

1 CHAIR JAMES: With that I'm going to turn to John and
2 ask you to start with regulation.

3 DR. SHOSKY: Thank you, Madam Chair. Just a few
4 comments to get us started. There is a first draft of this
5 chapter out, and I would like to mention a couple of things about
6 it, if I could.

7 One comment that we received from several people was
8 that the Beltier document that was prepared for the Internet
9 subcommittee was a very helpful document, and we should
10 incorporate some of that material, in particular we should quote
11 the progression of ideas in that document, and I tried to do
12 that, to some extent.

13 I agree that it is helpful, and as you may know, there
14 is some discussion about including that document on its own, in
15 the appendix, later. So I tried to incorporate that document,
16 and I realized maybe I should use more of it, in some people's
17 opinion. But I think you will see that I do rely on it.

18 The second point that I would make is that this is a
19 tough chapter to write in many ways. One way is that it has to
20 be readable to the general public, and the temptation is to do
21 something like this in sort of a lawyerly way.

22 The history of this chapter has been that originally we
23 would do part of the overview, and we would just have cursory
24 discussion of the regulation. And then in an earlier report
25 subcommittee meeting it was decided to write this out as a
26 separate chapter. It would follow the overview in the
27 arrangement of the final report, but that it was just to simply
28 be a snapshot of regulation.

1 So the real temptation is going to be to try to put in,
2 in my opinion, too much. And it may end up being too lawyerly
3 and too scholarly. So I'm trying to hold the reins in on that.

4 However, having said that, number three, there is also
5 a problem that we have been trying to compensate for, for the
6 last few weeks, on this particular chapter that has made it
7 difficult.

8 We were hoping to get some helpful material from one of
9 the contractors. And when we realized that we weren't going to
10 be able to get that material, we ended up collecting a lot of it
11 ourselves, and we have been going through it.

12 And I have to say that even if we had gotten the
13 material, this process has been very good for us. In particular
14 I have had a lot of sympathy for Commissioner Bible because I
15 have been sitting, the last few days, reading through the Nevada
16 Regulations, which were provided for us instantaneously, when we
17 called for them.

18 And there is so much there, and the same thing is true
19 in New Jersey, and Mississippi, and all the other states that
20 have provided material to sift through.

21 And in the process of sifting through all of that
22 information I realized that this temptation to want to throw in a
23 great deal is manifest. And making the choices and trying to
24 highlight this so that this can be a readable chapter will be
25 tough.

26 But, again, the idea is to make it a snapshot. And,
27 with that in mind, it really requires us to make, I think, some
28 decisions about what to include and what not to include. And one
29 of those decisions will be how much to talk about regulatory
30 matters that don't concern casinos, because as people write about

1 gambling regulation, there seems to be a focus on casino
2 regulations and to explain the difference between, for example,
3 federal oversight on some issues, and then state regulation
4 which, as you know, is the primary source of regulation in
5 gambling, on the other hand.

6 And so while many of the commentators talk about casino
7 regulation, we will have to give some thought to how much of the
8 lottery regulation to put in here, or in the lottery chapter.
9 The same thing with pari-mutuel matters, how much to include
10 here, how much to include in the pari-mutuel chapter.

11 So in our attempt to get a snapshot, I'm hopeful that
12 what we will end up with is something that is readable and
13 straightforward, and not necessarily cumbersome for the reader.
14 And if we need to go into particular detail on an area of
15 regulation, for example, say lottery regulation, I'm hopeful that
16 that detail will come up in the lottery chapter itself.

17 But that is just my view in trying to construct a first
18 draft, and I realize there is a lot of different ways to do this,
19 and I'm very anxious to hear the direction that you want me to
20 take.

21 CHAIR JAMES: With that I will open it up for
22 discussion.

23 COMMISSIONER LEONE: I have a couple of questions, and
24 some comments.

25 We had conceived of the ACIR document as a
26 comprehensive statement that might be an appendix, would be in
27 our report, and highlight it in the text someplace that people
28 could go and find out everything one could reasonably ask about
29 the nature of regulation of different kinds of gambling
30 activities in the United States.

1 And now we are going to have something less than that,
2 and what we have, I suspect, will be tinkered with until the very
3 last moment. It is still the plan, though, to have that as an
4 appendix that would be referred to, probably, at the beginning of
5 this chapter, as a place to go?

6 Or do you think now it is some other kind of document
7 that will have, that we will present in some other fashion?

8 CHAIR JAMES: That was the plan. We should probably
9 let Dr. Kelly give you a little update on our latest with ACIR.

10 DR. KELLY: Commissioner Leone, you are right. ACIR
11 was to provide us with three products. One was a comprehensive
12 tally of all the laws and regulations pertaining to gambling, in
13 a CD or an electronic data base. That is due next month.

14 The other, though, was to be a review of those laws and
15 regulations, review and analysis of those laws and regulations.
16 And, to date, we have not received that, even though we were
17 supposed to have received that last -- they had a deadline to get
18 that review and analysis to us last -- they brought down a
19 document which they claimed was, in fact, that product.

20 It was absolutely unacceptable in that it was not, in
21 fact, a review and analysis of all laws and regulations. In fact
22 the document that they could use was simply a snapshot of some of
23 the survey findings that they had produced, an absolutely
24 different issue.

25 We let them know that that was unacceptable, that as
26 far as we were concerned they had not met the terms of the
27 contract, and we are working on that even now.

28 The third document, by the way, just to complete the
29 picture with ACIR, is that they are also supposed to provide for

1 us a contrast of the regulatory oversight for Indian casinos and
2 non-Indian casinos. And that, in fact, is due today.

3 COMMISSIONER LEONE: Just let me make a mechanical
4 suggestion. Since we have an empty seat and microphone here,
5 maybe as long as that is available, Tim could sit at that
6 location.

7 It seems to me that we have two choices about this
8 chapter, from our point of view. A person reading our report
9 will reasonably expect to go to the regulation chapter and find a
10 summary of what is going on, at least, in the United States.

11 They might expect to find our recommendations about how
12 we think the regulatory regimes that exist should be changed, and
13 what we would urge governments to do.

14 I think, in fact, as a practical matter, those are
15 going to find their way into the individual chapters, because
16 otherwise this chapter would then be, everything should be
17 different that involves governmental action.

18 So the question I really have is, are we going to be
19 able -- this is, you know, this is a teaser of what we have right
20 now, in the sense that it has a couple of summaries of, brief
21 summaries of when we talked about a couple of states that have a
22 lot of gambling. But it is not the kind of chapter somebody
23 could pick up and read and say, I now have a sense of what the
24 range is of scrutiny that is applied to casinos, how different
25 states approach lotteries.

