

1 CHAIR JAMES: I'm going to ask us to come to order.

2 With that, following the same process that we used this
3 morning, I'm going to ask John if he would kick us off with his
4 summary remarks on the casino chapter.

5 DR. SHOSKY: Casino?

6 CHAIR JAMES: Lottery, sorry.

7 DR. SHOSKY: Sure, be glad to. In your briefing books
8 there is an outline of the lottery chapter. That outline speaks
9 for itself.

10 What I would like to do is just to highlight a few
11 issues that I hope you will talk about. One issue that we have
12 been doing quite a bit of research on, but unsatisfactory
13 research in my opinion, is video lotteries.

14 The reason I say unsatisfactory is because we have a
15 lot of articles that have been written about it, we have a lot of
16 stories and information, but we are really looking for more
17 statistical information. I realize that there is some out there,
18 but we are still trying to find more.

19 There is a second issue that we have been exploring in
20 this chapter, and in the advertising chapter, and that is the
21 question about lottery advertising.

22 As you know there was a very compelling presentation by
23 Dr. Cook from Duke, and we were integrating not only the Cook and
24 Clotfelter report, but also the testimony by Dr. Cook into the
25 chapter.

26 To show you how much we are integrating it, as a matter
27 of fact, we are using the specific ads themselves as part of the
28 chapter, if that meets with your approval.

29 Some people have been very interested of getting copies
30 of the visual presentation that he made, and we are trying to

1 integrate into the chapter a description of some of those ads,
2 and the actual language in the advertisings.

3 In addition there is a whole question about state
4 regulation. I mentioned at the beginning of the last section
5 that we went through, that the lotteries are often regulated by
6 separate entity. And the report that we received from Duke
7 University has much to say about that.

8 And in point of fact there is the assertion made in the
9 report that these agencies, the state agencies that are
10 overseeing the lotteries become very powerful and operate to --
11 operate within their domain to such an extent, with such
12 unaccountable power, according to the report, that they have
13 labeled it a new form of government.

14 So I thought that was something we might want to look
15 into as well.

16 CHAIR JAMES: They being?

17 DR. SHOSKY: Cook and Clotfelter. And as well I was
18 hoping you would consider the whole issue of funding, and the
19 regressive nature of the lottery.

20 You probably remember in the report that we received
21 from Duke there is a discussion of alternative models on pages 22
22 and 23. They suggested that these were models that we might want
23 to take a look at, and see if those would figure into any
24 recommendations that we wanted to issue.

25 So, anyway, I was hoping that those would be issues
26 that we might look at now.

27 COMMISSIONER LEONE: Were there any other comments from
28 the Commissioners on this topic that were submitted in writing?

29 DR. SHOSKY: Yes, sir. As a matter of fact there are
30 several. I have some comments from Commissioner Dobson, I have a

1 draft outline from Commissioner McCarthy, and I have other pieces
2 of information that various Commissioners have sent down to me.

3 CHAIR JAMES: Has that been distributed to all the
4 report subcommittee?

5 DR. SHOSKY: It has not, it has not. I would be glad
6 to do that.

7 CHAIR JAMES: Well, I think the instructions were that
8 whenever Commissioners comments come in we share them with
9 everyone so that we can respond to that.

10 DR. SHOSKY: I'm sorry, perhaps I have misspoken. What
11 I'm specifically identifying are, except in two cases, are just
12 pieces of material that came down that I thought were things we
13 would file. They weren't comments per se as much as they were
14 just pieces of information.

15 However they are extensive. One is this outline from
16 Commissioner McCarthy that was sent to everybody on the report
17 subcommittee, and the other set was comments from Commissioner
18 Dobson, which I did not, but I would think --

19 COMMISSIONER LEONE: Did everybody get my comments?

20 DR. SHOSKY: Well, I'm not sure what you mean.

21 COMMISSIONER LEONE: I sent a memo that --

22 DR. SHOSKY: That is great because I have all the
23 correspondence right here, so I can look that up.

24 CHAIR JAMES: The question is, the process is that when
25 the comments come in they go out, and of course I get them, and I
26 assume that the rest of the Commissioners get them.

