 Commonwealth. It has been our official and
19 historical stand as United Methodists that
20 gambling is a menace to society, deadly to the
21 best interest of moral, social, economic, and
22 spiritual life, and is destructive of good
23 government.

24 I come, therefore, opposing any spread of
25 gaming, gambling by the state, county or any

1 other government action of the Legislature in
2 Pennsylvania. I am also opposed to any bill
3 authorizing gambling casinos in Pennsylvania on
4 its rivers and lakes.

5 My opposition to this bill is on
6 pragmatic as well as moral grounds. We are told
7 by the interests that support gaming and
8 gambling that it is a good way of raising
9 revenue for our city, county, and state
10 government.

11 We are also told that it will create
12 many new jobs and be of economic benefits to our
13 community and its citizens. But experience
14 across the nation, especially in Atlantic City,
15 which you have heard verified by much testimony
16 today and as reported in Time Magazine, there
17 would be great dispute over these claims.

18 Although there is a providing of some
19 entry level jobs, gambling has had a long-term
20 negative effect on the restaurants, hotels, and
21 related businesses. The opening of casinos in
22 Atlantic City has not helped their city or
23 community.

24 Many local restaurants and hotels were
25 closed because of the lack of business and the

1 high rate of crime and poverty combined with the
2 increased costs of government services
3 surrounding the casinos has only raised the
4 burden of taxation upon the ordinary citizen.

5 Any tax revenues that are generated by
6 the casino are easily out-spent by the negative
7 expenses incurred in the community. One of the
8 additional side effects of the gambling industry
9 is a negative development of persons addicted to
10 gambling.

11 These persons are compulsive gamblers
12 unable to control their addiction. And the
13 results of such addiction are increased
14 community liabilities. Treatment plans, loss of
15 jobs, the breaking up of families, and the loss
16 of personal self-worth are just to name a few.

17 Studies have well documented that the
18 community cost in actual dollars far outweighs
19 any tax advantage of having the gambling casino
20 interests in our state and city.

21 It will, furthermore, raise the cost of
22 our community service and personal losses at a
23 time that the citizens of this state can ill
24 afford.

25 You have my promise that I will do all

1 in my power to marshal the nearly one quarter of
2 a million western Pennsylvania United Methodists
3 and additionally the 500 additional United
4 Methodists across the state to oppose legalizing
5 casino gambling and oppose also the election of
6 every legislator who will support such action.

7 If the State of Pennsylvania really
8 needs more tax revenue, those who represent us
9 must act responsibly and enact fair and
10 equitable tax legislation and not depend upon
11 this underhanded and really regressive method of
12 gambling.

13 I thank you very much for your time and
14 your willingness to hear our testimony. And we
15 certainly would appreciate your vote on turning
16 back this gambling industry within the State of
17 Pennsylvania.

18 Should, however, it come to the point that
19 their desire some kinds of referendum, that we
20 would support across the state referendum with
21 regards to this legislation. Thank you very
22 much.

23 CHAIRMAN GANNON: Thank you very much,
24 Pastor Funk, for joining with us today and
25 presenting your testimony. I appreciate it.

1 MR. FUNK: Thank you.

2 CHAIRMAN GANNON: Roger Scarlett? The
3 other witness who is called and did not answer
4 is Walter -- is Walter Chisholm. Is
5 Mr. Chisholm here yet? We want to make sure we
6 get everybody who wanted an opportunity.

7 So we're going to take a quick break and
8 try to see if we can contact Mr. Scarlett to see
9 if he's on his way over here. So we'll take a
10 brief recess so we can see what the response is.

11 (At which time, a brief break was taken.)

12 CHAIRMAN GANNON: If there is anyone in
13 the audience who we don't have on the list and
14 would like to present us with some brief
15 remarks, I'd be willing to accept that. I want
16 to make sure we give everyone an opportunity to
17 present their point of view.

18 You can proceed.

19 MS. MCDANNIELS-KULESA: Thank you,
20 Mr. Chairman. I appreciate your generosity of
21 being able to expand things instead of such
22 formality.

23 My name is Mary Ann McDanniels-Kulesa,
24 and I'm a former congressional candidate of this
25 district. I also am a former Casey

1 administration employee, was a research analyst
2 for the state. I have a masters in
3 communication with a B.A. in liberal arts. My
4 minors were sociology and geography.

5 My husband tells the story that not only
6 do I know how to get there, but I generally can
7 find my way home. The reason I mention this is
8 because I'm concerned having been out in the
9 district, worked the district, I know my area
10 and having been somewhat, I guess, politically
11 astute, you cannot get involved in a
12 congressional race -- I'm concerned about the
13 amounts, if you will, of rural poverty.

14 I right now find my main business and
15 working as a religious lobbyist for the United
16 Methodist Church. And as you know, we have a
17 very strong position against gambling.

18 But my concern is I have reviewed the
19 studies and taken a look at some of research, is
20 the amount of discretionary income or rather the
21 lack of discretionary income that many of our
22 people have.

23 Just as we have poverty in this city,
24 I'm sorry to say we have notoriety in Erie as
25 having one of the worst Hispanic and

1 African-American children in poverty in the
2 United States in the City of Erie. Now, in
3 order for a child to be in poverty, they're
4 living with a family that is also in poverty.