26 Now, a lot of that is in the other chapters, and I
27 think we have to come to some conclusion here about what this
28 chapter is going to be, because it is obviously not going to be
29 built in the way we originally thought, by reference to the ACIR
30 research.

1 I have no fixed notion about what it ought to do, but
2 if it is an essay about the regulatory history, or maybe, you
3 know, maybe it could be a chapter that we return to after we have
4 done everything else, and it could summarize some of the
5 conclusions that we've come to elsewhere.

6 I think as it stands, and I'm sure John would agree
7 with this, we wouldn't want anybody to look at the table of
8 contents and say, here is a chapter on regulation, I will go find
9 out about regulation in this chapter, because you can't do that.

10 CHAIR JAMES: That may be a structural issue that as we
11 get to the other, but what is it?

12 COMMISSIONER LEONE: Maybe it is just an introduction
13 to whatever other information we have assembled, and it is put
14 back at the report. I don't know.

15 CHAIR JAMES: Let's do the hard one first.

16 COMMISSIONER LEONE: Well, I think that the hard one
17 is, can this be an essay that characterizes the regulatory
18 regimes in place in the United States for different kinds of
19 gambling.

20 CHAIR JAMES: And at some point this Commission will
21 have to speak in terms of, if we can come to some consensus,
22 about what we want to recommend in that area. And we can -- if
23 we can deal with that, then I think that we can talk a little bit
24 about, structurally, how that ought to happen; whether it ought
25 to be in one chapter, the appendix, throughout --

26 DR. KELLY: I agree, maybe that should be the last
27 thing we turn to.

28 CHAIR JAMES: What do we want to say about that issue?
29 Yes, each of you.

1 COMMISSIONER LEONE: I think that the two hardest
2 questions on regulation are judgmental, they involve a judgement
3 about whether the casino type gambling that exists in some
4 states, and on Indian lands, is regulated in a fashion that we
5 think is appropriate, based on the Beltier document, and examples
6 in New Jersey, and Nevada, and other places that are considered
7 to have more developed regulatory machines.

8 The second question is whether we think all the
9 examples of convenience gambling, including lotteries, there have
10 been lots of others, which are essentially lightly regulated by
11 states, ought to be approached in a completely different way.

12 There is a subpoint of this, the sports wagering,
13 Internet, other kinds of gambling where we may have some
14 recommendations that are, I would argue, somewhat different from
15 regulatory recommendations.

16 I think those are two of the biggest questions we have
17 today --

18 CHAIR JAMES: Not down the road, this is it.

19 COMMISSIONER LEONE: Where we stand on that.
20 Personally I think the federal law, as it affects the Indian
21 gaming, I have come to that conclusion from this experience,
22 needs to be toughened.

23 CHAIR JAMES: Let that proposition sit there for a
24 minute, and see if there is any response.

25 COMMISSIONER WILHELM: I came across an interesting
26 document that I would call to the Commission's attention, and
27 although I have a copy of it, I don't have it with me,
28 unfortunately. I will try to remember to bring it tomorrow.

29 Monty Deer of the National Indian Gaming Commission
30 testified recently before the Senate Indian Affairs Committee, as

1 did a variety of other people. And someone sent me a copy of his
2 written testimony in that regard, which I found quite useful.

3 I think there is an extent to which it probably differs
4 somewhat from the conclusion that Richard and Bill just stated,
5 but there is an extent to which it probably supports that
6 conclusion that Richard and Bill just stated.

7 And I would just commend it to the attention to both
8 Commission and staff, and as I said, I will try to remember to
9 bring it tomorrow.

10 On that conclusion, and also on the structural issue
11 that was being discussed a couple of minutes ago, personally I
12 feel that I don't know very much about gaming regulation, and I
13 don't consider myself to have any expertise in that area.

14 As a consequence of that lack of knowledge I have
15 essentially punted, to be candid, in the discussions of the
16 Commission's Indian gambling subcommittee on the regulatory
17 issues, and on the related issues of whether or not the Indian
18 Gaming Regulatory Act ought to be amended.

19 And I would just ask whether, and maybe this is a
20 matter that can't be concluded about at the moment, but I would
21 ask on the structural question, as well as on the substantive
22 question, whether or not in the opinion of the Chair and the rest
23 of the Commissioners, the question of the regulation of Indian
24 gambling ought to be addressed in the regulatory chapter, or in
25 the Indian gambling chapter.

26 To be frank, I think it highly unlikely that the Indian
27 gambling subcommittee is going to reach a conclusion, within the
28 subcommittee, on that issue, by accommodation of strongly held
29 opinions, as well as in my case ignorance.

1 So I would be curious to know where people think that
2 belongs, and the staff already has the testimony by Chairman Deer
3 before the Indian Affairs Committee on March 24th. And, again, I
4 would commend it to everyone's attention.

5 CHAIR JAMES: Any response to that; where do you think
6 that ought to be, do you want to handle those issues in that --

7 COMMISSIONER LEONE: Well, I think it should be in a
8 separate chapter. There are a few other points I would make
9 about our regulatory recommendations, and the regimes.

10 One is that they are freighted with federal issues.
11 There is a few things that we can say, this is clearly the
12 federal government's responsibility. There are many things that
13 we could say we wish state and localities did something
14 differently, or we disapprove, or we approve.

15 This one there is a lot of federalism, and that is
16 obviously in a lot of court cases, but this one at least we know
17 there is a federal responsibility that is part of the package
18 where a federal commission could say something. So I think it
19 deserves some special treatment, separate treatment, because of
20 that. We have to decide where we are going to come out in some of
21 these federal regulation issues.

22 The second thing is there are a whole set of issues, I
23 would argue, upon the area of public education, in which if our
24 public education prompts a response, it will be from people on
25 different sides of the argument that will then mobilize and get
26 to results.

27 This one again, though, I think is different, in that
28 there is an existing federal law, an existing federal agency that
29 performs various functions. And I think maybe this does belong
30 in that chapter.

1 COMMISSIONER WILHELM: In which chapter?

2 COMMISSIONER LEONE: In the Indian gambling chapter.

3 CHAIR JAMES: I would concur with that. Having said
4 that, that is still the easy one. And I think a part of what I
5 want to do today is to keep pushing us back to the hard ones.

6 COMMISSIONER BIBLE: My sense on the issue is that we
7 are dealing, really, with four kinds of gaming. We are talking
8 about commercial casino gaming, we are talking about horse
9 racing, in terms of legalized gaming. We are talking about
10 lotteries and tribal.

