

**TESTIMONY BEFORE THE STATE HOUSE JUDICIARY
COMMITTEE**

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Penn State - Behrend Campus
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Mr. Chairman, members of the committee, interested citizens; good morning. Thank you for allowing me to testify before you this morning on House Bill 2308 and the Riverboat Gaming issue in general.

Riverboat gaming offers Pennsylvania the prospect of creating jobs and expanding economic growth - particularly in regions of the commonwealth that have witnessed high unemployment and economic stagnation as a result of the decline of the heavy manufacturing industry. Cities like Erie, Pittsburgh, Harrisburg, Philadelphia have a once in lifetime chance to see thousands of new jobs and billions in new revenue.

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

NEW JOBS

Numerous studies, performed independently, have estimated that Rep. Kenney's legislation, if enacted, would create approximately 27,300 new jobs directly related to the gaming industry. At an average salary of \$23,000, these new jobs would infuse over \$625 million in salaries and wages into the state's economy.

Indirectly, gaming is expected to result in 26,300 related jobs, generating another \$714 million in annual wages and salaries.

Ladies and gentlemen, at a time when the President of the United States and the Governor of this Commonwealth both have signed major legislation overhauling the welfare system - legislation that demands us to move recipients from welfare to work - can we afford NOT to seriously consider a proposal that will create at least 53,600 good-paying jobs and \$1.339 billion in new wages every year?

NEW REVENUES FOR PENNSYLVANIA

Nobody likes taxes. Citizens don't like to pay them, legislators don't like to vote for them. The trouble is, EVERYONE likes government services and EVERYONE wants more of them.

Of course, it is impossible to be specific because gaming has never been tried in Pennsylvania. However, based on the experiences of other states, the population of Pennsylvania and the overwhelming fact that Pennsylvanians like to wager (Yes, we rank sixth nationwide in the amount of annual household visits to casinos.), it is possible to provide the following estimates: Gaming license fees (renewable annually), taxes on casino profits and state income taxes on wages and winnings, would likely generate between \$600 and \$700 million annually for the commonwealth's general fund.

That's \$600 to \$700 million annually and, for all you fans of Clint Eastwood or Ronald Reagan, read my lips: NO NEW TAXES.

But there's more.

In addition to this direct revenue, riverboat gaming will expand the tax base in ways many don't even realize. A study conducted by the Illinois State University Bureau of Tourism and Recreation illustrates the impact of legalized riverboat gaming on the town of Joliet, Illinois. Food tax collections (restaurants) have increased 24 percent. Motor fuel tax revenues have climbed 10 percent. Joliet's city manager says the study "confirmed what we have realized all along; gaming means new jobs and new revenues for our citizens."

Economists estimate that local governments, including host counties and cities, would receive local taxes and fees totaling \$296 million (generated by local taxes on casinos and wages generated by new jobs.) Ask Tom Murphy or Ed Rendell if they could use some of that to deal with the problems plaguing big cities in this country.

NEW DEVELOPMENT

In an age where our cities are struggling to rebuild and looking for every penny available to do so, riverboat gaming would result in billions in new construction, riverfront development and urban renewal WITHOUT COSTING STATE OR LOCAL TAXPAYERS A PENNY. Licensees would be required to create land-based development, including hotels, restaurants,

shopping areas and recreation centers. They aren't asking for tax abatement, they aren't looking for state grants, they don't want money from cities or counties. Basically, developers are asking us to stand aside and let them do what we have not been able to.

Now, there's another problem we all have seen in recent headlines, which we as policymakers will be asked to deal with. New stadiums for our sports teams, new convention centers for our cities.

Without new or drastically refurbished stadiums, the Eagles and the Phillies may leave Philadelphia. The Steelers and the Penguins could and the Pirates almost certainly will, leave Pittsburgh.

But where will the new revenues come from to accomplish all this?

Last week, Governor Ridge's Sports and Exposition Facilities Task Force issued a report, which contained recommendations for financing these new facilities. One the main proposals, advanced by the Governor himself, would sell of the state's Liquor Store system for a one-time infusion of \$600-\$750 million, part of which would be used to finance the state's share of these new stadiums. After the initial sale of the system, an annual income of only \$10 million would be realized from license renewals.

