

1 CHAIR JAMES: With that I would like to open it up for
2 discussion. Dr. Dobson? And I will not recognize any other
3 Commissioners, you just jump right in.

4 COMMISSIONER DOBSON: Mr. Anderson, you made the point
5 that gambling is popular, obviously. And that people vote with
6 their dollars whenever they buy a lottery ticket.

7 Why would that logic not follow to the Internet, and
8 why would that not apply on a national level?

9 MR. ANDERSON: Well, I certainly believe that if, in
10 fact, people end up gambling on the Internet, that they may well
11 have voted with their dollars. The problems that exist with the
12 Internet, of course, are lack of regulation, proliferation, in-
13 home playing, control over kids. There are a host of issues.

14 When we saw the Couer d'Alene tribe, for example,
15 attempt to sell over telephone lines, it never really came to
16 much success before the court decision. I'm not trying to imply
17 that voting with your dollars is the means by which we are
18 created, nor is it, in fact, the current means of approval.

19 By the way, there were 27 lottery states approved by a
20 referendum, and many times since then, interim votes on
21 continuation.

22 But, you know, voting with their dollars every day, I
23 think implicitly states support for the enterprise.

24 COMMISSIONER DOBSON: I think Mr. Bible, or somebody
25 over there made the comment before that that is very difficult,
26 if not impossible for states to regulate themselves in regard to
27 lotteries, because there is such a political incentive, and
28 otherwise, to create the rules that are favorable to themselves.
29 If not the state, who?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 MR. ANDERSON: I disagree that states are unable to
2 regulate themselves. Nevada, for example, gets 25 percent of all
3 their state revenues out of gambling, and yet is able to
4 effectively regulate with just a few gambling regulators.

5 Lotteries, on the other hand, get about one half of one
6 percent of their state revenues, on average, from lotteries, or
7 from gambling, generally.

8 COMMISSIONER DOBSON: Those are not state lotteries,
9 though, they are private enterprises, right? When you are
10 talking Nevada, you are talking private enterprise, as opposed to
11 a state run monopoly.

12 MR. ANDERSON: Absolutely, but the dependence that is,
13 I think, implied in your question, is one of revenue. Does the
14 money blind us, is the state addicted to the revenue which it
15 collects.

16 COMMISSIONER BIBLE: I think his question is one of
17 independence.

18 MR. ANDERSON: Well, there is some comments,
19 independence issue with regard to having the need for the
20 revenue, certainly. I can assure you that my state is not
21 dependent on my paltry 90 million dollars a year in an 18 billion
22 dollar budget, but they do appreciate it, and they do use it
23 effectively.

24 And, generally, a half of one percent of revenue by
25 state is, I don't think, of such substance and control that it
26 can cloud the opinions of elected public officials, half of whom,
27 or nearly half of whom are opposed to gambling in the first
28 place. The other half of whom are at least critical of all

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 gambling operations in their sense of fiduciary obligations to
2 their citizens.

3 So I see absolutely no problem with it. We face
4 hearings, you know, not every day, but very, very frequently, and
5 we face the scrutiny of a variety of people.

6 The oversight regulation and keeping honest, if you
7 will, the enterprises, is very paramount in their mind.

8 COMMISSIONER LOESCHER: I would like to ask Mr. Flyn a
9 couple of questions.

10 You would agree that federal regulation of the airwaves
11 and telephone wires, and the mail, probably be upheld in the
12 federal court system?

13 MR. FLYN: In certain cases it has, not always. In
14 fact, there was a case recently that dealt with the lottery and
15 the airwaves, and whether the federal government could prohibit
16 the advertising of lottery over airwaves that crossed across
17 state lines.

18 And it has been narrowed to where if the radio station,
19 say, is based in the state that has the lottery, they can
20 advertise, announce result, even if it crosses into a state that
21 doesn't have a lottery.

22 If the radio station is based in a state that does not
23 have a lottery, they may not. So in some cases yes, it would --
24 you know, you can't really tell how it would end up in a federal
25 court, it depends on the interplay.

26 COMMISSIONER LOESCHER: What is your opinion with
27 regard to the notion that there could be agreements state to
28 state, for instance, like in the powerball. In your opinion do

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealgross.com

1 those kind of agreements avoid the interstate commerce clause and
2 jurisdiction, or would a state to state agreement avoid that?

3 MR. FLYN: Well, there are a number of state to state
4 agreements, specially within the tax administration, be it
5 multi-state tax, compliance with sales and use tax, UDITPA it is
6 called, on apportionment of income tax.