11 I think in lotteries and tribal, both of those
12 instances, that breaks down as governmental sponsored things, and
13 the government regulating itself. And, at least my sense is we
14 treat lotteries and tribal and deal with the regulatory aspects
15 in those particular chapters. In this particular chapter we talk
16 about the regulation of casinos, the regulation of the horse
17 racing.

18 CHAIR JAMES: I would concur with that, with the caveat
19 that we say, in the introduction, that that is what we are doing,
20 and why.

21 COMMISSIONER BIBLE: Yes, so people understand it. And
22 I think it is kind of interesting, if you go back to --

23 CHAIR JAMES: Did you get that John?

24 DR. SHOSKY: I think so, but I just want to be sure.
25 Would you say that one more time?

26 COMMISSIONER BIBLE: Well, I think we ought to deal
27 with the lotteries and tribal gaming regulatory aspects in each
28 of those, in each of those particular chapters, because they fall
29 within governmental gaming, or the government in effect is
30 regulating itself, in both of those instances.

1 In these instances the government is acting as a third
2 party regulator, in both the horse racing, and to the commercial
3 gaming industry, treat them somewhat differently.

4 I think the interesting aspect, and this kind of comes
5 down to your efficiency and effectiveness argument, we need to
6 make some comment about that, is that our predecessor commission,
7 20 or 30 years ago, that this was an area that they were
8 concerned about, because of organized crime into the legalized
9 gaming industry, repeated control of the illegal gaming industry,
10 and they came to the conclusion that it needed a strong
11 regulatory presence at the state level.

12 Now, we've heard testimony, virtually from every state
13 regulator where we have gone, when we went to New Jersey we heard
14 from the Commission, when we went to Illinois, we heard from the
15 Commission; when we went to Nevada we heard from the Commission,
16 when we went to Mississippi, we heard from the Commission.

17 I think we need, in this chapter, to kind of detail the
18 regulatory efforts that have occurred over the last 20 or 30
19 years, and come to some sort of conclusion as to the
20 effectiveness of the regulatory systems.

21 I don't think the issue before us today is, can we
22 regulate gaming, because we are going to come down and say, yes,
23 you can regulate gaming.

24 CHAIR JAMES: You can do it, you can do it effectively,
25 here are some models of how it was done, make some suggestions
26 for states that are considering the --

27 COMMISSIONER BIBLE: That's right. And the reason I
28 asked Mike Bellinger to prepare that particular document was to
29 develop the best practices, so there would be a body of
30 information that would be available to --

1 CHAIR JAMES: Have you made any, have you given any
2 thought about how to incorporate his piece into this particular
3 chapter, the best practices and model?

4 DR. SHOSKY: Well, I think that there is a couple of
5 things. What I did was, I got a separate section identifying it
6 as a model, and then integrated portions of it into the chapter,
7 and then in the chapter that piece, as itself, stands ready to be
8 put into the appendix.

9 There is another way of doing it, and that is to --
10 some people would argue that we should attach it to the chapter,
11 instead of having it separate in an appendix, that it should
12 literally be one long footnote at the end of the chapter. That
13 is something we can do, or we could just simply print it, in
14 writing the guts of the chapter, and let it stand on its own --

15 COMMISSIONER BIBLE: Well, I wouldn't put the entire
16 document in there either as a footnote, or as a lone document
17 within the chapter, which could make it sort of cumbersome. But
18 I think there are some elements you can take out of there and
19 describe what are the elements of a good regulatory system.

20 My purpose in asking Mr. Bellinger to do that was that
21 over the years I have been visited by numerous delegations, not
22 only from states within the United States, but from a number of
23 foreign countries, when the countries in Africa started to
24 legalize, they came to Nevada.

25 When New Zealand wanted to legalize they came to
26 Nevada. When some of the states in Australia wanted to legalize,
27 they come to Nevada.

28 Similarly, they go to New Jersey and they take a look
29 at the systems, and they would go home and they would kind of
30 adapt the systems to whatever fit their local needs best. And

1 they are interested in developing some basic tenets of best
2 practices as to whether our regulators, ability to get documents
3 when you request them, in areas like that, and just detail those
4 in terms of the regulatory chapter.

5 CHAIR JAMES: John, it occurred to me that I don't want
6 to throw you for a loop when we get to the end, but when we get
7 to the end of each section I'm going to ask you to sort of
8 summarize what you think you heard so that the Commissioners can
9 be sure you got what we discussed.

10 COMMISSIONER BIBLE: And in the material, I looked at
11 what they provided today, I think a CD-ROM that is machine
12 readable, that has a compilation of state statutes would help, it
13 would kind of create a library for people to go to, if they want
14 to take a look at that sort of thing.

15 There is a survey instrument on the effectiveness and
16 efficiency of regulatory systems, pretty rudimentary, they call
17 it Regulator, and asks if you are doing a good job --

18 CHAIR JAMES: And they said yes?

19 COMMISSIONER BIBLE: And they said yes.

20 CHAIR JAMES: Tim, do you think that ACIR is doing okay
21 on the survey of regulations, but on the interpretation and
22 effectiveness?

23 DR. KELLY: Well, Madam Chair, where they have really
24 fallen down is on their review and analysis of all laws and
25 regulations. They seem to have just -- that has just vanished
26 somewhere. And that is something we need to deal with very
27 seriously.

28 COMMISSIONER BIBLE: But the analysis really that
29 belongs in regulations is -- I think the greater utility is
30 trying to figure out how their value may work, it is like

1 analyzing the blueprints of airplane, you can build the thing out
2 of balsam wood, or you build it out of aluminum, it is going to
3 make a difference as to how the airplane flies, and its
4 characteristics.

5 It is how the system operates, not how it looks on
6 paper. I mean, you can go and work in all these cottage
7 industries, and cut these things out into cookie cutter mold.
8 They sound good when you read them.

9 DR. SHOSKY: If I could add something to this
10 discussion. I mentioned this to Dr. Kelly yesterday. In working
11 in this chapter I tried to cross-reference the regulations that
12 we had, and material that we got from ACIR.

13 And as I mentioned to Dr. Kelly, there is some big
14 omissions. And what I mean by that is some things that are legal
15 in some states aren't being noted in the material we are given,
16 some things that are illegal aren't being noted, and just -- I'm
17 speaking merely for myself, but I question the accuracy of what
18 we did get.

19 COMMISSIONER BIBLE: What do you have, a couple of
20 instances?

21 DR. SHOSKY: A good case in point, South Carolina,
22 because I wanted to know exactly how the laws were set up that
23 would allow this sort of access and payout on the slots. And not
24 only was that not mentioned, but there is nothing mentioned at
25 all about the fact that legislation had to be passed to make this
26 legal.

27 So that was the first instance, so then I just started
28 --

1 COMMISSIONER BIBLE: I get the sense, at least, in
2 South Carolina from my own individual that there is very little
3 regulation, really rudimentary controls, at best.