27 DR. SHOSKY: The distinction I'm trying to draw is
28 something like this. Commissioner Leone sent me, recently,
29 something that says FYI on it, and it was a letter he received,
30 it was a story he just wanted me to have.

1 CHAIR JAMES: No, we are not talking about that.

2 DR. SHOSKY: Right. That is the extent of everything
3 else I'm talking about. But the specific sets of comments --

4 CHAIR JAMES: Dr. Dobson's comments on lotteries, were
5 they shared with the other Commissioners?

6 DR. SHOSKY: I got them from you, so I don't know.

7 COMMISSIONER BIBLE: You had a general set that was
8 sent to all the Commissioners.

9 DR. SHOSKY: That is what I'm referring to.

10 COMMISSIONER BIBLE: A whole long laundry list of
11 recommendations.

12 DR. SHOSKY: Exactly, that is what I'm referring to.

13 COMMISSIONER BIBLE: Now, Commissioner's McCarthy's
14 material was not circulated to me. I have not seen that.

15 CHAIR JAMES: So the only piece that seems to be in
16 question at this point is Leo's?

17 COMMISSIONER MOORE: Well, we got an outline from Leo.

18 DR. SHOSKY: Right. That is all it is. It is cc'd to
19 the entire --

20 CHAIR JAMES: I think everybody got that.

21 COMMISSIONER BIBLE: I have not seen that document.

22 COMMISSIONER MOORE: It says to the drafting committee.

23 CHAIR JAMES: He probably only sent --

24 DR. SHOSKY: And virtually every one of the issues on
25 there I tried to incorporate into the outline.

26 CHAIR JAMES: I guess at this point I'm just asking a
27 process question, John. And that is, when Commissioner comments
28 come in the process should be, it seems as though it is working,
29 but I want to be clear that it goes to every other Commissioner

1 so that they have the opportunity to see what each other is
2 saying.

3 DR. SHOSKY: That is the process, and I'm hoping that
4 that is exactly what we have done. And if it isn't we will
5 redouble our efforts.

6 CHAIR JAMES: Is there anything else that we can think
7 of that hasn't already -- okay, go ahead.

8 DR. SHOSKY: Thanks, I'm done.

9 CHAIR JAMES: With that we will open it up for
10 discussion. I know it is after lunch, but I can always come up
11 with you to come up with a provocative thing.

12 COMMISSIONER LEONE: Well, could we --

13 CHAIR JAMES: We should let lotteries die a natural
14 death.

15 COMMISSIONER LEONE: That is the last thing that would
16 happen to them, and that is like saying let cancer die.

17 Should we focus on the recommendations section? Since
18 I think we don't, you know, we only got the outline, and we have
19 the Clotfelter and some other material that we know we are going
20 to incorporate.

21 CHAIR JAMES: Let me ask you this. Respond to this,
22 and I'm asking you to think about your answer. If you could read
23 the chapter on lotteries you want to be sure that it says what
24 about lotteries? Bill?

25 COMMISSIONER BIBLE: Well, we had a fairly extensive
26 discussion at the Commission level about this in the afternoon
27 meeting last time.

28 CHAIR JAMES: Could you summarize that?

29 COMMISSIONER BIBLE: Well, some of those consensus type
30 issues were, I guess maybe it was reiterated or re-conveyed in

1 Richard's memo in terms of having a third party control over some
2 of the lotteries, because they are an operation of the state
3 government, and may not be sufficient distance between the
4 lottery operation and a regulatory mechanism, that there cannot
5 be sufficient oversight.

6 There was concern about the advertising practices, and
7 we asked for some additional information.

8 CHAIR JAMES: I'm not seeing notes being taken by
9 staff.

10 COMMISSIONER BIBLE: And we made --

11 CHAIR JAMES: Are you getting all of this?

12 COMMISSIONER BIBLE: And we talked about a number of
13 the same issues in terms of the study material we have, the
14 regressive natures of lotteries, targeting practices, areas like
15 that.