7 There are a lot of state compacts that in of
8 themselves, of course, they would relate to interstate commerce.
9 But just because they may have a relation to interstate commerce
10 does not mean that the federal regulation is invited into that
11 area. There is not federal regulation of those multi-state tax
12 compacts.

13 And I think this would probably fall into the same
14 category.

15 COMMISSIONER LOESCHER: You know I'm a proponent of
16 sovereignty, and I really appreciate your presentation with
17 regard to sovereignty. But I look at it from the tribal
18 perspective, and the sovereignty issues there should be in par
19 and parity with that of the state governments.

20 Do you believe that that is the case?

21 MR. FLYN: Well, I think with tribal, you know, that
22 regulation of tribal affairs is reserved to the federal
23 government in the Commerce Clause, so it is not quite -- they
24 basically are equal to states in sovereignty in that issue.

25 However, the constitution does clearly enumerate to the
26 federal government the authority to regulate Indian affairs, so
27 it is a slightly different issue with the states. But they are
28 on a par of sovereignty with the states.

29 COMMISSIONER LOESCHER: Thank you.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 COMMISSIONER MCCARTHY: May I ask a couple of questions
2 of Mr. Anderson?

3 Mr. Anderson, you indicated support for the Kyl Bill.
4 The Kyl Bill has an exemption for multi-state lotteries in it.
5 If it did not have that exemption in it would you still support
6 the Kyl Bill?

7 MR. ANDERSON: I believe that one draft, at least, had
8 an exemption for states, not necessarily for multi-play states.
9 In fact there is an opinion from former Attorney General Humphrey
10 that says intra-state Internet would be acceptable under state
11 and federal law.

12 I certainly would, until the matter could be cleared up
13 over regulation, and control, and access to the home. There may
14 be ways within which it can be done.

15 I know of no lottery that is looking to the use of
16 Internet sales. Obviously we have to address the issue, but no
17 one is currently planning on doing it. It would be foolhardy in
18 a political sense, if not in an economic sense.

19 COMMISSIONER MCCARTHY: What does that mean, could you
20 just explain --

21 MR. ANDERSON: It means if that is what it took to pass
22 the Kyl Bill, I believe there would be full support.

23 COMMISSIONER MCCARTHY: Removing that exemption?

24 MR. ANDERSON: Yes, if that is what it took to pass it.

25 COMMISSIONER MCCARTHY: So the states that have
26 lotteries do support prohibit gambling over the Internet, is that
27 a safe general assumption?

28 MR. ANDERSON: On the states. The lottery people to
29 whom I have spoken, I cannot speak for state policy,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 legislatively, generally are in accord that Internet gambling at
2 this time --

3 COMMISSIONER MCCARTHY: Different subject, sir. We are
4 looking at some of the negative outcomes of gambling and trying
5 to asses the number of pathological gamblers that exist.

6 And we have done some survey work to determine how many
7 problem and pathological gamblers, those who bet in lottery
8 systems fall into that category.

9 Could you tell me, generally, of all the states that
10 are in your association, how many of them have budgeted treatment
11 programs to address that particular problem; or have you done any
12 research to try to see whether your lottery players are seriously
13 troubled gamblers?

14 MR. ANDERSON: The states generally have, by way of
15 mandate, put money in a variety of different places. Not all of
16 them have, I believe they are slow to do so, and hopefully it
17 will be picking up shortly.

18 Minnesota does fund all the treatment centers in
19 Minnesota, there are six, one of which is in-patient. In viewing
20 the patients going through treatment, for about a five year
21 period, through 1994 or '95, if I recall, just under 1,000 people
22 went through treatment, eight were lottery compulsive.

23 COMMISSIONER MCCARTHY: Let me see if I -- I wasn't too
24 clear in my question. I understand there are half a dozen states
25 that do fund treatment. My question was whether or not looking
26 at lottery operations in 37 states, how many states that have
27 lottery operations contribute at least something proportionate to
28 their lottery revenue, something out of their lottery revenues

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 towards treatment in the belief that engagement in lottery
2 betting produces at least some problem gamblers?

3 MR. ANDERSON: Lotteries are not enabled, not by law,
4 to make appropriations. It is purely a matter of legislative
5 intent. Whether it comes through general appropriation or
6 otherwise, I don't know the number of states that put money
7 directly into treatment programs.

8 COMMISSIONER MCCARTHY: Because I know they don't have
9 the power to approve that money themselves. I'm talking about
10 recommendations from the governor of the state, of the 37 states,
11 or from the lottery, the people who sit on the lottery boards.
12 Does anybody make a recommendation that we have to address this
13 negative outcome that is, in part, produced by the operation of
14 state lotteries?