4 DR. SHOSKY: But you probably remember that when this
5 came up in Las Vegas we had to go find the statutory references
6 in order to report back to the committee, and it is just not --
7 it just wasn't there.

8 So then I started double checking things on lotteries,
9 and things like that, and there were some omissions.

10 COMMISSIONER BIBLE: If you take a look at the state
11 statutes wherever casino gambling, or slot machine gambling is
12 legal, you are going to find every state has a different
13 definition of what constitutes a gaming device.

14 COMMISSIONER MOORE: In this old chapter, when we are
15 talking about regulations, and when we are finding out, you know,
16 that different states have different regulations, where are we
17 going to come down as a Commission and say maybe what we think
18 the regulations should be?

19 Now, that doesn't necessarily go in this, is this
20 report goes not only to the federal authorities, it goes to the
21 governors of each state. Then if we have an overall suggestion,
22 somewhat, on regulations on how lotteries should be run, how a
23 casino should be run, I think we need to do that.

24 Where would that come? I mean, I think that this
25 Commission, that this is exactly what we have to say how is
26 gambling going to be regulated, and I think we should have a
27 recommendation on how it should be regulated.

28 COMMISSIONER BIBLE: I think in each chapter you --

29 COMMISSIONER MOORE: Each chapter?

1 COMMISSIONER BIBLE: In terms of commercial gambling
2 you could mention best practice and recommendations, and
3 independence of regulators, sufficient staff, access to books and
4 records. There is a laundry list of things that could be
5 incorporated in this chapter.

6 CHAIR JAMES: Let's talk about the elephant in the
7 parlor.

8 COMMISSIONER BIBLE: Okay.

9 CHAIR JAMES: It is there, it is staring at us. What
10 does this Commission want to say about federal regulation, or at
11 least federal regulation or not, or state, or --

12 COMMISSIONER BIBLE: I would say, based upon their
13 track record, where they do have responsibility is in tribal
14 gaming, and they have absolutely abrogated the responsibility.
15 Look at the state of California.

16 CHAIR JAMES: Are you talking states, or are you
17 talking --

18 COMMISSIONER BIBLE: I'm saying tribal gaming. The
19 federal government has absolutely abrogated their responsibility
20 where they have jurisdictional control. Tribal gaming is a
21 perfect example. California, we are going to have 14 or 15,000
22 illegal slot machines. The same thing is happening in the state
23 of Washington, Oregon.

24 COMMISSIONER DOBSON: Bill, are you suggesting that
25 that be said in the report?

26 COMMISSIONER BIBLE: What I said.

27 CHAIR JAMES: Anybody want to disagree with that? I
28 wouldn't, incidentally, but I want to know if anybody else would.

29 COMMISSIONER WILHELM: I would just like to note for
30 the record that because of unexpected surgery yesterday

1 Commissioner Loescher, obviously, is not here. And obviously
2 Commissioner Loescher might not agree with that. I assume he
3 would not.

4 I think that is self-evident to us all, but I --

5 CHAIR JAMES: Having said that, let me say that there
6 are several Commissioners who wanted to be here, but could not
7 for a variety of reasons, and they know that they will have the
8 opportunity to speak, very clearly and loudly, on all of these
9 issues.

10 COMMISSIONER WILHELM: To that end it is my
11 understanding, though, that although we are trying to direct
12 staff, we are not formally reaching final conclusions?

13 CHAIR JAMES: We are not reaching final conclusions, we
14 are having a discussion, and asking them to put some words to
15 paper that then we can respond to and edit.

16 COMMISSIONER WILHELM: On that issue I was concerned
17 about the structure and tone of this draft of this chapter on
18 this very point, because this chapter is drafted such in the
19 beginning almost as though the federal government should be
20 regulating gambling.

21 And I do not sense that that is the consensus here, and
22 perhaps I'm wrong. Speaking only for myself I believe that with
23 the exception of Indian gaming, which I think constitutionally
24 has to be regulated by the federal government, except insofar as
25 the federal government permits tribes and states to agree that
26 the states will regulate it, and with the exception of Internet
27 gambling, I believe that there is a consensus in the country that
28 gambling regulation ought to be done by states, and I think this
29 Commission ought to endorse that.

1 I think Commissioner Bible is right that the federal
2 government has no demonstrated capacity to regulate the gambling
3 effectively, so it ought to regulate effectively those areas that
4 it already has responsibility for, or intrinsically has
5 responsibility for, like Internet gambling and not try to usurp
6 the functions of the states with respect to casino gambling, in
7 particular.

8 And I think that the report ought to say that, that the
9 tone and structure of the existing draft chapter infers the
10 opposite. And to that extent I think it is wrong.

11 I would add, however, to Commissioner Bible's construct
12 about the four areas of gambling. There is an area, some of
13 which is legal, some of which isn't, and some of which is gray
14 area, that is not casino gambling, but that is properly regulated
15 by states, it has to do with video machines and so on.

16 And as we discussed before, there is a tremendous
17 amount of question, for example, in South Carolina about the
18 efficacy of the regulation of that which is legal. There is an
19 enormous amount of question about whether the states are
20 adequately policing that which is not legal, or that which is in
21 the gray area, all of these machines that proliferate all over
22 the place.

23 And I think it would be remiss of us if we didn't
24 comment on that, and if we didn't strongly recommend that states
25 get a hold of those problems.

26 COMMISSIONER LEONE: Look, I'm not a cynic, but a cynic
27 would say that regulation at the state level is dominated by two
28 concerns, and these are -- one concern is defensive, I would say.
29 People in politics can't stand the heat that is generated when
30 crime is involved in gambling.

1 So regulation is driven by the fact that whether the
2 government owns the gambling enterprise, or whether it is a
3 commercial enterprise that is being regulated, politically it is
4 very costly not to keep crime out, so most of the regimes have a
5 variety of mechanisms which have been relatively effective, as I
6 understand it.

7 COMMISSIONER WILHELM: Meaning organized crime?

8 COMMISSIONER LEONE: Yes, about keeping crime out. The
9 second I would call, maybe, offensive part, and I mean that in
10 the defense/offense. I find it offensive, but other people -- I
11 just mean it in kind of -- is making sure that the state gets its
12 fair share of the cut, and therefore intense accounting like
13 activities to ensure that its commercial enterprise, the state
14 will get the right amount of tax out of it, and if it is a state
15 run sponsored gambling, such as lotteries, insuring that the --
16 or that the state is competitive and it gets enough lottery money
17 spent in its own borders.