16 COMMISSIONER DOBSON: I'm in agreement with what you
17 just said, Bill. I -- having a separate regulatory agency, did I
18 understand you correctly that we talked about that?

19 COMMISSIONER BIBLE: Yes, I thought we talked about
20 that, I know Commissioner Lanni indicated he felt that a number
21 of the members should be subject to some of the suitability
22 standards that apply to commercial gaming industry.

23 COMMISSIONER DOBSON: Self-regulation, even for the
24 state government in this area is not wise. Would you agree with
25 that?

26 COMMISSIONER BIBLE: Some examples it hasn't worked. I
27 would tend to agree that there needs to be oversight. After we
28 talked about it, the lottery people came forward and they
29 indicated they do, in a lot of cases, have oversight committees,
30 or oversight boards.

1 COMMISSIONER DOBSON: I would hope that would be an
2 item that we would focus on. Another recommendation, if I may --

3 CHAIR JAMES: Please.

4 COMMISSIONER DOBSON: -- would be that we recommend
5 that the lotteries contribute to treatment programs for problem
6 pathological gamblers.

7 COMMISSIONER LEONE: I actually don't have a problem
8 with that. The state that operates it, I believe, should somehow
9 fund those kinds of programs. Exactly how they do it, I don't
10 know if they earmark revenues, or exactly how it is done. But I
11 would, at least, be in general agreement that there should be
12 monies allocated for treatment programs.

13 I actually went a little further than that in my memo,
14 and even though it is a little artificial to tax the purchase of
15 a lottery ticket, since the lottery ticket is a tax, I like the
16 idea of recommending that states consider putting a tax on it,
17 because people are conscious when they pay a tax that they are
18 paying a tax.

19 And the fact that they are paying a tax that is devoted
20 to the treatment of pathological gamblers or educational programs
21 for youth about the dangers of gambling would mean every time
22 somebody bought a lottery ticket, in a way we would be reminding
23 them that there is a cost in this, and the cost is incorporated
24 in this excise tax that is on top of what you pay for a ticket.

25 CHAIR JAMES: Why would you be opposed to just phrasing
26 it that a portion of the profits be used?

27 COMMISSIONER LEONE: I think that then it is opaque,
28 and it wouldn't make any difference to the average player. The
29 average player has only the vaguest notions as to where the money

1 is going. Most of them think that it could be used to replace
2 the state income tax, or something.

3 In a state like New Jersey where all gambling revenues,
4 including the casinos, amount to about three percent of the state
5 revenues, in the minds of the public they always seem to think
6 that it amounts to about 90 percent of the revenues, and they
7 always want to know why they need any other money.

8 I think there are two or three ways I would like to --
9 I think we can affect behavior and it means something, introduce
10 an element of restraint through education and through reminding
11 people that this is something you have to be careful with, this
12 is something with some consequences.

13 That is why we've talked about the odds, creating some
14 other notions, and I guess I just believe, I don't know -- I can
15 see the argument in the states is going to be, that will bring
16 our gross down, and it will cost us money. We will lose more
17 than we get from the tax. But I like the tax, I think the tax is
18 like hitting people a little bit every time they buy a ticket.

19 CHAIR JAMES: Then you get into a philosophical
20 discussion of whether or not we ought to try to regulate people's
21 behavior through the tax code, which is an interesting
22 discussion.

23 COMMISSIONER LEONE: We do that all the time, alcohol,
24 tobacco.

25 CHAIR JAMES: Whether we should or not is another
26 question.

27 COMMISSIONER BIBLE: And the question goes someplace
28 else in terms of earmarking whatever rate you decide kind of
29 drives the program. I never have liked earmarking. Earmarking
30 determines the program levels so the tax rate isn't set

1 appropriately to people that need to be taken care of, or if it
2 is set too high then it becomes a surplus. It just simply
3 doesn't work.

4 COMMISSIONER DOBSON: I haven't thought that through,
5 but at least an argument could be made for the fact that that
6 hands to the lottery, to the state people, yet another -- their
7 propaganda about the social benefits of buying a lottery ticket.
8 When you buy this ticket you are helping to treat those that have
9 a problem with this.