What the task force does not detail are the negative effects that privatization would present to the commonwealth:

1) Loss of revenue to the general fund.

In 1995, the state stores resulted in a profit of \$56 million for Pennsylvania. After all the bills were paid, we wound up with \$56 million in profits for the general fund. Without the state stores, the taxpayers would be required to make up that shortfall.

2) Loss of jobs.

Privatizing the state stores would result in the immediate termination of almost 4,000 employees. These workers earn a decent living, have benefits and make money for the commonwealth. Private stores, in the business of making a profit, would undoubtedly seek efficiency by hiring part-time workers at low wages with no benefits. Moreover, these part-time clerks would not be trained, as our state store workers are, to perform what I believe to be the most important function of any person selling alcohol; keeping booze out of the hands of our kids.

3) Increased use and abuse of a dangerous drug - especially amongst minors.

Pennsylvania's state store system is the primary reason that alcohol-related problems among our young people are well below the national average.

Case-in-point: A NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION report published in 1995 indicated that DUI arrest rates in Pennsylvania for persons under the legal drinking age of 21 are LESS THAN HALF THE NATIONAL AVERAGE. The commonwealth's arrest rate for minors was 66 per 100,000 while the national average is 134 per 100,000 (Pittsburgh *POST-GAZETTE*, 9-8-96)

Even though we need the revenue, even though maintaining our professional sports teams must be a top priority, the evidence clearly shows that privatizing the state store system would be financially and socially irresponsible.

GUESS WHAT? WE HAVE AN ALTERNATIVE

Riverboat gaming, strictly regulated and monitored, adequately taxed, and properly supported and promoted, would generate new jobs, new urban redevelopment and, most critically, billions in new revenues that could not only be used to help fund new stadium venues, but also to pay for many other necessary state services that our citizens demand but our tax effort simply cannot afford. Clearly, the revenues generated by legalized, regulated riverboat gaming, would far outweigh the one-time cash infusion that would result from the dismantling of our strict liquor control system.

Gaming could do even more for our professional sports teams than build them new stadiums. The new entertainment industry would attract millions of new tourists and citizens that could support the teams that play in those stadiums.

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

Couldn't Pittsburgh do the same to help bolster sagging attendance figures for the Pirates? Couldn't the Phillies couple their marketing efforts with other tourist opportunities in the area?

And, not only sporting events, but also restaurants and shopping centers, hotels and even gas stations would benefit from the influx of tourists to areas where riverboats would dock. And, contrary to the fears of many opponents, strictly regulated riverboat gaming would result in a greater

visibility of police and security personnel and could, as is the case in East St. Louis, Illinois, actually result in a decrease in urban crime.

"Crime in our downtown has actually decreased," says East St. Louis Police Chief Isadore Chambers, "because of the high visibility of the industry's private security force in town. Their security cars, which patrol the area, have had a dramatic effect on crime in the area."

Ladies and gentlemen, I ask you to support Rep. Kenney's legislation and give every voter in Pennsylvania the chance to look at ALL the facts and decide what is REALLY best for Pennsylvania's future.

But, I warn you, WE MUST ACT NOW! Ohio and New York soon will place similar questions before their citizenry. If New York's referendum passes again this November, as it is expected to do, Buffalo and Niagara Falls could soon be the beneficiaries of the advantages I have talked about in my testimony. If the same referendum is successful in Ohio, Cleveland and Youngstown would enjoy the same benefits of new jobs, new revenues and new development.

Where, I ask you, will that leave Erie?

With Ohio and West Virginia working feverishly to legalize gaming, what will happen to Pittsburgh?

With Atlantic City celebrating its 25th Anniversary and Delaware now allowing slot machines and video poker, what will happen to Philadelphia?

These are not just rhetorical questions asked for dramatic effect? These are substantive policy issues that we as policy-makers are required to address.

We still have a chance to take advantage of this opportunity.

But we are running out of time.

Mr. Chairman, members of the committee, I thank you for your attention.