18 The Indian-American gambling is more complicated,
19 because in that one the federal government in a sense has to play
20 a role in order to legitimize the notion that these are
21 governments that can't be regulated by states, directly under
22 ordinary circumstances.

23 Now, the reality is that we have developed in some
24 places, as far as I can tell, pretty good structures for policing
25 gambling to keep organized crime out, and pretty good structures
26 for avoiding fraud, and accounting for the money so that we can
27 tax it, or collect it.

28 An example of that, as I spoke, there aren't that many
29 -- so we are sort of dependent on that, at the outcome. There is

1 bound to be division about whether we need to go through with
2 that.

3 And, again, I'm putting the complexities of the Native
4 American gambling over to the side. And I mean by that if the
5 Commission wants to go further and argue that this is not
6 effective enough, or not providing the public with enough
7 information, whatever the answer might be.

8 And that is, you know, the argument on one side of that
9 argument is the view that the states are sovereign and they are
10 democratically elected, and who are we to tell them what to do.
11 And there is no role for the federal government, and on the other
12 side it is that the states are -- some of them, or all of them,
13 are not doing a good job on some things, and do we have a role,
14 and a responsibility to tell them the things we don't think they
15 are doing well, lotteries as an example.

16 And that maybe we -- maybe national interest, an
17 overriding national interest in certain things, being taken
18 seriously at the national level.

19 Now, I don't know how other people feel about that, but
20 I feel that we -- those last two points I made should be central
21 to our report, that our report should make clear. I endorse that
22 we don't think that the states are doing a satisfactory job in a
23 variety of areas --

24 CHAIR JAMES: We say that all states --

25 COMMISSIONER LEONE: Well, states that have gambling,
26 obviously I wouldn't --

27 COMMISSIONER BIBLE: You are not talking about Hawaii
28 or --

29 CHAIR JAMES: Are there any that you would say --

1 COMMISSIONER LEONE: I think that some are better than
2 others, but in the area of seeking gambling revenues,
3 particularly for lotteries and convenience gambling, I haven't
4 heard of a single example of a state that I think is doing well.

5 COMMISSIONER WILHELM: First I, although again I'm not
6 a regulatory expert, I believe it would be fair to say, Richard,
7 that there is a third area that is presently construed as part of
8 the regulatory objective, at least in the states like Nevada, and
9 New Jersey, and Mississippi. And in addition to the two that you
10 described, you described the organized crime concern, which I
11 agree that that has been a driver of regulation as it is
12 presently practiced.

13 You described the question of ensuring the accounting
14 of money so that it can be taxed, and I agree with that, as well.

15 The third area that I think is fair to say is pursued
16 by the present regulatory mentality at the state level, at least
17 in those kinds of states, is the integrity of the games, which I
18 think is separable from the issue of whether the money is being
19 accounted for.

20 And I think it is fairly well agreed in those kinds of
21 states that it is in the best interests of the industry, and the
22 state as well, that the games are assured to be honest. So I
23 would add that as a third element of the existing regulation.

24 I think that it is relatively easy to separate out two
25 things that I thought were running together in your comments,
26 although I may have misread them. One question is whether this
27 Commission ought to be recommending additional types of things
28 that regulators should be doing.

29 In the past you have talked about disclosure of certain
30 things, for example. It seems to me the Commission could make

1 recommendations like that, separate and apart from the state's
2 rights issue. It doesn't follow, to me, that if we -- if the
3 majority of the Commission, or all of the Commission thinks that
4 certain kinds of things ought to be done from a regulatory
5 standpoint, that therefore the federal government ought to do it.

6 I think, though I could be wrong, that there is a
7 consensus of the Commission that states, in fact, should regulate
8 gambling within their borders, except in the two categories that
9 we have, in effect, set aside as being uniquely federal.

10 And I think the report, in my own personal view, the
11 report should say that, the report should say that states are
12 best equipped to regulate gambling within their borders, with the
13 exception of Indian gambling, for constitutional reasons, and
14 Internet gambling for technological reasons.

15 And in my mind that is quite separate from whether we
16 ought to be recommending, because after all we are supposed to
17 recommend not only to the federal government, but to the
18 governors.

19 So I think that if there is other things we ought to be
20 recommending, that I for one would argue that we should do so in
21 the context of, specifically, asserting that state regulatory
22 oversight makes the most sense.

23 COMMISSIONER LEONE: Let me throw out a specific idea,
24 because we have talked around this federal thing. And, again,
25 putting aside things like the Internet, or the current law that
26 governs Indian gaming should be changed.

27 Going back to the Key-Faurber Committee, through our
28 predecessor, this report, and other hearings, I think the federal
29 government can serve a useful, and indeed essential role in this

1 area by holding up state regulation, or state activities to the
2 light, bringing a perspective to it.

3 I'm impressed, we are all disappointed in the lack of
4 continuing research on gambling. And this is still a half-baked
5 idea on my part, an idea in formation.

6 But I have begun to wonder if there shouldn't be a
7 continuing federal role to study and report to the American
8 people about gambling in the United States. I used the Commerce
9 Department --

10 COMMISSIONER BIBLE: There must be, that is why we are
11 here.

12 COMMISSIONER LEONE: Well, but this is an unusual
13 Commission. I used the Commerce Department in my little memo I
14 sent around because the people on both sides of the issues use
15 Commerce Department information, and depend on it, if they are
16 going to talk about the economy, and how things are going, and
17 whether there is productivity, or what is happening to savings
18 and investment, a variety of other things.

19 I see this as a kind of minimal federal role, but a
20 role no one else will play, if there -- it doesn't involve direct
21 regulatory activity. There would plenty of people in the states
22 who I think would object to having to report, needing to have
23 information available, to have this kind of activity occur on an
24 ongoing basis.

25 But I think that --

26 CHAIR JAMES: You see that as a repository of
27 information, or as --

28 COMMISSIONER LEONE: And a publicizer of information,
29 and a place where there would be sort of a national forum, an
30 ongoing conversation about this. I think it would be very

1 useful. I think it would have been more useful if we had started
2 20 years ago, where nobody was going to get a cut.

3 I think the federal interest, again, has tended to be
4 because of the little cut, if you will, because they didn't get
5 any part of the pie, only the crime stuff, which was politically
6 and certainly newsworthy. There should have been a lot more
7 interest in everything else.

8 CHAIR JAMES: Without having thought that through a
9 lot, hearing it for the first time, my first reaction to that is
10 by putting it in Commerce, and talking about Commerce, we
11 immediately go to the economic, so --

12 COMMISSIONER LEONE: I wasn't saying we should put it
13 in Commerce, I was just using that as an example of an agency
14 that provides information that everybody depends on to argue
15 about stuff in economics.