10 COMMISSIONER LEONE: I guess that is a good point, Jim.
11 Actually I was hoping that --

12 COMMISSIONER BIBLE: It would make a great commercial.

13 COMMISSIONER DOBSON: It will.

14 CHAIR JAMES: You know, as I said, it is an interesting
15 philosophical discussion to have. However, if at the end of the
16 day the desire is to provide more opportunity to have resources
17 to treat problem and pathological gambling, I think you are more
18 likely to be able to get a governor to say that we will take some
19 of the proceeds and do that, than it is to say we are going to
20 tax lottery tickets.

21 COMMISSIONER LEONE: I think that is true. There are
22 three things I'm trying to deal with; the culture in which the
23 Government encourages gambling as something that produces good
24 outcomes; the behavior of governments who find that it is a
25 totally painless way to get money from people, because it is not
26 seen, generally, as a tax.

27 And, third, the behavior of people who often don't
28 think through whether they are buying too many tickets. We know
29 that they have some problems with --

30 CHAIR JAMES: No disagreement.

1 COMMISSIONER LEONE: And I'm just looking for ways to
2 affect all of that. And I think, therefore, making it a little
3 less pleasant for everybody involved, including the governors,
4 this may not be a very good idea, there may be some other way.
5 There may not be any idea.

6 But to think of practical, since I don't think states
7 are going to repeal the lotteries in the foreseeable future, I
8 think of ways to mitigate what I see as their negative effects.

9 I'm just trying to be imaginative. I do think you are
10 quite right that as far as treatment goes it would be easier to
11 take the money out of the proceeds. And my problem is that I
12 think that would be almost too easy.

13 It would be a grand gesture and the governors would all
14 come out and say, I never liked it anyway, and I'm going to take
15 care of these people who have a medical problem. And then you
16 make the whole issue a medical problem, which we are taking care
17 of.

18 And, frankly, I think there is a lot of hypocrisy among
19 the governors and legislators who all don't like gambling but
20 want more revenue from it.

21 COMMISSIONER MOORE: Would you rather it be like if you
22 bought a lottery ticket for a dollar that you have tickets and
23 things of that nature, that you have it broken down by, say,
24 whatever they decided on, like a five percent tax, and say three
25 percent goes to pathological gambling, and two percent for this,
26 only 95 percent of that dollar sale for that dollar ticket can go
27 into the lottery fund to pay these people that run it, and also
28 to pay the people that win?

1 That would be, you know, in football or athletic
2 events, the Government can use the tax, they have to figure out
3 where that goes, and what is the best use for it.

4 COMMISSIONER LEONE: Never amused you, did it?

5 COMMISSIONER MOORE: No.

6 COMMISSIONER DOBSON: I have two other suggestions, if
7 I may.

8 Recognizing that what we recommend here does not have
9 the force of law, we can still make the recommendations. And I
10 think we should state that lotteries should not be used for
11 casino type activities.

12 CHAIR JAMES: You mean the fast paced games?

13 COMMISSIONER DOBSON: Casino style games and so on.

14 COMMISSIONER MOORE: That is where we got into trouble
15 in California, or where they got into trouble.

16 CHAIR JAMES: That is a nice recommendation. I don't
17 hear any objection?

18 COMMISSIONER MOORE: I like that suggestion.

19 COMMISSIONER DOBSON: The second one I feel even more
20 strongly about, having to do with the strong recommendation that
21 the lotteries reduce their dependence on low income people for
22 their sales in a variety of ways.

23 And that takes us back into advertising to some degree,
24 but to --

25 CHAIR JAMES: How would they do that? I'm there, but
26 how would they do that?

27 COMMISSIONER DOBSON: I'm not sure. Maybe the number
28 of outlets that are placed in the lower income areas compared
29 with other parts of the city. The state, again, the way that it
30 is advertised and pitched to poorer people.

1 My greatest concern about the lottery is that it preys
2 on the desperation of the poor, maybe more than any other form of
3 gambling. And it would appear, from the testimony we have had,
4 that the state people know that, and take advantage of it.