15 MR. ANDERSON: I believe that if asked, and certainly I
16 have been and have responded, all lottery directors would make
17 such a positive recommendation for support. Not all lottery
18 directors are, of course, asked.

19 I am, I think, known as a fairly strong proponent and
20 argue for funding for compulsive gambling treatment, education,
21 and research, the three components. I also argue that in the
22 absence of other funding sources it should come from the lottery.
23 100 percent of it is in Minnesota.

24 I wish that it were otherwise with our casino
25 operations, and our 1.4 billion dollar gambling operation. But
26 they simply do not contribute. But the importance is to get the
27 treatment and the education and the research, not to quibble over
28 where the money comes from. COMMISSIONER MCCARTHY: In the
29 letter we sent out some months ago to all lottery directors we

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 asked the question of them whether there are state funded
2 treatment programs for pathological gamblers in your state. We
3 will have to get the numbers, but we are also doing some
4 additional research. Perhaps we could be in contact with you?

5 MR. ANDERSON: Certainly.

6 COMMISSIONER MCCARTHY: Thank you, sir.

7 COMMISSIONER MOORE: Just a simple question. Why, in
8 your opinion, do you think that a rich state like Minnesota, with
9 an 18 billion dollar budget want to fool around with a lottery?

10 MR. ANDERSON: I wish I could say it was as simple as
11 Wisconsin did it first. The fact of the matter is that it
12 shocked a lot of people in Minnesota.

13 I once appeared in front of a Senate Committee and I
14 made the announcement, Minnesotans love to gamble. There were
15 two inch black headlines like Kennedy assassinated, and I was
16 held up for some ridicule.

17 I have done it each and every year since in the same
18 committee, and yet, of course, no response. Minnesota has about
19 an 1,100 dollar per capita rate of gambling. It is among, if not
20 the highest in the country. We have 17 casinos, a billion dollar
21 charitable, little tiny horseracing, and a very small lottery.

22 The fact of the matter is that lotteries are perceived
23 to be fun, they are non-tax sources of revenue, the public voted
24 on it, and they voted overwhelmingly to do it, and the
25 legislators -- I was not there at the time, but I have read about
26 it, in fact resisted it and eventually were forced to pass it by
27 virtue of the public vote.

28 It has been very successful, and is extremely well
29 received today. It is fun, is the main reason, something to do.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealgross.com

1 COMMISSIONER WILHELM: Just for clarification, the 17
2 casinos to which you refer in Minnesota are Indian casinos,
3 correct?

4 MR. ANDERSON: Yes.

5 CHAIR JAMES: I do have a point of clarification on the
6 police chiefs perhaps being locked out. It was the New Orleans
7 meeting, and they may have been, because the hotel was flooded,
8 and nobody could get in or out. I have no idea what that is
9 referring to, but we did close that meeting early, because there
10 was six or eight inches of water in the lobby of the hotel -- 18.
11 Yes, my last sight of Dr. Dobson was in bermuda shorts heading
12 across the street wading through water.

13 I don't know, but if there is anything --

14 MAYOR GRIFFIN: I will find out, I'm passing on the
15 comments and concerns that were expressed on January 28th in
16 Washington from the mayors on the taskforce. I was not there,
17 and don't know it. I will happily find out myself, it is not my
18 intention to come here and say something that turns out to not
19 have been true.

20 CHAIR JAMES: Since I'm told the police chiefs were
21 refused entrance, and in fact were locked out of a meeting in New
22 Orleans, and all I can say is that maybe they couldn't swim, I
23 don't know.

24 COMMISSIONER DOBSON: Mr. Anderson, do I understand
25 your position is that the HMO should provide the treatment for
26 pathological gambling, picking upon what Commissioner McCarthy
27 said?

28 MR. ANDERSON: HMOs, I sat in a hearing where a major
29 Minnesota HMO said, it is something created by the state, we will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealrgross.com

1 not pay for it, and they do not. And the treatment for providers
2 are, in many cases, forced to lie, and come in with other
3 diagnoses, or to get the dominant, if it is dominant, compulsive
4 gambling aspect treated.

5 They will not pay for in-patient treatment, they will
6 not pay for treatment programs that are afforded by the state,
7 the state pays for those. I think it is unconscionable that they
8 do not cover -- where they would cover eating disorders, where
9 they would cover depression, where they would cover other issues
10 regarding impulse control disorders.

11 And this is a medical issue, this is something that
12 they need to be forced by federal law to cover. It is just
13 unconscionable.