16 I don't know where this -- I mean, this maybe should be
17 --

18 CHAIR JAMES: Well, I think one of the things that we
19 have talked about before is the lack of information that is out
20 there, and we wish that HHS did in their annual surveys collect
21 data and information so that we could have that kind of data to
22 look at things like pathological gamblers.

23 COMMISSIONER DOBSON: I apologize for missing your
24 opening remarks. The ground rules here today are everybody is
25 free to participate, or just --

26 CHAIR JAMES: Absolutely.

27 COMMISSIONER DOBSON: -- the subcommittee?

28 CHAIR JAMES: Everybody.

29 COMMISSIONER DOBSON: One area that, based on the
30 testimony we have heard, that I see the federal government having

1 a role, and it is problematic, I recognize that, it has to do
2 with truth in advertising.

3 And I don't know whether, you know, we run into
4 impossible state's rights issues or not. And I'm not referring
5 to the kind of regulation that the state ought to do within its
6 own borders, but specially the state run lotteries, which lack
7 oversight, it would appear, in the way they are advertised, and
8 the way they function.

9 And I don't know whether it is possible, I don't know
10 what the mechanism would be, but I would sure like to see that
11 addressed in our report, because there are abuses there.

12 CHAIR JAMES: Well, I hear three things out there right
13 now. One is the gathering of information on the economic and on
14 the social impact of gambling, Commerce, HHS, whatever is
15 appropriate.

16 The third thing I hear is, is there a federal role to
17 be played in advertising. And regulating, is that what you are
18 suggesting Jim, regulating state advertising?

19 COMMISSIONER DOBSON: There are statutes, obviously,
20 that require truth in advertising but they don't apply, if I
21 understand the law, they don't apply to the lotteries, where the
22 states have an interest in, maybe, not complying to the higher
23 standards of those statutes.

24 And I think that ought to be addressed, because there
25 is abuse.

26 COMMISSIONER BIBLE: Well, we are kind of changing it
27 here, I believed those advertising attorneys that appeared before
28 us, at our last meeting, to brief that particular issue as to
29 whether or not you can make applicable those federal laws to a
30 state entity.

1 CHAIR JAMES: May I suggest this? That at least in
2 this chapter if we do anything we -- because we do have staff
3 doing advertising, that if we say anything we refer to that, and
4 we get that information, and we see what we can do.

5 COMMISSIONER WILHELM: I agree. I would agree with the
6 thrust of Richard's point. I think that the more information the
7 better. I also agree with you, Kay, that the question of who
8 does it, inevitably will have an impact of where its focus is.

9 So I don't know where it ought to go, if you put in NIH
10 it has one kind of a focus, if you put it in Commerce it has
11 another kind. So I don't know the answer to that.

12 But I certainly agree with that point. But, again, I
13 don't understand what that has to do with regulation. I mean, I
14 do -- I think every one of us, based on the time that we have
15 been on this Commission, agrees that there is not remotely enough
16 information and knowledge.

17 And some of that is data collecting, and some of it is
18 research. In my mind that is a separate question from the
19 question of whether we ought to affirmatively endorse the state's
20 role in regulating gambling aside from those other two
21 categories.

22 CHAIR JAMES: I think we sort of slid into that from
23 what is the federal role in this, in discussing what the role is
24 in terms of regulation.

25 COMMISSIONER BIBLE: I think Richard's concern, and I
26 don't want to speak for Richard, but his concern seem to me that
27 we are going to be so broad in our focus, as to the federal
28 government's presence on the regulatory chapter, that we will be
29 excluding any presence anyplace else, and that certainly was not

1 my intent, because I think there is clearly a federal role in
2 terms of gathering data.

3 COMMISSIONER WILHELM: I agree.

4 COMMISSIONER BIBLE: And providing information, and
5 things of that --

6 CHAIR JAMES: Right.

7 COMMISSIONER BIBLE: My sense is we have a lot of
8 people here before us, all the way until June 20th, until the
9 death of this particular Commission here, and go about our merry
10 way, and doing exactly what they want to do.

11 COMMISSIONER LEONE: I certainly intend to.

12 CHAIR JAMES: Well, you know, we do have that chapter
13 on --

14 COMMISSIONER BIBLE: So we are going to talk about
15 that, at some point, I assume?

16 CHAIR JAMES: Absolutely, on future research, and at
17 several points along the way of the Commission we have talked
18 about who would be the appropriate parties to produce that kind
19 of research, and to produce that kind of data.

20 And I think at that point we can talk about what the
21 federal government's role ought to be.

22 COMMISSIONER LEONE: That's right. But it is also
23 relevant to where the federal government actually has a
24 regulatory role. Personally the thing that bothers me most about
25 the federal role in gaming is the lack of clear, comprehensive
26 information about what is going on.

27 Because I believe government and democracy work best
28 when the information is out there, and the people and the
29 political process can respond to it. And the same thing is
30 certainly going to be true in the Internet, where it is almost

1 impossible to get information, and telephonic gambling and other
2 things, and I just think getting the information out there is
3 kind of governor with a small g, regulator on behavior, as it
4 works its way through the political process, people will react to
5 that, and things will happen, or not happen.

6 COMMISSIONER BIBLE: Well, I would concur with John's
7 comments in terms of the federal regulatory role, and the federal
8 role at least in terms of this particular chapter, and the
9 regulation of gaming, really there is a federal presence because
10 of constitutional reasons and tribal gaming, and there is a
11 federal presence necessary, I think, in terms of the Internet,
12 which is driven more by the technology than anything within the
13 constitution. The states simply don't have the ability to
14 perform that function effectively, and the federal government
15 does have that particular ability.

16 And then after that I don't believe we know much about
17 it, but when we get to the other chapters I don't --

18 CHAIR JAMES: Except for the advertising piece --

19 COMMISSIONER BIBLE: And the advertising piece that
20 flows throughout the various chapters. When we get to either
21 lottery or advertising we can pick up, we talked about that in
22 the last Commission, there is unanimity amongst the Commissioners
23 as to some of the advertising practices of the lotteries, and
24 they need to be common.

25 COMMISSIONER DOBSON: It is not uncommon at all, but --

26 COMMISSIONER BIBLE: -- more in common --

27 COMMISSIONER DOBSON: -- federal role.

28 COMMISSIONER BIBLE: And I don't want to minimize the
29 federal role, because the federal role, at least in Nevada, was
30 very helpful in cleaning up some of the problems. I'm really

1 fond of saying that Nevada cleaned up gaming because of the will
2 of the state, the federal role in terms of their abilities to
3 wire tap, and the Kansas City trials, and catching a number of
4 people skimming, and some pretty good dealings of the people who
5 were operating in Nevada for years.