5 And I don't know how we can get a handle on that, but I
6 sure would like to do it. If no other way but by recommendation.

7 CHAIR JAMES: Comments? Disagree?

8 COMMISSIONER LEONE: Well, I think that the more
9 startling statistic about the lotteries that we have been
10 studying was that 5 percent of the people buy 51 percent of the
11 tickets, and spend an average of 3,500 dollars a year on lottery
12 tickets.

13 Unless those 5 percent happen to be quite well off, and
14 the other numbers suggest that that is not likely, that means
15 that a relatively small portion of the population are providing
16 all the income for the lotteries.

17 And I think there is, I think you are right, there
18 should be some covert force directed at the --

19 COMMISSIONER DOBSON: Some of that may be because
20 desperate people do desperate things. The question I have is how
21 much of it occurs as a result of specific marketing efforts to
22 those people.

23 CHAIR JAMES: Let me tell you what I'm struggling with,
24 and see if we can figure out a way to word it. And that is, I
25 heard a great deal of consensus on that very issue when we talked
26 about that extensively at the last meeting.

27 And we talked about the right of the poor people who do
28 dumb stuff, like buying lottery tickets when the odds are so
29 incredible, and they really can't afford to do that.

1 But what I'm -- and I think we can make a very strong
2 point, I think we can make a very strong case for that, it is a
3 tremendous concern, and have the charts and the data to show
4 that.

5 Then when I get to the point that says, therefore this
6 Commission recommends that state governments -- what would you
7 put in?

8 COMMISSIONER DOBSON: I think it would be a statement
9 that this is -- that this should be a major concern not only of
10 the state regulators, but of the people themselves, that the poor
11 appear to be more vulnerable and more likely to be hurt by
12 lotteries, and in some cases marketing that is addressed to them,
13 and this is deplorable. If it goes that far I would be satisfied
14 with it, if it would be.

15 But I said at the last meeting, I really would like
16 this to be one of the strongest things that we have to say.

17 COMMISSIONER BIBLE: Well, the issue, to a large
18 extent, ratchets into the convenience gambling issue that we are
19 going to talk about in terms of the devices. To me this is not
20 much different than OTB where there is not a track, and it is not
21 much different than having a slot machine available. It is a
22 gaming device that is deployed out in the neighborhood very
23 broadly, it is generally available.

24 COMMISSIONER DOBSON: The difference is that the fox is
25 in the hen-house, you know?

26 COMMISSIONER BIBLE: I understand the difference in
27 terms of who is operating it, and that they may not be subject to
28 some of the constraints that a private enterprise would be were
29 they operating it. I think we should do some recommendations in
30 that area, and I think probably attack your issue in terms of the

1 marketing practices, in terms of making it available to the
2 policy makers that drive these sort of things data as to where
3 the ticket sales are coming from.

4 I don't think a lot of policy makers are aware of that.
5 Maybe they are aware of it, but they just simply disregard it.

6 COMMISSIONER DOBSON: No evidence of this but I can
7 imagine elected representatives who want to increase the revenue
8 leaning on lottery directors to get that done without a lot of
9 oversight as to what they are doing to make it happen.

10 COMMISSIONER BIBLE: I think I pointed that out at
11 least in one of the meetings, that the lottery people are in a
12 tough position because they are being told to go out and operate
13 this thing like a private enterprise, not like a federal
14 enterprise, and then they are being criticized for you are
15 getting a little too free spirited in what you are doing.

16 But you have to recognize that this is a governmental
17 enterprise, the government should have a mechanism in place where
18 there is some restraint as to how these things operate. I don't
19 think it is --

20 COMMISSIONER DOBSON: Maybe the mechanism would be for
21 us to recommend to those independent regulatory agencies that we
22 are suggesting, that these issues be addressed.

23 COMMISSIONER BIBLE: At this point you don't really
24 have an independent regulatory agency in most jurisdictions.

25 COMMISSIONER DOBSON: That is our recommendation.

26 COMMISSIONER BIBLE: It will create something like
27 that, some sort of an oversight board that is comprised of
28 private citizens that have data available that can make
29 reasonable policy choices as to how they market, the type of

1 games they offer, things of that nature, is where I think you are
2 headed, and that makes good sense.