14 COMMISSIONER DOBSON: It is a choice, however, right?
15 Those who choose to gamble and then get into difficulty with
16 pathological problems are then asked, at least the public is
17 being asked, who did not choose that, perhaps, to pay the bill
18 for it.

19 MR. ANDERSON: Well, it is certainly the same arguments
20 have been made over the years for alcohol and cigarettes, and
21 drugs, and a whole variety of other things. These are generally
22 covered.

23 But I suggest to you that much of the underlying
24 reasoning behind actions leading to compulsive gambling in fact
25 are other issues, like depression, like unresolved grief, like
26 abuse. There are many other issues that are both psychological,
27 and late evidence is churning out, quite probably base medical
28 issues involving chemical disorders, organic disorders.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433

WASHINGTON, D.C. 20005-3701

www.nealgross.com

1 And I think these issues need to be worked on, need to
2 be resolved. Gambling, I think, in most professional's opinion,
3 does not cause the compulsive behavior, it is the outlet or event
4 through which that behavior evidences itself, that makes it part
5 of the state's problem, and certainly something that needs to be
6 addressed.

7 But the underlying root cause of the compulsive
8 behavior needs to be treated and paid for as other medical
9 conditions are.

10 COMMISSIONER DOBSON: The question is which caused
11 which, which came first, the chicken or the egg.

12 MAYOR GRIFFIN: Certainly to some of the causation and
13 correlation discussions we had earlier, I began to wonder if
14 divorce caused bankruptcy, bankruptcy caused divorce, or
15 bankruptcy caused gambling, or divorce caused gambling, or
16 gambling caused divorce, or gambling caused bankruptcy.

17 These are very difficult and interwoven things, which I
18 don't know if we can resolve. But let's concede that there are
19 some cases probably going both ways, and probably a lot more in
20 the middle.

21 CHAIR JAMES: Other items of discussion or questions?

22 I would also like to remind our invited guests, who are
23 seated at these tables, that you are absolutely invited to
24 participate in the conversation, if you have a point of
25 clarification, if you just raise your hand, I will make sure that
26 you are recognized, because we want this to be an inclusive
27 conversation. Yes?

28 MR. WHYTE: Although very little research has been done
29 on cost effectiveness of treatment for pathological gambling,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 figures developed for alcoholism and drug addiction may be used
2 to perform a rough cost/benefit analysis.

3 The conclusions are compelling. A study of drug and
4 alcohol treatment in California showed that each dollar spent on
5 treatment saved approximately seven dollars in other costs.

6 many of these costs are passed on to taxpayers through
7 increased costs to the criminal justice system, public and
8 private health programs, to employers as well as families.

9 Because pathological gambling is rare, removing the
10 discriminatory exclusion of this accepted mental health disorder
11 will not only allow problem gamblers and their families access to
12 health care services, but will provide cost savings for states,
13 and ultimately all taxpayers.

14 CHAIR JAMES: I would like to ask the Commissioners if
15 there are additional points of clarification, or additional
16 information that as we go into our final deliberations on this
17 issue, you would like to ask of these or any other organizations.

18 Is there anything that the staff can compile?

19 COMMISSIONER BIBLE: When will we get the complete
20 picture of the lottery data that is being compiled for us via
21 contract, do we know? We tried to ask earlier, but I'm still
22 uncertain as to what we are going to get, and when we are going
23 to get it.

24 DR. KELLY: It was due January 31st. We are still
25 working on getting the final product. There was a delay in
26 getting some of the data in from the states, and that is what --

27 COMMISSIONER BIBLE: -- to them, but it seems to me
28 that we operate, to some extent, in a vacuum in the absence of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com

1 having all the totality of the data in front of us as we start
2 deliberating.

3 CHAIR JAMES: That's right.

4 COMMISSIONER BIBLE: It is a disadvantage.

5 CHAIR JAMES: Dr. Kelly, in your conversations with
6 them, do you have any indication of, are we looking at one more
7 week, two more weeks, three more weeks?

8 DR. KELLY: The end of this month is what they have
9 been pleading for.

10 COMMISSIONER BIBLE: Well, luckily it only has 28 days.

11 CHAIR JAMES: Unfortunately it is a short month.

12 Again, Mr. Flyn, Mr. Anderson, Mr. Griffin, thank you
13 very much for being here, and we really do appreciate your input.

14 And, again, I would like to say that the organizations
15 that have not -- that would like to still submit testimony or
16 recommendations, we are absolutely open to receiving that kind of
17 information.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.

(202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealgross.com