6 So there is a federal role, but it is more in the law
7 enforcement area.

8 COMMISSIONER WILHELM: At the risk of being
9 presumptuous either toward the Chair, or towards the report
10 committee, or towards the staff, or most importantly toward
11 Commissioner Bible, my reaction when I read this draft was that I
12 wished Bill Bible would draft this chapter, and I'm not being
13 facetious.

14 I think Bill has a tremendous handle on this stuff, and
15 I realize we are way far behind here. So I would suggest we
16 subcontract this job to Bill.

17 CHAIR JAMES: Bill is going to have a very full plate
18 in the next few weeks in terms of -- and he has generously agreed
19 to spend some time doing just that.

20 COMMISSIONER WILHELM: Great.

21 CHAIR JAMES: What else do we want to say about this
22 very important issue of regulation? We talked about best
23 practices and the piece we are getting from -- do we want to show
24 any worst practices, some concerns?

25 COMMISSIONER WILHELM: Sure, just put South Carolina.

26 COMMISSIONER MOORE: You know, the thing that disturbed
27 me a little bit last week, I guess I should have already known
28 this, but I don't know whether this would come in regulations or
29 not, when we talk about the people that come in and run state
30 lotteries, how they are chosen, what their fees are, and I have

1 never seen this in a paper in my life, the companies that come in
2 and run these lotteries for people.

3 You know, if you have a professional group to come in
4 and help you raise money for a church, by God, they charge you to
5 raise the money. And I don't know whether that would be on this
6 regulation or not, what we would recommend anything about that.

7 COMMISSIONER BIBLE: I think that is all available,
8 that is all public record. These contracts are typically bid
9 award, it is a state enterprise, you can find that information.
10 There may be a paper that suggests you can't get it, but it is
11 public information.

12 COMMISSIONER MOORE: Okay.

13 CHAIR JAMES: And that is a big issue that we have
14 allotted some time to talk about in the lottery, so maybe we
15 should -- whatever happened with G-Tech, by the way?

16 DR. KELLY: G-Tech has been invited to come present to
17 us at the next meeting, they have expressed some interest, and we
18 are negotiating with them now.

19 COMMISSIONER BIBLE: Why are we negotiating, they
20 either show up or they don't show up.

21 COMMISSIONER WILHELM: Maybe they want a paper bag over
22 their head. Just kidding.

23 CHAIR JAMES: John, if you had to summarize what you
24 think you heard in the discussion in the last few minutes, what
25 would you say?

26 DR. SHOSKY: Well, by my count seventeen things, is
27 what I would say. And that is in the order of presentation, it
28 is not in the order of subject, or anything.

29 To start off with, and please excuse me if I have
30 trouble choosing the right words as I go through this, but to

1 start off Commissioner Leone was talking about that there needs
2 to be a judgement that certain types of gambling are
3 appropriately federal, and --

4 CHAIR JAMES: I wouldn't necessarily assign
5 Commissioner names because, what I look for, consensus as we
6 speak. And hearing no objections tend to move forward in the
7 discussion.

8 So what I'm looking for now is to see if you have been
9 able to capture the consensus of what we said. Understanding,
10 for those of you who are listening, that all that means is that
11 he is going to produce his draft, that we then have the
12 opportunity to respond to. Those who disagree can still say so,
13 we can still mark things out, it can still be edited.

14 So it would be premature to make any other comment
15 beyond these are just some directions given to staff about how
16 they may want to develop the next round of drafts. That is all
17 we are saying here at this point.

18 Having said that, John?

19 DR. SHOSKY: Thank you, Madam Chair. There seems to be
20 certain types of gambling that are inherently federal; tribal
21 gaming, Internet. There seems to be a consensus that the federal
22 law on tribal gaming, IGRA, needs to be strengthened at the
23 federal role. Also --

24 CHAIR JAMES: If you hear anything you object to, or
25 you don't think he is getting right, please stop and jump right
26 in.

27 DR. SHOSKY: There is also some consensus that in this
28 chapter we need to mention four types of gambling. And what I
29 mean by that is commercial casino, horse racing, lotteries, and
30 tribal.

1 That primarily the regulation of lotteries and tribal
2 will be dealt with elsewhere, and that this chapter will
3 primarily, with that caveat at the beginning, concentrate on
4 commercial casino and horse racing regulation.

5 We should highlight best practices, was mentioned
6 several times. We also need to indicate that the federal
7 government has abrogated responsibility in terms of tribal
8 gaming. We need to change the structure and the tone of the
9 first draft to make it clear that states are the appropriate
10 regulators for what they regulate at the moment.

11 That we should have a very strong statement that states
12 are the appropriate regulators for what they regulate at the
13 moment, and that aside from the things that are inherently
14 federal, states should regulate gambling.

15 There is also a consensus --

16 COMMISSIONER BIBLE: And I think as we go through it we
17 want to talk about the ability to regulate, and distinguish that
18 from the policy -- you know, I think that is a very clear
19 distinction. Not necessarily abrogating just simply saying that
20 political decision, or policy decision is made just to engage in
21 -- gaming can be regulated.

22 CHAIR JAMES: Very important point.

23 DR. SHOSKY: Then there was the point of view that has
24 been restated in several different ways, but it seems to be
25 something like this. That we need to indicate states, while they
26 are the appropriate regulators, are not doing a satisfactory job,
27 that there is more that needs to be done.

28 That there is the realization that there is political
29 costs on the state level. It is hard to keep organized crime out
30 when it is just the states going it alone. Is that --

1 COMMISSIONER BIBLE: I don't know where any of that
2 came from. Run that by again?

3 DR. SHOSKY: This was a comment made about political
4 costs on the state level, and then hard to keep --

5 COMMISSIONER LEONE: My comment I made was that because
6 the cost was so high, states have been quite successful in
7 fighting that, as far as we could tell.

8 DR. SHOSKY: Great, thank you.

9 COMMISSIONER BIBLE: I guess what you are suggesting is
10 that states wouldn't do it on their own, unless they are
11 concerned, they are going to let the federal government come in
12 and do it?

13 COMMISSIONER LEONE: I was just indulging in a
14 momentary weakness for cynicism about political motivations.

15 COMMISSIONER DOBSON: You are a cynic.

16 COMMISSIONER LEONE: Most people would do it on their
17 own.

18 COMMISSIONER MOORE: If crime is not -- I mean, if
19 crime was in, the states would stand a strong chance of not
20 wanting gambling. I mean, they would lose revenue, wouldn't
21 they?