3 COMMISSIONER LEONE: Let me throw out an outlandish
4 idea, but one that fascinates me, and I'm indebted to one of my
5 colleagues at the foundation for it.

6 I threw out this challenge which was, in other
7 respects, if one wanted to affect behavior on the part of the
8 public officials here, one would look for a way to reduce the
9 incentive they have to induce people to bet a lot on the lottery.

10 And, of course, the simple answer to that is if the
11 Government didn't receive any of the revenues, except for the
12 cost of operating the lottery, the incentive to spend a lot of
13 money advertising, and encourage people, would be gone.

14 On the other hand, the players would be better off,
15 they would get more money. And that led to something that was to
16 be called a savings lotto, that might have significant other
17 effects.

18 Here is the way it would work. I have never heard of
19 this, and I believe it is original, and it has potentially some
20 wrinkles that would be interesting. It might take a year to get
21 underway because you would have a drawing every week, but you
22 wouldn't have a first drawing for the first week, until a year.

23 All the money would go in a pool, it would be invested
24 in marketable securities --

25 CHAIR JAMES: I knew you were going to get that in
26 there.

27 COMMISSIONER LEONE: Everybody wants a piece of the
28 treasury market, or the stock market. It would be safe, in other
29 words.

1 At the end of the year there would be a drawing, and
2 some people would receive a very large proportion of the upside,
3 or less of the downside, if it was a bad market year. Everybody
4 would receive something back, unless we hit a great depression or
5 something.

6 And this is the kind of saving that Bernard points out
7 may actually be a practical and appealing thing for average to
8 low income people and others who basically don't save.

9 The drawing every week, the Government would simply
10 deduct the cost of conducting the savings lottery. Over time
11 people might even get into the habit of thinking that putting
12 money away and this way you get a return, is quite like what
13 happens in the stock market. Some people pick winners, and then
14 some people are like me.

15 It demonstrated to me whether or not this particular
16 idea is a good one, is that with a little imagination a governor
17 and a legislator who wanted to do something about lotteries, and
18 who were willing to forego the income --

19 CHAIR JAMES: And therein lies the problem.

20 COMMISSIONER LEONE: Therein lies the problem. Well,
21 in good year, good boom years when you have the kind of
22 democratic prosperity we have now in the country, all the states
23 are enjoying surpluses, could begin to wean themselves away from
24 this dependence, and yet continue to provide a product that
25 apparently a lot of people want.

26 Whether this is a great idea or not, I think the
27 Commission might, because of how we feel about this, want to talk
28 about the importance of treatment. Obviously it is hoity toity,
29 and no one has to adopt it.

1 But the other ideas that this would provoke, that
2 became actual practice, I tell you something, a person who
3 campaigned for this alternative to the kind of lottery you have
4 now, where 50 percent of the money doesn't go back to the people,
5 we would have a powerful campaign issue against an opponent.

6 CHAIR JAMES: Comments?

7 COMMISSIONER MOORE: I believe that would kill lottery.

8 CHAIR JAMES: Interesting idea. I would like to see
9 you present it to the National Governor's Association and see how
10 far we can get there.

11 COMMISSIONER LEONE: Send them a letter.

12 CHAIR JAMES: Well, you know, I think and I know we
13 ought to be able to state that there ought to be some ideas, some
14 creative ideas given. That could be one, perhaps there are
15 others, and suggest that given the implication on this for poor
16 people, for -- and I have to confess, when I looked at the
17 figures and saw the data and saw the disproportionate impact on
18 minorities, that was extremely troubling to me.

19 We ought to give some serious consideration for some
20 alternatives. I'm not sure -- we need to flesh that one out a
21 little bit to see if we can make it fly.

22 COMMISSIONER MOORE: Let me ask Jim if he mean like
23 sort of -- I stated one time that the lottery would just be
24 definitely just buying the ticket, and there wouldn't be any
25 scratch-offs and all of that, quickpay, or whatever they call
26 them, because I don't think that there is any regulation
27 whatsoever, like in the state of Florida, I believe anyone can go
28 in the convenience store and get five gallons of gas and go in
29 and pay for it, and if he is 12 years old, pick up a handful of

1 those scratch-offs, and scratch it off, and just kind of win
2 back.