5 We also have very strong numbers of
6 rural poverty in Erie County and throughout the
7 21st congressional district. My concern with
8 this discretionary income or lack of is that
9 we're going to take folks who otherwise perhaps
10 have been retired or lacking a work ethic -- we
11 have many in rural Pennsylvania who are about to
12 lose their welfare. There's not the employment
13 there that we hoped there would be -- I'm
14 concerned about that discretionary income and
15 what may become of these folks as they now try
16 or become enticed or seduced into this, if you
17 will.

18 Others have suggested luck ethic, and
19 I'm very concerned about what that is going to
20 do to our children in poverty within Erie
21 County. The other thing that I wanted to
22 mention that I have not heard anyone touch on is
23 that I also have dabbled in a number of PUC
24 cases as a rate case intervenor.

25 I have locked horns with our telephone

1 company, Met-Ed Penelec, which is now GPU
2 Energy. It was my understanding -- and in Erie
3 County we have had a utility -- a public utility
4 who has offered their property or has attempted
5 to be a lessee for their property that the
6 Pennsylvania Public Utility Commission -- and
7 I'm not sure within the Judiciary if this is
8 within your rein or realm of looking at that.

9 They should have filed documents with
10 the Pennsylvania Public Utility Commission that
11 would have allowed some time of reining in or
12 some type of look at what they are doing as a
13 public utility.

14 And I'm concerned that if we have a
15 public utility who all of us as ratepayers have
16 a piece of, if you will, every month in the bill
17 is that somehow that construction or this lack
18 of perhaps boom in economic development or
19 something goes wrong that I as the consumer or
20 the ratepayer or the layperson is going to be
21 sitting there somehow having it affect my
22 monthly electric bill.

23 So I would hope that within the
24 Judiciary if it is within your realm of being
25 able to rein this public utility in Met-Ed

1 Penelec, now GPU Energy, that you would take a
2 look at that relationship with the gaming
3 industry and entertainment.

4 And perhaps -- it's my sincere belief
5 that they did, in fact, violate Pennsylvania
6 Public Utility Law by not registering this
7 project and by not doing full disclosure. So I
8 would hope that in the future we also would take
9 a look at that.

10 I thank you. I appreciate the
11 opportunity to make these brief comments on the
12 turnover.

13 CHAIRMAN GANNON: Thank you very much.
14 Okay.

15 MS. DAVIS:. Okay. I was a nurse and a
16 mother. And -- Shirley Davis, northeast
17 Pennsylvania. And I made up a little article on
18 what my experience has been with gambling.

19 My experience is that it devastates
20 families. My grandparents lived about three
21 miles from Ben Hogan's den of iniquity at the
22 top of Babib (phonetic) hill in -- when they
23 were married. Grandma was 16. Three children
24 were born very soon.

25 When Grandma left Grandpa when my dad

1 was 13, he had lost just about everything
2 through wine, women, and song. They weren't
3 dummies. Dad was valedictorian of his high
4 school class at age 15. As the seventh child of
5 15, I could have used a grandmother's nurturing.
6 We all needed her love, but we were denied it.

7 When my eldest child was a 5th grader, a
8 classmate's widowed mother had to leave this
9 little girl -- incarcerated for many years for
10 gambling away farmers' IRS funds she was to have
11 deposited with their returns.

12 Again in high school, with this same
13 child, another classmate's father had to be
14 imprisoned for embezzling funds from his job at
15 our bank and losing it at the same gambling
16 establishment. My 4th child became good friends
17 with a classmate whose father had lost a great
18 deal of money gambling at this same group.

19 When this child was an infant, last of
20 five children in the family, her father had
21 placed a gun in his mouth and committed suicide.
22 A brother-in-law accustomed to gambling with
23 these same people continued this same foolish
24 habit when they moved to Florida.

25 When they moved back, his wife told me

1 United Methodist Church, he could not be here
2 today; but we're going to invite him to submit
3 comment and make those comments part of the
4 record of this hearing.

5 And with that, unless anyone else would
6 like to make a comment before we close the
7 record of this hearing -- seeing none, then the
8 hearing of the Pennsylvania House of
9 Representatives Judiciary Committee on House
10 Bill 2308 is concluded. Thank you, ladies and
11 gentlemen.

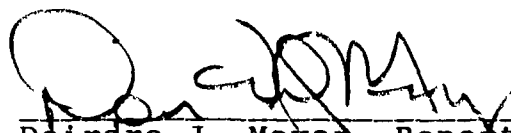
12 (At or about 3:06 p.m., the hearing was
13 concluded.)

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C E R T I F I C A T E

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2
3 I, Deirdre J. Meyer, Reporter, Notary
4 Public, duly commissioned and qualified in and
5 for the County of Lancaster, Commonwealth of
6 Pennsylvania, hereby certify that the foregoing
7 is a true and accurate transcript of my
8 stenotype notes taken by me and subsequently
9 reduced to computer printout under my
10 supervision, and that this copy is a correct
11 record of the same.

12 This certification does not apply to any
13 reproduction of the same by any means unless
14 under my direct control and/or supervision.
15
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18 
19 Deirdre J. Meyer, Reporter,
20 Notary Public. My commission
21 expires August 10, 1998.
22
23
24
25