22 COMMISSIONER LEONE: That is even more cynical.

23 DR. SHOSKY: I will just leave the cynical part of my
24 notes here.

25 Then it would segue into --

26 CHAIR JAMES: I think probably just deleting it.

27 DR. SHOSKY: There needs to be better accounting of
28 money for taxation purposes, and others.

1 COMMISSIONER BIBLE: I think that refers, probably, to
2 tribal gaming, or is it a comment that someone made about lack of
3 information? It was either Richard or Dr. Dobson.

4 COMMISSIONER MOORE: I would like to know what
5 rationalization came out of Richard's dissertation, there.

6 DR. SHOSKY: I still need to delete that.

7 CHAIR JAMES: You are still --

8 DR. SHOSKY: I got you, okay.

9 CHAIR JAMES: Keep the button down for a while.

10 DR. SHOSKY: Got you, okay, thanks. Then I have this
11 underlined, so I'm pretty sure about this. We should recommend
12 that certain things that regulators should do, and that is part
13 of the best practices argument, too. That states regulate
14 gambling within their borders, that states are best equipped to
15 regulate gambling within their borders.

16 The one thing that the federal government can do is to
17 hold regulations up to the light to examine them. Then there was
18 the whole informational argument about who should --

19 CHAIR JAMES: Did we get any consensus on that some
20 states do a better job than others, but all could stand --

21 COMMISSIONER BIBLE: Well, I don't know that we
22 gathered information in that area. I mean, that is my sense that
23 --

24 CHAIR JAMES: It is a sense that --

25 COMMISSIONER BIBLE: Like tribal governments, I think
26 some states do better than other states, and I could name a
27 couple of states that are close to Dr. Moore that have some
28 difficulty. One state has some difficulty on regulations, they
29 look good on paper, but it doesn't fly quite right. It is kind
30 of a local custom.

1 DR. SHOSKY: Then there is the information on who
2 should collect what information and disseminate it.

3 I noted --

4 CHAIR JAMES: What did you think you heard on that one?

5 DR. SHOSKY: -- a discussion on Commerce, and here is
6 what I've got. Possibly Commerce could collect economic and
7 social --

8 COMMISSIONER LEONE: I don't think we need to add that
9 in this particular chapter. It seems to me in some later chapter
10 we are going to talk about it.

11 CHAIR JAMES: Remember, my suggestion was that further
12 research, and collection of information and data, that perhaps
13 that ought to go --

14 DR. SHOSKY: And the HHS part of that as well, right?

15 CHAIR JAMES: Several times we heard about the
16 household survey, or other means of collecting data and
17 information that would be helpful.

18 DR. SHOSKY: Then there was the truth in advertising
19 about lotteries.

20 CHAIR JAMES: And we talked about that being over in
21 the advertising.

22 DR. SHOSKY: Right. And then the final consensus
23 argument I have got is that we should not exclude the appropriate
24 federal role, either. We are delineating that states should be
25 the proper regulators, we shouldn't, on the other hand, indicate
26 that the federal government scale back its role in what it is
27 involved in.

28 CHAIR JAMES: Confusion?

29 COMMISSIONER WILHELM: It sounds to me like an
30 extrapolation from your last comment about the fact that the

1 federal government has certain ancillary things it can do to help
2 the states in trying to enforce, but I didn't hear it the way it
3 was written, no.

4 CHAIR JAMES: Say it again, one more time, the correct
5 way that you would like to see it stated.

6 COMMISSIONER BIBLE: Well, it seems to me that the
7 federal government, we delineated two areas of federal
8 responsibility, one being tribal, the other the Internet. There
9 is some ancillary responsibility in terms of law enforcement,
10 where they provided assistance to states, tribal governments, and
11 the law enforcement area, they have been helpful.

12 CHAIR JAMES: What is the turnaround time on
13 transcripts, by the way?

14 DR. KELLY: It is ten days, so we just got in the
15 transcripts from the last meeting.

16 CHAIR JAMES: The reason I asked this is because there
17 is a great deal of pressure to capture it accurately. But we
18 will, at some point, have a transcript to be able to go back and
19 look and see if we did capture it --

20 DR. SHOSKY: Madam Chair, may I make a suggestion?

21 COMMISSIONER BIBLE: And you also need to add, you need
22 to make sure that you highlight the policy decision. I think we
23 need to make a determination that if the policy decision is made
24 to legalize gaming, it can be regulated, specially -- it can keep
25 organized crime out.

26 The policy decision we are not addressing at this
27 point.

28 CHAIR JAMES: You want to put that in this chapter,
29 that if a state decides to do that, it can effectively do that?

1 COMMISSIONER BIBLE: Yes, I think that is conclusion of
2 regulation. That is what we were talking about.

3 CHAIR JAMES: Is that a consensus, does anybody
4 disagree with that?

5 DR. SHOSKY: Just for my own notes could you say that
6 one more time, I just want to make sure.

7 COMMISSIONER BIBLE: You want to draw a conclusion that
8 if a policy decision is made, whatever that process is by which
9 it gets made, is made to have legalized gambling, that it can be
10 regulated, it can keep corrupt elements out, certain policy
11 roles, fairness of games, and --

12 CHAIR JAMES: Maybe if it were stated strongly in the
13 light, this not being the only policy decision, there are other
14 things to be taken into consideration.

15 COMMISSIONER LEONE: I think Bill is just saying if you
16 decide to do gambling you can -- I mean I guess I'm not convinced
17 that the -- I guess I'm not sure that this is the right place for
18 it, but I'm convinced on the other side of -- that if you make
19 the decision to do it, and by you in this particular case I'm
20 talking about the government, I'm convinced that the addiction
21 rate for governments began in the 100 percent, whatever NORC
22 finds about individual, I think the addiction for government is
23 100 percent. And I think that the percentage of governments who
24 become what we learn to call chasers, pursuing ever more elusive
25 jackpots, is nearly 100 percent.

26 So that is a separate, but that is not a regulatory
27 issue, that is a consequence of a policy decision which I hope we
28 will discuss in some length at another part in the report.

29 COMMISSIONER DOBSON: I don't want to beat this
30 advertising thing to death, but as I think about where that is

1 going to be, I think my concern is that people will read this
2 section with regard to federal involvement and may never get to
3 the other portions.

4 I recognize that what I'm recommending ought to be in
5 the advertising section, but I think there ought to be some
6 reference to it in this chapter so that it is clear we have a
7 concern there.

8 CHAIR JAMES: Yes, I think we said that there could be
9 a reference statement, where we make the statement and then refer
10 to that.

11 CHAIR JAMES: That is fine.

12 CHAIR JAMES: Well, I think this is probably as good a
13 time as any to close out this particular portion of our
14 discussion. I see, by our schedule, we are supposed to have a
15 break here.

16 We will take a ten minute break, and get back together
17 at 11 o'clock.