3 So you are just talking about -- and I would like to
4 see the states that have a lottery, just have a lottery ticket,
5 and that is it, and then a drawing at the end of the week, or two
6 weeks, or whenever they draw it.

7 Is that what you --

8 COMMISSIONER DOBSON: Yes, it is. I would like it to
9 be the least creative possibility. Obviously I'm looking to
10 narrow the involvement of the lottery.

11 COMMISSIONER BIBLE: What you in effect said is that
12 you want game outcome determined by a central computer?

13 COMMISSIONER DOBSON: Right.

14 COMMISSIONER BIBLE: And I think what you are talking
15 about in terms of scratch-offs, you are talking about not even
16 run by the lottery, they are just promotion that somebody is
17 selling something that the --

18 COMMISSIONER MOORE: No, no.

19 COMMISSIONER BIBLE: You can buy scratch- offs, but are
20 they actually lottery scratch-offs that you can buy, a twelve
21 year old.

22 CHAIR JAMES: I have no personal knowledge of that,
23 Bill, but I do understand --

24 COMMISSIONER BIBLE: A twelve year old?

25 COMMISSIONER MOORE: I don't think that the convenience
26 store operator -- I mean, I don't think it is lawful for the 12
27 year old to buy them.

28 COMMISSIONER BIBLE: But he can buy them?

29 COMMISSIONER MOORE: But they buy them.

1 COMMISSIONER BIBLE: They are actually a lottery
2 product.

3 CHAIR JAMES: I think one of the things that you can
4 say is to encourage the states to do a better job of enforcement.

5 COMMISSIONER BIBLE: And I think that is included in
6 the NORC survey, that the lotteries is where adolescents tend to
7 gamble the most frequently. So, obviously, there is not much
8 control over the outlets, which gets back into the convenience
9 gaming area. They are not very well controlled.

10 COMMISSIONER DOBSON: Are there any examples, anywhere
11 in the United States, where the states run such things as video
12 poker machines, and things of that nature?

13 CHAIR JAMES: I thought we did hear some testimony.

14 COMMISSIONER BIBLE: Yes, I think Iowa has some state
15 run slot machines at the track, I believe. I know John talked
16 about it. And a lot of those devices, though, are hooked up to a
17 state run centralized computer for control purposes. That would
18 be the case in Oregon, that would be the case in Louisiana. I
19 don't think they are actually seen as being state run.

20 COMMISSIONER DOBSON: That seems to move in the
21 direction of what you talked about of making the whole country a
22 big casino, or Monte Carlo.

23 CHAIR JAMES: John, can you summarize where you think
24 we are at this point, and what you heard consensus on?

25 DR. SHOSKY: Yes, I can. There is consensus that there
26 needs to be greater oversight. In fact, in one way or another,
27 that point has been a common theme throughout the discussion.

28 As well there is --

1 CHAIR JAMES: And where there are not oversight
2 agencies, we recommend that the states do consider those. Did I
3 hear that?

4 COMMISSIONER BIBLE: Yes.

5 DR. SHOSKY: There is also the suggestion that
6 lotteries contribute to treatment programs. There was the
7 discussion that there be a tax for treatment programs and for
8 education.

9 CHAIR JAMES: Well, I think those were two sides of the
10 same coin. We weren't sure whether or not we wanted to recommend
11 that they be taxed, or that we take a portion of the profits, but
12 --

13 COMMISSIONER DOBSON: That needs more discussion.

14 CHAIR JAMES: Right.

15 DR. SHOSKY: There was some discussion about
16 earmarking. The wording that a new tax might be used for
17 propaganda purposes. There is the discussion that there is three
18 things to worry about here. One is the culture of gambling, one
19 is the behavior of government, the third is the behavior of the
20 people, and we need to look at ways to affect all of that.

21 There is the discussion that lotteries should not be
22 used for casino type activities. And, also, that lotteries can
23 use their dependence on money from low income people --

24 COMMISSIONER DOBSON: Specifically marketing to them,
25 yes.

26 DR. SHOSKY: And that lotteries examine the way that
27 they are advertising to the poor.

28 A major concern is that the poor are vulnerable, they
29 are more likely to be hurt, and for lotteries to
30 disproportionately take money from them is "deplorable".

1 Oversight, some more greater restraint in advertising,
2 and also a generalized comment that lotteries establish -- this
3 is the way I wrote it down, lotteries establish some kind of
4 benchmark where it will be obvious that if you went past this
5 that you would not show any restraint. That there needs to be
6 some demarcation to alleviate that.

7 More oversight. Then there was the savings lottery
8 concept that was discussed, and that we need more creative ideas,
9 that we give serious consideration to alternatives, we do a
10 better job with enforcement, better control of the outlets where
11 one does buy lottery tickets; get more information on video
12 poker, and that is it.

13 CHAIR JAMES: Is there anything missing there?

14 COMMISSIONER DOBSON: I think Bill's clarification of
15 what I said ought to be included in there with regard to the
16 linkage --

17 COMMISSIONER BIBLE: Gaming determination is controlled
18 by a central computer?

19 COMMISSIONER DOBSON: Yes.

20 COMMISSIONER WILHELM: Just a minor clarification on
21 that very last point, and I apologize for being out for a lot of
22 that. I would think that when you said find out more about video
23 poker, would that also include keno and other kinds of --

24 COMMISSIONER BIBLE: I don't think we talked about
25 video poker. We had some question about video lottery terminals.

26 COMMISSIONER WILHELM: Yes, video lottery terminals and
27 electronic lottery keno that I'm familiar with.

28 COMMISSIONER BIBLE: What you indicated is you wanted
29 them not to be operating casino type games, and what I rephrased
30 it as the game determination will be controlled by a centralized

1 computer, which means you couldn't have these instant games that
2 are issued by the device itself, or the device making the
3 determination as to game outcome. It has to be done through a
4 central processing unit.

5 COMMISSIONER WILHELM: Again, I apologize if we have
6 already covered this ground. I, personally, have a great
7 skepticism even beyond that issue, Bill, about -- and I know
8 others in the Commission have expressed this view as well, about
9 lotteries proliferating into electronic things, which are, you
10 know, casino style games, but there are more and more of them,
11 and more and more lotteries.

12 COMMISSIONER BIBLE: And I don't -- a traditional
13 lottery is a game, it is -- essentially you can visualize drawing
14 a winning number out of a big bowl, much like they did the draft
15 numbers years ago. And what has happened is that it has been
16 decentralized, where the devices now that are deployed in the
17 various convenience stores are making the game determination, and
18 they are acting very much like slot machines.

19 They have a lot of those components. I won't go into
20 the legal arguments in California, but they have a lot of the
21 same components that go into the slot machines, they have a lot
22 of the elements of chance consideration and prize that are
23 characteristic.

24 If you want to go to a central controller you are
25 talking more about big game theory versus all these various
26 little games like instant keno, and things of that nature.

27 CHAIR JAMES: Any other points of discussion on
28 lotteries?

29 COMMISSIONER BIBLE: I think when we do talk about
30 lotteries, we also ought to talk about the paybacks, where it is

1 something like 50 percent payback. And in my mind, I have
2 already seen gambling as having a more generous payback to the
3 patron, at least in typical casino applications you are going to
4 see paybacks in the 80 or 90 percent range to patrons.

5 COMMISSIONER LEONE: And the related point is the
6 dishonesty of the payoff number, since it is normally an annuity,
7 which is worth considerably less than the number that is listed
8 at what the payoff is. You get it over 20 years, the present
9 value is a small fraction of the dollar amount.

10 I mean, that is just one of the ways in which it is
11 misleading.

12 CHAIR JAMES: I think some things will bear saying in
13 more than one place. You can certainly have that in the lottery
14 chapter, and that is also something that could be mentioned in
15 the other chapter as well.